



FORTITUDE

HAYLEYS FABRIC PLC

ANNUAL REPORT 2022/2023



www.hayleysfabric.com
SCAN to access full integrated
Annual Report



FORTITUDE

Ours has been a journey of fortitude – a pursuit of our ambitions through every circumstance to deliver lasting value. Through our fortitude, we have remained intensely focused on the key factors of our success: productivity, passion, agility, and innovation. As we look back on an exceptional journey of evolution and progress, we pride ourselves on the inherent strength and resolve that enabled us to surmount multiple challenges over the years; and we are poised with confidence to embrace the challenges that lie ahead of us.

CONTENTS

We are pleased to present the ninth Integrated Annual Report of Hayleys Fabric PLC, setting out the performance for the financial year ending 31st March 2023. The report adopts a capitals approach in line with the IR Framework and is a concise and balanced representation of how we have nurtured our capitals to deliver sustainable value to our stakeholders.



INTRODUCTION

| | |
|--|----|
| About this report | |
| About Us | 6 |
| • Our Partners | 12 |
| • Striving for Excellence | 13 |
| • Awards and Recognition | 14 |
| • The Evolution of a Pioneer | 16 |
| • Our Socio-Economic Impact | 17 |
| • Economic Value Addition | 18 |
| Our Commitment to Sustainability | |
| • A Passion for Sustainable Innovation | 20 |
| • Driving Sustainability Principles Across the Value Chain | 22 |
| • CEO Water Mandate | 27 |
| Performance Highlights | |
| • Financial Highlights | 28 |
| • Non-Financial Highlights | 30 |
| Leadership Insight | |
| • Chairman's Message | 32 |
| • Managing Director's Review | 36 |
| • Board of Directors | 42 |
| • Management Team - Hayleys Fabric PLC | 48 |
| • Management Team South Asia Textiles Limited | 52 |

MANAGEMENT DISCUSSION & ANALYSIS

| | |
|-------------------------------|----|
| The strategic report | |
| • Our Business Model | 56 |
| • Stakeholder Engagement | 58 |
| • The Operating Landscape | 60 |
| • Risks and Opportunities | 64 |
| • Determining Material Issues | 72 |
| • Our Strategy | 74 |

PERFORMANCE AND VALUE CREATION

| | |
|-----------------------------------|-----|
| Capital Reports | |
| • Financial Capital | 78 |
| • Social and Relationship Capital | 84 |
| • Human Capital | 90 |
| • Intellectual Capital | 98 |
| • Manufactured Capital | 102 |
| • Natural Capital | 106 |

VOLUNTARY DISCLOSURES

| | |
|--|-----|
| • United Nations Global Compact - highlights | 118 |
| • Task Force on Climate-related Financial Disclosures (TCFD) | 120 |
| • GRI Content Index | 122 |
| • Sustainability Accounting Standard (SASB) - Apparel, Accessories & Footwear Standard | 131 |
| • Independent Assurance Report GRI and SASB | 133 |
| • Independent Assurance Report Integrated Reporting | 135 |

LEADING THROUGH GOOD GOVERNANCE

| | |
|--|-----|
| • Corporate Governance | 138 |
| • Senior Independent Director's Statement | 161 |
| • Report of the Audit Committee | 162 |
| • Report of the Remuneration Committee | 165 |
| • Report of the Related Party Transactions Review Committee | 166 |
| • Annual Report of The Board of Directors on the Affairs of the Company | 167 |
| • Responsibility Statement of Managing Director/ CEO and Director-Finance /Chief Financial Officer | 173 |
| • Board of Directors' Statement on Internal Control | 174 |
| • Statement of Directors' Responsibilities for Financial Statements | 176 |

FINANCIAL INFORMATION

| | |
|--|-----|
| • Financial Calendar | 178 |
| • Independent Auditors' Report | 179 |
| • Financial Statements | 184 |
| • Financial Statements translated into LKR | 232 |
| • Ten Year Summary | 234 |
| • Glossary of Financial Terminology | 235 |
| • Quarterly Analysis | 237 |





ANNEXURES

| | |
|-----------------------|-----|
| Investor Information | 238 |
| Notice of Meeting | 240 |
| Form of Proxy | 243 |
| Corporate Information | IBC |

ABOUT THIS REPORT

Reporting Principles and Frameworks

We are committed to aligning our reporting process with international best practices in corporate reporting and have complied with the following reporting frameworks in preparing this report.

| | | | |
|--|---|---|--|
|  Financial Reporting <ul style="list-style-type: none">• Sri Lanka Financial Reporting Standards (LKASs/SLFRSs)• Companies Act No. 7 of 2007• Sri Lanka Accounting & Auditing Standards Act No.15 of 1995 |  Corporate Governance <ul style="list-style-type: none">• Continued Listing Requirements of the Colombo Stock Exchange• Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka |  Narrative Reporting <ul style="list-style-type: none">• Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)• Guidelines for Presentation of Annual Reports 2022 issued by CA Sri Lanka |  Sustainability <ul style="list-style-type: none">• GRI standards of the Global Reporting Initiative• Sustainability Accounting Standard for the Apparel, Accessories and Footwear sector standard of the Sustainability Accounting Standards Board (SASB)*• Recommendations of the Task Force on Climate Related Financial Disclosures (TCFD)*• United Nations Global Compact (UNGC)*• UNGC CEO Water Mandate*• Gender Parity Reporting Framework of CA Sri Lanka |
|--|---|---|--|

* Improvements to the Report

Precautionary Principle

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

Board Responsibility Statement

Hayleys Fabrics PLC Board acknowledges its responsibility for ensuring the integrity of this Report. We hereby confirm that the 2022/23 Annual Report fairly represents the Group's integrated performance and addresses all relevant material matters that have a bearing on our ability to create value over the short, medium and long term. We also confirm that the Report has been prepared in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council.

The report was unanimously approved by the Board on 15th May 2023 and is signed on its behalf by,



E.R.P. Goonetilleke
Managing Director/ CEO






Ruwan Rohitha Bandara
Director- Finance & ESG

Feedback

We are committed to consistently enhancing the quality and readability of our Annual Report and welcome your feedback, suggestions and other comments. Please direct your feedback to,

Mr. Ruwan Rohitha Bandara

Director- Finance & ESG, Finance Department, Hayleys Fabric PLC, Narthupana Estate, Neboda, Sri Lanka.

 0094 -34- 2297100  rohitha.bandara@hayleysfabric.com  www.hayleysfabric.com

Scan QR code to refer to the feedback form

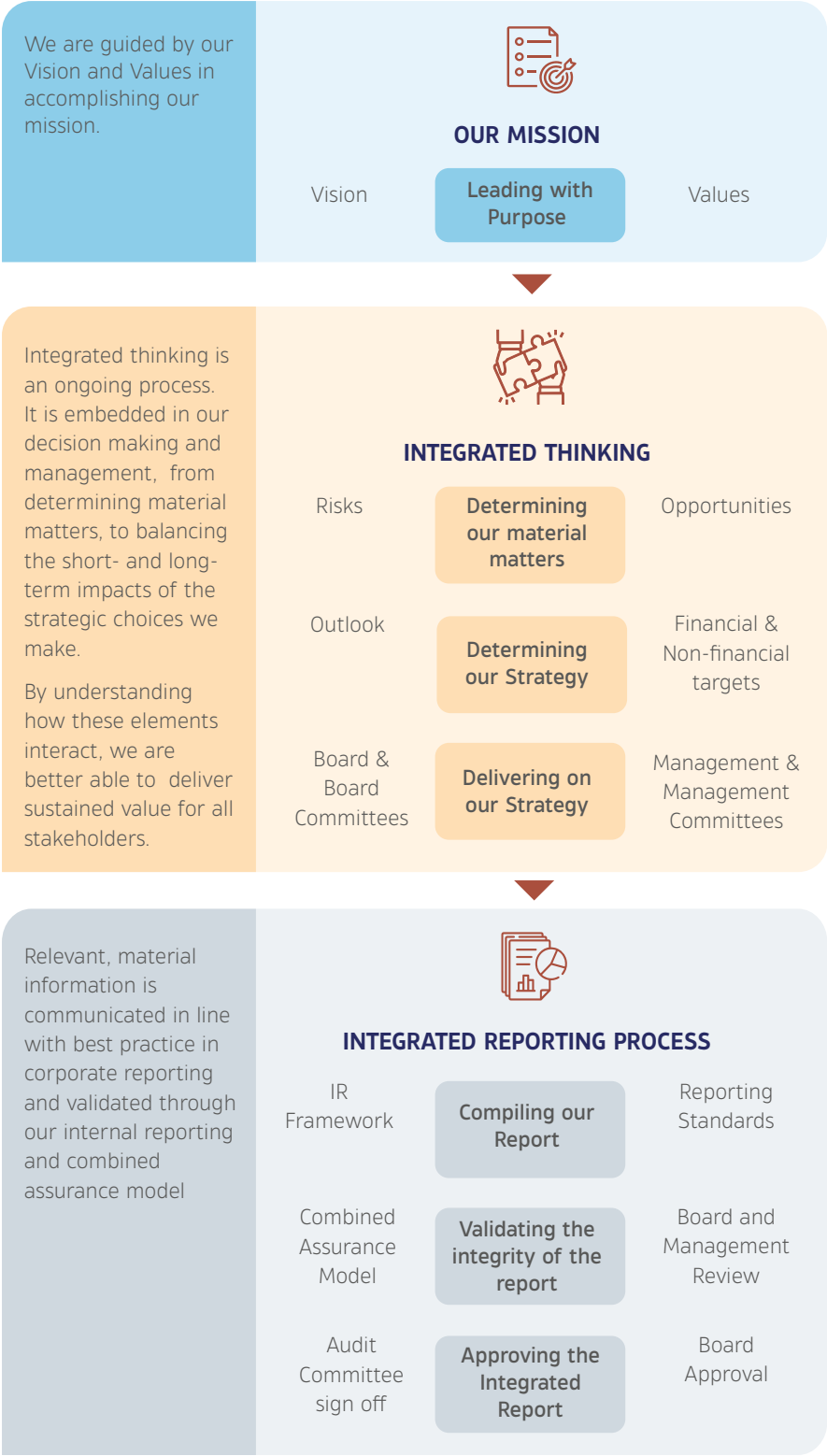
ABOUT THIS REPORT

INTEGRATED REPORTING PROCESS

We are pleased to present our 9th Integrated Annual Report- the primary publication to our shareholders, investors, and other interested stakeholders. In this Report, we provide a balanced insight into the Group's financial, economic, social, and environmental performance and impacts of the past year, while reflecting on our plans for the future.

Our integrated report is prepared following a structured process, governed by the Board, led by the Group Management Teams and delivered through Groupwide collaboration.

The date of the most recent report was 31st March 2022 and is available on our website (www.hayleysfabric.com). / Scan QR code to refer to our 8th Integrated Annual Report.



OUR INTEGRATED REPORT

Reporting Period

We adopt an annual reporting cycle for both financial and non-financial reporting. This report covers the financial period 1st April 2022 to 31st March 2023. Any material events after this date and up to the Board approval date of 15th May 2023 have also been included. There were no restatements of information nor changes to our reporting period during the year.

Prior year Comparatives

Hayleys Fabric PLC acquired 98.83% of the capital of South Asia Textiles Limited on 22nd April 2021 and the remaining 1.17% on 15th July 2021. Consolidated financial statements were prepared accordingly last year and are reflected in the prior year comparatives for the FY ended 31st March 2023. Full Year Consolidated financial statements are presented for the financial year ending 31st March 2023.

Scope and Boundary

We report on the primary activities of Hayleys Fabric PLC and its subsidiary South Asia Textiles Limited (collectively as the "Hayleys Fabric Group").

Our integrated report extends beyond financial reporting and includes non-financial performance, risks, opportunities and outcomes attributable to or associated with our key stakeholders, and which influences our ability to create value sustainably.

Materiality

In this report we focus on material themes that can significantly impact the Group's ability to create value over the short, medium and long term.

Please refer Determining Material Matters on page 72 for more on our process for determining materiality.

ESG Reporting

We report on the sustainable-development actions and investments we have made as a responsible corporate citizen, our contribution to the United Nations Sustainable Development Goals (UNSDG) (page 118) and alignment with UN Compact Goals (UNCG) (page 118)

Combined assurance

We ensure the credibility and integrity of our reporting through a combined assurance model. The Hayleys Group's Audit Committee monitors the adequacy and effectiveness of the financial reporting and internal control systems while the non-financial information presented is verified and aggregated by the Hayleys Group Sustainability Unit.

External assurance obtained comprises the following:







- External assurance on the financial information reporting has been provided by Messrs. Ernst and Young.
- External assurance on the non-financial and integrated reporting has been provided by Messrs. Ernst and Young.

Forward-looking statements

This report contains forward-looking statements regarding Hayleys Fabric Group's future performance and prospects. While these statements represent our judgements and future expectations at the time of preparing this report, several emerging risks, uncertainties and other important factors beyond the Group's control, could materially change the results from our expectations. These may include factors that could adversely affect our business and financial performance.

NAVIGATION ICON

The Capitals

| | |
|---|-------------------------------------|
|  | Financial Capital (FC) |
|  | Human Capital (HC) |
|  | Intellectual Capital (IC) |
|  | Natural Capital (NC) |
|  | Social & Relationship Capital (SRC) |
|  | Manufactured Capital (MC) |

Stakeholders

| | |
|---|--------------------------|
|  | Customers |
|  | Suppliers |
|  | Employees |
|  | Business Partners |
|  | Government & Regulators |
|  | Communities |
|  | Shareholders & Investors |

Strategic Pillars

| | |
|---|---|
|  | Excellence in Service Levels |
|  | Inspired and Dedicated Team |
|  | Crafting a Seamlessly Integrated Supply Chain |
|  | Operational Excellence |
|  | Sustainability and Climate Action |
|  | Financial Growth |

OUR PURPOSE

To strengthen the fabric of society by knitting together a better environment for ALL!

OUR VISION

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

OUR MISSION

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

Hayleys Fabric PLC which commenced its journey in 1994 is the pioneer in fabric manufacturing in Sri Lanka, innovating a wide range of knits and fabric for top end global brands. Having acquired South Asia Textiles Limited in April 2021, we became Sri Lanka's largest fabric manufacturer, and have the distinct capability of providing a complete portfolio of end-to-end solutions from designing to manufacturing of fabric, made out of both natural and synthetic fibres.

We continuously strive to be socially responsible and carry out our activities following best practices on sustainability, environment, health and safety. Our unwavering commitments, combined with our strong innovation capabilities and high service levels, have earned us the continued trust and confidence of our buyers.

As a public listed subsidiary of the Hayleys Group, we are strengthened by a heritage of entrepreneurship and governance spanning over 140 years

In 2014, we launched our own brand, "Inno" becoming the first fabric mill in the country to do so. Inno helps us to differentiate ourselves from the rest, as a niche supplier of fashion forward, value added fabric of superior aesthetics and functionality to the current market.

Our Values

INTEGRITY

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



QUALITY

We deliver excellent standards consistently.



SERVICE

Customer decides - We put our customer at the center of all our activities.



INNOVATION

We invent in services and technologies to improve on what we do.



PEOPLE

We build our team to create value to stakeholders.



GOOD CITIZENSHIP

We care for the communities in which we work, and being environmentally responsible in all we do.



ACCOUNTABILITY

We hold ourselves responsible to deliver what we promise.



ABOUT US

Earning Our License to Operate

We strive to be at the forefront of driving sustainability and have adopted a holistic ESG agenda that supports our journey, earning us the trust and respect of our stakeholders.



Respect for employee human rights, health and safety, well being

We are committed to treating our employees with utmost dignity, ensuring ethical work practices and a safe and conducive work environment



Environmental Responsibility

We remain committed to minimising the impact of our operations on the environment



Socio-economic empowerment

We nurture relationships with a range of stakeholders including customers, suppliers and the community making a strong contribution to their socio economic development

Our Prioritised Sustainable Development Goals (SDGs)

We contribute to several of the United Nations Sustainable Development Goals (SDG's) through our operations and strategic CSR initiatives.



Our Wide Product Portfolio

We presently specialise in the synthetic range of knitted fabric suitable for active wear, lingerie and casual/lounge wear in addition to our regular cotton range. Our wide product portfolio includes the following:



Single Jersey



Interlock



Pique



Rib



Fleece



Polar Fleece



Jacquard



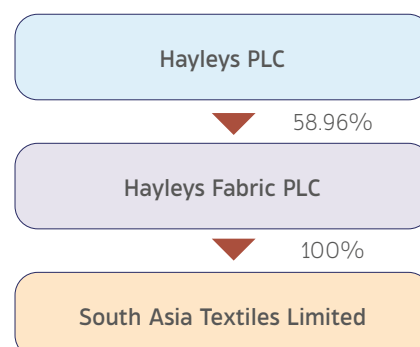
Flat Knits

Group Structure

As a public listed subsidiary of Hayleys Group, we are strengthened by a heritage of entrepreneurship and governance spanning 140+ years.

Where We Operate

Our roots date back to 1992 when we began production at the Narthupana factory. Following decades of organic growth, we acquired South Asia Textiles Limited in 2021, expanding operations to become Sri Lanka's largest fabric manufacturer. Our production plants are located at 3 sites.



Narthupuna Estate, Neboda

9,235 MT of Fabric Produced
USD 103.59 Mn Revenue
1,571 Employees



Wagawatte Knitting Factory

2,001 MT of Greige Produced
92 Employees



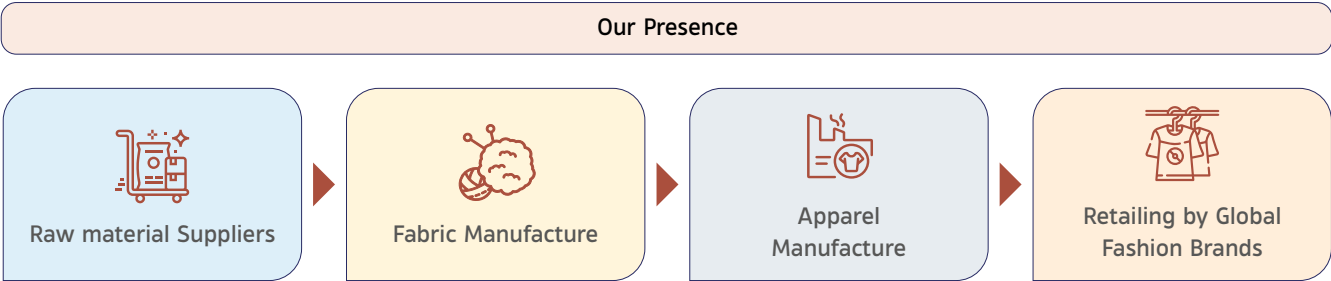
South Asia Factory in Pugoda

7,377 MT of Fabric Produced
USD 67.83 Mn Revenue
1,425 Employees

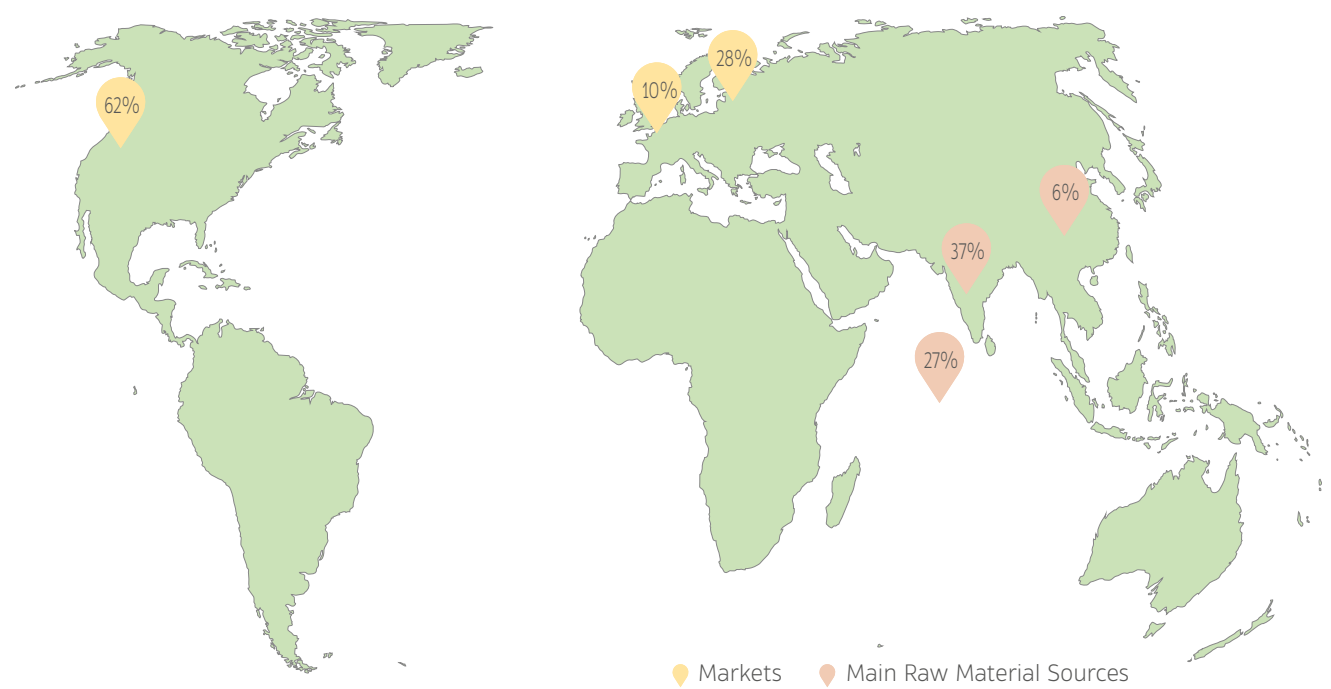
ABOUT US

Our Presence along the Value Chain

Serving high end fashion brands, we have been recognised as a leading fabric innovator in the global apparel value chain.



Diverse Growing Markets and Sources



ONE SIZE FIT FOR ALL

Made from a revolutionary fibre, this adaptive fabric allows garments to have a better fit for various lifestyles, movements and different body types.



LYCRA ADAPTIVE

A lower modulus at high stretch



A comfortable fit through a constant modulus at every stretch to every body shape.

Dynamic comfort - easy to put on



Easy to put on with the adaptive stretch and modulus given by the unique fibre features.

Size inclusivity - one fit for all



Adaptive one fabric for different body types in all regions around the world.



Extra stretch
Low modulus

AMPLIFIED WELLNESS

Made from a revolutionary mineral infused yarn that increases blood circulation to recover faster and restore, recharge & rejuvenate your body.



FIR REFLECTION

Perform Stronger



Improves strength, endurance, speed, stamina & comfort through the FIR reflection and UV resistant.

Recover Faster



Quicker muscle & tissue recovery from physical fatigue by the stimulated blood circulation.

Sleep Better



Better oxygen supply to the fatigue tissues and muscles by the amplified blood circulation.



Crystal
Minerals

ABOUT US

Our Partners

Adopting a customer centric approach, our dedicated teams work closely with a portfolio of high-end global fashion brands to bring life to innovative design concepts, developing the functionality and aesthetics of each fabric. Our resilience through the many macro-economic challenges over the years and unwavering commitment to operational excellence while following best practices on sustainability, environment, health and safety, has earned their confidence and trust.



Calvin Klein

TOMMY HILFIGER

asics

NIKE

DECATHLON

TEZENIS

intimissimi
italian lingerie

PINK
WOMEN'S WEAR

VICTORIA'S
SECRET

next

Striving for Excellence

We comply with a range of certifications and support several voluntary initiatives which have strengthened our internal processes and standards and provide assurance to key stakeholders.

| Product | Environment | Social |
|---|---|---|
|  <p>GLOBAL RECYCLED STANDARD Voluntary product standard for tracking and verifying the content of recycled materials in a final product.</p> |  <p>ISO 14001: ENVIRONMENTAL MANAGEMENT SYSTEMS One of the most popular accreditations for environmental management systems</p> |  <p>ISO 45001: OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEMS Global standard for Occupational Health and Safety Management Systems that provides a practical solution to improve the safety and health of both employees and other personnel.</p> |
|  <p>THE GLOBAL ORGANIC TEXTILE STANDARD Defines world-wide recognised requirements for organic textiles.</p> |  <p>ISO 50001: ENERGY MANAGEMENT SYSTEMS Hayleys Fabric PLC, obtained the ISO 50001 Energy Management System, certified by SGS Italy.</p> |  <p>Sedex Member</p> |
|  <p>STANDARD 100 by OEKO-TEX This is one of the world's best-known labels for textiles tested for harmful substances. It stands for customer confidence and high product safety.</p> |  <p>"Since 2018 Hayleys Fabric PLC has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption."</p> |  <p>Social & Labor Convergence</p> |
|  <p>OCS BLENDED – ORGANIC CONTENT STANDARD OCS covers the processing, manufacturing, packaging, labelling, trading and distribution of a product that contains at least 5 percent certified 'organic' materials</p> |  <p>Higg Index ROADMAP TO ZERO</p> |  <p>Responsible Care</p> |
|  <p>OCS100- ORGANIC CONTENT STANDARD Defines world-wide recognised requirements for organic textiles.</p> |  <p>CLEANCHAIN AN AELIC INNOVATION</p> |  <p>SCIENCE BASED TARGETS</p> |
|  <p>RESPONSIBLE sourcing network</p> |  <p>WE SUPPORT CEO WATER MANDATE</p> | |

ABOUT US

Awards and Recognition

We are proud to be recognised for our work as a leading performer in the industry for our innovation capabilities, employee practices, investor relations and corporate reporting. Our commitment to excellence, high work ethic and the standards we follow enabled us to continue earning recognition both domestically and internationally.



| | Company | Award/ Achievement | Description |
|---|--------------------|---|--|
| 1 | Hayleys Fabric PLC | CA Sri Lanka TAGS Awards 2022 | Bronze Award for Manufacturing Sector (Group Turnover Above LKR 10 Bn) at the CA Sri Lanka TAGS Awards 2022. |
| 2 | Hayleys Fabric PLC | iNOVA Awards 2022 - USA | Silver Award - Online Annual Reports : Manufacturing Category |
| 3 | Hayleys Fabric PLC | Mercury Award | Silver Award - Integrated AR & CSR / Sustainability Report |
| 4 | Hayleys Fabric PLC | iNOVA Awards 2022 - USA | Bronze Award - Specialty Reports : Combined Annual & Sustainability Report Category |
| 5 | Hayleys Fabric PLC | ARC Award / Honors | Script / Writing combined Annual and sustainability Report |
| 6 | Hayleys Fabric PLC | International Quality Awards 2022, United Kingdom | Winner of the Sustainability Impact Award category at the International Quality Awards 2022, due to its commitment to ESG aligns with 14 of the 17 UN Sustainable Development Goals. |



7



8



9



10



11



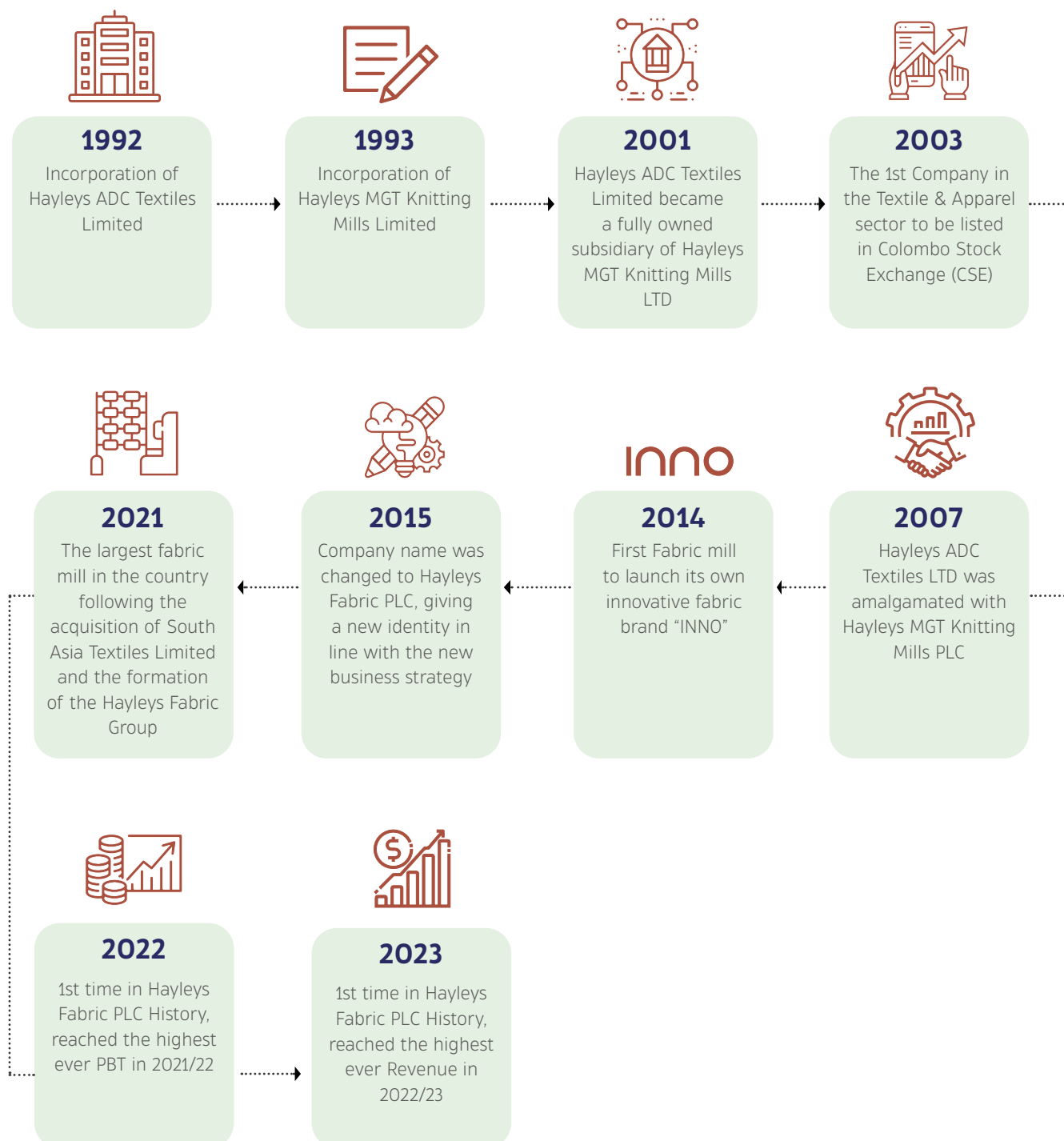
12

| | Company | Award/ Achievement | Description |
|----|-----------------------------|---|--|
| 7 | Hayleys Fabric PLC | Green Productivity Awards 2021 | Silver Award for the Advancement of Quality and Productivity. |
| 8 | Hayleys Fabric PLC | International Business Magazine Awards 2022 – Dubai | Best Textile Manufacturer In Sri Lanka 2022 |
| 9 | Hayleys Fabric PLC | International Business Magazine Awards 2022 – Dubai | Most Sustainable Textile Industry In Sri Lanka 2022 |
| 10 | Hayleys Fabric PLC | ISPO (Germany) Textrends Award Spring/Summer 2024 | Global Top Ten Products at ISPO Textrends Award Spring/Summer 2024. |
| 11 | South Asia Textiles Limited | "ISPO (Germany) Textrends Awards Fall/Winter 2024/25" | Top Ten Innovations for Street Sports" at ISPO Textrends Awards Fall/ Winter 2024/25. |
| 12 | South Asia Textiles Limited | Best Corporate Citizen Sustainability Awards 2022 | Winner" of the Best Sustainability Projects Award 2022 for THE MIDNIGHT – Eco friendly fabric prints range, produced by waste charcoal |

ABOUT US

The Evolution of a Pioneer

Hayleys Fabric Group began operations in 1992, as the first weft knit fabric manufacturing in the country. We have since pioneered many firsts to grow our operations and become the largest fabric mill in the country. Our key milestones are presented below:



Our Socio-economic Impact

As the largest fabric manufacturer in the country, we are conscious of our socio-economic responsibility, and are actively involved in working towards the betterment of all our stakeholders. A brief overview of our economic impact is illustrated below:

Promoting Sustainable Innovation

Having adopted a holistic approach towards environmental and social responsibility, we have supported positioning Sri Lanka as a Centre for sustainable innovation. Our Inno team regularly exceeds the expectations of our buyers through product and process innovations, setting us apart from our competitors.

Developing the Local Supply Chain

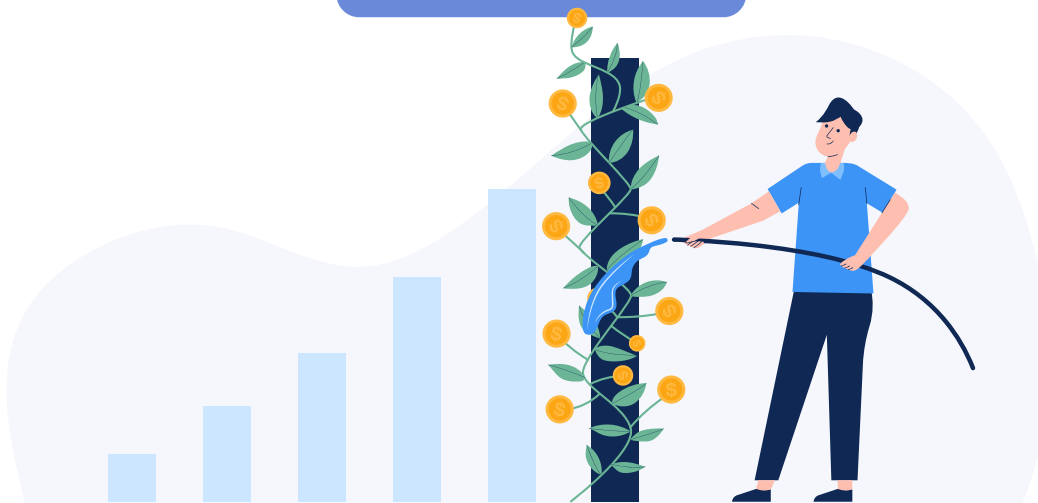
27% of our procurement is done locally. We support local suppliers including over 940 SME's by procuring materials locally whenever possible.

USD 41 Mn was made as payments to local suppliers during the year.

Contributor of Government Tax Revenue

USD 2.25 Mn was paid as taxes to the Government in compliance with relevant statutes thereby supporting the Government's fiscal policy.

Nuturing Economic Growth & Stability



Contributing towards the Growth of the Apparel sector

Strategic foresight enabled us to proactively respond to the volatile business environment during the year. We continued our operations uninterrupted.

16,612 MT of fabric was produced during the year with a total value added of USD 28.7 Mn.

Supporting Employment & Livelihoods

The direct and indirect employment opportunities created by our operations uplift livelihoods of the people. As the main employer within a 15km radius, we give preference to persons from the locality with 58% of our employees being from the surrounding community.

3,088 direct employment opportunities during the year

Foreign Exchange Earner

Export earnings of USD 165.12 Mn brought in key foreign exchange into the country during a period the nation faced a critical shortage of foreign currency reserves. The Group accounted for 46% of the country's total textile earnings.

In addition, as an import substitute, we played a greater role in the economy this year, saving scarce foreign currency outflow while ensuring regular supply of fabric to the local apparel sector. Garment exports grew 10.7% in 2022, from a year ago.

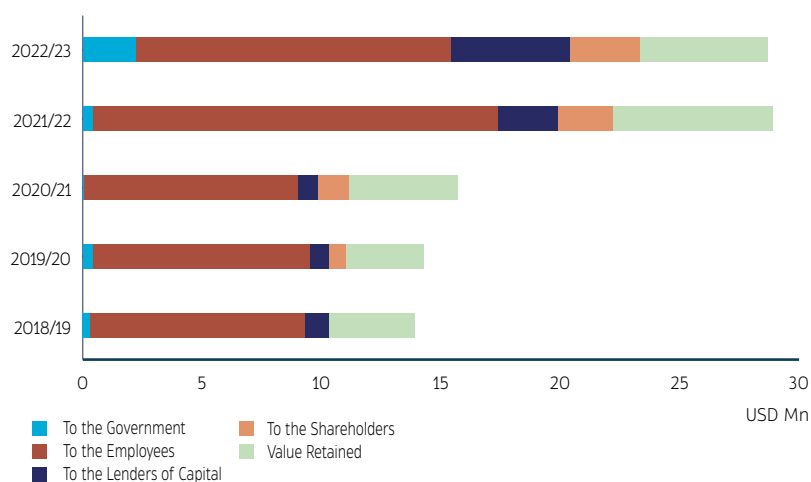
ABOUT US

Economic Value-Added Statement

Total value added accounted for USD 28.70 Mn during the year. The highest amount of value was distributed amongst our employees accounting for 46% of the total. The increase in remuneration of 36% in absolute LKR terms, is an affirmation of our commitment to the well-being of our employees, particularly in times of economic stress (Refer human capital – page 90).

| Financial Performance | 2022/23 | | 2021/22 | |
|---|---------|--------|---------|--------|
| | USD Mn | % | USD Mn | % |
| Revenue | 166.6 | | 150.2 | |
| Cost of Production and other OH | (138.6) | | (123.0) | |
| Value Added by Operating Activities | 28.7 | | 28.8 | |
| Distributed as follows to; | | | | |
| Employees: Salaries, wages & other benefits | 13.2 | 46.0% | 16.9 | 58.7% |
| Government: Taxes | 2.2 | 7.8% | 0.4 | 1.5% |
| Lenders of capital: Interest | 5.0 | 17.3% | 2.5 | 8.6% |
| Shareholders: Dividends | 2.9 | 9.9% | 2.3 | 7.9% |
| Gross Value Retained | 5.4 | 18.9% | 6.7 | 23.3% |
| Total Distribution | 28.7 | 100.0% | 28.8 | 100.0% |

Sustainable Growth in Value Created for Stakeholders



GREEN STRIDE



GREEN STRIDE

The self stretch polyester material

- Stretch with no elastane**
The specially developed self stretching polyester yarn, allows the material to stretch and be without elastane with a better stretch and recovery.
- Closed loop recyclability**
The non-elastane composed material allows the end garment to be recycled in a closed loop continuously.
- Sustainable initiative**
The next level sustainability of polyester is in hand with the provided solution while flexible to blend the poly with other fibers.

Hayleys

ACTION LEGGING 2.0



ACTION LEGGING 2.0

The next generation active leggings

- Spongy feel inside out**
Both side peached and ATY yarn incorporation has made the legging more comfortable in touch & feel.
- Controlled sheerness with opacity**
A greater level of sheerness controlling while maintaining the fabric more flexible and comfortable for an active lifestyle.
- Comfortable stretch & power**
The active focused material is comfy and supportive in every bend and stretch you made in workouts.

Hayleys

OUR COMMITMENT TO SUSTAINABILITY

A Passion for Sustainable Innovation

Innovation has been part of our DNA, ever since we launched our Inno Design Centre over 9 years, ago. Our extensive portfolio of over 1,531 fabric, have since been designed and developed with sustainability in mind, inspired by our responsibility towards protecting our planet's future.



Year 2022 Biodegradable Polyester

Developed a polyester fabric in collaboration with key supplier, with accelerated bio-degradation rate.



Year 2022 Recyclable Stretch Polyester

Spandex used in stretch fabric has limited recycling properties. Innovated an alternative composite material offering similar performance but with recyclable properties. Thereby reduced garments directed to landfill.



Year 2020 Anti-Bacterial Fabric

R&D in anti-bacterial fabric prior to the Covid 19 outbreak, enabled Hayleys Fabric PLC to swiftly pivot into manufacture of medical Personal Protective Equipment (PPE), in the wake of the pandemic.



Year 2022 One-way Moisture Management on 100% Cotton

Combines the comfort of cotton and the performance of polyester. Developed a hybrid fabric with one-way moisture transfer through the fabric to outer surface, for evaporation.



Year 2020 Natural Dyes

Dyes created by extracting colour from natural substances such as tea waste and mahogany shavings, with circularity in mind. Extraction is through a process developed in-house at Hayleys Fabric PLC. These dyes are a sustainable alternative to petroleum based synthetic dyes of high carbon footprint.

Innovative Fabric Solutions in 2022/23

Climate Adaptive Fabric

Tapped into the thermal wear category with soft and cosy brush-textured fabric.

Finer gauge Materials

Developed finer gauge materials that is lightweight but allows better performance.

Vellar Materials

Trials have been carried out to produce fabric similar to velvet and corduroy.

Charcoal Prints

Created eco-friendly fabric prints by using waste charcoal.

Two Way Fabric

Developed fabric where both sides can be used as the face side.

International Award Winning Innovations

Inno's natural dyes - WARNA by Mahogany and Midnight by Charcoal, gained international acclaim during the year, winning places among the 'Top 10 Innovations in the Street Sports' category at ISPO Text Trends a leading German platform for discovering and showcasing the world's most innovative, sustainable, high-performance fabric.



Inno Design Center

Our creative center of excellence is led by an experienced and inspired team of technical and design personnel, supported by state-of-the-art technology. The team has the industry insights and technical expertise to bring cutting-edge design to market. Fabric concepts are centered around sustainability themes, deep consumer insights and strong market intelligence and are developed further in close collaboration with fashion brands to suit their specific fashion palates.



INNO | ENZYMATIC - NEOFRESH

Stay New & Soft Finish

INNO | ENZYMATIC - ODOR PRO

This product employs a unique technology that prevents malodours from accumulating on textiles during use.

Specially customized for ultimate odour control for intimates, "Odour Tech Pro" has the capability to repel environmental odours, fabric odours, hormonal body odours, food related body odours and bacterial derived odours and retain freshness throughout long wear hours.

"Odour Tech Pro" comes with the guarantee of exceptional efficiency and long durability performance. The durable freshness and odour control of this fabric is guaranteed to last at 100% performance.

Keeping the textile surface smooth, reduces pilling, and ensures consistent bright colours for a long lifespan.

The process and the enzyme both helps the sustainable storyline making the end also sustainable by giving out one quality product.

The end product by the textile will give easy solutions to comfy searching, day to day wearers, etc with the properties.



Moisture Management

Anti - Odor

 Comfortability Soft Handle

OUR COMMITMENT TO SUSTAINABILITY

Driving Sustainability Principles Across the Value Chain

As we journey on our expansion strategy and position ourselves for growth, we are equally cognizant of the potential impact on the environment of our actions.

A subsidiary of the Hayleys Group, we adopted the Group's ESG framework "Hayleys Life Code", during the year. The holistic framework was launched in January 2022, and is aligned with 14 of the SDGs where the Hayleys Board believes, the Group, collectively will have the most impact in contributing towards the attainment of these goals.

Illustrated alongside are the environmental and social pillars of the Life Code, together with our achievements in 2022/23 in progressing towards the Group targets. The Governance pillar is given on page 151 - Corporate Governance.

While we are proud of our achievements, we know there is lot more work to be done. We will continue to intensify our focus in creating a positive environmental and socio-economic impact in the communities we operate in.

Green Belt- offsets GHG emissions and enhances biodiversity.

- 9 acres of preserved wetland habitat
- 15 acres of paddy & pineapple cultivation
- Preservation of endemic and threatened flora and fauna species

Restoration of Threatened LAGENANDRA species

Restoring 3 species with an investment of Rs USD 6,800 to date



Responsible Sourcing

- 100% Cotton is purchased from BCI, GOTS, OCS, GRS, CMIA and Oeko Tex 100 certified sources.
- >30% re-cycled polyester yarn used in production
- 100% dyes and chemicals are ZDHC level 1 or above compliance (80% is level 3 compliance)



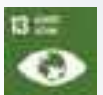
Home to Sri Lanka's largest solar roof system

4.6 Mw
to National grid

Energy requirements from renewable sources

69%

First local textile manufacturer to commit to SBTi



carbon footprint

8%

over past 3 years

First local textile manufacturer to commit to SBTi

Waste-To-Fashion Next-gen dyes

- Waste charcoal
- mahogany wood shavings
- Waste tea



Sustainable Fashion Fabrics

- Two Way Fabric
- Climate Adaptive Fabric
- Recyclable Stretch
- Biodegradable Polyester

Sustainable Innovation

Optimise sustainable innovations relating to business operations.

Chemicals

100% safe chemical management practices

Compliant since 2017

100%

Stringent purification protocols ensure our treated wastewater is 100% safe. for aquatic life



highest rating since 2019 for compliance with stringent NIKE Water Quality Guidelines



water consumed is recycled.

12%

Water intensity

16%

over past 5 years

Green :
Building
Ratio

1:1

Biodiversity

Enhance biodiversity by 5 times, in the area occupied by the Group

ENVIRONMENT

Energy & Emissions

30% reduction in Scope 1&2 GHG emissions by 2030

Materials & Waste

Zero landfill waste by 2030

Driving Circularity

100% fabric waste sold to local entrepreneurs supporting cottage industries.

waste generated Diverted from land filling is zero



water consumed is recycled.

12%

Water intensity

16%

over past 5 years

OUR COMMITMENT TO SUSTAINABILITY

Driving Sustainability Principles Across the Value Chain



Zero Work-related fatalities during the year

Zero Child Labour Forced Labour

Strong Safety Culture

on worker wellbeing during economic crisis

249,530 USD



Health, Safety & Wellbeing

Zero workplace injuries/disease by 2030

Community Relationships

50% increase in CSR beneficiaries by 2030



SOCIAL

Engaged Team

100% coverage of anti-discriminatory training by 2030 to build an inclusive workforce.



Customer Relationships

Customer satisfaction surveys and grievance handling mechanisms for 100% of operations



New products

299

customer rejects

<1%

Regular independent audits by Tier 1 customers

Supplier Relationships

40% of suppliers to be screened on social and environmental criteria



Supplier Training Programs conducted on an ongoing basis

03

Product collaborations

64

100% chemical suppliers screened for ZDHC MRSL & OEKO tex 100 RSL compliance



ZERO instances of disruptions to work due to trade union issues

Diverse and Inclusive team

19% Females

Fair pay

- Above minimum wage pay.
- Performance appraisals cover 100% employees



100% women only knitting plant at Wagawatta

Local procurement
27%

Indirect employment opportunities
Over 4,000

Investment in CSR initiatives
29,711 USD

Educational support for students No.
2,526



OUR COMMITMENT TO SUSTAINABILITY

Driving Sustainability Principles Across the Value Chain

We are committed to leading change, collaborating with our key stakeholders in driving sustainability principles across the value chain as a means to reduce our collective footprint. We participate in policy and regulatory developments within the local apparel and textile industry while, through our platforms and partnerships, share our technical knowledge and best practices to inspire others to adopt similar ethos. It is also our commitment to listen and learn from all stakeholders along the way.

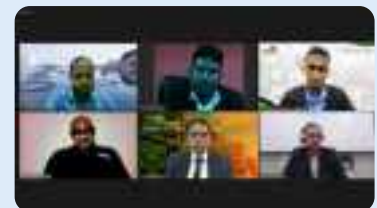
Nature by Hayleys Fabric

The first ever sustainability forum in Sri Lanka's Textile Sector, "Nature by Hayleys Fabric" was hosted in December 2022 for industry stakeholders. The event served as a platform to demonstrate the versatile form and function of our collection of innovative textiles and their eco-friendly features, as well as the systemic optimisations made across the manufacturing process in meeting UNSDG goals. 350+ overall participants including 20+ foreign participants convened in Colombo for a one day program.



Supplier Awareness Forum- Chemileys

We conducted a virtual chemical management forum, "Chemileys" in July 2022 on a global scale. The event was attended by over 500 participants from US, European countries, Australia, and across Asia. This was an awareness forum to help bridge chemical safety and compliance requirements and enlighten stakeholders on the compliance standards and best practices of the textile industry.



CEO Water Mandate



We rely heavily on water for our processes and consider it a precious resource. In 2021, we became the first textile and apparel manufacturer in the local industry to be a signatory to the UN Global Compact CEO Water Mandate and have adopted the Mandate's Water Stewardship Framework in responding to water risks. Our key initiatives are highlighted below.

1. Direct Operations

- Conducted a comprehensive water audit by third party in 2021 to quantify and understand the water usage at factory premises
- Set targets to reduce water intensity – 24.8% reduction by 2025. Baseline 2020/21
- Implemented department wise water saving projects to meet targets. (Refer Water & Effluents -page 107)
- Performance monitored and reviewed by Management

2. Supply Chain & Watershed Management

- Driving a sustainable supply chain by screening all dye and chemical suppliers for minimum ZDHC compliance
- Hosted a virtual chemical management forum, Chemileys in July 2022 sharing best practice on chemical safety and compliance management (refer Driving Sustainability Principles Across The Value Chain - Page 107 for more details)

3. Collective Action

- Engaging with national and international institutes towards water conservation
- Collaboration with University of Sri Jayewardenepura and Industrial Technology Institute in effluent treatment plant improvement
- Collaboration with the University of Peradeniya, University of Wayamba, and Central Environmental Authority to restore threatened Lagenandra Species in Kalutara district which contributes to protection of riverbanks

4. Public Policy

- Abiding to both local and global rules and regulations on wastewater discharge
- Includes compliance with the Environmental Protection License (EPL) and Schedule Waste License by the Central Environmental Authority and BOI respectively

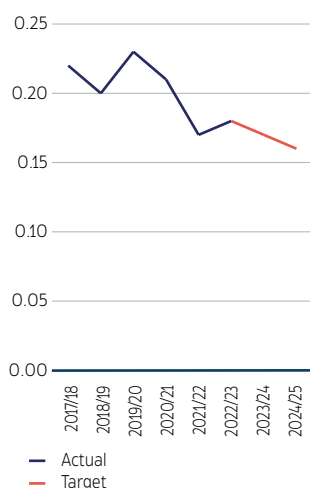
5. Community Engagement

- Providing potable water to chronic kidney disease affected families in Rathmalgahawewa Anuradhapura
- Conducting virtual and physical awareness sessions, social media campaigns and competitions to raise awareness on water sustainability among our employees and the general public

6. Transparency

- Annual water footprint calculation and verification through third party
- Regular customer audits
- Awarding of NIKE water Green status on meeting stringent quality requirements is an affirmation of the high standards we aspire to

Water Intensity (M3/MT of production)



| Water Footprint Verification of Hayleys Fabric PLC Group | | 2022/23 |
|--|--|---------|
| Direct Blue Water Footprint(M³) | | 172,667 |
| Direct Grey Water Footprint(M³) | | 73,253 |
| Total Direct Water Footprint(M³) | | 245,920 |

PERFORMANCE HIGHLIGHTS

Financial Highlights

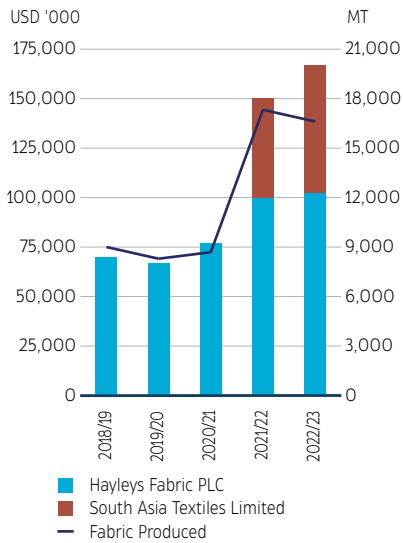
| Financial Performance | | Group | | Company | |
|---|--------------|---------|----------|---------|---------|
| | | 2022/23 | 2021/22* | 2022/23 | 2021/22 |
| Revenue | USD '000 | 166,631 | 150,219 | 103,594 | 100,012 |
| Gross Profit | USD '000 | 21,396 | 19,560 | 14,370 | 12,464 |
| Gross Profit Margin | % | 13% | 13% | 14% | 12% |
| Results from operating activities | USD '000 | 10,818 | 6,664 | 7,347 | 4,082 |
| Profit Before Tax | USD '000 | 8,383 | 14,976 | 7,861 | 11,261 |
| Profit Before Tax Margin | % | 5% | 10% | 8% | 11% |
| Profit After Tax | USD '000 | 1,133 | 12,777 | 2,100 | 9,430 |
| Cash Profit | USD '000 | 12,623 | 19,024 | 10,936 | 15,090 |
| Interest Cover | No. of times | 2.2 | 3.0 | 3.1 | 2.8 |
| Return on Equity | % | 4% | 42% | 8% | 35% |
| Pre-tax return on capital employed (ROCE) | % | 16% | 11% | 18% | 10% |

| Financial Position | | Group | | Company | |
|---------------------------|-------------|-------------|-------------|-------------|-------------|
| | | 2022/23 | 2021/22* | 2022/23 | 2021/22 |
| Total Assets | USD '000 | 118,950 | 122,043 | 80,791 | 83,339 |
| Total Debt | USD '000 | 42,959 | 43,146 | 24,610 | 29,346 |
| Inventory Holding Days | No. of days | 89 | 98 | 79 | 73 |
| Debtors' Days | No. of days | 37 | 39 | 37 | 32 |
| Total Shareholders' Funds | USD '000 | 28,299 | 30,457 | 26,040 | 27,238 |
| No. of Shares in Issue | | 415,481,776 | 415,481,776 | 415,481,776 | 415,481,776 |
| Net Assets per Share | USD | 0.07 | 0.07 | 0.06 | 0.06 |
| Debt /(Equity+Debt) | % | 60% | 59% | 49% | 52% |
| Total Debt / Total Assets | % | 36% | 35% | 30% | 35% |

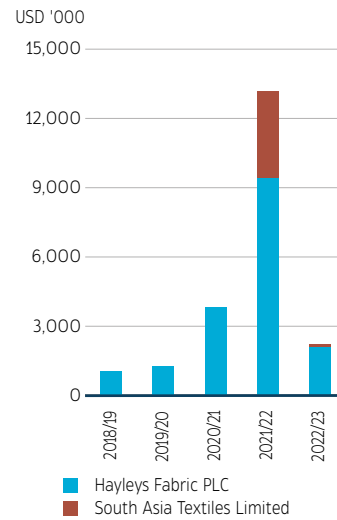
| Shareholder Information | | Group | | Company | |
|--|--------|---------|----------|---------|---------|
| | | 2022/23 | 2021/22* | 2022/23 | 2021/22 |
| Market Price of Share as at 31st March | Rs. | - | - | 25.20 | 29.10 |
| Market Capitalisation | Rs. Mn | - | - | 10,470 | 12,091 |
| Dividend per Share | Rs. | 2.50 | 1.20 | 2.50 | 1.20 |
| Dividend yield | % | 10% | 4% | 10% | 4% |

* Numbers in Group 2021/22 reflect 11 months of South Asia Textiles Limited.

Revenue



Profit After Tax



Current Ratio

(2021/22 - 0.99:1)

1:1



Return on Equity

(2021/22 - 42%)

4%

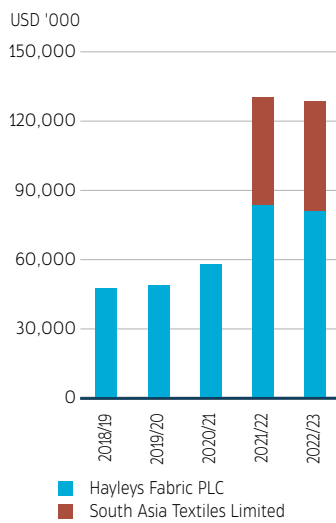


Dividend per Share

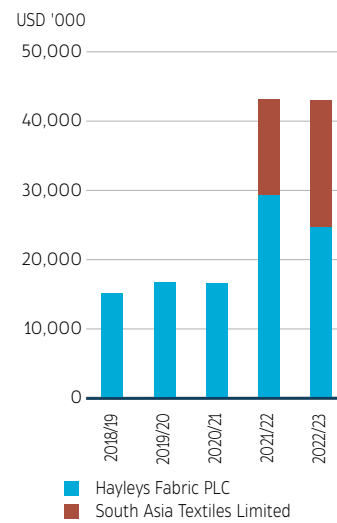
(2021/22 - Rs. 1.20)

Rs. 2.50

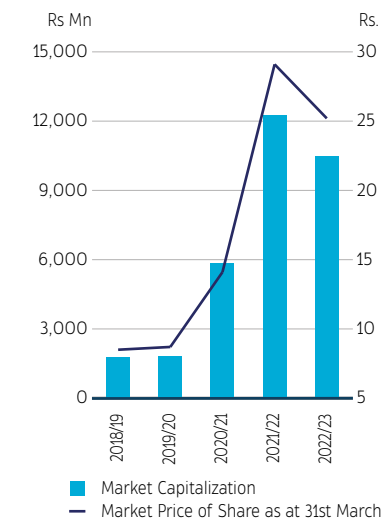
Total Assets



Total Debt



Shareholder Information



Price Earnings ratio

(2021/22 - 4.5)

25.2 times



Return on Capital Employed

(2021/22 - 11%)

16%



Dividend Yield

(2021/22 - 4%)

10%

PERFORMANCE HIGHLIGHTS

Non-Financial Highlights

Social Highlights

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2022/23 | 2021/22* | 2022/23 | 2021/22 |
| No of employees | 3088 | 2915 | 1663 | 1645 |
| Employee retention rate (%) | 76% | 78% | 89% | 92% |
| Employee Productivity | 25 | 23 | 29 | 25 |
| Salaries and Wages (USD '000) | 9,510 | 13,684 | 6,408 | 8,729 |
| Investment in Training (USD) | 10,358 | 7,491 | 6,073 | 3,705 |
| Training coverage of employees (excluding casual) (%) | 92% | 52% | 158% | 81% |
| Percentage of employees receiving performance reviews | 100% | 100% | 100% | 100% |
| Incidents of child labour (Our operations and suppliers) | Nil | Nil | Nil | Nil |
| Incidents of forced labour (Our operations and suppliers) | Nil | Nil | Nil | Nil |
| Investment in CSR | 29,711 | 11,302 | 27,093 | 5,851 |
| No. of persons impacted | Over 6,700 | Over 4,000 | Over 3,550 | Over 3,000 |
| Proportion of businesses analysed for risk of corruption (%) | Nil | Nil | Nil | Nil |
| Significant fines for violation of laws/ regulations (USD) | Nil | Nil | Nil | Nil |
| Proportion of labels carrying ingredients used (%) | 100% | 100% | 100% | 100% |
| Payments made to suppliers (USD Mn) | 151 | 143 | 85 | 86 |
| Proportion of local suppliers (%) | 27% | 29% | 31% | 30% |
| Suppliers assessed for environmental and social compliance (%) | 90% | | 91% | |

Environmental Highlights

| | Group | | Company | |
|--|-----------|-----------|-----------|-----------|
| | 2022/23 | 2021/22* | 2022/23 | 2021/22 |
| Total raw material consumption (MT) | 28,933 | 33,479 | 17,495 | 18,538 |
| Recycled raw materials as a percentage of total material consumption (%) | 7% | 3% | 7% | 4% |
| Direct energy consumption (GJ) | 1,496,982 | 1,525,986 | 834,843 | 897,461 |
| Energy intensity (GJ/ MT of production) | 82.29 | 82.89 | 81.03 | 82.09 |
| Indirect energy consumption (GJ) | 36,422 | 50,009 | 22,186 | 24,350 |
| Indirect energy intensity (GJ/ MT of production) | 2.00 | 2.89 | 2.15 | 2.46 |
| Renewable energy (%) | 69% | 71% | 60% | 65% |
| Water withdrawal (M ³) | 3,084,760 | 3,102,043 | 1,894,795 | 1,827,685 |
| Water Consumption | 3,089,964 | 3,105,078 | 1,899,999 | 1,830,720 |
| Water intensity (M ³ '000/ MT of production) | 0.17 | 0.17 | 0.18 | 0.17 |
| Water Recycled | 379,167 | 319,629 | 262,559 | 238,927 |
| Water discharged to the river (M ³) | 2,834,187 | 2,802,404 | 1,828,111 | 1,616,683 |
| Water Quality- Incidents of non-compliance with standards | Nil | Nil | Nil | Nil |
| Total carbon footprint (tCO ₂ e) | 54,001 | 56,162 | 35,742 | 38,008 |
| Direct: Scope 1 (tCO ₂ e) | 27,857 | 23,580 | 19,848 | 18,553 |
| Indirect: Scope 2 (tCO ₂ e) | 19,461 | 21,676 | 11,756 | 13,289 |
| Other Indirect: Scope 3 (tCO ₂ e) | 6,683 | 10,906 | 4,138 | 6,166 |
| Emission Intensity (tCO ₂ e/ MT of production) | 2.97 | 3.05 | 3.47 | 3.48 |
| Waste recycled (%) | 56% | 64% | 60% | 60% |
| Waste to land re-fill (%) | Nil | Nil | Nil | Nil |
| Trees planted (No) | 225 | 350 | 175 | 350 |

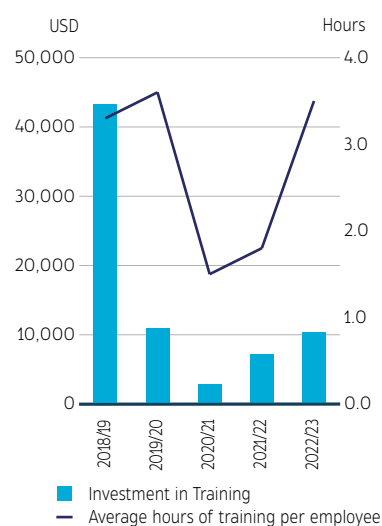
* Numbers in Group 2021/22 reflect 11 months of South Asia Textiles Limited.

Other Highlights

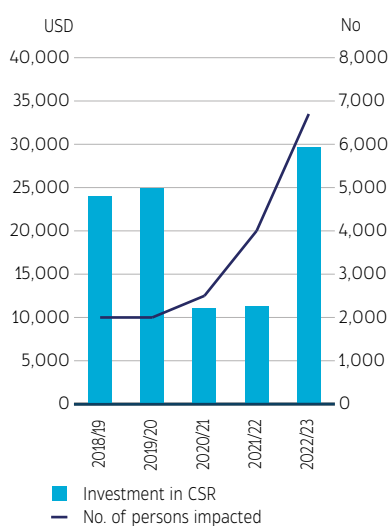
| | Group | | Company | |
|---|---------|----------|---------|---------|
| | 2022/23 | 2021/22* | 2022/23 | 2021/22 |
| Factory Capacity (%) | >90% | >90% | >90% | >90% |
| No. of accreditations/ certifications and memberships from fashion brands | 47 | 46 | 38 | 41 |
| sales from Inno and product development (%) | 98% | 98% | 97% | 98% |
| Investment in R & D-USD | 117,392 | 110,413 | 21,989 | 18,218 |
| On time delivery (%) | 91% | 90% | 91% | 90% |
| Lead time (Days) | 3 days | 3 days | 3 days | 3 days |
| Property, plant and equipment – USD '000 | 44,660 | 43,920 | 26,538 | 28,073 |
| CAPEX during the year – USD '000 | 4,704 | 8,659 | 932 | 2,973 |
| Capacity Utilisation | >90% | >90% | >90% | >90% |

* Numbers in Group 2021/22 reflect 11 months of South Asia Textiles Limited.

Training



CSR



Female Participation
(2021/22 – 18%)

19 %



Carbon Footprint
(2021/22 – 56,162 tCO₂e)

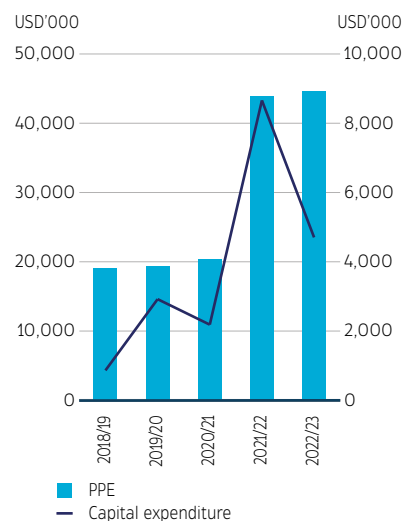
54,001 tCO₂e



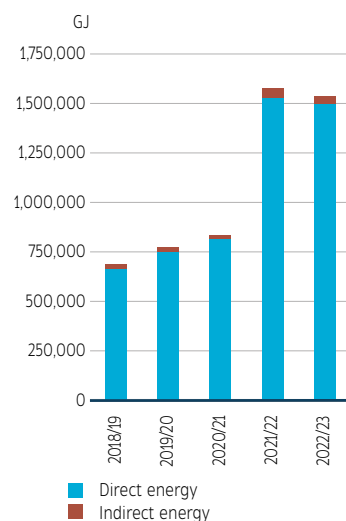
Water Intensity
(2021/22 – 0.17)

0.17

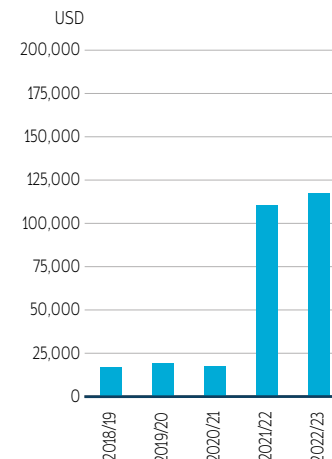
Capital Expenditure



Energy Consumption



Investment in R & D



LEADERSHIP INSIGHT

Chairman's Message



RETURN ON
CAPITAL EMPLOYED

(%)

16%

PROFIT BEFORE TAX

USD Mn

8.40

DIVIDEND YIELD

(%)

10%

Dear Shareholders

On behalf of the Board, I am pleased to present the 9th Integrated Report of Hayleys Fabric PLC for the FY 2023 in its first full year of consolidation, since the acquisition of South Asia Textiles Limited in April 2021. In a year marked by unprecedented challenges, both in Sri Lanka and globally, Hayleys Fabric Group responded with agility and foresight, maintaining its growth momentum. This enabled the Group to successfully secure orders, filling expanded capacity to record 10.92% increase in turnover to USD 166.63Mn, year on year and a PBT of USD 8.38Mn.

Top line growth is commendable given the marginal decline in the performance of the apparel industry in Sri Lanka. It reflects the Group's relentless efforts in recent years to nurture strategic partnerships and align brand strategy with Tier-1 Customers. The fortitude with which the obstacles were overcome to scale up and transform the business in a year of turmoil enabled Hayleys Fabric Group to emerge stronger from the crisis, poised to grow in the year ahead.

Navigating rocky terrain

The year was a study in leadership at every level, with the operating landscape shaped by rapidly evolving and diverse challenges. At country level, we witnessed political turmoil with change of leadership. For corporate leaders, it was a year of leading with sensitivity to inspire and retain people, empowering and supporting them to overcome many challenges while driving performance amidst profound changes in policy direction. The call for transparency and accountability has never been louder and I count myself fortunate for having inherited the legacy of sound corporate governance from Hayleys PLC which supported objective decision making with concern for the impacts on our stakeholders integrated into our dashboards.

The financial year under review was one of the most challenging as Hayleys

Fabric Group had to overcome dual challenges of declining consumption in advanced economies while also maintaining customer confidence as Sri Lanka experienced its worst economic crisis since independence with high levels of negative publicity in overseas markets. Global growth slowed in 2022 to 3.4%, from 6.2% in 2021 weighed down by persistent and rising inflation, geopolitical tensions and tightening monetary policy as Central Banks across the globe raised interest rates to tame inflation. The resultant decline in disposable incomes led to a decrease in overall demand in key markets. Within the fashion industry, the growth observed in 2021 continued in the first half of the year. Moderating economic growth, inflation and subdued consumer sentiments resulted in declining demand. Industry forecasts project growth to change within a range of -2% and +3% in 2023, from a high of 21% in 2021, weighed down by a contraction in the European market. The impact of these developments on Sri Lanka's apparel exports was observed in the 15% decline in apparel exports from Sri Lanka for the first three months of 2023.

Maintaining customer confidence during this period was critical to the local apparel industry and the country as apparel exports account for 45% of total exports in 2022 and was vital in overcoming the foreign exchange liquidity crisis. We were also acutely

"We are extremely pleased to announce that this year has been a resounding success for our company, both financially and strategically."

aware that the sector employed nearly half a million people, accounting for over 25% of the workforce in the industrial sector. The industry came together to retain customer confidence in the country's ability to consistently serve customer demand and commitment to being an ethical sourcing destination, highlighting the high levels of social and environmental compliance followed by the sector.

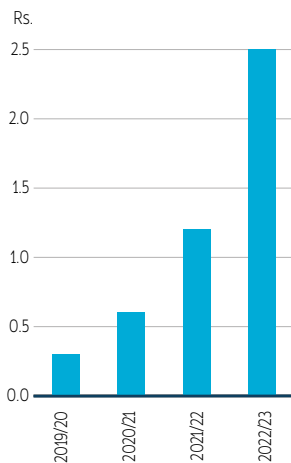
We also needed to demonstrate our ability to deliver orders on time in line with the high standards that buyers were accustomed to. Supply chains were disrupted due to global geopolitical tensions, which were exacerbated by the operational challenges within the country. Social unrest, fuel shortages, scheduled power cuts, port delays and foreign exchange liquidity issues posed daily challenges that needed to be managed with diplomacy and sensitivity by management who also faced their own personal challenges as the crisis also had a very personal impact on everyone. Cool heads and wise counsel reflecting years of experience, deep concern for people and being part of



LEADERSHIP INSIGHT

Chairman's Message

Dividend per share



a diversified conglomerate were key strengths that enabled us to manage this stressful period.

Soaring inflation as measured by CCPI which peaked at 69.8% in September 2022 was a key challenge as it exerted upward pressure on operational costs, particularly salaries and wages as purchasing power declined significantly. Regular communication with employees and trade unions enabled us to manage and diffuse the potential build-up of tension as we supported employees through this stressful period. Salary increments and bonuses provided timely relief while distribution of dry rations and vegetables grown in our gardens also served to ease the cost of living pressures. Given the shortage of fuel and sharp increase in costs, we also increased the frequency and coverage of our employee transport services.

The tighter monetary policy stance adopted from April 2022 led to a sharp increase in policy interest rates during the year which led to an increase of 1,155 basis points in the Average Weighted Prime Lending Rate (AWPLR) as liquidity in local financial markets also tightened. Long term borrowings at Hayleys Fabric Group are in Sri Lankan rupees and the increase in interest rates led to the escalation of interest costs, denting profit margins.

Fiscal policy measures targeting increase in government revenue led to the increase of corporate and personal tax rates. Hayleys Fabric Group, which as an exporter was previously taxed at a corporate income tax rate of 14% came into the general corporate tax rate of 30% with effect from 1st October 2022. The deferred tax impact due to change in the corporate income tax accounted for 72% of the income tax charge which stems mainly from the time difference in the depreciation and capital allowance rates. As a result, the adjustment in opening deferred tax balance for the change in the corporate tax rate were significant, accounting for 82% of the deferred tax charge. Accordingly, the effective tax rate increased from 14.7% in 2021/22 to 86.5% in 2022/23 which is largely attributable to the one-off impact of the rate increase on timing differences spread over past 15 years.

The Government and the Central Bank initiated several urgent policy measures and fiscal reforms including steep adjustment to interest rates, tax rates and utility prices to contain further deterioration and help restore balance. Simultaneously, Sri Lanka sought assistance from the International Monetary Fund (IMF), arriving at a Staff Level Agreement for a USD 2.9 Bn Extended Fund Facility (EFF) Arrangement in September 2022. The facility was disbursed in March 2023 and supported a move towards financial stability to instil confidence in the economy.

The country has since managed to transition to a workable equilibrium in the short term, focusing on restoring socio-economic stability, while the envisaged assistance from the international financial institutions begins to materialise. Debt restructuring negotiations are ongoing with the country's key bi-lateral lenders, as a pre-requisite to the Extended Fund Facility of IMF needed to ensure debt sustainability.

Resilient & Stable

In contrast, Hayleys Fabric Group performance is commendable. The Group's Consolidated Turnover grew by 10.90 % to USD 166.63Mn; South Asia Textiles Ltd's turnover accounted for 78.17% of the growth in consolidated turnover reflecting how Hayleys Fabric Group unlocked value in a short space of time, positioning the Group for growth. Core performance recorded significant improvement during the year, with Consolidated Gross Profit increasing by 89.88%. Group Profit before tax declined by 44% to USD 8.38Mn in FY 2022/23 due to moderation in unrealised gains on foreign exchange and the increase in interest rates on borrowings. Group Profit After Tax declined by 91% to USD 1.13Mn due to the increase in taxation discussed above. Accordingly, Earnings per share lowered from USD 0.031 to USD 0.003 for the Group and from USD 0.023 to USD 0.005 for the Company, in 2022/23. The Group continued to generate much-needed foreign exchange to the country, with foreign currency inflows amounting to USD 165Mn during the year.

A strong statement of financial position reflects the prudent management of finances and working capital which were key to financial stability during the year. The Group recorded continued expansion of its balance sheet, with the addition of USD 9.6Mn to Consolidated Property Plant & Equipment which further manufacturing capabilities and infrastructure.

Commitment to ESG

Sustainability is a key element of our DNA and social and environmental consciousness has long-since been embedded to our strategy and decision making. Adoption of the Hayleys Lifecode - the Hayleys Group's ESG framework last year, fine-tuned these processes further through a comprehensive sustainability policy and setting of specific, measurable ESG targets aligned to Group goals. Despite the operational challenges, we remained steadfast in our commitment,

implementing initiatives to achieve our sustainability targets. During the year the Board further strengthened the governance structures, establishing a combination of specialist governance infrastructure and regular committees to enhance the ESG drive. The Company continued to make inroads in its sustainability journey, launching several pioneering sustainable innovations during the year. Hayleys Fabric also emerged as the first fabric mill in Sri Lanka to commit to the Science-Based-Targets-Initiative (SBTi), formalising its commitment to drive sustained reductions in its carbon footprint.

During the year, the Group also enhanced efforts to increase awareness and share best practice across the industry. An inaugural Sustainability Forum 'Nature' was hosted in December 2022 and a chemical suppliers forum - Chemilies, held in August 2022. In June 2022, Hayleys Fabric sets a global benchmark in sustainability, bagging the coveted Sustainability Impact Award at the International Quality Awards (IQA) 2022 held in London. As a participant of the United Nations Global Compact (UNGC), Hayleys Fabric has also committed to and incorporated the 10 principles in its policy, strategy and decision-making.

Leadership & Governance

Robust governance practices and strong leadership capabilities enabled the Group to navigate the unprecedented complexities presented by the operating landscape. The diversity and experience of our Board was vital to support the delivery of our strategy and create shared value for all our stakeholders. I am pleased to welcome Ms Brindhiini Perera to the Board, whose appointment serves to increase the gender balance at top level.

During the year, Mr Dhammika Perera resigned as Non-Executive Director. On behalf of the Board, I take this opportunity to convey our appreciation of his wise counsel and thank him



for his invaluable contribution to the Group.

Dividend

The Group continued to deliver on its shareholder commitments, with interim dividends totalling Rs.1.50 per share. The consistent growth of our dividend is testament to our confidence in the strong fundamentals of our business, as well as our commitment to shareholders.

Way Forward

Global economic growth is expected to slow to 2.8% in 2023, due to underlying price pressures and geopolitical tensions. The slowdown is expected to be more pronounced in advanced economies in view of the tight policy stance required to rein in inflation as well as possible contagion of financial sector stress. Against this backdrop, the global apparels and textile industry is anticipated to face a tenuous year in 2023 and companies in the fashion supply chain including Sri Lankan manufacturers will be required to adapt to operating in conditions of increased uncertainty and complexity. As described in more detail in the Managing Director's Message on page 40, the Hayleys Fabric Group will continue to adopt its brand-focused strategy as we continue explore opportunities in shifting consumer patterns, sustainable manufacturing, and digital transformation.

Acknowledgements

Finally, on behalf of the Board, I take this opportunity to place on record my deep appreciation to the leadership team and staff for their untiring efforts, commitment, and drive. The foresight and dedication you have shown amidst the numerous challenges posed during the year is exemplary. I commend Mr. Rohan Goonetilleke for his strong leadership and wish him success in the months ahead.

We thank our customers and the global brands for their confidence in our ability to deliver through difficult times and look forward to a shared journey in the year ahead. I also wish to extend my appreciation to our valuable shareholders and look to their continued support for the future.

At a personal level, I would like to thank my colleagues on the Board for their diligence, contributions, and advice.

A.M. PANDITHAGE
Chairman

15th May 2023

LEADERSHIP INSIGHT

Managing Director's Review



REVENUE

USD Mn

166.60

RENEWABLE ENERGY

(%)

70%

EMPLOYEES

No.

3,088

Dear Stakeholder,

Hayleys Fabric PLC delivered top line growth of 11% to record a consolidated profit after tax of US\$ 1.13Mn for the financial year ending 31st March 2023, overcoming converging challenges with fortitude and agility. Our performance reflects the volatility and uncertainty that marked 2022/23 as the 38% increase in EBIT of US\$ 11.50 Mn was offset by fluctuations in interest rates, exchange rates and the impact of increased taxation. Consequently, Group profit after tax declined by 91% highlighting the unprecedented volatility in key variables.

I commend the teams at Hayley Fabric PLC and South Asia Textiles Ltd for their innovation, ingenuity and untiring efforts during a time of significant personal challenges. We remain committed to our long-term vision of being the “most sought-after fabric mill in Asia” and view this year as an anomaly that will be corrected over time with the stabilisation of the economy and consistency in policy.

An Integrated ESG Strategy

The Board approved a new purpose for our Company – “to strengthen the fabric of society by knitting together a better environment for ALL!”. With strategy linked to our purpose, we are now integrating sustainability into every aspect of our value chain, changing mindsets and driving transformation. We are exploring multiple pathways to reduce our carbon and water footprints as well as ensuring that our people impacts are positive and make a difference. Sustainable innovation is at the heart of this purpose as it is clear that we need to do things differently. A team well versed in the lore of sustainability across all departments provides a strong pipeline of ideas and projects that are tested and commercialised in collaboration with our customers. These range from the award-winning natural dyes to QR codes that facilitate location of ocean waste used for fabric

as our team pushes boundaries to make a difference on climate change.

Last year, we adopted the Hayleys Lifecycle, our parent company's ESG Framework aligned to the UN sustainable development goals. It clearly sets out measurable targets to manage our environment and social impacts at an overall Group level. Our aspiration is to refine this further and set our own, more ambitious goals and work has commenced on this project. We are also the first local textile manufacturer to commit to the Science Based Targets Initiative (SBTi) and are in the process of setting targets. Certifications such as SEDEX, Higgs FEM and ISO standards provide a comprehensive framework for driving change in this key area together with the adoption of GRI Standards and the recommendations of the Taskforce on Climate Related Financial Disclosures which was adopted this year.

As the economic crisis unfolded, retaining customers was key. As Hayleys Fabric Group's strategy has been to aligning brand strategy with that of its tier -1 buyers who are leading global fashion brands, Hayleys Fabric Group was able to retain all its customers with multi-level engagements to provide assurance on our ability to deliver without compromising our commitment to sustainability. Our INNO brand played

"As we look ahead, we remain focused on leveraging this momentum to drive further innovation and deliver even greater value to our stakeholders."

a key role as we collaborated with customers to produce innovative fashion forward fabric of varying technicalities and aesthetics that met the values of each brand. The Group's integrated sustainability strategy and the additional capacity created with the acquisition of South Asia Textiles Ltd in 2021/22 also strengthened the Hayleys Fabric PLC customer value proposition. These factors enabled us to secure the required volumes to maintain Group capacity utilisation at over 90%, through most of the year.

These two factors are the strategic drivers which have supported progress on our strategic pillars, together with disciplined financial management as we built resilience to navigate the extreme volatility witnessed in the year under review.

Focus on Finance

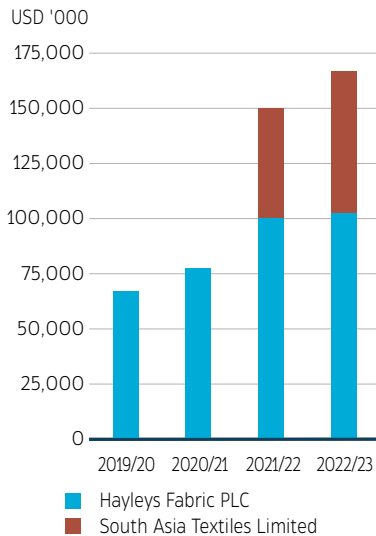
The Group's top- line grew 11% to USD 166.63 Mn with Hayleys Fabric PLC accounting for 62% of turnover, growing at 3.6%. Growth was driven by South Asia Textiles Ltd which recorded



LEADERSHIP INSIGHT

Managing Director's Review

Revenue



26% growth in revenue, accounting for 38% of turnover, in FY 2022/23 in comparison to 33% in 2021/22. Sales from INNO and developments accounted for 98% of total group sales as Tier-1 customers continued to demand higher valued added fashion fabric of superior aesthetics and performance.

Consolidated Gross Profit increased by 9% to US\$ 21.4 Mn although margins narrowed marginally to 12.8% as costs of raw materials, energy and freight increased sharply during the year. While part of the cost increase in rupee denominated costs were absorbed by the appreciation of the US\$ during the year, this remains a concern as we move forward. Group wide efforts in driving efficiencies and productivity improvements leveraging digitalisation, automation and a cost-disciplined organisational culture also supported further cost containment. Additionally, synergies between Hayleys Fabric PLC and South Asia Textiles Ltd contribute significantly to management of fixed costs and margins while also harmonising the cultures between the two locations.

Group Profit before tax declined by 44% to USD 8.38Mn in FY 2022/23, from USD 14.98Mn the year before. This is largely due to the moderation in

unrealised gains on translation of LKR denominated borrowings and liabilities at year end from USD 9.13Mn to USD 1.88Mn as the rupee depreciation was a more moderate 22% in the reporting year vis a vis 47% in the previous year. The increase in federal rates and surge in domestic interest rates as policy makers sought to rein in inflation also impacted PBT with Finance costs increasing by 86% to USD 5.19Mn during the year.

Consolidated Profit After Tax was impacted by the increase in Income tax rates from 14% to 30% with effect from 1st October 2022. The Group's provision for income tax increased significantly by 230% to USD 7.25Mn for the year with 82% of the increase stemming from the application of higher income tax rates to brought forward deferred tax balances. Consequently, Group Profit after tax declined 91% to USD 1.13Mn, while Company PAT declined 78% to USD 2.10Mn. Earnings per share declined from USD 0.031 to USD 0.003 for the Group and from USD 0.023 to USD 0.005 for the Company.

Amidst rising working capital requirements and new investments in plant upgrades, I am pleased to note the commendable effort made by management in securing cashflows and curtailing financial leverage to 60% for the FY ended March 31 2023. (59% - FY 2021/22). Interest bearing borrowings increased significantly last year to finance the acquisition of South Asia Textiles Ltd and subsequent enhancements in operations. However, our funding structure will be reviewed during the year to optimise the cost and exposures in the year ahead.

Environmental Sustainability

Our performance on sustainability is as important as our financial performance and are monitored, reviewed, and actioned monthly. We are aware of the impact of the apparel sector supply chain on climate change and

resource depletion and take conscious measures to minimise our impacts. This in turn reduces the carbon and water footprints of the apparel made by our customers, an important component of our customer value proposition.

Energy & Emissions

Our investments in renewable energy proved providential as it supports us to mitigate high electrical power costs. We now generate 70% of our energy through renewable energy sources with solar and biomass energy contributing 1% and 69% of the Group's total energy requirement. Investments in energy efficient machinery and machine upgrades also enabled considerable energy savings. Hayleys Fabric Group was able to reduce its absolute energy consumption and emissions by 2% and 4% respectively supporting progress on the Hayleys Group target of reducing its absolute carbon emissions by 30%. We were also able to reduce the intensity ratios for energy consumption and emissions, reducing the overall carbon footprint of our products for the customer. Last year, Hayleys Fabric became the first Sri Lankan fabric manufacturer to be awarded ISO 50001 – for energy management affirming our commitment to adopting global best practice in this critical aspect of our operations.

Water

Located adjacent to a principal river in the country, we are conscious of our responsibilities towards the sustainability of freshwater resources, affirmed by our endorsement of the CEO Water Mandate. During the year, USD 12,025 was invested in upgrading the raw water filtration plant at South Asia Textiles Ltd, to improve input water quality and drive efficiencies in water consumption and we expect to reap the benefits next year. Past Investments in state-of-the-art infrastructure also enabled

us to recycle 12% of our total water consumed. The remainder undergoes purification in accordance with the requirements of the Central Environment Authority before being released to the river. Hayleys Fabric PLC has obtained the highest green rating for compliance with stringent NIKE Water Quality Guidelines, affirming our commitment to maintaining standards well above regulatory requirements.

Raw Materials & Waste

Hayleys Fabric Group has achieved the target set in the Hayleys Lifecode of 100% safe chemical management practices. Hayleys Fabric PLC is a ZDHC certified company since 2017 and has completed the Supplier to Zero foundational Programme. Hayleys Fabric PLC is now on track to meet the zero-landfill target supported by a comprehensive programme to audit, benchmark and develop targets for waste management. Programmes are in place for responsible disposal of fabric waste to microentrepreneurs supporting cottage industries. We are also collaborating with the University of Moratuwa to conduct trials in converting sludge into building material with fair progress.

I am proud to note Inno's 'WARNA by Mahogany' and 'Midnight by Charcoal' produced by extracting colour from biomass ash and mahogany shavings, gained international acclaim during the year, winning places among the 'Top 10 Innovations in the Street Sports' category at the prestigious ISPO Text Trends. These dyes produced in our labs are a sustainable alternative to petroleum based synthetic dyes of high carbon footprint.

Biodiversity

The Hayleys Fabric Diyathuru Uyana Wetlands Park Regeneration project spanning nine acres of land adjacent to the factory premises offsets GHG emissions and enhances biodiversity.

Nestled in the countryside, this wetlands park is home to over 146 plant species and 149 animal species including 05 endangered, 01 critically endangered, 01 critically endangered (Possibly Extinct), 17 Near Threaten and 11 Vulnerable, probably extinct species of animals as identified in a study conducted under the guidance of the Central Environment Authority. An additional 10 acres of land at our Horana facility has been cultivated with organic paddy and five acres at our South Asia Textiles facility has been allocated as green belts.

Social Sustainability

Our People

Nestled in rural villages, we are among the largest employers within a 15 km radius of our factories and have an interdependency with the people as we need to attract talent and maintain the social license to operate. A comprehensive employee value proposition and a genuine care for their welfare enable Hayleys Fabric Group to attract and retain talent. Certifications such as the ISO 45,001 affirms our commitment to upholding human rights, health and safety and employee well-being in line with ILO conventions.

As noted above, this year was a difficult one for all as inflation soared to 69.8% with food inflation moving even higher. Additionally, personal income tax rates were increased from January 2023, further shrinking disposable income. The timing of increments taking into account the climbing inflation was fortunate and additional relief was also provided with dry rations for all staff including outsourced staff working in our premises. Gardens were converted to vegetable plots and produce was distributed among staff. We also arranged for them to take a meal home once a month for their families in addition to the daily meals provided at work which ensured that

our employees had the right nutrition. Hayleys Fabric Group also increased salaries to enable employees absorb the impact of taxation, supporting employees and retaining them.

We are proud of our knitting plant in Wagawatta, operated entirely by female operators and supervisors, in a relatively male dominated industry. In creating an enabling work environment for women, additional facilities including a dedicated female medical room and sanitary facilities have been provided across the Group. During the year, the gender balance improved to 18.72% for the Group.

Our relationships with trade unions remained strong and there were zero instances of disruptions to work. Whilst most employee concerns are escalated to management through Hayleys Fabric Group's open-door culture or through the regular meetings with trade union leaders, employees are encouraged to report any concerns through the grievance handling mechanisms in place.

Communities

Hayleys Fabric Group remains a significant investor in our communities, and I am encouraged by the leading role we play in driving positive socio-economic change. We continue to give preference to local services providers to support small entrepreneurs. Hayleys Fabric Group sponsored community activities including funding for small to large enterprises and the awarding of bursaries, as well as other educational, health and community service infrastructure investments. Hayleys Fabric Group sponsors the educational requirements of approximately 500 school children.

A Cleaner Industry

Hayleys Fabric Group is committed to leading change in the industry together with our customers, suppliers

LEADERSHIP INSIGHT

Managing Director's Review

and other industry stakeholders and commenced two platforms to enable sharing of best practice. During 2022/23 Hayleys Fabric PLC hosted our inaugural Sustainability Forum 'Nature', in December 2022, bringing together all stakeholders of the business and state institutions to drive change to create a cleaner industry. The event served as a platform to explore innovative product and process technologies used in developing sustainable fabric. Our virtual chemical management forum, Çhemileys in July 2022, attracted over 500 global participants. The webinar sought to enhance awareness on chemical safety, compliance standards and best practices in the textile industry. We hope our efforts would support to move the industry forward, together, in minimising our environmental footprint.

Governance & Leadership

Robust corporate governance practices, which are aligned with the Hayleys Group, provide a solid foundation in driving effective leadership in these difficult times, ensuring accountability and transparency across the Group, while setting the right tone at the top. Risk management has been a critical aspect that supported performance during the year as issues were deliberated and timely action initiated. A sound framework for governance is in place with the ESG certifications and voluntary standards adopted which shape our policy frameworks and Statements of Operating Procedures. Monitoring of financial and non-financial information support governance, enabling identification of early warning signals.

Embracing Technology as an Enabler

Accelerated investments behind automation and digitalisation continue to be a key enabler of our growth and business transformation. Technologies such as the Internet of

Things (IoT), Artificial Intelligence (AI), and big data, have enabled increased productivity, improved efficiencies, reduced waste, and contributed to an overall improvement in sustainability. For example, an AI tool for the procurement of raw materials has complemented forecasting and inventory levels and reduced material wastage. Meanwhile, digital platforms adopted during the pandemic such as virtual sampling, digital material libraries and 3D rendering of collections for sales, have remained popular, appealing to the environmental principles of both Hayleys Fabric Group and our buyers.

Sustainable supply chains

During the year, we consolidated the supply base for both mills and developed a centralised purchasing function to drive efficiencies in procurement. Supply chain disruptions caused by the geopolitical tensions, necessitated a shift to alternate suppliers, where needed. Due diligence was applied in onboarding new suppliers, ensuring social and environmental compliance to global standards.

We recognise that long-term success cannot be achieved alone, and our performance and delivery of our strategy is underpinned by the strength of our partnerships. We are committed to working collaboratively with all our suppliers from ensuring reliability in supply to engaging in research and developing sustainable alternatives to input materials. Given the supply chain headwinds endured during the year, we are particularly grateful for their trust and support.

Looking forward

The operating environment continues remains uncertain with risks weighted to the downside. The global economic outlook forecasts growth in Advanced economies to be a mere 1.2% in 2023

compared to 2.6% in 2022. Sri Lanka has made progress in managing its foreign exchange liquidity but needs to work through the structural reforms and is also yet to finalise its external and domestic debt restructuring. Geopolitics also remain a concern with its potential to disrupt supply chains.

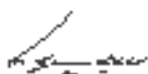
While we are mindful of the headwinds that lie ahead, we are optimistic about the holistic value proposition we present to our customers and in the resilience we have built in our business in recent years. Environmentally and socially compliant operations, sustainable innovations and a passionate team are key strengths that we have developed and continue to nurture.

Retaining customers and filling capacity remains a key priority as demand slows down in key markets. Sustainable innovation, price consciousness and ESG compliance play a critical role in providing competitive advantage and we are confident of being able to compete effectively in this regard. Retaining people amidst the wave of economic migration will be a challenge as talent pools in the country continue to shrink. While inflation has decreased gradually it still remains at high levels, exerting pressure on salaries and wages and increasing operational costs. Energy prices remain a concern although forecast to decline as decarbonisation policies can increase costs of consumption. Extending sustainability beyond our boundaries to strengthen supply chains and sound financial management will be areas of focus.

We believe the robust governance structures, astute leadership, passion of our people, customer relationships forged, and the strength of our portfolio will stand us in good stead, as we progress towards realising our vision of becoming the "most sought after fabric mill in Asia"

Acknowledgement

I take this opportunity to thank my senior management team and staff for their contributions to the performance set out in this report. I am deeply appreciative of the Chairman and the Board who provided guidance and counsel during a year of converging challenges. I wish to thank all buyers and garment manufactures who work with us for their continued business and collaboration. I also wish to acknowledge the support from our supply chain partners and the banking community as they played a vital role in ensuring our service standards were maintained amidst unrest and uncertainty. Finally, I wish to take this opportunity to thank our shareholders for their continued confidence in our ability to create sustainable value.



E.R.P. Goonetilleke

Managing Director/ CEO

15th May 2023

LEADERSHIP INSIGHT

Board of Directors



A.M. PANDITHAGE
Chairman & Chief Executive
Executive Director



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



MS. K. A. D. BRINDHIINI PERERA
Non-Executive Director



S. C. GANEGODA
Non-Executive Director



HARESH SOMASHANTHA
Independent Non-Executive Director



R. N. SOMARATNE
Independent Non-Executive Director



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



ANANDA JAYATILLEKA
Senior Independent Non-Executive Director



R. ROHITHA BANDARA
Executive Director



M. H. JAYASINGHE
Executive Director



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

LEADERSHIP INSIGHT

Board of Directors

A. M. PANDITHAGE

**Chairman & Chief Executive
Executive Director**

Appointed - July 2007

Mr. Mohan Pandithage currently serves as the Chairman and Chief Executive of Hayleys PLC, a position he has held since his appointment in July 2009.

As an accomplished industry veteran and respected leader in the field of transportation and logistics, he was honoured with the prestigious 'Best Shipping Personality' Award by the Institute of Chartered Shipbrokers, in recognition of his outstanding contributions to the industry.

Additionally, he was presented with a Lifetime Achievement Award by the Seatrade-Sri Lanka Ports, Trade and Logistics (SLPTL). He was the first Sri Lankan to be awarded the Pinnacle Lifetime Award by the Chartered Institute of Logistics and Transport (CILT). He was also inducted as a 'Legend of Logistics' by the Sri Lanka Logistics and Freight Forwarding Association, in acknowledgement of his invaluable services to Sri Lanka's logistics industry.

Mr. Pandithage serves as Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. He is a Fellow of the Chartered Institute of Logistics and Transport (UK) and a Member of the Advisory Council of the Ceylon Association of Shipping Agents (CASA). He also serves as a Council Member of the Employers' Federation of Ceylon.

As an Executive Chairman of multiple companies within the Hayleys Group,

Mr. Pandithage possesses extensive leadership experience across a broad spectrum of industries. Presently, he holds the position of Executive Chairman at Dipped Products PLC, Haycarb PLC, Hayleys Fibre PLC, Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC, Horana Plantations PLC, Alumex PLC. Hayleys Fabric PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC, Hayleys Leisure PLC and Unisyst Engineering PLC. He also serves on the Board of Diesel & Motor Engineering PLC.

E. R. P. GOONETILLEKE

**Managing Director / CEO -
Executive Director**

Appointed - March 2013

Mr. Eranga Rohan Peiris Goonetilleke joined Hayleys Fabric PLC, as Managing Director /CEO on the 1st of March 2013, and was appointed to the Group Management Committee in the same month. He also serves as Managing Director/CEO of South Asia Textiles Limited with effect from April 2021. Prior to joining Hayleys Fabric PLC, he was appointed as a Director of Brandix X'pressions (Pvt) Limited and was appointed to the Board of CLT Apparel (India) (Pvt) Limited in January 2011, a fully owned subsidiary of Brandix Lanka Limited. During the period, 2003 to 2010 he was the Managing Director/CEO of Textured Jersey Lanka (Pvt) Limited, prior to which he was the Managing Director/ CEO of Linea Clothing (Pvt) Limited, a subsidiary of MAS Holdings (Pvt) Limited, and prior

to that he was at Carson Cumberbatch & Company Limited as the CEO of Elpitiya Plantations Limited. He received his higher education in the United Kingdom qualifying as a Graduate Engineer (B. Sc. Eng.).

MS. K. A. D. BRINDHIINI PERERA

Non-Executive Director

Appointed -October-2022

Ms. Brindhiini Perera has earned a master's in mechanical engineering from Imperial College London. Her studies included comprehensive coverage of subjects such as Manufacturing Technology and Management, Entrepreneurship, Corporate Finance, Statistics, and Mathematics.

She serves as a Non-Executive Director in several companies listed on the Colombo Stock Exchange including Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Haycarb PLC, Dipped Products PLC, The Kingsbury PLC, Hayleys Leisure PLC and Singer (Sri Lanka) PLC. She also serves on the Board of Eurocarb Products Ltd (UK), Delmege Limited, Otwo Biscuit (Private) Limited, The Canbury Biscuit Company Limited, Manatee Clothing Company (Pvt) Ltd and Dhammika & Priscilla Perera Foundation.

S.C. GANEGODA

Non-Executive Director

Appointed - November 2009

Fellow Member of CA Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayawardenepura.

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

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

H. SOMASHANTHA

Independent Non-Executive Director

Appointed - February 2012

Mr. Hareh Somashantha counts over 20 years of dynamic leadership career with a rich mix of finance and operations. He possesses an intimate knowledge of internal/ external processes, business planning and development, strategic and financial management. He is an expert with a track record in executing team driven process improvements with innovative

solutions to increase revenue, operational efficiency, customer satisfaction and overall profitability.

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

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

R.N. SOMARATNE

Independent Non-Executive Director

Appointed - February 2012

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

He has served in Ansell Lanka (Pvt) Limited and in Central Engineering Consultancy Bureau (CECB) before joining Royal Ceramics Lanka PLC in 1993. Mr. Somaratne counts more than 30 years' experience in the manufacturing field and was leading all major expansion projects and cost

reduction projects in the group, which has brought substantial savings. He is an expert in manufacturing and technology with vast experience in ceramics, raw materials, and energy management with sound academic background.

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

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

LEADERSHIP INSIGHT

Board of Directors

DR. N.S.J. NAWARATNE

Independent Non-Executive Director

Appointed - April 2014

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

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

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

Dr. Nawaratne, obtained his first degree in BSc (Business Management) from Sri Jayawardenapura University, did his Diploma in Business Management at PIM, MA in Economics, Kagawa

University, Japan and PhD in Management, at Keio University, Tokyo, which is considered as one of the prestigious universities in Japan. He is a visiting faculty member of MBA/MSc programs of University of Colombo, USJ, UOM, SLIIT and NIBM and NSBM.

A.S. JAYATILLEKA

Senior Independent Non-Executive Director

Appointed - March 2015

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

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

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

R. ROHITHA BANDARA

Executive Director

Appointed - May 2018

Mr. Rohitha Bandara joined in 2012 as Chief Financial Officer and was appointed to the Board on 15th May 2018. Mr. Rohitha Bandara is a Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA) and Associate member of ACCA (UK). He holds a B.Sc. Management Special Degree from the University of Sri Jayawardenepura and in addition, an MBA in Finance from the University of Colombo. He is also qualified in AAT, ACMA (SL), ACPM, AIPFM (UK) and has over four years' experience with Ernst & Young in different industry segments in Sri Lanka and Singapore and over 14 years of manufacturing experience in textiles industry as Sector Head of Finance. He has undergone several corporate leadership training programmes including Corporate Leadership Programme conducted by HIDA, in Japan

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

M. H. JAYASINGHE

Executive Director

Appointed - April 2019

Mr. Malith Jayasinghe joined Hayleys Fabric PLC as a Management trainee, assumed duties with increased

responsibilities in Sales and Marketing functions during his career. He counts for over 17 years of experience at Hayleys Fabric.

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

K. P. C. P. K. PATHIRANA

Executive Director

Appointed - August 2020

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

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

LEADERSHIP INSIGHT

Management Team - HAYLEYS FABRIC PLC



E. R. P. GOONETILLEKE
Managing Director / CEO



R. ROHITHA BANDARA
Director - Finance & ESG



M. H. JAYASINGHE
Director - Sales and Marketing



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



S. S. PULASINGHE
General Manager -
Engineering & Special Projects



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



C. P. WANASINGHE
Deputy General Manager -
Production Planning



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



SUMITH FERNANDO
Deputy General Manager -
Finance



Indunil Nimalaruwan
Deputy General Manager -
Quality Assurance



Saliya Thilakaratna
Deputy General Manager -
Supply Chain



Chaminda Kottegoda
Head of Finishing

LEADERSHIP INSIGHT

Management Team - HAYLEYS FABRIC PLC

E. R. P. GOONETILLEKE

Managing Director / CEO

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

R. ROHITHA BANDARA

Director-Finance & ESG

Mr. Rohitha Bandara joined in 2012 as Chief Financial Officer and was appointed to the Board on 15th May 2018. Mr. Rohitha Bandara is a Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA) and Associate member of ACCA (UK). He holds a B.Sc. Management Special Degree from the University of Sri Jayawardenepura and in addition, an MBA in Finance from the University of Colombo. He is also qualified in AAT, ACMA (SL), ACPM, AIPFM (UK) and has over four years' experience with Ernst & Young in different industry segments in Sri Lanka and Singapore and over 14 years of manufacturing experience in textiles industry as Sector Head of Finance. He has undergone several corporate leadership training programmes including Corporate Leadership Programme conducted by HIDA, in Japan.

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

M. H. JAYASINGHE

Director- Sales & Marketing

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

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

K. P. C. P. K. PATHIRANA

Director-Human Resources & Administration

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

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

S. S. PULASINGHE

General Manager - Engineering & Special Projects

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

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

P. M. P. PERERA

Deputy General Manager – Engineering

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

C. P. WANASINGHE

Deputy General Manager – Production Planning

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

K. D. C. R. GUNARATNE

Deputy General Manager – Knitting

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

SUMITH FERNANDO

Deputy General Manager – Finance

Mr. Sumith Fernando holds an Executive Diploma from the Institute of Chartered Accountants of Sri Lanka.

He has over 25 years' experience in accounting and finance, out of which, 17 years has been Managerial experience. In addition, Mr. Fernando counts over 9 years' experience in SAP ERP system as a power user.

INDUNIL NIMALARUWAN

Deputy General Manager – Quality Assurance

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

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

SALIYA THILAKARATHNA

Deputy General Manager -Supply Chain

Mr. Saliya Thilakarathna hold MBA from London Metropolitan university of UK. He is with over 19 years' experience in Textile & Apparel industry in local & overseas.

He joined Hayleys Fabric PLC in 2021-April as Head of Supply chain and previously he has attached to two large scale Fabric mills in Sri Lanka. Also, he has also served in overseas as Senior Manager Production Planning & Supply Chain for 6 years who has perfected the art of lace fabric knitting mills located in both China & Thailand.

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

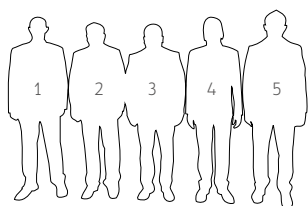
CHAMINDA KOTTEGODA

Head of Finishing

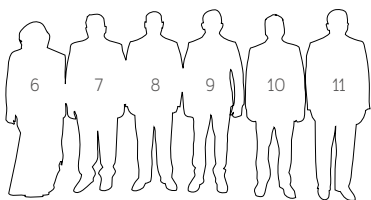
Mr. Chaminda Kottegoda has over 26 years' experience in working with large textile mills in Sri Lanka as well as in overseas in different capacities. In addition to his experience working in the fabric Mills, he also has experience as a Textile Processing Consultant at Santex AG Switzerland for a period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

LEADERSHIP INSIGHT

Management Team - South Asia Textiles Limited

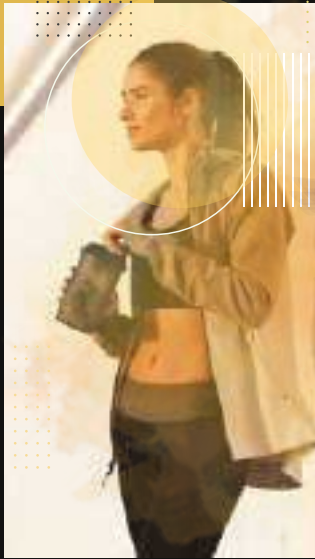


1. **Buddhika Perera** - Financial Controller
2. **Indika Chandrarathne** - Senior Manager- Dye House
3. **Jagath Kariyawasam** - Manager HR & Administration
4. **Champika Liyanage** - Senior Manager- Knitting
5. **Sameera Jayasinghe** - Manager- Planning



6. **Ms. Nirmalee Maddumage** - Assistant General Manager- R&D
7. **Chaminda Morawatta** - Senior Manager- Finishing
8. **Nalin Wickramarathne** - Deputy General Manager - Marketing
9. **Kapila Priyashantha** - Manager – Quality Assurance
10. **Shyam Jayasundara** - Manager- Engineering
11. **Udan Wedamuninilame** - Manager- Supply Chain

NATURAL FIT



LIGHT WEIGHT

COMFORT STRETCH

SOFT TOUCH

ADAPTIVE FIT



PREMIUM LUX



ADAPTIVE GEAR

C
O
M
F
Y



ADAPTIVE GEAR

The size adaptive inclusivity for all day wear

Size inclusivity - One size fit for all

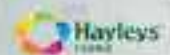
A comfortable fit through a constant modulus at every stretch which is adaptive to every body shape all around the world.

Dynamic comfort - easy to put on

Easy to stretch and put on to the body with the dynamic comfort given by the adaptive modulus from the unique lycra fiber.

Buttery soft hand feel for cotton

The luxe regenerated blend with the cotton base has improved the comfort through the best handle in soft touch.



UNIQUE

INSIGHTS UNLOCKED

We are proud of our accomplishments, and look forward to the possibilities that lie ahead as we propel our organisation towards a brighter future.

MANAGEMENT DISCUSSION & ANALYSIS

| | |
|-------------------------------------|----|
| The strategic report | |
| • Our Business Model | 56 |
| • Stakeholder Engagement | 58 |
| • The Operating Landscape | 60 |
| • Risks and Opportunities | 64 |
| • Determining Material Issues | 72 |
| • Our Strategy | 74 |

THE STRATEGIC REPORT

Our Business Model

INPUTS

Financial Capital

The funds obtained through shareholders and lenders which allow us to create value and reach our strategic goals.

- Total Equity: USD 28.3 Mn
- Borrowings: USD 43.0 Mn



Intellectual Capital

A strong innovation pipeline, robust systems and processes and the tacit knowledge of our team which drives our competitive advantage.

- Certifications/ accreditations: 47
- Investment in R & D: USD 117,392



Human Capital

Skills, capabilities, knowledge and commitment of our employees who support the delivery of our strategic objectives.

- 3,088 employees
- 9,615 training hours



Social & Relationship Capital

Strong relationships that have been nurtured over the years underpin our reputation and trust of key stakeholders.

- Tier 1 customers: 5
- Grade 1 suppliers: 95%
- Community relationships



Manufactured Capital

State of the art machinery and investments in modern manufacturing facilities enables high quality and efficient production.

- PP&E: USD 44.66 Mn
- Capex: USD 4.7 Mn



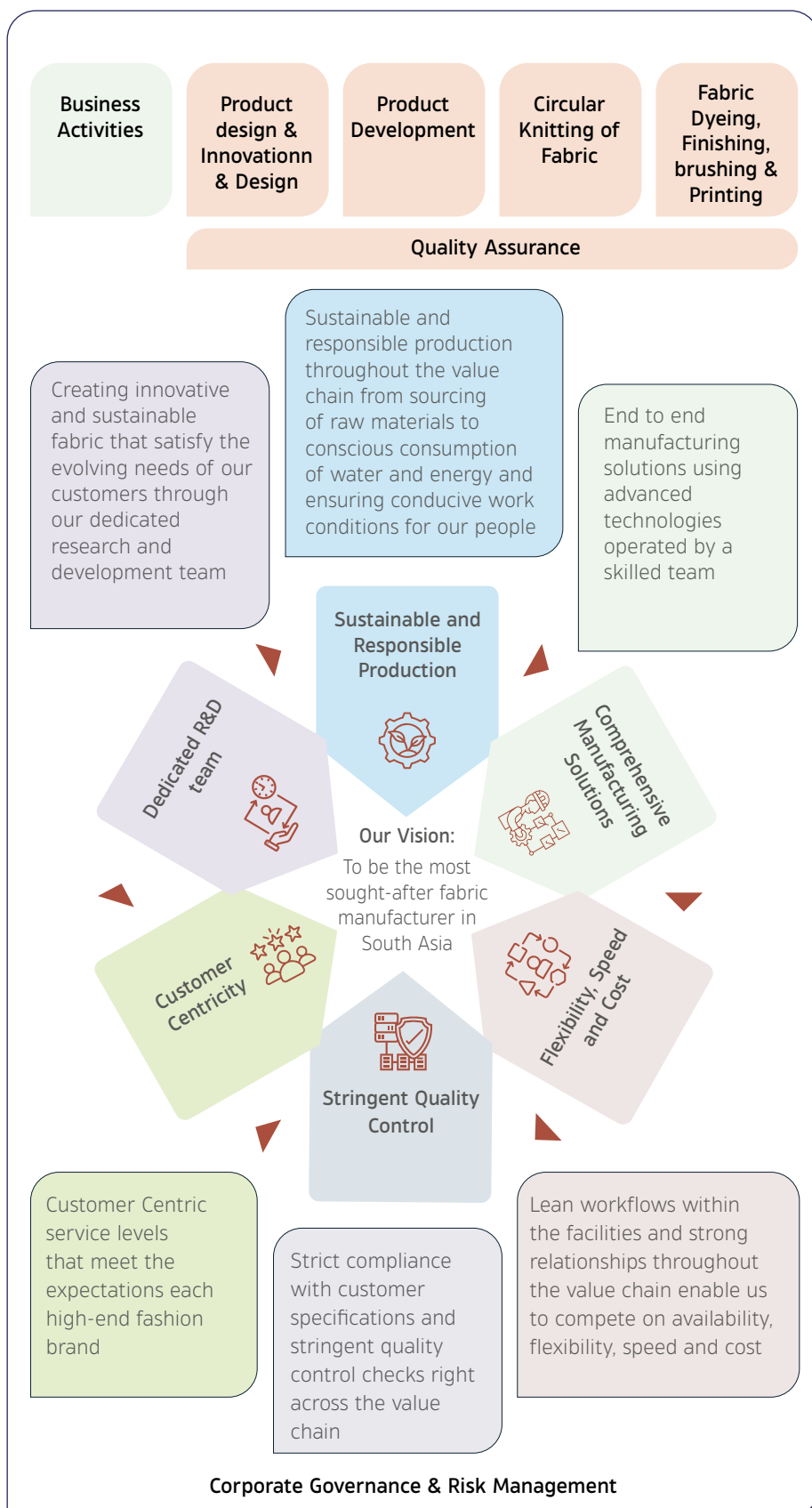
Natural Capital

Natural resources that we seek to source responsibly and consume in our value creation process.

- Water consumption: 3.09 Mn (M³)
- Energy intensity (GJ/MT of production): 82.3



HOW WE CREATE VALUE



OUTPUTS



**Production Volume
of Fabric**

16,612 MT



**Solid Waste
Generated**

4,958 MT



**Carbon
Footprint**

54,001
tCO₂e

1. Excellence in Service Levels
2. Inspired and Dedicated Team
3. Crafting a Seamlessly Integrated Supply Chain
4. Operational Excellence
5. Sustainability and Climate Action

OUTCOMES

Financial Capital (Page 78)

Generating sustainable shareholder value.

- Profit After Tax - USD 11 Mn
- Revenue - USD 166.6 Mn
- Dividend - USD 2.9 Mn

Intellectual Capital (Page 98)

- Revenue from INNO and developments: USD 161.81 Mn
- Cumulative innovations and product developments: 1,531

Human Capital (Page 90)

- Value addition to Employees: USD 13.2 Mn
- Enhanced employee productivity
- Training and development opportunities
- Competitive rewards and opportunities

Social and Relationship Capital (Page 84)

- Payments to suppliers: USD 150.73 Mn
- Investment in CSR: USD 29,711
- Indirect jobs created: Over 4,000
- Enhanced customer satisfaction: 95% RFT

Manufactured Capital (Page 102)

- RFT >95%
- Investment in CAPEX: USD 4.7 Mn

Natural Capital (Page 106)

- Zero hazardous waste
- 5% decrease in renewable energy
- 12% water recycled

CAPITAL TRADEOFFS

Financial capital is prudently allocated to maintain appropriate balance between corporate sustainability and stakeholder benefit. Disciplined capital allocation ensures our continued growth and supports our ability to add value to all other capitals

Innovation is an ongoing process supported by our capabilities in research and development which typically require considerable financial resources

Safety, health and skills development underpin productivity. While our top priority is the well being of our employees and fostering a diverse and inclusive culture wherever they reach their full potential, Hayleys Fabric Group benefits from higher productivity.

Our communities grant our social license to operate. We invest significantly to support economic empowerment and contribute to improving the lives of those living in our local communities.



Innovation, technology and strategic relationships underpin the profitability/ financial viability of our business operation, and attracts investment that, in turn, ensures sustainability.

Our investment in natural capital utilises financial capital. It is vital to protect resources for the sustainability of our business and for future generations.

THE STRATEGIC REPORT

Stakeholder Engagement

As the largest fabric manufacturer in the country, we consider what is meaningful and valuable to our stakeholders in every aspect of our value creation process, from designing new fabric to developing strategy or setting social and environmental targets. For this we engage with a broad range of stakeholder groups and effectively respond to their concerns and expectations. The considerable shifts in operating conditions during the year necessitated a proactive and deeper understanding of the concerns of our stakeholders. A summary of our stakeholder engagement for 2022/23 is presented below.

| |  Brand Owners & Apparel Manufacturers |  Suppliers | |
|-------------------------------|--|---|--|
| Importance | Regular engagement with global tier 1 brand owners and apparel manufacturers help us meet their evolving needs while ensuring business growth | Large scale suppliers are typically selected from a pool accredited by brand owners and assessed for environmental and social practices while SMEs in the vicinity are also given preference where possible. | |
| Key concerns | <ul style="list-style-type: none"> • Product quality and reliability • Lead times • Environmental footprint • Ethical labour practices • Innovations • Sustainable supply chain • Competitive pricing | <ul style="list-style-type: none"> • Timely payments and ease of transacting • Constructive feedback • Social and environmental conformity • Opportunities for economic development and business growth | |
| Channels of Engagement | <ul style="list-style-type: none"> • Multi layered relationship management • Visits • Virtual meetings • Trade Exhibitions & Fairs • Customer survey • Quality & Performance Review | <ul style="list-style-type: none"> • Supplier site visits • Relationship management • Written communication and feedback • Supplier appraisals • Evaluation of new suppliers • Regularly check their ethical standards | |
| Our response | <ul style="list-style-type: none"> • Investment in research and development • Upgrading machinery • Obtaining and maintaining certifications and accreditations • Employee training and development • Maintained good industrial relations • Strengthened supply chain • Enhanced biodiversity and environmental practices <p>(More on page 87 Social & Relationship Capital)</p> | <ul style="list-style-type: none"> • Propagating our sustainability practices to our suppliers through regular social and environmental screening • Centralised procurement for the Hayleys Fabric Group <p>(More on page 87 Social & Relationship Capital)</p> | |
| | Satisfaction rate on delivery (OTIF) 91% | New suppliers added 55 | |

| Investors | Employees | Government/ Regulator | Communities |
|---|--|--|---|
| We manage our business to provide returns that correspond to the risks undertaken by investors, while balancing interests of other stakeholders | We manage employee relationships through an attractive proposition, as they are key to driving our growth, innovation and productivity | The Government facilitates a conducive environment for entities to carry out business activities. We also engage with government entities to ensure compliance with regulatory requirements | We nurture healthy relationships with the communities in and around our operating location and the broader society across the Country |
| <ul style="list-style-type: none"> • Growth prospects • Share price and liquidity. • Business continuity • Corporate governance and risk management practices • Return on investment (ROI) • Social and environmental impact | <ul style="list-style-type: none"> • Attractive remuneration and reward schemes • Opportunities for training and career development • Safe and conducive workplace • Job security and career progression | <ul style="list-style-type: none"> • Compliance with all applicable regulatory requirements • Timely payment of regulatory dues and taxes • Local value addition • Environmental and social implications | <ul style="list-style-type: none"> • Socio-economic development in country • Employment opportunities • Empowering livelihoods and community development • Environmental preservation • Infrastructure development |
| <ul style="list-style-type: none"> • Annual General Meeting (AGM) • Investor forums and discussions • Annual Report/ quarterly financial results • CSE Announcements • Press releases | <ul style="list-style-type: none"> • Performance appraisals • Open door policy • Regular meetings with trade unions • Active engagement and communication of company performance | <ul style="list-style-type: none"> • Written communications • Face to face interactions • Filing of returns • Visits to premises • Regular submission of data | <ul style="list-style-type: none"> • CSR activities • Community grievance mechanisms • Workshops • Supporting to Village festivals |
| <ul style="list-style-type: none"> • Innovations and new product developments • Increased penetration with existing buyers • Improved productivity and cost efficiencies • Improved social and environmental practices. • Obtained new accreditations. • Awards and accolades (More on page 78 Financial Capital) | Strategic management of HR processes (More on page 90 Human Capital) | Established processes to ensure full compliance to all relevant regulatory requirements. (More on page 138 Corporate Governance) | We operate responsibly and sustainably, while addressing issues that are material for our local communities (More on page 84 Social & Relationship Capital) |
| ROE 4% | Employee Retention Rate 76% | Zero incidents of non-compliance | Zero community grievances reported |

THE STRATEGIC REPORT

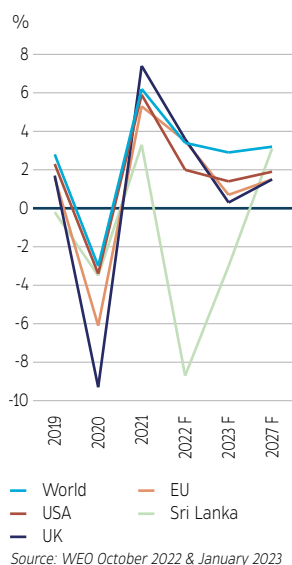
The Operating Landscape

Our Operating Landscape

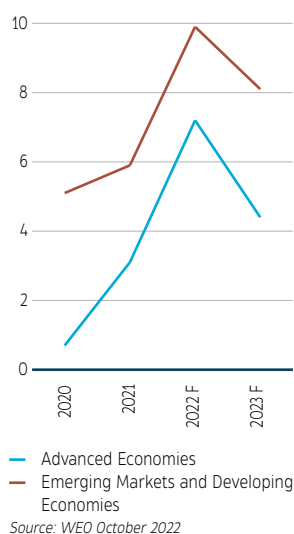
The concluding year was one of the most volatile in recent times, both in Sri Lanka and globally. Recognising the importance of adaptation and resilience, we monitored developments and proactively managed risks and opportunities, to deliver on our strategy with fortitude.

The global economy experienced a sharp downturn in 2022 led by inflationary pressures and the slowdown of advanced economies. Russia's war on Ukraine fundamentally altered the global economic and geopolitical order exerting pressure on commodity prices, trade volumes and financial linkages with knock-on effects on more vulnerable economies including Sri Lanka, dependent on imports.

GDP of Main Markets



Consumer Prices

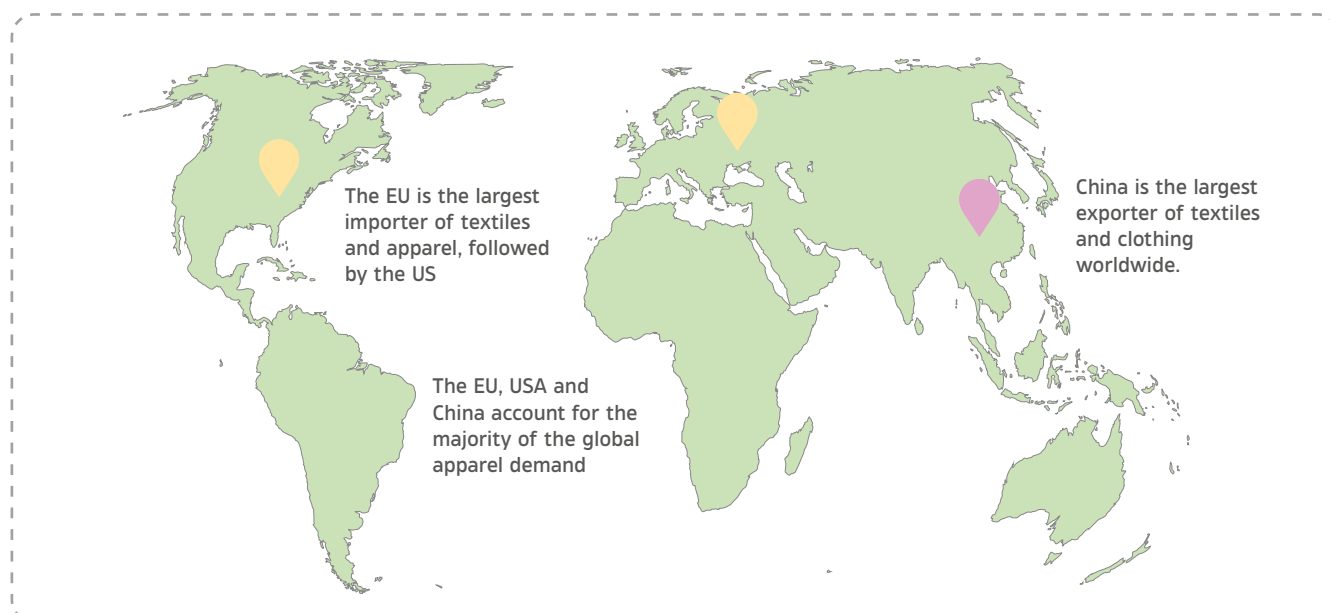


Outlook - The fashion market, excluding the luxury sector, will struggle to deliver significant growth in 2023 and is expected to grow relatively slowly between -2 and +3 percent. The market is expected to be weighed down by a contraction in the European market, although China and the United States are expected to fare better, growing between 2 and 7 percent and between 1 and 6 percent, respectively.

Mc Kinsey & Company – State of Fashion 2023

Global Fashion Industry

- The fashion industry began to recover, post covid, in 2021, propelled by surging e-commerce adoption and pent-up consumer demand. Global industry revenues grew 21% in 2021, continuing its robust performance into the first half of 2022.
- However, high inflation and depressed customer sentiments stemming from the deteriorating macroeconomic and geopolitical conditions have resulted in declining growth rates in the second half of 2022 which has continued into 2023.



Key dynamics shaping the operating landscape of the textile and apparel sector, during the year are summarised below:



Supply Chain Bottlenecks

The war in Ukraine has disrupted supply chains from material scarcities to logistical delays. Retailers are seeking to scale up nearshoring, moving manufacturing operations closer to markets.

Impact to Hayleys Fabric Group

- Opportunity to grow orderbook as retailers shift focus to Asia.
- Difficulty in sourcing dyes and chemicals from Europe.

Our Response

- Leveraged our strategic partnerships with Tier 1 clientele, to fill expanded production capacity.
- Sought alternative suppliers from Asia

(Refer SRC, page 87 for more information)



Sustainability Gap

Following intensified concerns around climate change, diversity and inclusion, fair pay and working conditions consumers are demanding greater action from corporates, including improvements to traceability and transparency.

Impact to Hayleys Fabric Group

Already strongly committed to sustainability, affirmed through the numerous accreditations received.

Our response

Stepped up commitment, by leading change within the industry. Hosted inaugural Sustainability Forum - Nature in December 2022, to share knowledge and drive best practice.

(Refer NC, page 106 and HC page 90, for more information)



Lower Demand

Consumers are curtailing their fashion spending and trading down for less expensive products as their energy and grocery bills rise. This has resulted in lower demand and smaller quantities for manufacturers.

Impact to Hayleys Fabric Group,

As Hayleys Fabric Group has positioned itself as a niche manufacturer of value added, innovative fabric, serving the top end.

Our Response:

Leveraged strategic partnerships with Tier 1 clientele nurtured over the years, to fill order book. (Refer SRC, page 84 for more information)



Overall Cost Escalation in Raw Materials and Energy

Pressure on commodity prices, rising inflation, high freight costs and energy prices, lead to an increase in cost of production. Extreme weather conditions and disruptions to supply chains also affected raw material availability across Asia, steeply impacting input costs.

Impact to Hayleys Fabric Group:

Cost of production rose 11% in 2022/23.

Our Response:

Adopted strategies to curtail cost including driving efficiencies and reducing waste.

(Refer FC, page 80 for more information)



Uneven Recovery in the Global Economy

In China, further COVID-19 outbreaks and the real estate crisis have undermined the region's growth trajectory, as well as disrupted supply chains.

Impact to Hayleys Fabric Group

- Opportunity to grow orderbook as retailers shift focus to Asia.

Our Response

- Leveraged our strategic partnerships with Tier 1 clientele, to fill expanded production capacity.

(Refer SRC, page 84 for more information)



Luxury Sector to Outperform

Differences between the shopping habits of low- and high-income households will become more pronounced, with the luxury sector outperforming the rest of the industry, as wealthy shoppers continue to travel and spend, and thus remain more insulated from the effects of elevated inflation.

Impact to Hayleys Fabric Group:

Augurs well for Hayleys Fabric Group positioned as a manufacturer of value added fabrics, serving the Tier 1 clientele

Our Response: Leveraged unique customer value proposition to fill expanded production capacity.

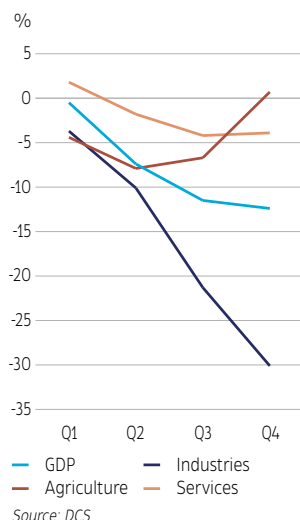
(Refer SRC, page 84 for more information)

THE STRATEGIC REPORT

The Operating Landscape

Domestic Economic Environment

GDP Growth in 2022



The domestic economy contracted by 7.8% in 2022, as the country struggled with its worst economic crisis in more than seven decades. Spill over effects from economic mismanagement coupled with the impact of the COVID-19 pandemic in 2021, escalated into political and social turmoil during the first half of 2022.

Outlook

Although high levels of volatility and uncertainty remain, the myriad of stability-oriented policy measures undertaken to steer the economy and the progress made on the Extended Fund Facility (EFF) of the International Monetary Fund (IMF) is encouraging.

Moody's Investors Service expects the economy to shrink by 3% in 2023, and rebound in 2024.

P

Having experienced severe political instability in the first half of 2022, the appointment of a new and experienced prime minister and functional cabinet brought in much needed stability to the country, although it remains fragile with uncertainty in key areas.

Impact to Hayleys Fabric Group

Uncertainty on policy measures to support short to long term business plans

Our Response

- Increased urgency of strategic risk management.

E

The domestic economic landscape remained extremely volatile. The dearth in forex liquidity, rising prices of energy, and a sharp depreciation of exchange rate posed the most significant risks to the country's economy over the short-to-medium term and having a knock-on effect on all other indicators including interest rates and a sharp increase in inflation.

Impact to Hayleys Fabric Group

- Favourable impact of Rupee depreciation on export earnings
- Potential increase in local borrowing costs given the rise in market interest rates
- Negative impact on local supply chains from shortages in energy supply

Our Response

- Proactive management of foreign currency and conversion to local payments.
- Hedging of loan installment settlements.

S

The shortage of fuel, food, gas and energy caused significant hardships to the people, resulting in social unrest and economic instability within the country. It was critical that employees were well looked after during these trying times

Impact to Hayleys Fabric Group

- Retention of skilled labour given the high rate of economic migration of people in search of better opportunities overseas
- Potential disruption to operations and lower productivity levels from increased absentees

Our Response

- Proactive engagement with our people, trade unions to understand their concerns
- Strengthening retention strategies including restructuring of salaries

T

Businesses are increasingly dependent on digitisation and technology, in the post pandemic environment. Big data and business intelligence analytics have allowed companies to analyse and predict market trends better, allowing for optimal resource allocation.

Impact to Hayleys Fabric Group

- Increased vulnerability to cyberattacks and data misuse, infringement of privacy
- Drive efficiencies through automation and digitalisation.

Our Response

- Invest in advanced technology when upgrading plants and machinery, South Asia Textiles Limited .
- Use of Artificial intelligence (AI) to drive efficiencies

E

Organisations are being increasingly called upon to deliver on their ESG initiatives as implications of climate change continue to intensify. Key areas of focus include water stewardship, driving reductions in the carbon footprint across the entire value chain, enhancing energy efficiency and shifting to renewable sources of energy.

Impact to Hayleys Fabric Group

- Risks associated with transitioning to a low carbon economy including increasing reliance on renewable energy.
- Disruptions to supply of biomass from unfavorable weather conditions and knock on effect of fuel crisis.

Our Response

- Implementation of numerous environmental initiatives
- Implementation of the Hayleys Life-code the Group's comprehensive ESG framework
- Pursuing alternative sources of renewable energy including sustainable firewood.

L

As a key source of foreign exchange revenue for the country, the Government ensured that the apparel industry was fairly insulated from the prevalent economic crisis and regulatory measures implemented, allowing the import of raw materials and ensuring factories operated without major interruptions.

Impact to Hayleys Fabric Group

- Limitations on banks in entering forward rate contracts
- Mandatory conversion of export proceeds

Our Response

- Proactive management of foreign currency
- Sourcing locally, where possible proceeds

The industry's resilience against the global and local economic challenges was remarkable with an all-time high export revenue in 2022/23.

The Sri Lankan Apparel and Textile Industry

The textile and apparel industry plays a significant role in developing Sri Lanka's economy, contributing 6% of the country's GDP and accounting for over 45% of export revenue in 2022 (Central Bank of Sri Lanka, Annual Report 2022). It is also a leading employment and empowerment source for Sri Lankan women. The apparel industry provides direct employment opportunities to over 300,000 people and 600,000 indirectly.

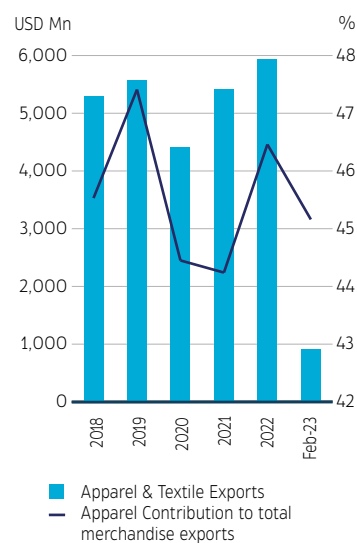
Export Markets

The EU, USA, and United Kingdom have historically been the leading destinations of Sri Lankan apparel. In 2022, exports to the EU continued to surpass US\$ 1.5 billion, while USA contracts were worth over US \$1.0 billion.

Global Market positioning

The local industry has embraced the concept of green manufacturing and social sustainability. Positioned as 'Garments without guilt', the industry stands out as a favoured source among brands for ethical production of high-quality apparel and textile. Sri Lanka is the only apparel manufacturing country in Asia to ratify all 27 ILO (International Labour Organisation) conventions.

Export Performance



THE STRATEGIC REPORT

Risks and Opportunities

Our risk and opportunities landscape was largely impacted by the increasingly volatile socio-economic conditions in the country and knock on effects of geopolitical tension in Europe. The growing complexity and uncertainty increased the difficulties in risk identification and management. Adopting a structured and systematic approach to risk management, the Board and management were able to gain access to required insights for strategic and informed decision-making.

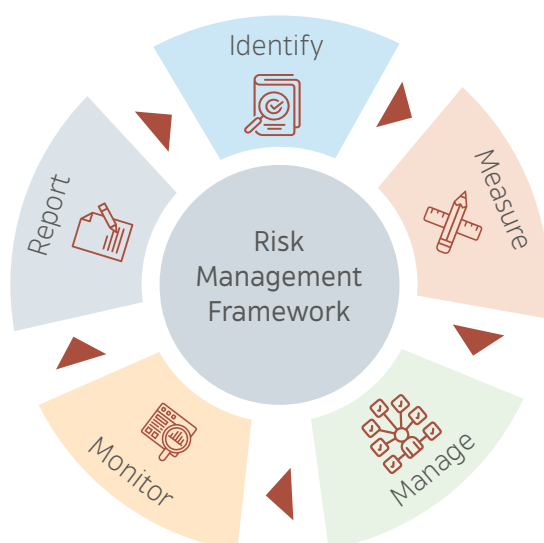
Integrated risk management

Hayleys Fabric Group adopts an integrated approach to Risk management as we proactively manage risk to achieve business objectives. Risk management is linked to our corporate strategy and is an integral element of our corporate governance. It is fundamental to how the Group is managed and is embedded into our daily decision-making processes and activities. Our dynamic and holistic approach to risk management, has facilitated the Group to harness opportunities and create value for all our stakeholders.

Risk management framework

Our Enterprise Risk Management (ERM) Framework directs our approach to identify, understand, and respond to significant risks associated with our business. In executing our ERM process, we follow a model where we identify, measure, manage, monitor and report on significant risks being faced in the short, medium and long term.

Our operational decisions are guided by the Precautionary Principle. Environmental impacts including depletion of natural resources and environmental pollution are given due consideration when balancing risk and growth opportunities.



Governance & Culture

- Board Risk Oversight
- Operating structures
- Define Culture
- Commitment to core values



Performance

- Risk Identification
- Risk Severity of impact
- Risk Probability of occurrence
- Risk Priority
- Risk Response
- Portfolio Development



Information, Communication & Reporting

- Leveraging IT
- Risk Communication
- Risk Reporting



Strategy & Objective Setting

- Business Context Analysis
- Risk Appetite
- Strategic Priorities
- Strategies

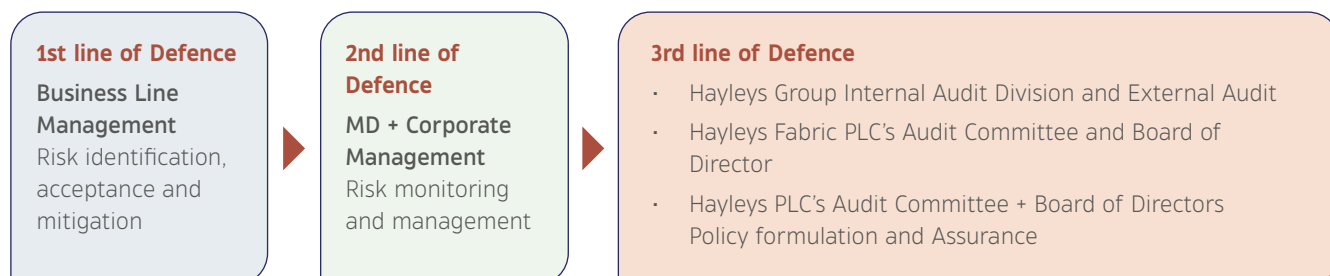


Review & Revision

- Change Assessment
- Risk and Performance Review
- ERM improvement

Risk Governance

Our approach to Risk Management is in line with our parent entity. The Hayleys Group adopts the popular three lines of defence model in understanding, managing and measuring its risk, ensuring effective segregation of duties with appropriate oversight and accountability.



Ultimate responsibility for Risk Management lies with the Board of Directors. The Board has set in place a framework for managing risk and the Managing Director/Chief Executive Officer and the Corporate Management Team are responsible for implementing the same.

The Hayleys Fabric PLC's Board is assisted in the discharge of duties by the Audit Committee. The Hayleys

Group Internal Audit Division supports the Audit Committee in performing its assurance role through regular reviews and recommendations on the robustness of the internal control systems in place.

The minutes of these Audit Committee meetings are tabled to the Hayleys PLC's Audit Committee, thereby ensuring that main Board Directors are

kept abreast of emerging risks which could affect sectors and the Group.

The Executive Directors take responsibility for preparation of the quarterly Risk Management report which sets out the principal risks and their assessment of the same. Risk identification is the responsibility of all employees who form the first line of defence.

Risk Landscape








We have prioritised and listed below the most significant risks for our business together with mitigating factors at the close of the year. Opportunities arising from the risk have also been highlighted. Our operating landscape is extremely fluid and the Group duly monitors emerging risks and opportunities on an ongoing basis.

| | Political and Economic risks | Geopolitical risks | Social and stakeholder risks | Environmental risk | Technological risks |
|-----------------------------------|--|---|--|---|---|
| Short term (0-1 year) | <ul style="list-style-type: none"> • Ongoing domestic socio-economic crisis • Exchange Rate Fluctuations • Interest rate risk | <ul style="list-style-type: none"> • Downturn in consumer demand in key Export markets • Supply chain risks | | <ul style="list-style-type: none"> • Implications of climate change | |
| Medium Term (1-3 years) | <ul style="list-style-type: none"> • Ongoing domestic socio-economic crisis • Government Policy | | <ul style="list-style-type: none"> • Ongoing domestic socio-economic crisis • Employee, health and safety, human rights & well being • Compliance risk • Sustainable production • Community relations | <ul style="list-style-type: none"> • Implications of climate change • Compliance risk • Sustainable production reputation risk | <ul style="list-style-type: none"> • Innovation risk • Increased vulnerability of Cyber security • Driving cost efficiencies |
| Long Term (beyond 3 years) | <ul style="list-style-type: none"> • Government Policy | <ul style="list-style-type: none"> • Labour shortage | Suppliers Employees | <ul style="list-style-type: none"> • Implications of climate change | |

THE STRATEGIC REPORT

Risks and Opportunities










| Risk | Development In 2022/23 | Potential Impact | Risk Mitigation | | | | | | |
|--|---------------------------|---------------------|--------------------|---|---------|---|---|---|--|
| Ongoing domestic socio-economic crisis <table><tr><td colspan="2">Risk Rating</td></tr><tr><td>2021/22</td><td>H</td></tr><tr><td>2022/23</td><td>H</td></tr></table> | Risk Rating | | 2021/22 | H | 2022/23 | H | <ul style="list-style-type: none">▪ Poor economic growth and the resultant macro-economic vulnerabilities including dearth in forex liquidity, elevated inflation, rising interest rates, have a direct impact on the Group's revenue generation and profitability.▪ Increased cost of living and deteriorating disposable income distribution | <ul style="list-style-type: none">▪ Shortage in forex can impact the Group through,<ul style="list-style-type: none">- Short supply of raw materials- Escalation in costs▪ Rise in cost of local services and inputs▪ Uncertainty in planning forward▪ Negative impact on employee and community wellbeing | <ul style="list-style-type: none">▪ Proactively monitor emerging developments in the policy landscape and macro-economic environment▪ Leverage relationships with banks to facilitate continued importation of raw materials and better interest rates.▪ Prudent management of 'working capital liquidity and leverage to build organisational resilience. |
| Risk Rating | | | | | | | | | |
| 2021/22 | H | | | | | | | | |
| 2022/23 | H | | | | | | | | |
| Exchange Rate Fluctuations <table><tr><td colspan="2">Risk Rating</td></tr><tr><td>2021/22</td><td>H</td></tr><tr><td>2022/23</td><td>H</td></tr></table> | Risk Rating | | 2021/22 | H | 2022/23 | H | <p>During the period ended December 31, 2022, the LKR depreciated steeply, against the USD by 24% and appreciated by 10% percent for the 3 months ended March 31, 2023.</p> | <ul style="list-style-type: none">▪ As an export-oriented organisation, fluctuations in exchange rate have a direct impact on profitability.▪ Considerable impact on profitability from currency appreciation, considering large exposure to LKR debt. 35% of borrowings at year end are in LKR.▪ Regulatory restrictions on forward bookings | <ul style="list-style-type: none">▪ Ongoing monitoring of exchange rate movements and assessment of the impact on our operations▪ Proactive negotiations with banks in partnership with the Hayleys Treasury Unit |
| Risk Rating | | | | | | | | | |
| 2021/22 | H | | | | | | | | |
| 2022/23 | H | | | | | | | | |
| Downturn in consumer demand in key Export markets <table><tr><td colspan="2">Risk Rating</td></tr><tr><td>2021/22</td><td>M</td></tr><tr><td>2022/23</td><td>H</td></tr></table> | Risk Rating | | 2021/22 | M | 2022/23 | H | <ul style="list-style-type: none">▪ Impact of elevated inflation.▪ Decline in discretionary spending and weakening consumer demand.▪ Significant overstocking and heavy discounting by retailers | <ul style="list-style-type: none">▪ Reduction in orders quantities and fall in revenue.▪ Pressure on margins and profitability. | <ul style="list-style-type: none">▪ Leveraging our unique CVP and strategic partnerships with global fashion brands, to fill order book▪ Supplying global brand owners that work across geographical markets including growth markets such as China and India |
| Risk Rating | | | | | | | | | |
| 2021/22 | M | | | | | | | | |
| 2022/23 | H | | | | | | | | |
| Supply chain risks <table><tr><td colspan="2">Risk Rating</td></tr><tr><td>2021/22</td><td>H</td></tr><tr><td>2022/23</td><td>M</td></tr></table> | Risk Rating | | 2021/22 | H | 2022/23 | M | <p>Continued disruption to the supply chain due to</p> <ul style="list-style-type: none">▪ Closure of ports in China from outbreaks of COVID-19, disrupting shipping patterns and compounding port congestion.▪ shortage of containers in East Asia resulting in shipping delays▪ High price of commodities▪ Disruption to trade routes and stock availability due to the war in Ukraine▪ Extremely high Sea freight costs▪ Impact on cost and availability of imported raw materials due to the country's forex shortage. | <ul style="list-style-type: none">▪ Production disruptions▪ Failure to meet contractual obligations.▪ Increased raw material costs and margin pressure.▪ Energy availability and cost | <ul style="list-style-type: none">▪ Developing alternative suppliers for key raw material▪ Forward booking to hedge prices.▪ Regular engagement with and development of strategic partnerships with suppliers to secure preferential access.▪ Effective material planning |
| Risk Rating | | | | | | | | | |
| 2021/22 | H | | | | | | | | |
| 2022/23 | M | | | | | | | | |

| Opportunity | Link to Strategy | Outlook 2023/24 |
|--|---|---|
| <ul style="list-style-type: none"> Investing in the wellbeing of employees and building employee moral Selective deployment of capital and focus on organic growth to be future fit. | <p>Strategic Pillar: Financial growth</p>  <p>Capitals impacted human, financial.</p>  | <p>While short-term pressures remain inevitable, the Sri Lankan economy is expected to post recovery over the medium to long-term, given appropriate commitment to reforms in line with the IMF-bailout program</p> |
| <p>Continue monitoring key indicators and manage volatility under our current policies and programme</p> | <p>Strategic priority Financial Capitals impacted financial.</p>  | <p>The LKR is expected to stabilise over the medium-term supported by the gradual improvement in the country's macro-economic fundamentals</p> |
| <p>Production of high margin, value added fabric that are top end of the category, and relatively insulated from the effects of high inflation.</p> | <p>Strategic priority: excellence in service levels, impacted Financial Capital & Social & Relationship Capital</p>   | <p>We expect the challenging economic conditions to continue in the short term as Central Banks increase interest rates to curb inflation and avoid a global recession in 2023.</p> |
| <ul style="list-style-type: none"> Review supplier base to ensure the Group has a well-balanced and sustainable range of suppliers enabling consistent supply and rapid response. Growth opportunity for Sri Lankan apparel industry from nearshoring to Asian retail markets by global brands, following disruption to supply chains in Europe. | <p>Strategic priority: excellence in service levels, supply chain</p> <p>Capitals impacted Financial Capital & Social & Relationship Capital.</p>   | <ul style="list-style-type: none"> Opening up of China from early 2023 is expected to support ease of disruptions. Europe and US will continue to face inflation headwinds and impact of the Russia-Ukraine conflict. Energy prices are expected to remain high during 2023 while commodity market prices are expected to be mixed, together with reducing ocean freight costs |

THE STRATEGIC REPORT

Risks and Opportunities

| Risk | Development In 2022/23 | Potential Impact | Risk Mitigation | | | | | | |
|---|---------------------------|---------------------|--------------------|---|---------|---|--|---|---|
| Interest rate risk <table><tr><td colspan="2">Risk Rating</td></tr><tr><td>2021/22</td><td>H</td></tr><tr><td>2022/23</td><td>H</td></tr></table> | Risk Rating | | 2021/22 | H | 2022/23 | H | Sharp increase in - LKR based. - USD based. Interest rates | <ul style="list-style-type: none">Escalation in the Group's finance costs.Considerable impact on profitability Considering the recent debt-funded capacity expansions. | <ul style="list-style-type: none">Proactive monitoring of interest rate developments and negotiating with banks in partnership with the Hayleys Treasury Unit |
| Risk Rating | | | | | | | | | |
| 2021/22 | H | | | | | | | | |
| 2022/23 | H | | | | | | | | |
| Customer Satisfaction <table><tr><td colspan="2">Risk Rating</td></tr><tr><td>2021/22</td><td>M</td></tr><tr><td>2022/23</td><td>M</td></tr></table> | Risk Rating | | 2021/22 | M | 2022/23 | M | <ul style="list-style-type: none">Challenge to deliver on-time, with perfect quality, given supply chain risks, fuel and energy crisis. | <ul style="list-style-type: none">Loss of business volumesLoss of Confidence in the GroupAdverse Impact to ReputationDirect impact on revenue and profitability | <ul style="list-style-type: none">Strict focus on quality and on time delivery with immediate root cause analysisRegular customer audits and feedbackStringent monitoring of KPIs by management |
| Risk Rating | | | | | | | | | |
| 2021/22 | M | | | | | | | | |
| 2022/23 | M | | | | | | | | |
| Climate change Risk <table><tr><td colspan="2">Risk Rating</td></tr><tr><td>2021/22</td><td>M</td></tr><tr><td>2022/23</td><td>M</td></tr></table> | Risk Rating | | 2021/22 | M | 2022/23 | M | <ul style="list-style-type: none">Alternate droughts and floods impact adjacent river basins, resulting in either increased salinity of water or flooding.Impact on global cotton growing areas, and demand/ supply dynamics.Climate risk transition costs | <ul style="list-style-type: none">Disruptions to manufacturing operationsImpacts product quality and leads to reputational damage.Financial planing for new CAPEX in Bio mass machinery, energy efficient equipment. | <ul style="list-style-type: none">Use of chemicals to reduce PH levels, address the salinity of water.Disaster management systems in place to enable operations during flood.Geographically spread supplier base to minimise the geographical risk.70% of group energy sources are currently renewable.Set up of SBTi target to meet net zero target. |
| Risk Rating | | | | | | | | | |
| 2021/22 | M | | | | | | | | |
| 2022/23 | M | | | | | | | | |
| Employee, health and safety, human rights & well being <table><tr><td colspan="2">Risk Rating</td></tr><tr><td>2021/22</td><td>L</td></tr><tr><td>2022/23</td><td>L</td></tr></table> | Risk Rating | | 2021/22 | L | 2022/23 | L | <ul style="list-style-type: none">The Group's trade unions make industrial relations a key concern given the current economic situation in the country.As a manufacturing organisation our employees are exposed to occupational hazards and risk of injury.Human rights abuses in China's Xinjiang region including the use of forced labour in production factories, has led to increased calls for fair treatment of workers and greater due diligence and transparency in supply chain management. | <ul style="list-style-type: none">Trade union action has the potential for business disruption.Non-compliance with or breaches of Health and Safety requirements may arise in injuries/ fatalities, affect employee productivity, cause business interruption and impact reputation.Business Interruption with higher-than-normal absenteeism rates impacts productivity, revenue and profitability.No accusations of human rights violations in apparel supply chains in Sri Lanka. The country is recognised for its socially responsible practices. | <ul style="list-style-type: none">Good industrial relations with trade unionsHealth & safety management system certifications in placeEstablishment of worker management health and safety committee to ensure views are understood and addressed.Positive employee goodwill created during the economic crisis. There were no layoffs, no reduction in remuneration. The Hayleys Fabric PLC Group supported employees with dry ration packs costing USD 249,530.Voluntary adoption of industry-specific globalcertifications such as WRAP, BSCI and ETI, in benchmarking best practices for human rights. |
| Risk Rating | | | | | | | | | |
| 2021/22 | L | | | | | | | | |
| 2022/23 | L | | | | | | | | |

| Opportunity | Link to Strategy | Outlook 2023/24 |
|---|--|--|
| Considering the suitability of different hedging instruments, other than vanilla interest rate swaps, to reduce rising costs while maintaining a sound hedging profile | Strategic priority, financial, Capitals impacted Financial Capital  | Interest rates are expected to remain elevated over the short-to-medium term as inflation remains high both locally and in the US. |
| <ul style="list-style-type: none"> Strengthen Customer centric, relationship management strategy. | <ul style="list-style-type: none"> Strategic priority excellence in service levels, financial, Capitals impacted Social & Relationship Capital, Human Capital, Manufactured Capital, Financial Capital     | <ul style="list-style-type: none"> Positive outlook given strong track record of resilience and maintaining high levels of client servicing |
| <ul style="list-style-type: none"> Commitment to reduce water consumption through product and process innovation. Sharing progress on our ESG journey and best practices, to drive greater sustainability commitment within our value chain | <ul style="list-style-type: none"> Strategic priority sustainability & climate action Capitals impacted, Financial Capital and Natural Capital.   | <ul style="list-style-type: none"> Increase in incidents of extreme weather conditions due to climate change. Increasing regulations on corporate disclosures on climate-related information, ranging from emissions, expected climate risks to transition plans |
| <ul style="list-style-type: none"> Continue to drive Group's ESG strategy - Hayleys Life Code – meeting targets and ensuring stringent policies and ethical work practices are in place to foster a conducive work environment. | Strategic priority inspired team, Impacted Financial Capital and Human Capital.   | <ul style="list-style-type: none"> Enactment of regulations to strengthen social compliance will create new requirements for businesses and new areas of risk. |

THE STRATEGIC REPORT




Risks and Opportunities

| Risk | Development In 2022/23 | Potential Impact | Risk Mitigation | | | | | | |
|--|---------------------------|---------------------|--------------------|---|---------|---|---|--|---|
| <div>Innovation risk</div> <div><table><tr><td colspan="2">Risk Rating</td></tr><tr><td>2021/22</td><td>M</td></tr><tr><td>2022/23</td><td>M</td></tr></table></div> | Risk Rating | | 2021/22 | M | 2022/23 | M | <ul style="list-style-type: none">Our ability to innovate and appeal to emerging consumer trends is central to Hayleys Fabric group Customer Value Proposition | <ul style="list-style-type: none">Loss of appeal from buyers will impact business volumes and profitability. | <ul style="list-style-type: none">Monitoring of fashion trends to anticipate customer needs in developing own portfolio.Ability to attract and retain highly qualified and experienced talent to operate the 'Inno' Design CentreContinued investment in 'Inno' Design Centre with state-of-the-art equipment including AI forecasting software |
| Risk Rating | | | | | | | | | |
| 2021/22 | M | | | | | | | | |
| 2022/23 | M | | | | | | | | |
| <div>Increased vulnerability of Cyber security</div> <div><table><tr><td colspan="2">Risk Rating</td></tr><tr><td>2021/22</td><td>M</td></tr><tr><td>2022/23</td><td>M</td></tr></table></div> | Risk Rating | | 2021/22 | M | 2022/23 | M | <ul style="list-style-type: none">The pandemic amplified cybercrime.Cyber-attacks are becoming more frequent, targeted, and complex. | <ul style="list-style-type: none">Risk of financial loss and disruption to business fromLoss of DataInterruption to operational systemsBreach of Data, Protection lawsDamage to corporate reputationNon-compliance with data protection legislation | <ul style="list-style-type: none">Well-defined cyber resilience program in place to safeguard data and infrastructure assets.Internally driving awareness on end-users through training etc.Implementation and regular testing and verification of network protection technology |
| Risk Rating | | | | | | | | | |
| 2021/22 | M | | | | | | | | |
| 2022/23 | M | | | | | | | | |
| <div>Compliance risk and Sustainable production,</div> <div><table><tr><td colspan="2">Risk Rating</td></tr><tr><td>2021/22</td><td>M</td></tr><tr><td>2022/23</td><td>M</td></tr></table></div> | Risk Rating | | 2021/22 | M | 2022/23 | M | <ul style="list-style-type: none">Textile industry is considered the second largest environmental polluter.The industry is subject to robust and growing regulation. | <ul style="list-style-type: none">Loss of buyer confidence from insufficient commitment to implement eco-friendly manufacturing practices and noncompliance with regulations, will impact business volumes and profitability | <ul style="list-style-type: none">Persistent monitoring of environmental performance and related parametersCompliance with regulatory and certification requirementsInvestment in clean technology |
| Risk Rating | | | | | | | | | |
| 2021/22 | M | | | | | | | | |
| 2022/23 | M | | | | | | | | |

H High

M Medium

L Low

| Opportunity | Link to Strategy | Outlook 2023/24 |
|---|---|---|
| <ul style="list-style-type: none"> Production of innovative performance-boosting fabrics that are top end of the category, securing higher prices and better margins | <ul style="list-style-type: none"> Strategic priority excellence in service levels, operational excellence. Inspired and dedicated team, finance <p>Capitals impacted Social & Relationship Capital, Human capital, Manufacturing Capital & Financial capital.</p>  | <ul style="list-style-type: none"> Leverage big data to analyse changing markets and consumer behavioural trends to maintain relevance and align product portfolio with trending technologies |
| <ul style="list-style-type: none"> Continue implementing internationally recognised security hardening standards to decrease vulnerabilities to cyber-attacks. | <ul style="list-style-type: none"> Operational; excellence, financial <p>Capitals impacted financial capital, Manufacturing capital & Financial Capital</p>  | <ul style="list-style-type: none"> The number and sophistication of cyber incidents is expected to increase in the short-to-medium term. Stakeholder concerns about data privacy and requirements to protect it, will continue to increase. |
| <ul style="list-style-type: none"> Use of advanced technology to create novel fabrics and smart textiles, innovations that provide sustainable alternatives. | <p>Strategic priority: sustainability</p> <p>Capitals impacted Natural Capital, Financial capital</p>  | <ul style="list-style-type: none"> Consumers' increasing interest in fashion sustainability and reducing the environmental impact of textile waste. |

THE STRATEGIC REPORT

Determining Material Issues

Our Materiality Process | Defining What Matters Most

Material issues are issues that are of importance to our stakeholders, while potentially having a significant impact on our ability to create value in the short, medium and long term. Our material issues are determined through an assessment conducted annually using the Hayleys Group's Materiality Assessment Index, which clearly sets out the parameters and filters applicable. The process adopted for determining material issues is presented below:

1. IDENTIFY

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



We address the most critical ESG impacts relevant to our business operations.

2. PRIORITISE

- Each issue is scored and aggregated based on the impact and significance to the Group and its stakeholders to obtain a consolidated score, to derive the relative impact.
- Each issue is then plotted on a materiality heat map.



Our risk and opportunity register is created based on the material impacts identified and prioritised. (refer page 64)

3. INTEGRATE

- Our material matters are integrated into our strategy by contextualising them into the six strategic priorities that guide our integrated approach to value creation.



4. CONTINUOUS ASSESSMENT

- The identified material topics are continuously assessed throughout the year, to ensure our strategy remains relevant.



Strategic Pillars

Excellence in Service Levels

Inspired and Dedicated Team

Crafting a Seamlessly Integrated Supply Chain

Operational Excellence

Sustainability and Climate Action

Financial Growth

Changes to Material Topics in 2022/23

- Material issues for 2022 included Pandemic-led Disruptions and Import Restrictions, which, under the current operating context, did not prioritise within the top 25 issues of the 2023 materiality index.
- Demand in Consumer Markets and Macro Economic Vulnerabilities were new material issues incorporated into the index this year.
- Other material topics remained consistent for the current reporting cycle with no significant changes to its prioritisation.

Our Materiality Themes | The Outcomes of Our Materiality Process



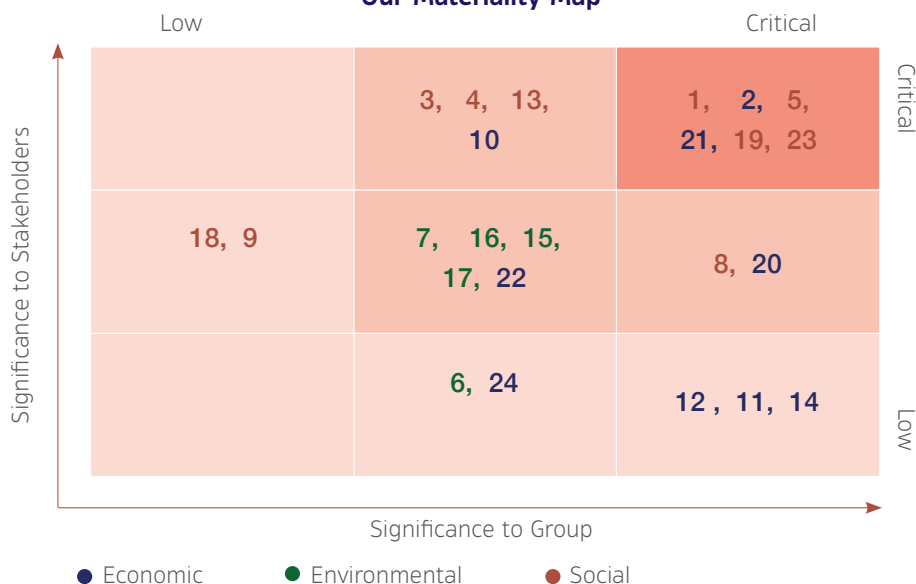
Material Matters



Relevant GRI Indicator

| | |
|---|---|
| 1. Customer Satisfaction 2. Innovation | GRI 418: Customer Privacy Non-GRI |
| 3. Employee Proposition 4. Employee Wellbeing 5. Human Rights & Social Compliance | GRI 401 Employment, GRI 402-Labour management Relations, GRI 404-Training and education GRI 403 Occupational Health and Safety GRI 405 Diversity & Equal Opportunity, GRI 406: Non-discrimination, GRI 407: Freedom of Association and Collective Bargaining GRI 408: Child Labour. GRI 409 Forced or Compulsory Labour |
| 6. Supplier Assessment 7. Materials 8. Best practices along supply chain 9. Procurement Practices | GRI 308 Supplier Environmental Assessment, GRI 414 Supplier Social Assessment GRI 301 Materials Non-GRI GRI 204 Procurement Practices, GRI 205: Anti-corruption |
| 10. Government Policy 11. Access to uninterrupted energy 12. Technology 13. Market Presence 14. Operational Efficiency | Non-GRI Non-GRI Non-GRI GRI 202 Market Presence Non-GRI |
| 15. Managing Environmental Impacts 16. Environmental Compliance 17. Biodiversity 18. Local Communities 19. Customer Health and Safety | GRI 302 Energy, GRI 303 Water and Effluents, GRI 305 Emissions, GRI 306 Waste Non-GRI GRI 304 Biodiversity GRI 413 Local Communities, GRI 203 Indirect Economic Impacts GRI 416 Customer health and Safety, GRI 417-Marketing and labelling |
| 20. Demand in Consumer Markets 21. Local Macro Economic vulnerabilities 22. Economic Performance 23. Pandemic-led disruptions 24. Import Restrictions | Non-GRI GRI 207-Tax GRI 201 Economic Performance , Non-GRI Non-GRI |

Our Materiality Map



THE STRATEGIC REPORT

Our Strategy

We have adopted an integrated approach in formulating our strategy, taking into consideration operating challenges and risks, emerging opportunities, stakeholder needs and our impact on society and the environment.

We continued to make good progress against the expansion strategy we embarked on in late 2021, in spite of the external challenges. We are on track to deliver on our objectives as we complete the integration of South Asia Textiles Ltd in to the Hayleys Fabric Group and align operations to meet the needs of our tier 1 clientele. In light of the prevalent economic slowdown in our major export markets and impact on consumer demand, we have reviewed our strategy and are yet confident that it remains relevant in achieving our long-term ambitions, and Vision.

We measure our progress against Group key performance indicators (KPIs), a selection of which are below, as well as client KPIs. Our Group KPIs include non-financial measures reflecting our commitment to sustainable social and economic development across our business, operations, and communities.



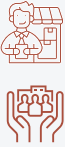





Our Strategic Pillars

| | | |
|---|--|--|
| 1 | <p>Excellence in Service Levels</p> | |
| 2 | <p>Inspired and Dedicated Team</p> | |
| 3 | <p>Crafting a Seamlessly Integrated Supply Chain</p> | |
| 4 | <p>Operational Excellence</p> | |
| 5 | <p>Sustainability and Climate Action</p> | |
| 6 | <p>Financial Growth</p> | |

Link to Remuneration

Our remuneration policy is designed to encourage the achievement of our Group strategy, which is our roadmap towards creating and preserving value for all our stakeholders. Department and individual KPIs are assigned to all employees and incentivised to achieve their respective targets. Our variable pay structure is supported by a robust remuneration governance framework.

| Strategic Actions | Resource Allocation | Stakeholders Impacted | KPI & Targets |
|--|--|--|---|
| <ul style="list-style-type: none"> Increase production capacity Enhance focus on R&D New product developments Strengthen customer value proposition through increased quality, speed and flexibility | <ul style="list-style-type: none"> FC/MC: Capital expenditure of USD 4.7 Mn FC Investment in R&D capabilities: USD 117,392 SRC: High levels of customer engagement HC: 25 Strength of Inno Team IC: New product developments in pipeline - 28 | Customers Employees  | <ul style="list-style-type: none"> Customer feedback ratings Right First > 95% Sales from Inno & development: 98% of total sales Quality rejects < 0.7% |
| <ul style="list-style-type: none"> Health, safety and wellbeing. Talent management and succession planning Diversity inclusivity and equal opportunity Continuous investment in Training and development | <ul style="list-style-type: none"> FC/HC: Payments to employees: USD 9.51 Mn HC 9,615 hours of training and development | Employees  | <ul style="list-style-type: none"> Retention rates: 76% 7% of managers that are women Injuries 144 Training hrs/ employee 3.46 |
| <ul style="list-style-type: none"> Develop alternate suppliers. Conduct supplier audits. Supplier collaborations Regular supplier engagement Optimum inventory level | <ul style="list-style-type: none"> FC: Payments to suppliers: USD 150.73 Mn MC: investment in ERP USD 459,829 SRC: New suppliers 55 | Suppliers Employees  | <ul style="list-style-type: none"> Supplier audit ratings > 90% Shortest lead times: 3 days New product collaborations: 64 New suppliers compliant with environment and social compliant criteria |
| <ul style="list-style-type: none"> Upgrade to advancing technology. Drive operational and cost efficiencies through lean processing, automation and digitisation Invest in training and development, upskilling | <ul style="list-style-type: none"> FC: Capital expenditure of USD 4.7 Mn IC Compliance with quality and safety certifications HC 9,615 hours of training and development | Customers Suppliers Employees  | <ul style="list-style-type: none"> Capacity utilisation: > 90% Increase in GP margin - > 11% |
| <ul style="list-style-type: none"> Compliance with CEA, SBTi Social compliance Reduce carbon footprint Commitment to reduce environmental impacts across whole operations through reduction, reuse, recycle | <ul style="list-style-type: none"> FC / MC: Plan Investment in renewable energy USD 0.7 Mn FC/MC Investment in water treatment plant USD 210,826 Mn SRC Investment in CSR USD 29,711 | Society Communities  | <ul style="list-style-type: none"> Accreditations: 47 Recycled water: 12% Renewable energy: 69% of total energy consumed Absolute emissions reduction 4% |
| <ul style="list-style-type: none"> Develop innovative new products in diversifying the product portfolio. Drive cost efficiencies to improve margins. Increase Tier 1 penetration. Pursue growth in new markets, acquire new customers. Expansion of manufacturing facilities | <ul style="list-style-type: none"> SRC: High levels of customer engagement IC: Research & Development into new products USD 117,392 FC/MC Investment in Plant & Machinery USD 4.7Mn | Shareholder Investors Customers Employees  | <ul style="list-style-type: none"> Production volumes: 16,612 MT Revenue: USD 166.6 Mn GP margin: 13% PAT: USD 1.1 Mn Cash generated from operations / Free cashflow: USD 8.285mn ROCE: 16% Gearing: 60% |

Hayleys Fabric PLC's contribution to the UNSDGs

Hayleys Fabric PLC is committed to delivering a meaningful impact on the UNSDGs. We strive of our ESG frame work/ Hayleys Life code.

Please refer page 151

COMFY FLO 2.0

A
B
S
O
R
B
E
N
T



COMFY FLO 2.0

The ultimate comfort period panty solution

Wicking Layer - Improved transfer

A higher speed absorbancy through the body touching wicking layer with an exclusive cross sectional yarn.

Wicking Layer - Improved transfer

The one way moisture transferring cotton material to make the body touching dry and cooler.

Absorbancy Layer - High Absorb

The highest absorbent fibers with the improved storage capacity through spongy thickness.



LUXE COTTON

L
U
X
U
R
Y



LUXE COTTON

Feel the luxury in cotton assortment

Luxurious cotton composed

The finest cotton fibers with Supima recognition to improve the luxe and comfort for the wearer.

Finest and cleanest appearance

The best ever appearance of cotton with no fuzzy fibers for a cleaner and stress free surface.

Softest handfeel and touch comfort

The buttery soft touch and drape making the ultimate comfort of all day wearing tee - shirt material.



PRIMED FOR NOVELTY

We thrive on exploring the possibilities of tomorrow, and constantly take advantage of new concepts and technology to reduce our ecological footprint.

PERFORMANCE AND VALUE CREATION

Capital Reports

| | |
|--|-----|
| • Financial Capital..... | 78 |
| • Social and Relationship Capital..... | 84 |
| • Human Capital..... | 90 |
| • Intellectual Capital | 98 |
| • Manufactured Capital | 102 |
| • Natural Capital..... | 106 |

CAPITAL REPORTS

Financial Capital



The Group navigated significant industry headwinds and overcame several macro-economic challenges including a steep one-off deferred tax provision, to report a commendable performance by year end. Hayleys Fabric PLC recorded Group revenue of USD 166.6Mn, an increase by 10.93% over the previous year, and a profit after tax of USD 1.13Mn.

Operating within an industry pressured by drop in orders since mid-year, rising operating costs and systematic factory closures, the Group has managed to maintain full order books and deliver on our shareholder commitments, away from industry peers. Our resilience is a testament to our Strategic business model, strong leadership, and the commitment of our team.

Management Approach






How we manage and utilise our financial capital is fundamental to our ability to create sustained value for our shareholders. The following are key elements of our approach.

- Drive top-line growth and efficient cost management to ensure sustainable earnings, profitability, and remunerative returns on equity.
- Maintain a healthy financial position and positive cash flows securing adequate liquidity and solvency as a going concern.
- Follow prescribed best practices and standards in accounting, auditing, and management.
- Comply with rules and regulations set by relevant statutory and regulatory bodies.
- Adopt focused risk management techniques and internal controls to ensure responsible financial management.

The management approach is evaluated through assurance by both internal auditors and our external auditors (3rd party) of the financial statements and financial reporting processes and systems. Local and international awards for excellence in integrated reporting offers further confidence in the approach.

Operating within an industry pressured by drop in orders since mid-year, rising operating costs and systematic factory closures, the Group has managed to maintain full order books and deliver on our shareholder commitments, away from industry peers. Our resilience is a testament to our Strategic business model, strong leadership, and the commitment of our team.

Value Transformation in 2022/23

| Priorities in 2023 | Key Inputs | Capitals Impacted | Key Outcomes |
|--|---|---|--|
| <ul style="list-style-type: none"> • Drive revenue growth, particularly of INNO & Development • Enhance shareholder returns. • Optimise working capital and cash management. • Optimise capital funding. • Drive cost efficiencies to manage margins. | <ul style="list-style-type: none"> • USD 28.30 Mn Shareholder's Fund • USD 42.96 Mn Borrowings • Harmonisation of post-acquisition synergies within the Group. |    <p>Value created for Stakeholders</p>   | <ul style="list-style-type: none"> • 10.93% increase in Group revenue • 12.84% GP Margin • 44.03% decreased in PBT. • 1.33% increase in non-Current assets • 1: 1 Current ratio • 16% ROCE • Rs.2.50 Dividend per share |

Revenue

Having acquired South Asia Textiles Ltd in April 2021, the consolidated group figure for the year ended 2022, reflects 12 months of Hayleys Fabric PLC and 11 months of South Asia Textiles Ltd. The comparative for the year ended March 31 2023, reflect 12 months consolidated figures of both companies.

Group revenue increased by 10.93% to USD 166.63 Mn, moderating from 67% revenue growth observed following the acquisition and consolidation of South Asia Textiles Ltd compared with Company Revenue reported in 2022.

Industry growth was buoyed by post pandemic pent-up consumer demand, that flowed through from 2021 to mid-2022.

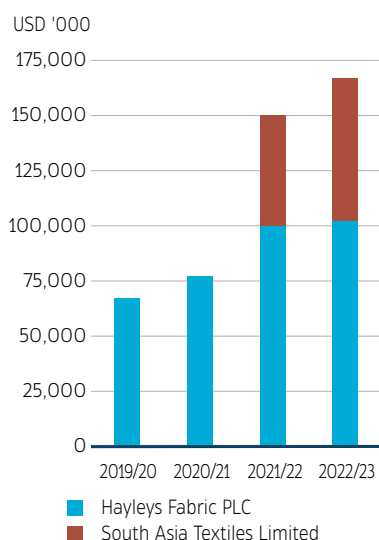
However, high inflation in the Western markets and depressed consumer sentiment resulted in declining demand. Order books dropped considerably as retail chains grappled with excess stock.

In Sri Lanka, apparel and textile manufactures have been challenged

by underutilisation of capacity since August /September 2022. Many have been compelled to close factories as a means to mitigate accumulating losses. In contrast, Hayleys Fabric Group maintained its order book, running at full capacity for most part of the year.

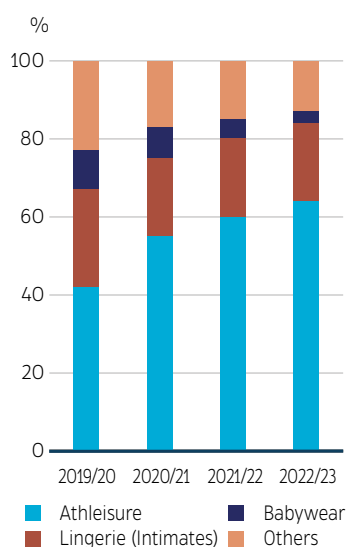
Having already established strategic partnerships and gained the trust and confidence of their high end, tier 1 customers, the Group leveraged their strong relationships to successfully secure the customer base at the required volumes. The timely upgrade and alignment of South Asia Textiles Ltd plant to Tier 1 client requirements was opportune. South Asia Textiles Ltd's revenue increased 25.60% and accounted for 75% of the growth in Group Revenue.

Revenue

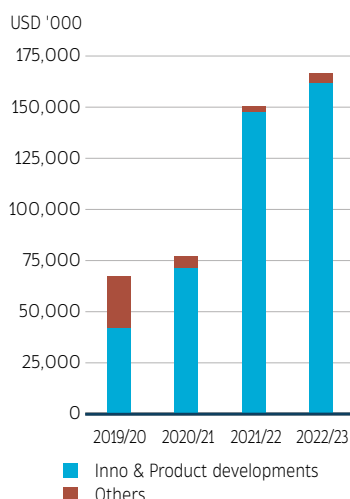


- Sales from INNO and developments contributed to 98% of total group sales as Tier-1 customers continued to demand fashionable and functional fabric of superior aesthetics and performance.
- Athleisure remained our key product line followed by Lingerie (intimates) The global consumer shift towards sportswear, and loungewear continued to present a significant opportunity to Hayleys Fabric Group.

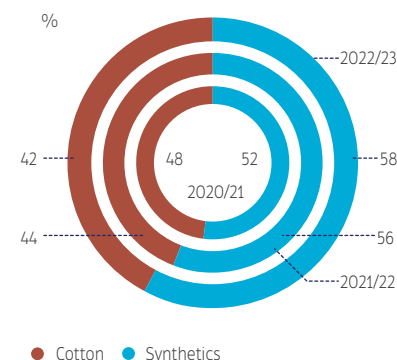
Revenue Mix



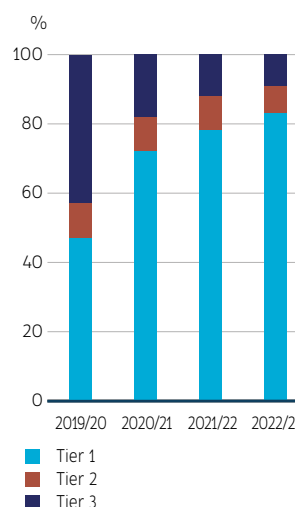
Sales from Inno & Developments



Synthetics vs Cotton



Revenue by Customer Tiers



CAPITAL REPORTS

Financial Capital



| Profitability | | | | |
|---------------------|---------|---------|--------------------|---------|
| | Group | | Hayleys Fabric PLC | |
| | 2022/23 | 2021/22 | 2022/23 | 2021/22 |
| Gross Profit Margin | 12.84% | 13.02% | 13.87% | 12.46% |
| PBT Margin | 5.03% | 9.97% | 7.59% | 11.26% |
| Net Profit Margin | 0.68% | 8.51% | 2.03% | 9.43% |

Gross Profit and Cost of Sales

The Group's gross profit margin narrowed to 12.84% from 13.02% the previous year following an increase in the cost of production. Higher energy bills including a significant increase in electricity tariffs, furnace oil & diesel prices, local and global supply chain disruptions and high freight tariffs impacted cost of sales.

The increase was partially countered by improved pricing, underscoring the strategic relationship with our buyers.

Profit Before Tax (PBT) & Profit After Tax (PAT)

Pre-tax profit decreased by 44.03% for the Group and 30.19% for the Company to USD 8.38 Mn and USD 7.86 Mn respectively, largely attributed to the reductions in Other Operating Income and significant reduction in unrealised



exchange gain included under Net Financing Income /(Expense).

Net Profit margins were impacted by the significant increase in Income Tax including deferred tax as explained below on page 81.

Cost Management

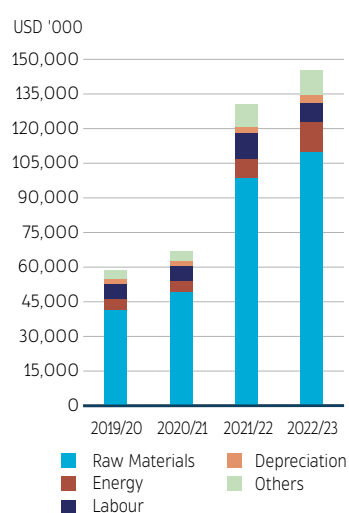
Managing Our Raw Materials

Raw materials comprising yarn, greige, dyes and chemicals are the largest production cost accounting for approximately 75% of group cost of sales. These are strategically managed through the initiatives mentioned below.

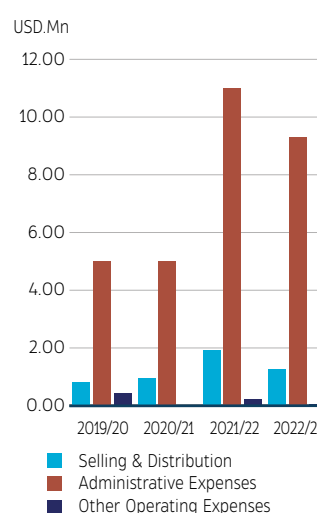


We are conscious of the high input and overhead costs and cost rationalisation is a key area of focus for the Group.

Breakdown of Cost of Sales



Operating Expenses



Overheads

Given the challenging operating conditions that prevailed during the year, critical emphasis was placed on optimising resources to drive cost efficiencies. This was supported by energy saving initiatives, implementation of lean processes, reduction of waste and productivity improvements across the Group.

Benefits from the depreciation of the Rupee on local payments such as wages and electricity, supported to offset the increase in cost.

The Group's administrative and selling & distribution costs decreased by 15.25% and 33.67% respectively while the Company administrative and selling &

distribution costs also decreased by 17.80% and 3.59% respectively.

Other Operating Income

Other operating income decreased by 62% during the year to USD 0.7 Mn, due to the absence of facilitation fees this year taken from other companies in the Group.

| | 2022 | 2023 | variance |
|--|--------|--------|----------|
| Finance income USD Mn | 9.43 | 2.09 | (78%) |
| Finance cost USD Mn | (2.78) | (5.19) | 86% |
| Net Financing Income /(Expense) USD Mn | 6.64 | (3.10) | >100% |

Net Financing Income /(Expense)

Finance costs rose significantly by 86.4% to offset finance income and reflect a net finance expense in 2023

- The increase in finance cost is largely attributed to the escalation in local and global interest rates, which remain at elevated levels and new CAPEX loans taken to upgrade the South Asia Textiles Ltd.
- Finance income fell 78% due to the moderation in unrealised exchange gain from translation, from the lesser depreciation of the Rupee in 2023, compared to the steep devaluation in 2022.

| | 31.03.21 | 31.03.22 | 31.03.23 |
|-------------------|----------|----------|----------|
| Sell rate USD/LKR | 201.93 | 299.00 | 335.41 |

Source: Central Bank of Sri Lanka

Income Tax

The increase in tax rates from 14% to 30% from 1st October 2022 resulted in the Group's provision for income tax increasing significantly by 229.72% to USD 7.25 Mn during the year. Provision for Company income tax also increased by 214.73% to USD 5.76 Mn. While there was a significant impact on the income tax for the year, the impact on deferred tax was much higher, primarily given the Group depreciates plant and machinery over a period of 20 years, compared to a much lesser period for capital allowances.

Cash flows and Liquidity

Higher working capital requirements as the Group operated at full capacity in an uncertain and volatile operating environment necessitated critical management of cashflow and liquidity. Our approach included negotiations with suppliers for extended credit, holding optimum levels of inventory, stringent debt collection, tight cost

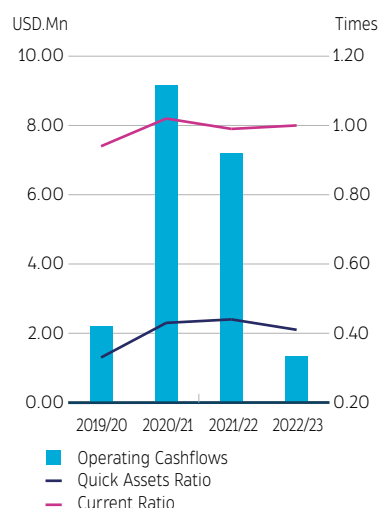
control and proactive procurement given the disruptions to supply chains and restrictions on imports.

The Group's strategic decision to fund the Group expansion in 2021 from LKR borrowings, envisioning an annual depreciation of LKR, supported cashflows further, 72 % of Group long term Borrowings are in LKR denomination.

- Net cash outflow from investing activities amounted to USD 4.92 Mn mainly due to the capital expenditure incurred on capacity enhancements.
- Meanwhile, net cash flow from financing activities amounted to an outflow of USD 3.55 Mn from increased short-term borrowings and dividend payments.

Overall, cash and cash equivalents at the end of the year amounted to an inflow of USD 1.23 Mn, strengthening the Group's liquidity position.

Liquidity



CAPITAL REPORTS

Financial Capital



Capital Expenditure

Investments in capital expenditure were largely on account of upgrading the South Asia Textiles Ltd plant to cater to the needs of Tier-1 customers, consequent to acquisition last year. Group CAPEX also included investments in plant and machinery to upgrade Hayleys Fabric PLC's plant to the latest technology. Total investments amounted to USD 4.70Mn and were funded mainly through debt. Key investments during the year include:

- Investment in high tech machineries to improve the quality of the fabric.
- Modifications and improvements to the knitting, dyeing, and finishing machinery at South Asia Textiles Ltd
- Installation of high- tech raw water filtration system to improve the water intake quality at South Asia Textiles Ltd
- Enhancement of storage facilities at South Asia Textiles Ltd to save rentals being paid to the outside warehouses.
- Construction and modification of Colour kitchen
- Carpeting of all internal road and re-construction of main entrance with wide access to containers
- Fixing of Chiller unit & compressors
- Purchase of all key Lab equipment to enhance the quality parameters.
- Purchase of new baby dye machines & bagging machines
- Re-arrange thermic heaters in South Asia Textiles Ltd for fuel switching without interruption to production.

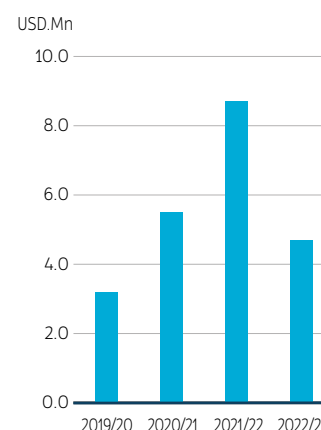


Current Ratio
(2021/22 – 0.99)
1.00



Quick Assets Ratio
(2021/22 – 0.44)
0.41

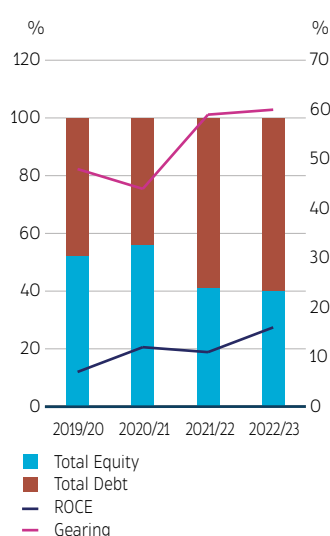
Investments in PPE



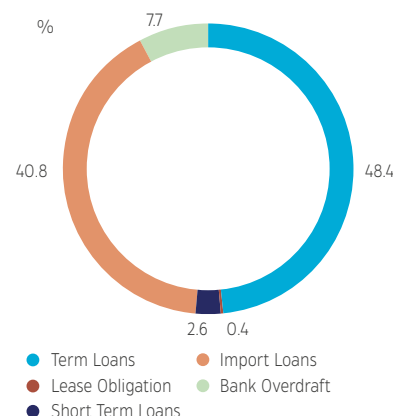
Capital Structure

Total equity amounted to USD 28.30Mn and accounted for 23.79% of the Group's total assets. Gearing continued to remain high at 59%-60% level, following the acquisition of South Asia Textiles Ltd last year. Meanwhile, Return on Capital Employed (ROCE) increased to 16% from 11% compared to -2021/22.

Capital Structure



Debt Structure (%)



Shareholder Returns

The lower share price is largely attributed to dampened investor sentiment following uncertainty over the potential domestic debt optimisation (DDO) operation under IMF reforms and dampened outlook on the apparel and textile industry following moderation in global apparel demand.

| Returns | Group | | Company | |
|-------------------------------|---------|---------|---------|---------|
| | 2022/23 | 2021/22 | 2022/23 | 2021/22 |
| EPS- USD | 0.003 | 0.031 | 0.005 | 0.023 |
| Return on Equity % | 4% | 42% | 8% | 35% |
| ROCE % | 16% | 11% | 18% | 10% |
| Net Assets per share – USD | 0.07 | 0.07 | 0.06 | 0.07 |
| Market price per share – LKR | - | - | 25.20 | 29.10 |
| P/E ratio (times) | 25.20 | 4.55 | 13.62 | 6.20 |
| Total dividend per share- LKR | 2.50 | 1.20 | 2.50 | 1.20 |
| Dividend yield (%) | 9.90% | 4.10% | 9.90% | 4.10% |
| Dividend payout | 251% | 19% | 135% | 25% |
| Dividend cover (times) | 0.40 | 5.40 | 0.74 | 3.99 |

Way Forward

While the slowdown in the fashion industry is expected to continue through 2023, we will continue to nurture our strategic partnerships with Tier 1 clients, to secure the order pipeline. We will pursue increased customer penetration of our value-added product range, to drive volumes and margins.

We anticipate margin pressure to persist and will seek means to rationalise costs including implementing the ongoing strategies, exploring further avenues of driving lean processes and promoting a cost-conscious culture across the Hayleys Fabric Group.



We are committed to nurturing strong relationships with our customers, suppliers and the community, actively engaging with them to retain their trust and confidence during this volatile period. We have craft targeted stakeholder initiatives, that generate mutual benefit, ensuring the long-term sustainability of our business.

Our Management Approach

A Relationship Centric Management Approach

The unprecedented challenges stemming from the operating environment during the year, necessitated a strengthening of relationships with our buyers and suppliers, who remain central to our existence.







Through meaningful engagement, we focused on sharpening the pillars of our value proposition to ensure satisfied customers, efficient supply chains and uplifted communities.

Policies

As part of the Hayleys Group we comply with the social policies set out in the Hayleys Life Code which was launched in January 2022, in managing our Social and Relationship capital.

There were no reported incidents of corruption and/or fraud and no fines/penalties for non-compliance with laws and regulations pertaining to socio-economic compliance during the year under review.

Value Transformation in 2022/23

| Priorities in 2023 | Key Inputs | Capitals Impacted | Key Outcomes |
|---|--|---|--|
| <ul style="list-style-type: none"> Increase tier 1 customer penetration. Expand our product range. Leverage CVP to drive business volumes. Build supply chain resilience. Supporting local community empowerment initiatives | <ul style="list-style-type: none"> Ongoing focus on innovation and product development in order to cater to customers' evolving requirements. Diversifying the supply base USD 29,711 investment in developing community. |    <p>Value created for stakeholders</p>    | <ul style="list-style-type: none"> 91% customer satisfaction on delivery 299 new products during the year 1,531 Cumulative product developments |

How we create value

For Our Customers

- Driving evolving market trends through innovative products and a focused customer strategy.

For Our Suppliers

- Propagating sustainable business practices with over 1,300 local and international suppliers throughout the value chain, while exploring opportunities for mutual growth

For the Community

- Maintaining close ties with the local communities through community engagement and development programs



Nurturing strategic relationships with buyers

At Hayleys Fabric, our relationships with key customers have been built over the years and nurtured through a holistic value proposition as described below.

85% of our portfolio comprises Tier-1 customers including Victoria's Secret, NIKE, Decathlon and Intimissimi, serving the active wear and lingerie segments, in high end markets. (refer About Us Page 12, for list of key buyers)

The intrinsic ability of our Inno Team to predict market trends and design innovative fashion forward fabrics that appeal to high end markets, combined with our wide manufacturing capabilities that can deliver according to specifications and responsibly, has underpinned our competitive edge.



OUR VALUE PROPOSITION TO CUSTOMERS

Innovative Products

We engage closely with customers developing innovative fashion forward fabric to suit the needs of an evolving market. The Inno team successfully added 299 new innovations during the year, expanding the portfolio to 1,531 products.

Unparalleled Quality

Quality levels are maintained at over 95% requiring minimal inspection at customer premises thereby saving time and effort in the value chain. Stringent testing processes, a range of certifications and state of the art machinery underpin our quality assurance system.

- <1% Customer complaints
- >95% Right First Time (RFT)

Reliability

Customers benefit from our reliable supply chain that meets their demands for flexibility, speed, and timely delivery. We successfully fulfilled our orders despite the volatile economic environment during the year, by proactively managing inventory and raw materials.

- 3 days turn around for speed orders.
- 91% on time delivery
- Flexible arrangements to store raw materials.

Sustainable Production

Driving sustainability is a key component of our overall business strategy and is integrated into every aspect of our operations.

Competitive Pricing

We offer our customers a competitive price by actively managing our costs through the following mechanisms:

- Bulk purchasing
- Process engineering
- Forward booking of contracts

As the largest fabric manufacturer in the country, we also benefit from economies of scale in our production process.

Transparency and Product Responsibility

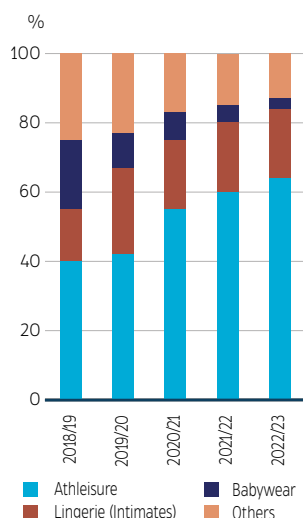
We ensure compliance with relevant regulations and the integrity and accuracy of all marketing communications. There were no incidents of noncompliance with laws, regulations or standards relating to customer health and safety, marketing/ labelling information and/or marketing communications during the year. Due to the nature of the operation in Hayleys Fabric PLC Group, we bide the product and service information and labelling requirement.

CAPITAL REPORTS

Social and Relationship Capital



Sales Product Categories



Through our customer-centric business approach, we have nurtured strategic partnerships with these buyers over the years, collaborating to technically engineer fabric that meet the specific requirements of the brand. We also work closely in partnership with world-class garment manufacturers in the country.

Continuing to innovate, through the pandemic and ensuing volatile business environment, we maintained strong engagement with our buyers, leveraging our value proposition and designing fabric that catered to the evolving needs of consumers. We enhanced our tier 1 buyer base while

Hayleys Fabric PLC is recognised as a leading innovator of fabric in Sri Lanka, by global fashion brands.

forging stronger bonds. The acquisition of South Asia Textiles Ltd and scaling of capacity last year, was a consequence of our growing business volumes.

This year, our strategic partnerships have succeeded in ensuring our order books remain full, in spite of the downturn in our export markets.

Near Shoring

Disruptions to global supply chains from the war in Ukraine and shift to near shoring, was an opportunity for the country to become an attractive sourcing destination for Asian markets. Having expanded the Group's manufacturing capacity, we were able to benefit from this demand, increasing order intake and widening our market share. Local garment manufacturers gained from reduced lead times and lower costs.

Integration of South Asia Textiles Limited

At South Asia Textiles Ltd, we have rationalised the transactional customer base and built a network of relationships with several key customers similar to that of Hayleys Fabric. During the year, the South Asia Textiles L management focused on improving service levels and building sustainable relationships with customers. We also commenced the replacement of old machinery and equipment in order to meet the specific fabric requirements of these top-tier customers.

Manufactured Capital on page 102 for more details

Customer Engagement and Satisfaction

Numerous engagement mechanisms are in place within the organisation to identify and respond to the concerns and suggestions of our customers. We have invested in digital platforms and tools striving to serve our customers better through improved analytics and insights. These digital means have enabled us to maintain engagement right throughout by facilitating product discussions, launching products and accommodating customer requirements, in addition to the traditional means of engagement presented below.

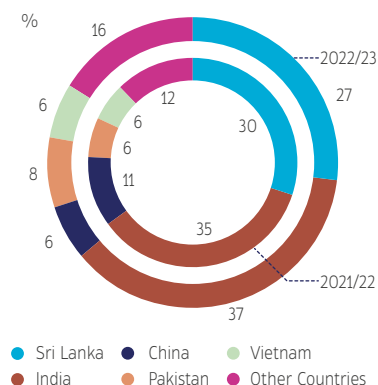


Independent audits are conducted by our top-tier customers on multiple criteria including on time delivery, right first time and quality and findings shared with our management, serving as the main source for measuring customer satisfaction levels. Once these results are evaluated, we initiate corrective action, thereby ensuring satisfied customers.

Resilient Supply Chain

Our suppliers comprise local and foreign corporates as well as SME's.

Supply Chain by Country (%)



Geographically dispersed supplier base

We have developed a wide and diverse supplier base of primary and secondary suppliers for key raw materials, given the volatile operating conditions over the recent years. Supply chain constraints caused by the war in Ukraine, necessitated a shift to sourcing from Asia, ensuring reliability in supply and uninterrupted production at our Production plants.

Key sourcing markets for yarn, greige is India, China & Pakistan while dyes and chemicals are directly sourced from India & China.

Consolidation and centralisation

Following the acquisition of South Asia Textiles Ltd, we consolidated the supply base for both mills and maintained a centralised purchasing function for the procurement of raw materials. This enabled us to benefit from better terms of trade and bulk discounts.

Supplier screening, onboarding and engagement

All suppliers are required to uphold our high sourcing standards, while a comprehensive sourcing protocol is in place for screening and evaluating new suppliers. Raw material suppliers are selected from the customer nominated pool of suppliers who have been screened for environmental and social compliance to ensure ethical and sustainable business practices. Potential suppliers are assessed on price, quality, reliability and on-time delivery, prior to being selected. Dye and Chemical suppliers are not onboarded without the ZDHC Level 3 "Bluesign" or "GOTS" certification.

In order to maintain engagement our teams visit supplier sites regularly. We also assess our most critical suppliers through supply-based assessments, compliance audits and engagement through online platforms to ensure our expectations are being met.

Highlights

03 Supplier Training Programmes conducted on an ongoing basis to ensure raw materials are maintained at the quality levels required for our operations.

299 new products were developed during the year in collaboration with selected suppliers and our INNO team.

55 new suppliers were onboarded in 2022/23, strengthening our supplier network and ability to adapt to the dynamic environment.

115 critical suppliers were assessed during the year, out of which 48% are new suppliers

95% obtained the highest rating (1)

Supplier Development

- We nurture meaningful relationships with suppliers which help us to explore opportunities to pursue mutual growth.
- We actively encourage compliance with environmental and social criteria. We share and support the development of best practices. At the Nature, our inaugural Sustainability Forum hosted by Hayleys Fabric PLC in December 2022, for stakeholders, systemic optimisations made across the manufacturing process were shared and suppliers encouraged to adopt sustainable practices in pursuit of creating a greener planet.
- Local suppliers are given priority where possible, thereby increasing the value addition to the domestic economy.

CAPITAL REPORTS

Social and Relationship Capital



A Closely Knit Community

We aim to build impactful relationships through engagement and development initiatives that create a positive economic and social change for the communities we operate in. Our CSR agenda is aligned to the Hayleys Group overall CSR vision and strategy and is driven from the top by the Board and Management. This year our main focus was on developing the education of our employees' children as well as the children in the surrounding communities, and several initiatives were carried out in this regard.

Nature

Partnered with the Central Environmental Authority (CEA) and the Universities of Peradeniya and Wayamba to champion the protection of habitats connected to tributaries of the Bentota River, supporting the government's 'Surakimu Ganga' programme. The USD 4,100 initiative aims to stabilise the riverbanks of the Ihala Hewassa and Kaludola streams, together with another flowing through and along the borders of the Kalugala forest reserve, with the conservation and regeneration of the endangered Ketal (Lagenandra) plant.

| Education | | |
|---|---|--|
| Supporting Employees' Children | Developing Schools | DP Education Room |
| Distribution of schoolbooks for employees' children. | Annual schoolbooks donation to children at Rathmalgahawewa, Anuradhapura. A photocopy machine worth USD 680 and paper was also donated to the school. | DP Education room was completed at a school in Anuradhapura in partnership with the DP Foundation. We will be completing the same at a school in Horana this year. |
| Children of employees who excel in education were recognised. | | |
| 1,560 beneficiaries | Over 555 children benefited | USD 2,160 investment |

| Other Ongoing Initiatives to Develop Community Relationships | | |
|--|--|---|
| Empowering Local SME's | Engagement with the Community | Direct and Indirect Employment Opportunities |
| We source saw dust, janitorial and gardening services, manpower, transportation and canteen services from local suppliers. We also encourage the community to purchase excess scrap materials. | Promoting organic cultivation amongst the community by cultivating organic paddy in a nearby field belonging to Hayleys Fabric PLC. The harvest from this 10-acre field is distributed among the religious leaders of the community as well as to our employees. | We uplift the area by creating direct as well as indirect employment opportunities for the people. We seek to hire locally as much as possible. |
| Payments of over USD 41 Mn made to these SME's | Nearly 6,700 beneficiaries | 57% of our employees are within a 15 km radius |

Outlook for Social and Relationship Capital

- Strengthening the strategic relationships with our tier 1 customers by responding to customer needs through our innovative product offering
- Continue to build a robust supply chain, integrating suppliers to our business model and focussing on sustainability, strategic sourcing, vendor relationships, and vendor risk management. In completing the integration of South Asia Textiles Limited to Group operations, we will centralise the purchasing model for Dyes & Chemicals to realise greater synergies.
- Continue investments in community engagement and development initiatives.



Donation of school books for students Rathmalgahawewa Anuradhapura.



Distribution of school books for children of employees



Distribution of food packs for all family members of an employee during Wesak Poya



Distribution of food packs to employees during economic difficulties



Cash donation to family members of deceased employee



Donation of essential medicine & Equipment to Horana Based hospital during crisis period



Donation of Paints for Uduwara Buddhist Temple



Donation of 183 pints of Bloods by Hayleys fabric Employees for a consecutive 12th year



Employees children who won Grade 5 scholarship received education pack



Distribution of home -grown organic rice to our employees



Donation of school books for all students at the Karannagoda Primary School



In a period of extreme volatility and uncertainty, our people have been a key strength and strategic differentiator. Their knowledge, skills, commitment and positive attitude have been central to driving resilience and the sustainability of our business.



How we create value

Remuneration, Recognition and Rewards





Creating a safe and conducive workplace

Providing opportunities for training and development

Maintaining active engagement

Diversity and Inclusion

Value Transformation in 2022/23

| Priorities in 2023 | Key Inputs | Capitals Impacted | Key Outcomes |
|---|---|--|---|
| <ul style="list-style-type: none"> Improving occupational health and safety Ensuring ethical work conditions Uplifting employee wellbeing, particularly during the economic crisis Increasing female gender representation in the workforce Increasing employee efficiency and productivity Enhancing communication and employee engagement Fostering values driven organisation culture | <ul style="list-style-type: none"> USD 10,358 investment in training and development USD 249,530 in employee dry ration packs during economic crisis Above industry benefits and welfare USD 9.5 Mn payments to employees as salaries and wages Open door policy which ensures effective engagement with employees |    <p>Value created for stakeholders.</p>  | <ul style="list-style-type: none"> Above industry retention rate of 76% at Hayleys Fabric PLC Maintained absenteeism rate of non-executives below 9% per month 19% women work force Zero Child labour, forced labour Compliance with certifications such as the ISO 45001 Occupational Health and Safety Management Systems Zero Trade union action |



Our Management Approach

As a responsible employer we are committed to promoting inclusive and productive employment, in an environment conducive to dignity, mutual respect, wellbeing and safety.

1. Benchmarked to global best practices

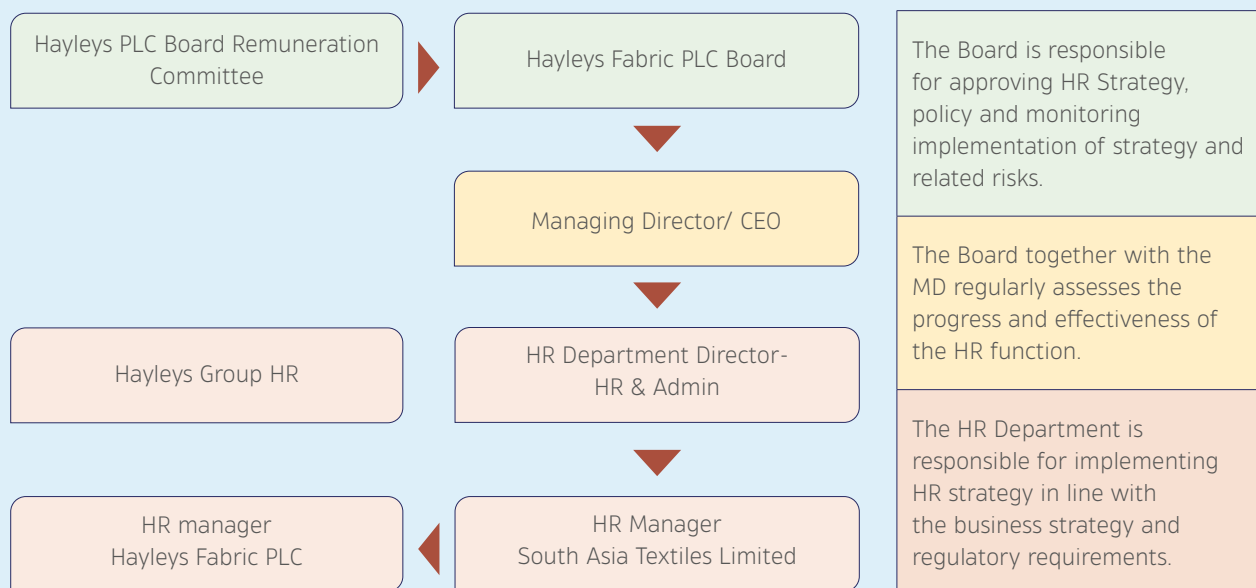
We benchmark against global best practices and have aligned our policies and procedures to comply with local and international labour regulations and voluntarily obtained global certifications including WRAP, SEDEX, ETI and ISO 45001. The certifications embrace relevant principles of the ILO, United Nations Guiding Principles on Business and Human Rights, and OECD's Guidelines for Multinational Enterprises, amongst others.

As a member of the United Nations Global Compact (UNGC) since 2018, we reiterate our commitment to responsible labour practices and human rights.

2. Hayleys Life Code - ESG Framework

As a member of the Hayleys Group, we have adopted the Hayleys Life code (refer page 151) and manage our human capital in accordance with a suite of comprehensive social policies set out in the Code. The Group Code of Business Conduct -the Hayleys' Way, described on page 154, communicates the employees' rights and obligations.

3. Governance structure



CAPITAL REPORTS

Human Capital



Attracting and Retaining Employees

At Hayleys Fabric PLC, we give preference to employees from local communities when recruiting, thereby promoting regional economic empowerment and community relationships. Meanwhile, our partnerships and collaborations with universities and technical institutes, facilitates attracting some of the best talent. Our talent pool was strengthened with 44 new recruits during the year. All new recruits undergo a medical checkup and an induction programme which includes a briefing on the Company code of conduct and health and safety procedures.

Retention rate at Hayleys Fabric PLC 89%

Average Industry Retention Rate 85%

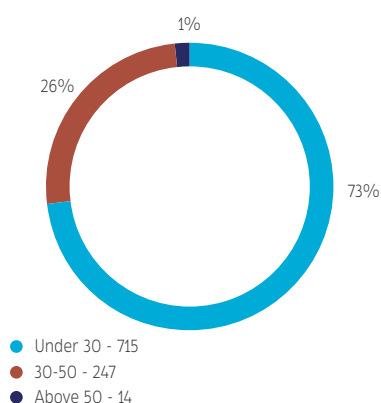
Retention rate at South Asia Textiles Limited 60%

Our talent retention strategies included strengthening the employee value proposition by re-structuring salaries and ensuring our employees are well looked after. Despite our efforts, retention of employees at South Asia Textiles Limited was a challenge, with increased competition from other factories in the vicinity. The country's economic crisis further spurred high levels of migration of skilled labour in search of better opportunities overseas.

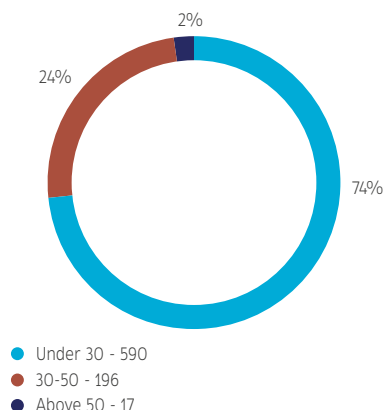
At South Asia Textiles Limited the buddy system was introduced to combat high turnover, where one HR personnel is allocated per department to familiarise employees with the organisation and address any concerns

The movements in our team are presented graphically below:

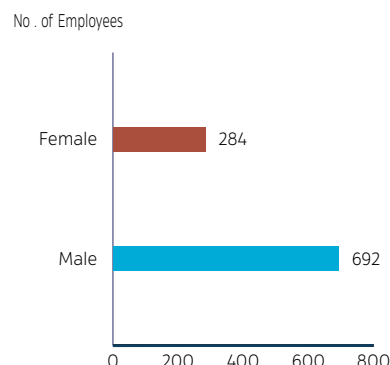
Recruitment by Age Group



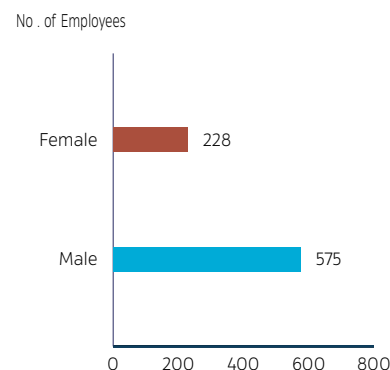
Turnover by Age Group



Recruitment by Gender



Turnover by Gender



Employee Occupational Health and Safety

As a manufacturing organisation, ensuring employee safety, reducing workplace risks and creating a conducive work environment is a top priority. We maintain stringent safety controls and standards that are on par with international best practices across all our manufacturing plants, that has ensured our workplace be increasingly safe over the years. Our Compliance Division monitors and provides guidance on the health and safety controls of the Group.

Joint Worker Management Committees on Health and Safety represent an average of 2% workforce participation and facilitates a consultative process with practical solutions for their concerns. In

addition, employees can inform their superiors if they identify any work-related hazards.

Despite the high levels of production only minor injuries were reported during the year while there were no reported incidents of non-compliance with health and safety regulations.



During the year USD 78,750 was spent on ensuring the health and safety of our employees given our extensive manufacturing operations.

Our Health and Safety Mechanisms

Measures Taken

- Periodic safety audits
- Provision of necessary safety gear
- Ensuring safety of machinery and equipment
- Monitoring of injuries and accidents in the workplace

Training and Awareness

- Safety drives to drive attitudinal changes, build awareness and nurture a culture of safety.
- Occupational health and safety training for all employees covering a wide range of topics including first aid and fire training.
- Health & safety and on the job training, included in the induction programme.
- Health and Safety communications displayed on notice boards.

Health and Wellbeing

- Weekly consultation of employees by a retired doctor
- On site first aid support and emergency vehicle in place 24x7
- Awareness on non-occupational health hazards and other diseases

Health and Safety Certification ISO: 45001

Health and Safety record for 2022/23

- Number of Occupational diseases: Nil
- Number of work-related fatalities: Nil
- Number of Lost days: 32
- The rate of injury presented in the chart alongside is calculated based on 200,000 hours worked method.

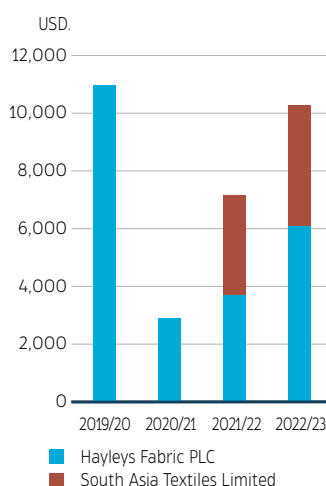
Our Employee Profile



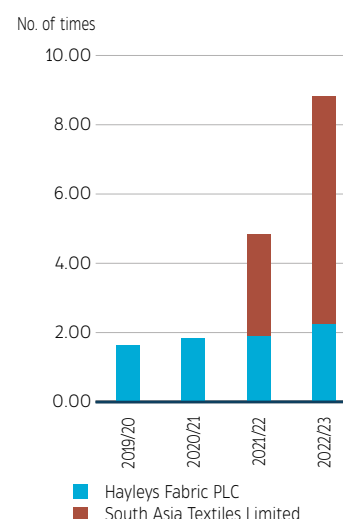
FEMALE 19%
Permanent - 488
contract - 90

MALE 81%
permanent - 2,442
contract - 68

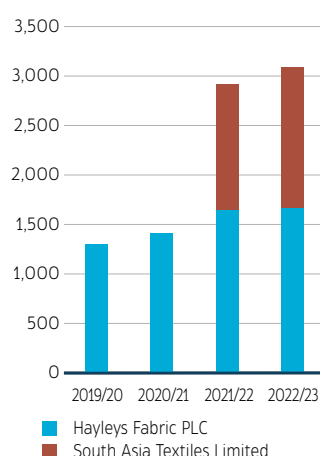
Investment in Training



Rate of Injury



No. of Employees



| Group | | | | | |
|--------------------|---------------------|--------------|--------------------------------|--------|-------|
| Employee Grade | Executive and above | Manual Grade | Clerical, Supervisory & Allied | Casual | Total |
| Total | 404 | 1,724 | 648 | 312 | 3,088 |
| Distance From Work | | | | | |
| <15 Km | 121 | 1,074 | 412 | 169 | 1,776 |
| >15 Km | 283 | 650 | 236 | 143 | 1,312 |
| Gender | | | | | |
| Male | 327 | 1,371 | 568 | 244 | 2,510 |
| Female | 77 | 353 | 80 | 68 | 578 |
| Age | | | | | |
| Below 30 | 102 | 790 | 241 | 279 | 1,412 |
| 30-50 | 259 | 885 | 372 | 33 | 1,549 |
| >50 | 43 | 49 | 35 | 0 | 127 |

* All employees are on Full-Time basis

CAPITAL REPORTS

Human Capital

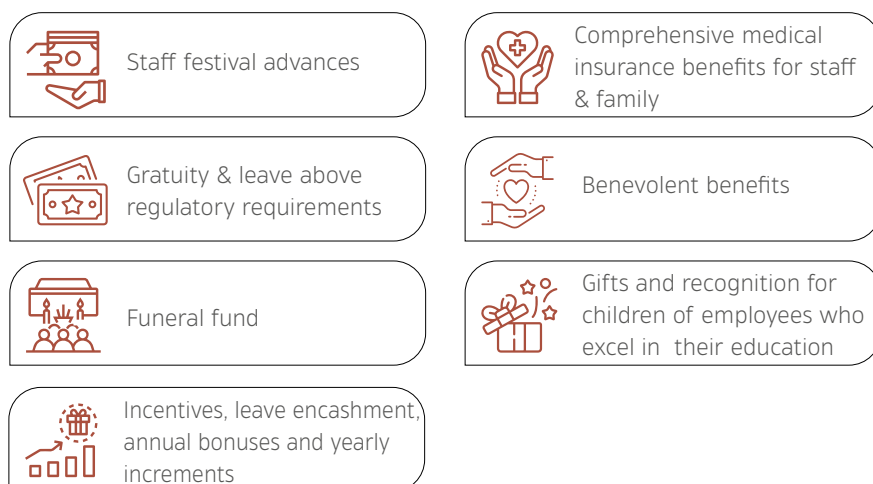


Remuneration, Recognition and Rewards

Remuneration and Other Benefits

We offer a remuneration structure above the minimum wage requirement, designed to retain and motivate our employees. In addition to the basic remuneration, we provide a host of other benefits.

Despite the adverse economic conditions that prevailed in the country, remuneration for all employees was safeguarded during the year, with total staff cost amounting to USD 9.5 Mn (2021/22- USD 13.68 Mn).



Supporting Our People during the Economic Crisis

- Dry ration packs worth Rs. 10,000 were given to all employees including manpower, janitorial and security staff once in 3 months. Total cost incurred during 2022/23 - USD 249,530.
- Transport routes were extended and transport facilities were provided to staff during the fuel crisis
- There were no layoffs and we maintained the existing cadre while paying their salaries and bonuses

Performance Management

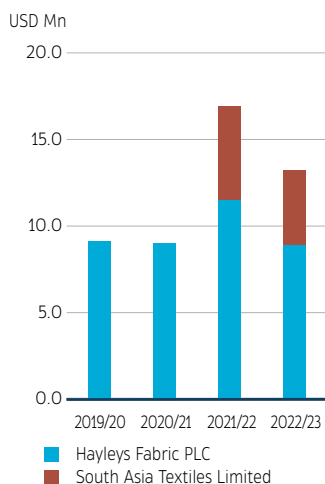
We nurture a performance driven culture within the group with all employees undergoing performance appraisals based on predetermined key performance indicators. Individuals who meet targets are rewarded through salary increments, annual bonuses and promotions, thereby boosting employee morale.

Employee Recognition

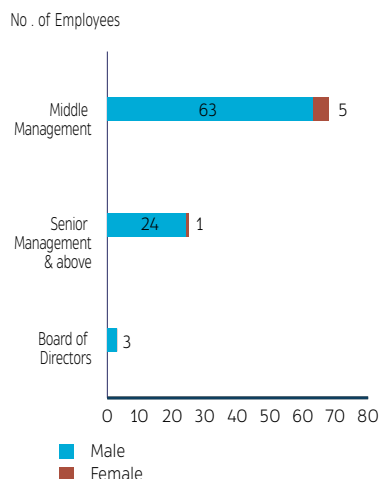
Best performing teams and employees of key departments such as knitting, dyeing and finishing are recognised and rewarded in an effort to enhance productivity and improve operational efficiencies. As a result, a competitive environment was created within the organisation, leading to a noticeable increase in production levels, reduction of wastage and increase in Right First Time (RFT) levels.

Both Hayleys Fabric PLC and South Asia Textiles Limited have a uniform appraisal system. Executive staff and above are assessed on a oracle-based PMS, while the appraisal is carried out manually for non-executives. The manual system evaluates attendance, punctuality and disciplinary action taken.

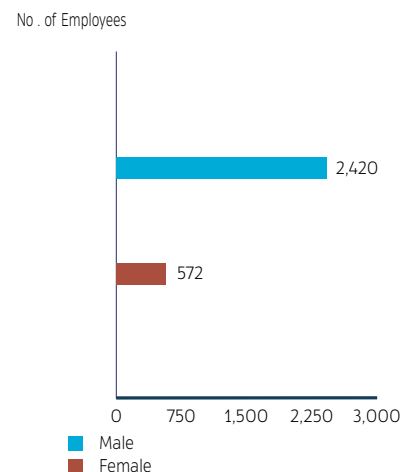
Remuneration



Gender Representation Across Middle Management and Above



Gender Representation Across Below Middle Management



Growing our Employee Capabilities

Providing ongoing opportunities for training and development is a key value proposition offered by the group. During the year, a training policy was formulated and approved by the Board covering both executive and non-executive level employees. Training needs are identified through the performance appraisal and fulfilled through various internal and external resources. Our training proposition includes the following:



Induction upon recruitment
Conducted every month for new recruits



Technical Training Programmes
20 programmes



Leadership training programmes
10 programmes



General Health & Awareness Programmes
26 programmes

The total investment in training amounted to USD 10,358 while a total of 2,706 employees underwent 9,615 hours of training.

For retiring employees, we conduct a retirement appreciation programme where they are educated on managing their finances, gratuity, EPF, ETF etc. equipping them with the skills required to transition into retirement

Average Training Hours by Gender

| | |
|--------|------|
| Male | 3.18 |
| Female | 4.71 |

Average Training Hours by Category

| | |
|-----------|-------|
| Manager | 8.39 |
| Executive | 10.99 |
| Others | 2.29 |



Active Engagement

We aim to build strong relationships with our people by creating an environment where they feel motivated, valued and respected.

Zero employee grievances were reported during the year

Multiple formal and informal engagement mechanisms are in place to address employee concerns.



Our open-door policy ensures that effective engagement takes place with the employees



Formal grievance handling, whistleblower, and disciplinary process encourages employees to present their grievances at any time



Regular staff meetings ensure that constant dialogue is maintained



Employee suggestion box was re-launched making employees feel heard



| Type | Group Data |
|---|------------|
| No of employees entitled for parental leave | 578 |
| No of employees who took parental leave | 11 |
| No of employees returned to work after parental leave | 8 |
| No of employees remained more than year after coming | 19 |

CAPITAL REPORTS

Human Capital



Informal engagement activities are carried out year-round to cultivate a work life balance for employees within the organisation.



Blood donation campaign



Annual Pirith ceremony



IDPL cricket match

Relationships with Trade Unions

We maintain very strong relationships with the three trade unions representing 25% of our employees at Hayleys Fabric PLC. Management's open-door policy with the Unions has contributed to efficacy in decision making. Formal monthly discussions are held with union representatives to address any specific concerns and maintain engagement. Adequate notice is provided prior to any significant operational change and is mentioned in the collective agreement.

The collective bargaining agreement was renewed for further three years ended 2026. During the year, there were no instances of disruptions to work due to industrial disputes.

Employees at South Asia Textiles Limited are not unionised. Employee concerns are addressed through an Employee Council. The Council constitutes representatives from each department and it is headed by a president elected by the employees.

A Preferred Employer

We take good care of our employees and are fully committed to ensuring compliance to local and international labour regulations. As a subsidiary of the Hayleys Group, we have earned a reputation as a preferred employer and are able to attract talented individuals to fill vacancies. Stringent policies and ethical work practices are in place to ensure a conducive work environment is created for our people.

We are also subject to annual audits by retail brands to confirm our compliance to social and environmental requirements. These international accreditations foster the trust of stakeholders as it enhances the transparency of our practices. In a global industry where labour violations are widespread, we confirm that there were no incidents of human rights violations, child labour, forced labour or discrimination during the year.

Embracing diversity, equity and inclusion as a differentiator

We believe that diverse perspectives enhance organisational effectiveness and resilience and, moreover, that diversity is a significant driver of innovation. Our people's unique identities and experiences create diverse perspectives and bring balance to the table, in decision making. We are committed to an inclusive workplace providing equal opportunities for all.

We aim to maintain workplaces that are free from unfair discrimination. Employees are encouraged to report any instances of discrimination through the Grievance, Open door and Whistleblowing mechanisms in place.

Pursuing Gender Equality

We recognise the importance of gender equality and have accelerated our diversity and inclusion efforts to increase female employability in the workforce during the year. Our human resource policies and procedures ensure equal opportunity regardless of age, gender, race or religion. Our strategy begins from recruitment to retention and building capabilities, in order to create a gender-balanced organisation.

Enablers

The Hayleys Fabric group has created a workplace that is conducive for individuals of both genders, providing opportunities for career progression while maintaining a good work-life balance. A dedicated female medical room and sanitary facilities are provided in order to create an enabling work environment for women working within the organisation.

Composition

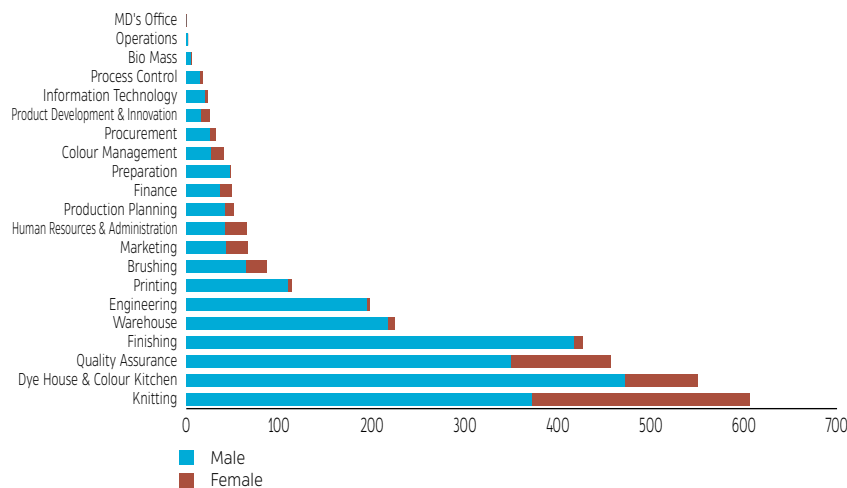
Due to the nature of our operations and requirement for heavy labour, the overall gender representation remains skewed towards males. However, the female representation is gradually being increased, demonstrating our commitment towards creating an inclusive work environment. The Wagawatte knitting Plant is operated solely by female operators increasing the female representation within the organisation to 19%. South Asia Textiles Limited also employs a relatively high number of females.

There were 976 new recruits during the year, out of which 29% were females.

25 males and 8 females were promoted during the year.

There were 803 exits during the year, out of which 28% were females.

Composition of Male:Female by Departments



| Female representation in key departments | % of females |
|--|--------------|
| Finance | 27% |
| Human Resources & Administration | 37% |
| Marketing | 36% |
| Colour Management | 37% |
| Production Planning | 20% |
| Brushing | 26% |
| Quality Assurance | 24% |
| Dye House & Colour Kitchen | 14% |
| Knitting | 39% |
| Other department | 4% |

Gender Gap Indicators

| | |
|--|---|
| Proportion of Women Who Received Training | Training needs are identified through the performance appraisal and fulfilled accordingly. |
| Training Hours Analysed by Gender | Male 7,212 Hours Female 2,403 Hours |
| Retention of Women at Work 12 Months After Maternity Leave | We provide maternity leave as per the regulatory requirements and encourage women to remain in employment even after childbirth by creating a gender inclusive work environment |
| Proportion of Females who Received a Performance Bonus | All employees irrespective of gender undergo a performance appraisal through which the performance bonus is determined |
| Proportion of Women in IT, Engineering and Production Related Activities | IT: 03 Engineering: 03 Production: 484 |

Responsible Brand

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

Outlook for Human Capital

We will continue our comprehensive value proposition to differentiate ourselves as an employer of choice and build a team that is skilled, motivated and future fit to drive our growth plans.

The safety and wellbeing of our people will remain our top priority, as we reinforce our commitment to the UN Compact Goals.



We believe the source of our economic value does not depend solely on the strength of our production facilities and resources at hand. It depends more on how we manage and use these assets efficiently and effectively, to adapt to change and create the highest value for our stakeholders.

Our intellectual capital is the way we do business – it's what sets us apart – and remains a key driver of our fortitude, and sustainable growth.



The Strength of our Brand

- Enhancing brand visibility through promotional campaigns and investments in brand building initiatives

Our Management Approach

The volatile operating environment prevalent over the recent years, has necessitated us to be alert to the evolving risks and opportunities present. Leveraging the

- integrated way we do business and sound governance practices adopted.
- investments in technology processes and systems
- industry tacit knowledge of our people, realising in keener analytics and insights and
- business acumen and foresight of our leadership team

We have continuously reset strategy, to respond quickly and innovatively to satisfy customer needs and protect ourselves from inherent risks. We have continued to invest in and build our brand value, recognised primarily for our innovative range of value-added fabrics.



Organisational Tacit Knowledge

- Industry insights of skilled and experienced employees
- Business acumen and foresight of management leadership
- Culture of learning and knowledge sharing
- Investment in training and development to build organisational capital.



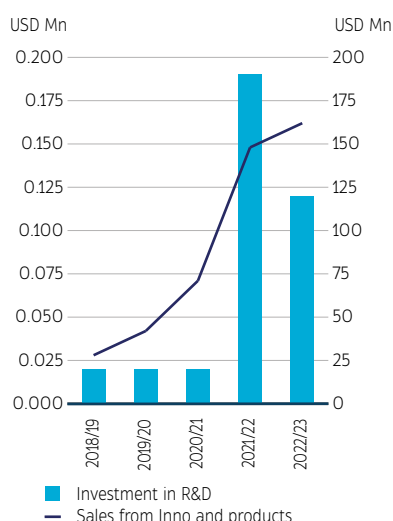
HOW WE CREATE VALUE



Governance Systems, Standards and Processes

- Persistent improvements in systems and process
- Over 47 certifications and standards that bear testimony to our commitment for reaching excellence.



The Strength of R&D



Capacity for Innovation

- Production of fabric with enhanced aesthetics and functionality and minimised environmental impact.

Our inhouse brand, 'INNO' helps us to differentiate ourselves from competition by supplying fashionable, value added and functional fabric to meet the evolving needs of the global fashion market. Launched in 2014, INNO has attracted many global fashion retailers looking to source innovative fabric from the region and is a key element of our intellectual capital.

| Value created in 2022/23 | | | |
|---|---|--|--|
| Priorities in 2023 | Key Inputs | Capitals Impacted | Key Outcomes |
| <ul style="list-style-type: none"> Design and develop innovative new products by predicting market trends. Drive brand development initiatives to enhance reputation. Drive process improvements and operational excellence Investments in training and development Invest in new certifications, technologies and systems | <ul style="list-style-type: none"> USD 8,557 investment in skills enhancement USD 1,818 investment in leadership development 117,392 investment in R & D Over USD 185,454 paid in employee incentive schemes to drive process improvements + USD 404,371 investment in digitisation and technology |  <p>Value created for stakeholders.</p>  | <ul style="list-style-type: none"> +91%, customer satisfaction on delivery(OTIF) 299 new products during the year 1,531 Cumulative product developments |

Key Challenges in nurturing intellectual capital

Protecting and enhancing intellectual capital is linked to our ability to retain top skills and diverse talent, and our effectiveness in instilling a performance-based culture that drives innovation. Material potential constraints include the increasing competition for talent and competing interests for investment of financial capital.

The Strength of our Brand

We benefit from the strength of the Hayleys Brand, which is one of the most diversified conglomerates in Sri

Lanka. As part of the Hayleys Group, our operations align with the highest standards of corporate governance and systems of management, while also benefiting from the knowledge and expertise of leading professionals in the country.

As an established pioneer in the fabric industry with a deep-rooted sustainability culture, Hayleys Fabric PLC is recognised by international fashion retailers as an innovative fabric manufacturer upholding the highest standards of quality and service excellence. INNO is our own fabric brand that differentiates us from other

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

Nurturing our brand equity is a key priority for us, and we place strategic emphasis on further strengthening the Hayleys Fabric Brand through brand building initiatives including fashion shows and exhibitions. The awards and accolades we have received further strengthen our Brand and are a reflection of our commitment to pursuing excellence in all that we do.

Awards and Recognition on page 14 for more details

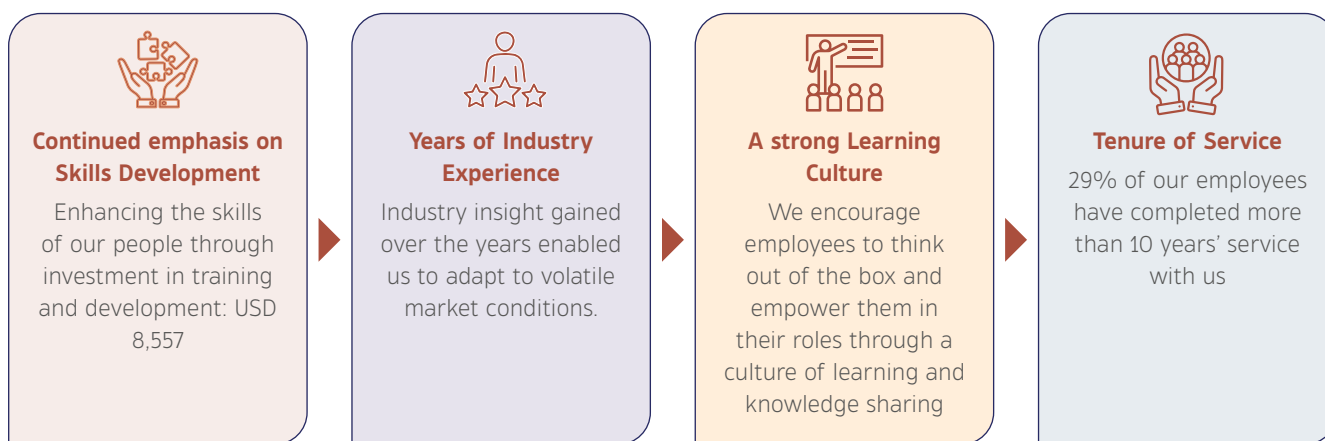




Organisational Tacit Knowledge

The collective experience and organisational knowledge of our team is an invaluable base of intellectual capital which drives our value creation process.

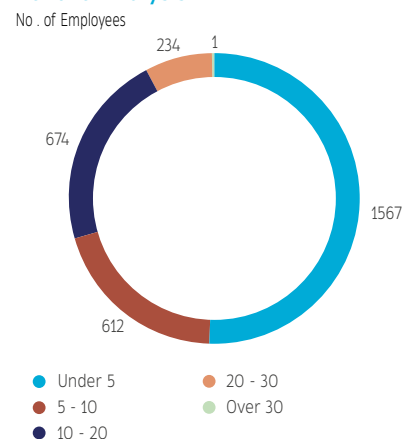
The strength of our organisational tacit knowledge enabled us to be resilient despite the many challenges faced during the year, and we make every effort to retain it.



Unparalleled Quality

- The fabric we manufacture is subject to a series of quality tests via multiple screening processes throughout the value chain, from the receipt of raw materials to the dispatch of finished goods.
- All innovations and product developments undergo special process to ensure it is within customer expected quality.
- Our customer return ratio of less than 1% is a testimony to our commitment to quality.

Tenure Analysis



Governance Systems, Operating Standards and Processes

Robust systems, standards and processes have been finetuned over the years, in order to drive efficiency and productivity of our operations. The strength of these systems, standards and processes are reflected in the host of domestic and international certifications and voluntary initiatives that we comply with.

Regular conduct of third party audits ensure the transparency of our internal processes and integrity of systems in place.

Refer Striving for Excellence on page 13 for details on key certifications and voluntary initiatives adopted.

Capacity for Innovation

Our capacity to innovate is key to our success as it differentiates us from competition. We are globally recognised as one of the best innovative arms in the region for our research and development capabilities, which has enabled the designing of innovative and tailor-made solutions to cater to the dynamic fashion market. Our young and committed research and development team comprising of fashion design experts, highly skilled professionals and specialists with the relevant technical skills, analyse the market and consistently work on new product developments.

While the INNO team works on developing new fabric by predicting

fashion trends in order to meet the evolving customer demands, our product development team engages closely and collaborates with brand owners to develop specific fabric that suit their needs, bringing customised fabric concepts to life. Strict customer confidentiality is always maintained in developing these customised products.

At Hayleys Fabric Group we also engage in process innovations. These innovations have helped to fast-track products to the market, driving revenue growth and cost savings. We also strive to drive innovation across the value chain by collaborating with various raw materials and other suppliers on value additions to product developments.

Sustainable Innovation on page 20 for more on product and process innovations carried out through our innovation capabilities

Outlook for Intellectual Capital

We will continue to strengthen our intellectual capital base through continuous investments in the medium and long term. Product development will remain a key area of focus for the Group, designing innovative and sustainably manufactured fabrics that meet the evolving needs of our clients.

Key Highlights for the year include:

- Innovating finer gage materials that are lightweight but allow better performance
- Experimented on new product avenues including Velvet and corduroy materials
- Developed swim wear which has a cotton mix in response to specific customer request
- Introduced fabric with better moisture management

CAPITAL REPORTS

Manufactured Capital



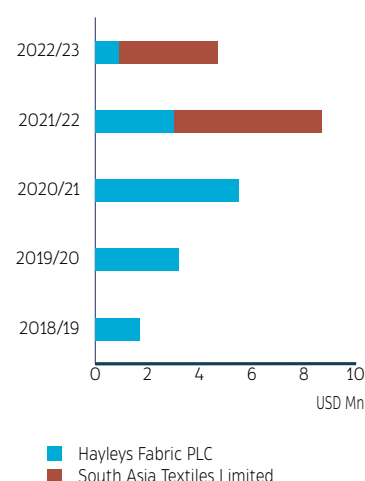
Our Manufactured Capital is a critical value driver, enabling the continuous and consistent production of high-quality products while minimising our environmental impact.

Following the acquisition of South Asia Textiles Limited, we remain the country's largest fabric manufacturer, with a total capacity of 1,810 MT.

Our Management Approach

- We regularly upgrade our production facilities, to support the needs of our Tier 1 customers. We remain future fit by investing in capacity expansions while adopting advances in emerging technologies.
- The Board approves and provides direction on large scale expansion plans, after careful consideration of technical, social, environmental and financial criteria to ensure alignment with the overall Group strategic objectives and to create value for all stakeholders.
- During the year we invested heavily in our new South Asia Textiles Ltd-Pugoda Plant, setting up plant, machinery and infrastructure while
- upskilling employees to meet the operational excellence demanded by our Tier-1 customers.
- We were guided in our actions by our Board approved policies and operational procedure manuals, ensuring the safe, efficient, and effective functioning of our manufacturing facilities.
- Policies
- Procurement policy
- Anti-Bribery and corruption policy
- Operational procedure manuals
- Occupational health and safety policy
- Training policy
- It required significant allocation of resources, particularly of financial, human and intellectual, resulting in respective tradeoffs.

Capital Expenditure on PPE



Current
Capacity

1,810 MT

Capacity
utilisation rate

>90%

Capital
expenditure

USD 4.7 Mn

How we create value

Comprehensive Manufacturing Solutions

- Wide product portfolio
- Turnkey facilities offering full range of solutions from design to finish.
- Comprehensive finishing solutions include value added printing, brushing and sueding

Uncompromised Quality

- Stringent quality control checks spanning the entire value chain ensure production in compliance with customer specifications.
- State of the art -in-house laboratories, accredited by top brands

On time Delivery. Shorter lead times.


- Lean processing and an advanced SAP system interfaced by key applications, drives fast turnaround times and on time delivery.

Flexible and Customised output

- Machines of varying production capacity offer flexibility in order size from bulk to sample.
- Small sample orders also support R&D efforts in collaboration with customers.

Green manufacturing

- Investments in Energy efficient machinery, solar power plants, low liquor dye plants and advanced effluent treatment plants support to minimise our environmental footprint.

| Value created in 2022/23 | | | |
|--|---|---|--|
| Priorities in 2023 | Key Inputs | Capitals Impacted | Key Outcomes |
| <ul style="list-style-type: none"> Enhancing production capacity across all manufacturing facilities of SAT and Hayleys Fabric PLC Driving cost reductions through lean processing and operational efficiency Driving improvements in environmental footprint Driving efficacy through automation and digitisation | <p>USD 4.7 Mn investment in new plant and machinery</p> <p>Group wide cost reduction and manufacturing efficiency drive through cost management, increased training in skills and production related incentive schemes</p> <p>Re-engineering processes at South Asia Textiles Ltd to drive efficiencies</p> <p>Investment in new Oracle attendance management system in South Asia Textiles Ltd for USD 60-70k</p> <p>Investments in improving employees' facilities at South Asia Textiles Ltd</p> |  <p>Value created for stakeholders.</p> | <ul style="list-style-type: none"> + 10.93% revenue growth + USD 60,000 cost savings through Cost management initiatives. + 6% increase in Productivity + 95% RFT + Increased capacity for water treatment + 4% decrease in carbon footprint |

Investing for the Future

Total CAPEX for the year under review amounted to USD 3.77 Mn and comprised mainly of factory modernisation and capacity expansion, at South Asia Textiles Ltd.

We also invested in modifications and improvements to Hayleys Fabric PLC's plant to increase capacity and drive organic growth.

Following the acquisition of South Asia Textiles Ltd, we are the country's largest fabric manufacturer, with a total capacity of 1,810 MT. The acquisition also paves the way for future growth as the country focuses on backward integration of the apparel sector to strengthen Sri Lanka's competitive advantage in this key sector.

Key Investments at South Asia Textiles Ltd

- Investments in state of the art machinery to improve the quality and finish of fabric produced and the efficiency and speed of production
- Installation of advanced raw water filtration system to improve the quality of water pumped from the Kelani river
- Capacity expansion and technology Improvements to the effluent treatment plant
- Setting up of a comprehensive Disaster Recovery Site
- Construction and upgrade of canteen and sanitary Facilities ensuring the health and wellbeing of employees

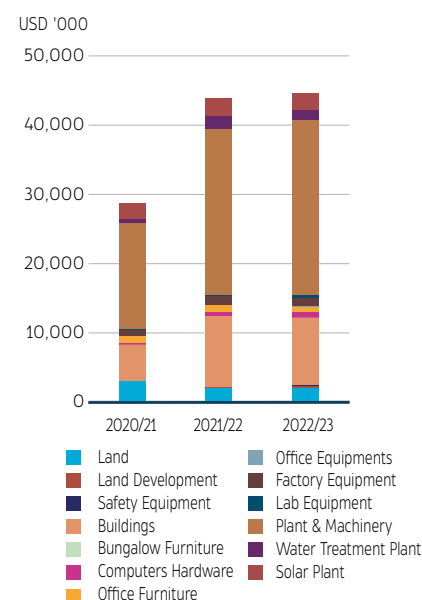
Key Investments at Hayleys Fabric PLC

- Upgrading and capacity enhancement of Knitting operations
- Automation and upgrading of the Dye House
- Capacity expansion and technology Improvements to the effluent treatment plant

Environment Responsibility

Parallel to production capacity enhancements, we invested in responsible and sustainable solutions to minimise the adverse environmental impact of our increased production. This included capacity and technology upgrades to our water and effluent treatment plants at both locations.

PP&E Composition



CAPITAL REPORTS

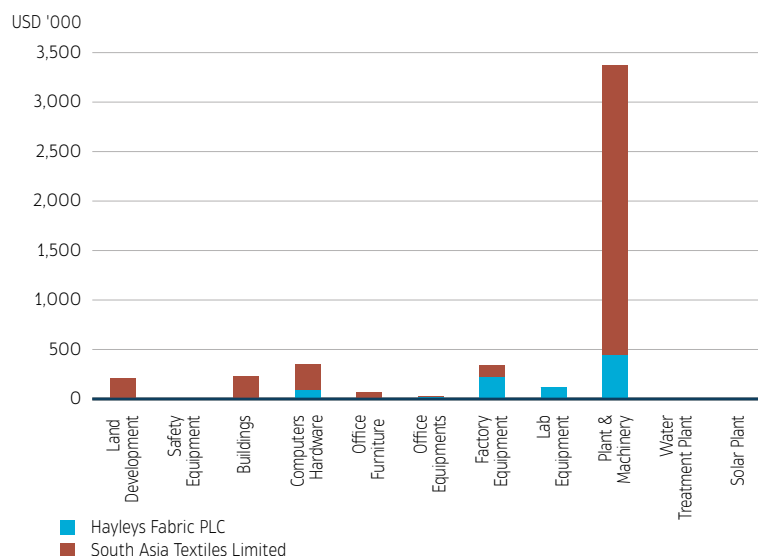
Manufactured Capital



Overcoming Operating Challenges

It is noteworthy that, despite challenges stemming from import restrictions, steep freight rates and shortage in foreign currency, the Group successfully rolled out the factory modernisation and capacity expansion plans, through dedicated Hayleys Fabric Group's Engineering teams tasked with driving each project. Further, given continued limitations in travel from the impact of the pandemic, the commissioning of new plants, execution and fabrication were done largely by these Engineering teams with limited support from the foreign suppliers.

Capex in 2022/23



Comprehensive Manufacturing Solutions :

Our state-of-the-art manufacturing facilities are equipped to provide comprehensive manufacturing solutions and produce a wide range of fabrics, as described on page 9 – About us.

Hayleys Fabric PLC Narthupana



Production Facilities:
Current Capacity: 950 MT
Capacity Utilisation: >90%

Hayleys Fabric PLC Wagawatte



Production Facilities : Knitting
Current Capacity: 175 MT
Capacity Utilisation: >90%

South Asia Textiles Limited Pugoda



Production Facilities
Current Capacity: 860 MT
Capacity Utilisation: >90%

Investments in the latest technology, advanced software, automation and reworking of processes flows to enable lean manufacturing, has enhanced speed and efficiency of our operations.

| | | |
|---|---|---|
| South Asia Textiles Limited - ERP system supported by 'Fast React' planning tool and 'File Maker', seamlessly integrates all operations | Accurate printing and dyeing colour management systems have improved speed and delivery times. | Departmental process flow champions coupled with a dedicated procurement committee have enhanced speed and efficiency |
| Production scheduling maximises capacity utilisation and ensure timely delivery | Quality control checks at each stage of the production process ensures compliance with specifications and timely delivery | Artificial Intelligence (AI) used to minimise inventory and better forecast raw material requirements |

Green Manufacturing

As a large-scale fabric manufacturer, we are cognizant of our environmental footprint. We have continuously invested in technology that minimises the impact of our operations on the environment.

Hayleys Fabric PLC is the first in the industry to obtain the ISO 50001 standard for Energy Management



Replaced old dye machines with newer energy efficient ones with low liquor ratios, thereby transitioning to an operation that uses significantly less amount of water.



Water and effluent treatment plant is Zero Discharge of Hazardous Chemicals (ZDHC) compliant since 2017.



Investments in renewable energy sources including largest rooftop solar power generation project.

Operational efficiency Drive

During the year, the Group continued to engage in its cost reduction and efficiency drive, widening coverage to the South Asia Textiles factory as well. Incentive schemes and competitions were introduced to drive tight cost management, waste reduction and productivity improvements across teams and departments.

This year too, the initiative was widely successful generating cost savings of over USD 60,000, from a variety of innovative cost saving projects initiated by employees and implemented by the organisation.



Employees incentivised
1,599

Outlook for Manufactured Capital

Having substantially expanded capacity last year, utilisation has already exceeded 90% and the Group is considering further expansion of manufacturing facilities at South Asia Textiles Limited. The strategic expansion will be aligned with the growth plans of tier 1 clients.

We will also continue to invest and upgrade our plant and machinery, to improve our environmental footprint.

CAPITAL REPORTS

Natural Capital



As a fabric manufacturer, we are cognizant of our impact on the environment through the consumption of natural resources and the discharge of outputs generated from our operations. We are deeply committed to reducing our environmental footprint through innovative processes and sustainable ways of working.

Our environmental management framework is aligned to the Hayleys Group ESG framework - the Hayleys Life code which includes policies for the management of key environmental impacts including resource consumption, energy, water usage, waste and carbon footprint, among others. In addition to a holistic policy framework, the Life code defines clear goals for reducing environmental impacts over the mid-to-long-term including annual targets.

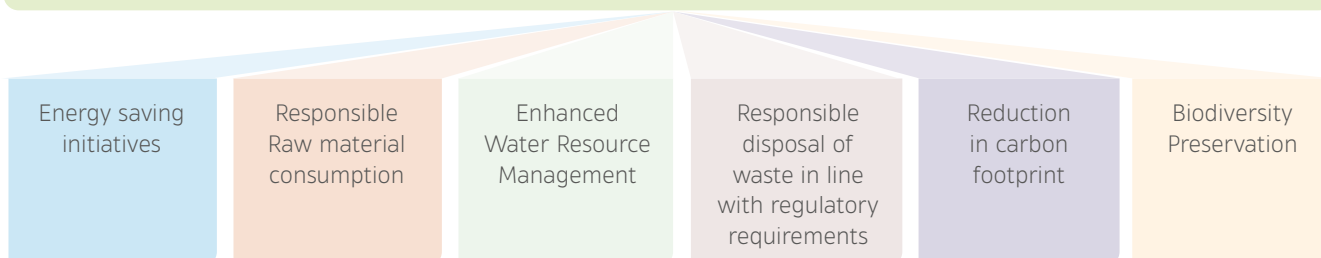
The Group's environment strategy is also guided by environmental certifications while the environmental information is captured in the non-financial information system of the parent company called the 'Cube' which is updated on a monthly

basis and presented to the group management committee (GMC). In Hayleys Fabric Group, Executive Director Finance has been appointed as a Head of ESG and under him, the Head of sustainability and teams are working and monitoring ESG related matters. Environment related matters are monitored by the dedicated sustainability teams at head office and Hayleys Fabric Group levels and reported to the senior management of Hayleys Fabric and Hayleys PLC. Additionally, internal audit also ensures that the systems and controls for measuring and monitoring the environmental indicators are functioning effectively.


Our Environmental Commitments

- We are committed to optimising our energy usage by driving increased energy efficiency and increasing reliance on renewable energy sources.
- We align our water management strategy in line with the CEO Water Mandate by UN Global Compact.
- We comply with all relevant environmental laws and regulations and conduct routine internal audit checks to confirm licenses, certifications and permits are all up to date. There were no instances of environmental fines or non-compliance relating to environmental laws and regulations during the year.

How we create value



Value Transformation in 2022/23

| Priorities in 2023 | Key Inputs | Capitals Impacted | Key Outcomes |
|---|--|--|---|
| <ul style="list-style-type: none"> Setting out clear targets and action plans for driving environmental aspirations in line with the Hayleys Life code Continue shift to long-term renewable energy sources Explore water efficiency projects to reduce water consumption Improve waste management efforts Accreditations to validate overall environmental performance Propagate organisational green culture and related initiatives throughout the value chain | <ul style="list-style-type: none"> USD 2,975 Investment in sustainability training and environmental literacy USD 12,025 investment in upgrading the effluent treatment plant USD 6.2 Mn in energy efficient machinery USD 3.2 Mn in new eco-friendly dye machines |  <p>Value created for stakeholders</p> | <ul style="list-style-type: none"> 69% Renewable energy 19% increase in recycled water 7% of materials used are recycled material 35 kg of PET bottles sent for recycle 0.7% decrease in energy intensity 2.7% decrease in carbon footprint |

Sustainability Governance

| | | |
|---|---|--|
| <ul style="list-style-type: none"> Annual environmental goal setting Clear standard operating procedure for business as usual | <ul style="list-style-type: none"> Compliance team to ensure compliance with customer requirements and legal standards Eco friends team building program to drive a sustainability culture across the organisation Sustainability team to drive these initiatives within respective individual departments | <ul style="list-style-type: none"> Regular data monitoring through SAP and monthly reports for management review Monthly updates to the Hayleys Group sustainability portal for Board review |
|---|---|--|

Responsible Raw Material Consumption

Our key raw materials are yarn (cotton and polyester), dyes and chemicals. Proactive efforts in diversifying our supplier base enabled the Hayleys Fabric Group to remain resilient to supply chain disruptions during the year. Our raw material suppliers are selected from the customer nominated suppliers who have been screened for environmental and social compliance to ensure ethical and sustainable business practices. Hayleys Fabric Group also uses its own environmental and social screening processes in accordance with various certifications it complies with which have further strengthened its raw material management process.

The Group's material consumption during the year is as follows:

| Raw material | Hayleys Fabric PLC | | Group | |
|--------------------------------------|--------------------|-----------|-------------|------------|
| | 2022/23 | 2021/22 | 2022/23 | 2021/22 |
| Non-renewable materials (MT) | 12,376 | 13,230 | 22,374 | 24,889 |
| Renewable materials (MT)/ % | 5,119 / 29% | 5308/ 29% | 6,559 / 23% | 8,590/ 26% |
| Total material consumption (MT) | 17,495 | 18,538 | 28,933 | 33,479 |
| Percentage of recycled material used | 7.2% | 4.1% | 7.1% | 3.4% |

In line with the principle of circularity, the Group has sought to increase reliance on recycled materials over the years and the majority of such recycled materials used are Global Recycled Standard certified.

However, our flexibility in the selection of materials is limited given the ultimate decision lies with the buyer, the retail brand.



Cotton

In order to limit the negative environmental impact of cotton farming we are shifting towards using organic cotton as an input in our production process. We also advocate sourcing sustainable and ethically produced materials through our supply chain, ensuring all our cotton requirements are purchased from BCI, GOTS, OCS, GRS, CMIA and Oeko Tex 100 certified sources.



increase in organic Cotton

149%

Polyester

We are cognizant of the environmental impact of polyester and strive to minimise its usage by sourcing recycled polyester yarn where possible. Through our partnership with "Eco-spindles" a local re-cycled yarn producer we purchase recycled polyester yarn produced from recycled ocean waste collected from the shores of Sri Lanka.



Re-cycled polyester yarn used in production

>30%

Involving the Consumer in our sustainability journey

In an effort to promote fabric made using recycled polyester yarn among the consumers, we developed a smart phone app in 2019/20 to trace the source of polyester yarn through a QR code on the garment.



Recovery of ocean waste plastic



Recycled polyester yarn produced with the recovered plastic



All garments made with this recycled polyester fabric is tagged with a QR code



The consumer can scan the QR code and identify the location where the plastic was collected from

Dyes and Chemicals

All processing plants are compliant with the Zero Discharge of Hazardous Chemicals list, with Hayleys Fabric PLC plant being compliant as early as 2017.

The dyes and chemicals used are ZDHC Level 1 certified, of which over 60% are of the highest quality, ZDHC Level 3 grading. We also ensure that we do not use any substances specified as restricted in the countries that our end products are shipped to.

Chemical Management at Hayleys Fabric PLC Group

- Structured compliance team to monitor chemical management systems.
- Conducted an awareness forum for chemical suppliers
- ZDHC certified.
- Completed supplier to zero program.
- Regular questionnaires for chemical suppliers' validation

Innovating alternatives to synthetic dyes

We have created our own process to extract dyes from natural substances as an alternative to synthetic dyes and treatments to create colourful fabric.

40,000 yards of fabric was produced using dye extracted from tea waste to mark Earth Day, April 2022.

Process to Maintain Compliance with Restricted Substances Regulations

We follow our OEKO TEX 100 restricted substances list compliance and ZDHC MRSL compliance in managing product chemical compliance. Samples of fabric are sent throughout the year to be tested at the Intertek German testing facility for OEKO- tex compliance and the certificate is renewed annually. We also obtain a declaration from our suppliers that they are compliant with the relevant standards to ensure compliance across the supply chain.

Energy Management

Our approach to energy management is based on the Group's focus on absolute reduction of emissions. As a Group, we continue to drive concerted efforts towards reducing consumption of energy from non-renewable sources. Given the energy-intensive nature of our operations we have invested in green energy sources such as solar power to generate renewable energy and shift away from fossil fuels.

Generating Renewable Energy

- Having installed country's largest rooftop solar installation of 4.6 MW in 2021 Conversion to biomass energy sources, an decreased by 6% during the year. We were able to generate 70% of energy usage using both Biomass & Solar.

Compliance with ISO 50001

- We comply with the ISO 50001 Energy management standard which ensures our energy usage has maximum efficiency.



Investing in energy efficient production machinery



Investments in real time energy monitoring systems to monitor energy usage



Efficiency Pump replacement project at the water treatment & waste water treatment area



Replacing existing HFO fired Themic Heaters with Biomass operated Themic Heater



Optimising the compressed air system



Condensate percentage increase 65%



Reduce the losses in the generators



Routine maintenance checks on plant and equipment

CAPITAL REPORTS

Natural Capital



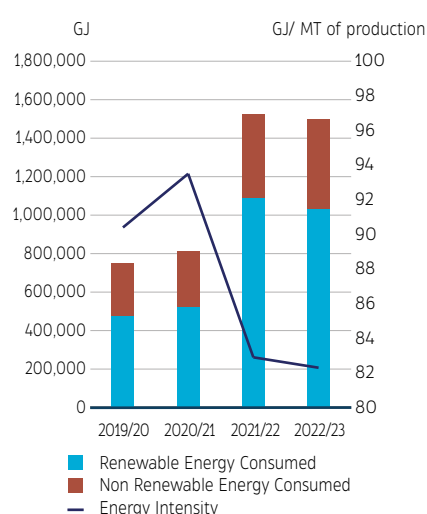
Energy consumption for the year under review reduced by 0.7%, reflecting our ongoing efforts to enhance energy efficiency through investments in new technology and process improvements. The energy intensity of the Group has also reduced from 82.89 to 82.29 (MJ/MT) during the year. Energy efficiency initiatives include:

A breakdown of our energy consumption is given below:

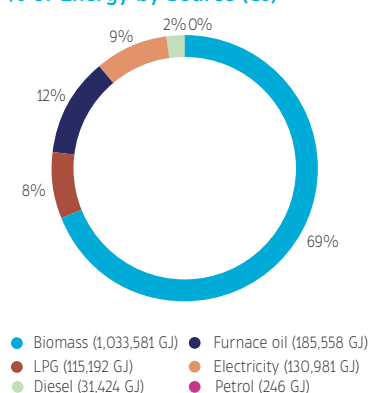
All processing plants are compliant with the Zero Discharge of Hazardous Chemicals list, with Hayleys Fabric PLC plant being compliant as early as 2017.

The dyes and chemicals used are ZDHC Level 1 certified, of which over 80% are of the highest quality, ZDHC Level 3 grading. We also ensure that we do not use any substances specified as restricted in the countries that our end products are shipped to.

Energy Consumption & Intensity



% of Energy by Source (GJ)



| Type of energy | Hayleys Fabric PLC | | Group | |
|--|--------------------|--------------|---------------|----------------|
| | 2022/23 | 2021/22 | 2022/23 | 2021/22 |
| Non-renewable energy (GJ) | 331,703 | 316,709 | 463,401 | 437,360 |
| Renewable energy (GJ)/ % | 503,140/60% | 580,752/ 65% | 1,033,581/69% | 1,088,626/ 71% |
| Total energy consumption (GJ) | 834,843 | 897,461 | 1,496,982 | 1,525,986 |
| Energy intensity ratio (GJ/ MT of dyeing production) | 81.03 | 82.09 | 82.29 | 82.89 |

| Performance Against Life-code Goals | 2030 Target | 2022/23 Performance |
|---|-------------|---------------------|
| Sustainable and Renewable energy applications | 90% | 70% |
| Sustainable biomass sourcing | 100% | 69% |
| Reduction in energy intensity | 25% | 0.7% |

Water and Effluents

As a fabric manufacturing group, we are conscious of the intensity of our water footprint and responsibilities towards the sustainability of freshwater resources. Hayleys Fabric PLC relies solely on the adjacent 'Kalu ganga' to fulfil its water requirements, while South Asia Textiles Ltd pumps water from the 'Kelani River' in order to meet their requirements.

As endorsees of the CEO water mandate of the UN global compact, we commit to continuous progress against the six core elements of stewardship and in doing so understand and manage our own water risks.

We strive to gradually reduce the water withdrawn for our operations by focusing on re-using water and treating water discharged from our processes. Mechanisms are currently in place to continuously monitor water consumption trends and identify areas for improving water efficiency. Water consumption is measured daily at each department using flow meters and updated to the data sheets in the Hayleys Group cube system as well as the NIKE and Decathlon database ensuring the complete and accurate reporting of all relevant data.

We maintained our water intensity at 0.17 driven through projects implemented under the Nike Water Minimum Programme, despite the growth in the high-end synthetic fabric which are relatively water intensive.

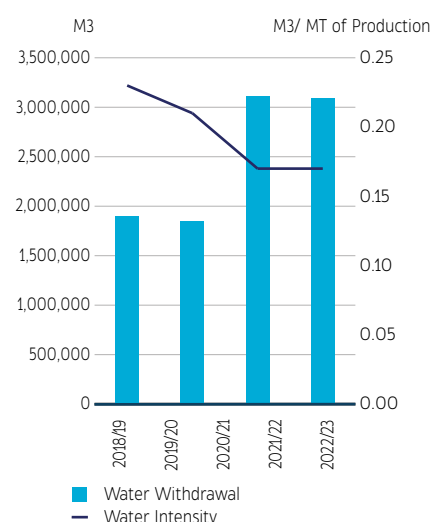
USD 12,025 investment was made to update the raw water filtration plant at South Asia Textiles Limited. Filtered water ensures the right quality levels are maintained and reduces the re-work rate.

Conducted a comprehensive water audit during the year, with the consultancy of a third party which identified significant users of water.

Recycling Water

- We use recycled water for the purpose of cooling our dye machines thereby reducing our dependence on ground water. This has enabled about 12% of water consumed to be recycled and re-used in our operations.
- Water discharged from the treatment plant is recycled to produce steam in the boiler.

Water Withdrawal & Intensity



Reduce liquor ratio in the dyeing process

Optimising the raw water treatment process

Recycle machine cooling water upto 95%

Reduction of dye baths

Reduction of machine cleaning percentage by minimising cleaning strips

Recycle machine cooling water upto 95%



Details of water withdrawal, discharged and recycled are given below:

| Hayleys Fabric PLC - Water (M³) | Location | 2022/23 | 2021/22 | Source Classification | Measurement |
|---------------------------------|-------------------|-----------|-----------|----------------------------|-------------|
| Withdrawal | Kalu Ganga | 1,894,795 | 1,827,685 | Surface water- fresh water | Daily |
| Withdrawal | Tube well | 3,063 | 1,135 | Ground water- fresh water | Daily |
| Withdrawal | Third party water | 2,141 | 1,899 | Third party water | |
| Grey water | Recycled | 262,559 | 238,927 | Recycled | Calculated |
| Discharge | Kalu Ganga | 1,828,111 | 1,616,683 | Surface water- fresh water | Calculated |

| South Asia Textiles Limited - Water (M³) | Location | 2022/23 | 2021/22 | Source Classification | Measurement |
|--|--------------|-----------|-----------|----------------------------|-------------|
| Withdrawal | Kelani River | 1,189,965 | 1,274,358 | Surface water- fresh water | Daily |
| Grey water | Recycled | 116,608 | 80,702 | Recycled | Calculated |
| Discharge | Kelani River | 1,006,076 | 1,185,720 | Surface water- fresh water | Calculated |

| Performance Against Life-code Goals | 2030 Target | 2022/23 Performance |
|-------------------------------------|-------------|---------------------|
| Reduce Water Intensity | 30% | No changed |
| Waste- water Recycled and Re-used | 50% | 12% |

Water Discharge

Effluents discharged are treated at our effluent treatment plants which are continuously upgraded with the latest technology, prior to responsible discharge. We persistently monitor the quality of the water discharged from our operations, and these continue to be within the parameters specified by the Central Environmental Authority. Since 2017 we have been compliant with the zero discharge of hazardous chemicals (ZDHC) standard, reflecting our commitment to maintaining high standards. There were no instances of significant spills or water bodies affected by water discharge during the year.

We have been awarded the GREEN status by NIKE since 2016, the highest rating for compliance with stringent NIKE Water Quality Guidelines under the NIKE Sustainable Water initiative.

Responsible Disposal of Waste

The total volume of waste generated during the year amounted to 4,958 MT, consisting mainly of sludge (hazardous) and balance non-hazardous waste. We engage in the segregation and disposal of waste in compliance with regulatory requirements and industry best practice. Methods of waste disposal are presented below:

An external consultant was hired during the year to conduct a waste audit, an initial step towards the benchmarking and setting of targets for waste.

Hazardous waste (Sludge)

- Incinerated by INSEE Eco-cycle, the only approved agency by the CEA.

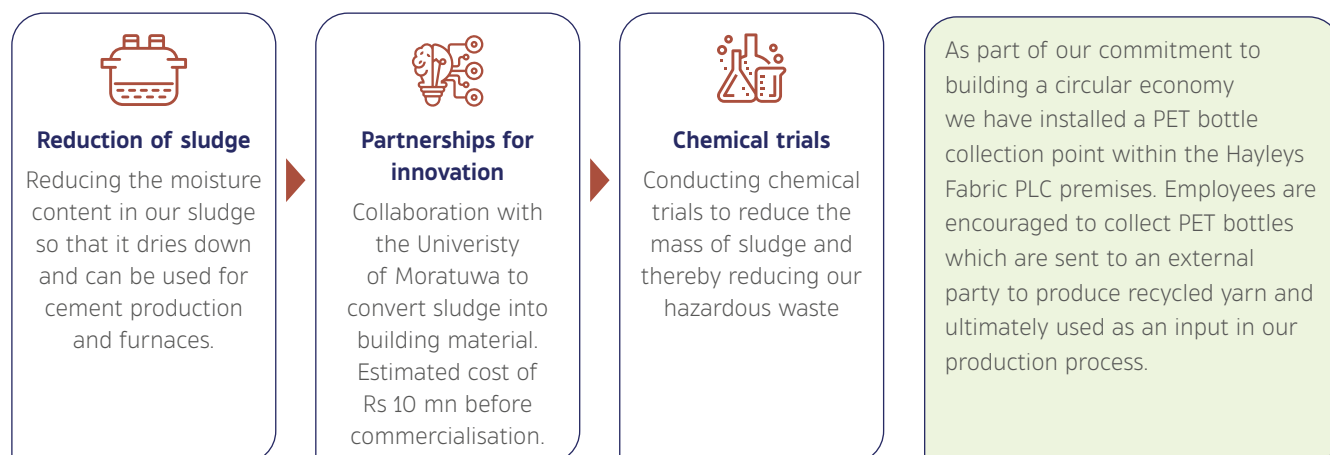
Non-hazardous waste (Recyclable materials and e-waste)

- Re-used or recycled through professionals in waste management approved by the CEA

Waste yarn and Fabric

- Sold to local villagers to encourage self employment

The following initiatives were continued during the year in our efforts to reduce waste:



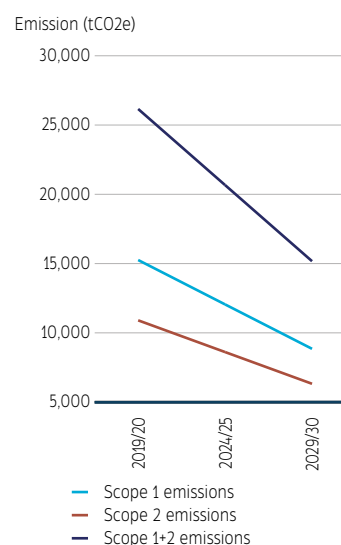
| Waste type | Hayleys Fabric PLC | | South Asia Textiles Limited | | Group | | Disposal method |
|--|--------------------|---------|-----------------------------|---------|---------|---------|-----------------|
| | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 | |
| Directed to Disposal | | | | | | | |
| Hazardous Waste | 1,784 | 1,853 | 752 | 1,784 | 2,536 | 3,637 | Incineration |
| Total waste- MT (Disposed according to CEA requirements) | 1,784 | 1,853 | 752 | 1,784 | 2,536 | 3,637 | |
| Diverted from Disposal | | | | | | | |
| Non-Hazardous Waste | 1,483 | 1,539 | 939 | 854 | 2,422 | 2,393 | Reuse/ Recycle |
| Total waste diverted from disposal | 1,483 | 1,539 | 939 | 854 | 2,422 | 2,393 | |
| % of waste recycled or incinerated through third party contractors | 60% | 60% | 49% | 69% | 56% | 64% | |

Managing Our Emissions

We are conscious of our impact on climate change and have directed our efforts to reduce our carbon footprint in a sustained manner. Emissions are managed through the Group's continued efforts towards enhancing energy efficiency and reliance on renewable energy. (Refer Energy Management on Page 109)

We are the first textile manufacturer in Sri Lanka to commit to the Science- Based Target Initiative in 2020 and submit targets in line with net zero targets for limiting climate temperature rise to 1.5 degrees Celsius. This year we will be verifying our climate figures.

Absolute Emission Targets (1.5°C)



CAPITAL REPORTS

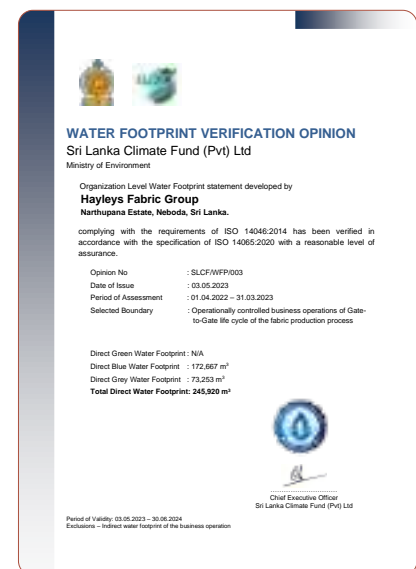
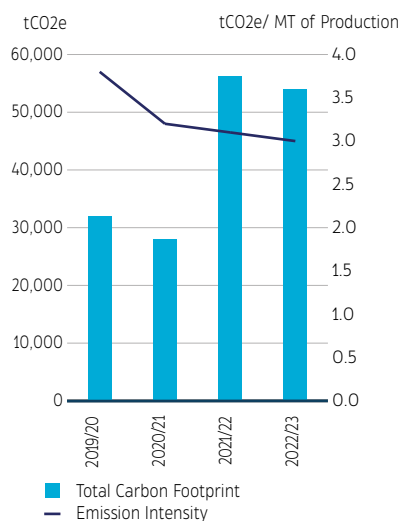
Natural Capital



Our GHG emissions are calculated annually according to ISO 14064-1: 2018 standard and verified by third party consultant, Climate Fund. Gases included are CO₂, CH₄, N₂O and HFC's

| Type of energy | Base year | Hayleys Fabric PLC | | Group | |
|--|-----------|--------------------|---------|---------|---------|
| | | 2022/23 | 2021/22 | 2022/23 | 2021/22 |
| Direct GHG emissions (tCO ₂ e) | 11,746 | 19,848 | 18,553 | 27,857 | 23,580 |
| Direct Biogenic GHG emissions (tCO ₂ e) | 46,095 | 56,348 | 65,721 | 114,696 | 71,253 |
| Indirect GHG emissions (tCO ₂ e) | 11,380 | 15,894 | 19,455 | 26,144 | 32,582 |
| Total Carbon footprint (tCO ₂ e) | 23,126 | 35,742 | 38,008 | 54,001 | 56,162 |
| GHG emissions intensity (tCO ₂ e/ MT of production) | 3.02 | 3.47 | 3.48 | 2.97 | 3.05 |

Carbon Footprint



Rooftop Solar Energy Project

We are presently working with IREC- a global platform for renewable energy to register our carbon credits for the rooftop solar project. Total capacity of the project is 4.6 MW.

Outlook for Natural Capital

We remain focused on delivering on the Hayleys Lifecode and meeting the set goals. We are committed to establishing our SBTi targets and will explore further opportunities in transitioning the energy landscape to deliver on the Group's 2050 Net Zero ambition. We will also seek to minimise environmental impacts by driving efficiency, circularity and the safe disposal of waste and effluent discharge.

Biodiversity Preservation

We stand fully committed to protecting and nurturing the surrounding environment through well-managed nature conservation programmes and initiatives. The green to building ratio at Hayleys Fabric PLC is 1:1 as the land area belonging to our factory includes several acres of land that is rich in biodiversity and home to several endangered species of flora and fauna.

Green Belt

A 20-acre rubber land adjacent to the factory premises has been reserved by Hayleys Fabric PLC as a green belt.



Restoration of Threatened LAGENANDRA species

In collaboration with the universities of Peradeniya and Wayamba together with the CEA, Hayleys Fabric PLC embarked on a project to Restore the threatened Lagenandra species in the Kaluthara District. The species is a threatened group of aquatic plants that have been over exploited from the wild for ornamental purposes due to their attractive foliage and inflorescences.

Nineteen (19) Lagenandra species have been recorded in the world of which Sri Lanka harbors twelve (12) species, out of which 11 are endemic to the country. Under this ongoing project we will be restoring 3 species with an investment of USD 6,800 Mn been made so far.





Wetland Biodiversity Zone- Diyathuru Uyana

A 9-acre plot of land belonging to Hayleys Fabric PLC was identified as a Wetland Biodiversity Zone. We have started converting this biodiversity zone into a wetland park. The 1st phase which is the entrance consisting of around 1 acre of land is already completed.

The biodiversity study which was completed by 3 specialists with the guidance of the Bio Diversity Secretarial - Ministry of Environment identified 146 plant species belonging to 63 families and 149 animal species, including 2 endemic plant species and 18 endemic animal species in this zone. We have also identified several species which is identified as Critically Endangered- CR, Endangered- EN and Critically Endangered (probability Extinct)- CR(PE) as defined by the National Red List 2012.

136 Species of Flowering Plants



Scientific Name: *Barringtonia racemosa*
Local Name : Goda-Midella

10 Species of Ferns Ipteridophytai



Scientific Name: *Helminthostachys zeylanica*

79 Species of Birds



Scientific Name: *Pericrocotus flammeus*
Local Name : Scarlet Minivet

12 Species of Mammals



Scientific Name: *Prionailurus viverrinus*
Local Name : Fishing Cat

9 Species of Fish



Scientific Name: *Systomus sarana*
Local Name : Olive Barb

10 Species of Invasive Alien Plants



Scientific Name: *Annona glabra*
Local Name : Pond apple

13 Species of Dragonflies



Scientific Name: *Orthetrum sabina*
Local Name : Green Skimmer

21 Species of Butterflies



Scientific Name: *Junonia atlites*
Local Name : Grey Pansy

9 Species of Reptiles



Scientific Name: *Hynnale Hynnale*
Local Name : Hump-nosed Pit Viper

6 Species of Amphibians



Scientific Name: *Pseudophilautus popularis*
Local Name : Common Shrub Frog

A THRIVING PLANET

We are dedicated to creating a sustainable offering that will transform the global fashion industry, thus strengthening the fabric of a planet that strives to be green.

VOLUNTARY DISCLOSURES

- United Nations Global Compact - highlights **118**
- Task Force on Climate-related Financial Disclosures (TCFD) **120**
- GRI Content Index **122**
- Sustainability Accounting Standard (SASB) - Apparel, Accessories & Footwear Standard **131**
- Independent Assurance Report GRI and SASB **133**
- Independent Assurance Report Integrated Reporting **135**

VOLUNTARY DISCLOSURES

United Nations Global Compact Highlights

| The Ten Principles of the UN Global Compact | | Disclosure References |
|---|---|---|
| Human Rights | | |
| | Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and | <ul style="list-style-type: none"> We are committed to maintaining operations in compliance with local regulations and international best practices on human right across prevention of child labour, forced and compulsory labour, non-discrimination, Freedom of association/collective bargaining, health and safety, fair wages and zero tolerance against any form of harassment. Our efforts are governed by Board approved policies and practices. The voluntary adoption and benchmarking of our practices to industry-specific global certifications including SEDEX, SLCP, ISO 45001:2018 Occupational Health and Safety Management and Higg INDEX - Facility Social & Labor Module is an endorsement of our commitment. Further, we strive to ensure the safeguarding of human rights across our supply chains. Raw material suppliers are screened for environmental and social compliance prior to onboarding, to ensure ethical and sustainable business practices. <p>Refer: Corporate Governance – page 139, Human Capital – page 90, Supplier screening, onboarding and engagement, Social and Relationship Capital – page 88.</p> |
| | Principle 2: make sure that they are not complicit in human rights abuses. | <ul style="list-style-type: none"> A robust risk management framework including assurance and annual assessments by third party auditors of accreditations for social compliance, serves to verify our operations. <p>Refer: Risks and Opportunities – page 68</p> |
| Labour | | |
| | Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; | <ul style="list-style-type: none"> Hayleys fabrics believes in freedom of association. We maintain very strong relationships with the three trade unions representing 25% of our employees at Hayleys Fabric PLC. <p>Refer – Respecting the Freedom of Association – Human Capital Page 96</p> |
| | Principle 4: the elimination of all forms of forced and compulsory labour; | <ul style="list-style-type: none"> We maintain operations in compliance with local regulations opposing child labour and all forms of forced and compulsory labour. A Supplier due diligence questionnaire completed as part of the supplier screening process, ensures illegal forms of employment are eradicated from the Group's supply chain. <p>Refer Respecting Human Rights – Corporate Governance – page 139, A Preferred Employer – Human Capital – page 96, Supplier screening, onboarding and engagement – Social and Relationship Capital – page 87</p> |
| | Principle 5: the effective abolition of child labour; and | |
| | Principle 6: the elimination of discrimination in respect of employment and occupation. | <ul style="list-style-type: none"> Hayleys Fabric PLC is an equal opportunity employer, and does not discriminate against gender, marital status, religion, race, or disability. <p>Refer Embracing Diversity, Equity and Inclusion As A Differentiator – Human Capital page 96</p> |

| The Ten Principles of the UN Global Compact | | Disclosure References |
|---|--|--|
| Environment | | |
| | Principle 7: Businesses should support a precautionary approach to environmental challenges; | · We are conscious of our significant environmental footprint as a textile manufacturer. We remain firm in our commitment to support environmental sustainability. |
| | Principle 8: undertake initiatives to promote greater environmental responsibility; and | Refer Natural Capital – page 106 |
| | Principle 9: encourage the development and diffusion of environmentally friendly technologies. | |
| Anti-Corruption | | |
| | Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery. | · Hayleys Fabrics upholds zero tolerance to corruption and bribery. Refer Anti-Bribery and Corruption (ABC) - Corporate Governance – page 154 |

VOLUNTARY DISCLOSURES

Task Force on Climate-related Financial Disclosures (TCFD)

| Disclosure Requirement | | Progress Made | |
|------------------------|---|---|---|
| Governance | Disclose the organisation's governance around climate related risks and opportunities | Governance of all risks and opportunities including climate change risks, is the responsibility of our Board, and specifically the Audit Committee, supported by a clearly defined structure and process from business units, to Corporate Management Team and Board. Please refer Risk Governance – page 68 for more details. | |
| Strategy | Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material. | Our ESG framework is integrated into our business strategy. The strategy is regularly reviewed and adapted to the changes in potential impacts of climate change risks and opportunities, to ensure our business remains resilient and focused on growth. Key Risks and Opportunities | |
| | | Implications of climate change | |
| | | Key Risks | |
| | | Developments In 2022/23 | Potential Impact |
| | | <ul style="list-style-type: none">• Alternate droughts and floods impact adjacent river basins, resulting in either increased salinity of water or flooding• Impact on global cotton growing areas, and demand/ supply dynamics• Cost of transitioning to Net Zero | <ul style="list-style-type: none">• Disruptions to manufacturing operations• Impacts product quality and leads to reputational damage.• Financial planning for new capex in bio mass machinery, energy efficient equipment etc |
| | | Opportunities | |
| Risk Management | Disclose how the organisation identifies, assesses, and manages climate-related risks. | <ul style="list-style-type: none">• Commitment to reduce water consumption through product and process innovation• Sharing progress on our ESG journey and best practices, to drive greater sustainability commitment within our value chain | |
| | | Compliance risk and Sustainable production Reputation Risk | |
| | | Key Risks | |
| | | Developments In 2022/23 | Potential Impact |
| | | <ul style="list-style-type: none">• Textile industry is considered the second largest environmental polluter.• The industry is subject to robust and growing regulation. | <ul style="list-style-type: none">• Loss of buyer confidence from insufficient commitment to implement eco-friendly manufacturing practices and noncompliance with regulations, will impact<ul style="list-style-type: none">- business volumes- profitability |
| | | Opportunities | |
| | <ul style="list-style-type: none">• Use of advanced technology to create novel fabrics and smart textiles, innovations that provide sustainable alternatives. | | |
| | | Please refer Risk Landscape - page 65 for risks, their mitigants and opportunities and Natural Capital - page 106 for more details. | |

| Disclosure Requirement | | Progress Made |
|------------------------|---|---|
| Metrics and Targets | Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. | <p>Emissions</p> <p>GHG emissions (Scope 1, 2 and 3) are calculated annually according to ISO 14064-1: 2018 standard and verified by third party consultant, Climate Fund. Gases included are CO₂, CH₄, N₂O and HFC's.</p> <p>3% reduction in Emissions intensity in 2022/23</p> <p>Following our commitment to the Science- Based Target Initiative in 2020, we have set annual targets to achieve 30% reduction in Scope 1&2 GHG emissions by 2030, in line with our Hayleys Lifecode Commitments. This year we will be verifying our climate figures.</p> <p>Please refer to Managing our Emissions – page 109 for more details.</p> <p>Water</p> <p>We are committed to the CEO water mandate. A water audit was conducted by a third party in 2021 and targets set to reduce water intensity by 24.8% to 0.16 M³/MT by 2024/25. Baseline 2020/21 - 0.21 M³/MT.</p> <p>Please refer CEO Water Mandate - page 27 for more details.</p> |

VOLUNTARY DISCLOSURES

GRI Content Index

Statement of use

Hayleys Fabric PLC has reported in accordance with the GRI Standards for the period 1st April 2022 to 31st March 2023

GRI 1 used

GRI 1: Foundation 2021

| GRI STANDARD/ OTHER SOURCE | DISCLOSURE | LOCATION | OMISSION | | Remarks |
|----------------------------------|--|-------------------------------|---------------------------|-----------------------------|---|
| | | | REQUIREMENT(S) OMITTED | REASON EXPLANATION | |
| General disclosures | | | | | |
| | 2-1 Organisational details | 7,9-10, Corporate Information | | | |
| | 2-2 Entities included in the organisation's sustainability reporting | 5 | | | |
| | 2-3 Reporting period, frequency and contact point | 3,5 | | | |
| | 2-4 Restatements of information | 5 | | | Water, energy and carbon intensities restated in FY 2022, following error in dye quantity used. |
| | 2-5 External assurance | 5 | | | |
| | 2-6 Activities, value chain and other business relationships | 9,56-57,87 | | | |
| | 2-7 Employees | 93 | | | Region wise classification is not presented. All factories are located in the Western Province. |
| | 2-8 Workers who are not employees | - | 2-8 | Not Applicable | Manpower outsourced only on need basis. |
| | 2-9 Governance structure and composition | 140 - 145,151-152 | | | |
| | 2-10 Nomination and selection of the highest governance body | 144 | | | |
| | 2-11 Chair of the highest governance body | 44,146-147 | | | |
| | 2-12 Role of the highest governance body in overseeing the management of impacts | 138,142,150-152 | | | |
| | 2-13 Delegation of responsibility for managing impacts | 142-143,150-152 | | | |
| | 2-14 Role of the highest governance body in sustainability reporting | 32-35,151-152 | | | |
| | 2-15 Conflicts of interest | 149,166,172 | | | |
| | 2-16 Communication of critical concerns | 151 | | | No critical concerns reported in FY 2023. |
| | 2-17 Collective knowledge of the highest governance body | 150 | | | |
| | 2-18 Evaluation of the performance of the highest governance body | - | 2-18 | Confidentiality constraints | Not disclosed due to confidentiality concerns. |
| | 2-19 Remuneration policies | 153,165 | | | |
| | 2-20 Process to determine remuneration | 153 | | | |
| | 2-21 Annual total compensation ratio | - | 2-21 | Confidentiality constraints | Not disclosed due to confidentiality concerns. |
| | 2-22 Statement on sustainable development strategy | 32-41 | | | |
| | 2-23 Policy commitments | 3,139 | | | |
| | 2-24 Embedding policy commitments | 139, 151-152 | | | |
| | 2-25 Processes to remediate negative impacts | 154 | | | |
| | 2-26 Mechanisms for seeking advice and raising concerns | 154 | | | |

| GRI STANDARD/ OTHER SOURCE | DISCLOSURE | LOCATION | OMISSION | | REMARKS |
|---|--|------------|---------------------------|-----------------------|--|
| | | | REQUIREMENT(S) OMITTED | REASON EXPLANATION | |
| | 2-27 Compliance with laws and regulations | - | | | No such instances of non compliance reported in FY 22/23. |
| | 2-28 Membership associations | 13 | | | |
| | 2-29 Approach to stakeholder engagement | 58 - 59 | | | |
| | 2-30 Collective bargaining agreements | 96 | | | |
| Material Topics | | | | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 72 - 73 | | | |
| | 3-2 List of material topics | 72 - 73 | | | |
| Economic performance | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 130 | | | |
| GRI 201: Economic Performance 2016 | 201-1 Direct economic value generated and distributed | 18 | | | |
| | 201-2 Financial implications and other risks and opportunities due to climate change | 68-69,120 | | | |
| | 201-3 Defined benefit plan obligations and other retirement plans | 95,217-218 | | | |
| | 201-4 Financial assistance received from the Government | - | | | No such assistance received. |
| Market presence | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 130 | | | |
| GRI 202: Market Presence 2016 | 202-1 Ratios of standard entry level wage by gender compared to local minimum wage | - | | | Remuneration offered is above minimum wage, with no gender bias. |
| | 202-2 Proportion of senior management hired from the local community | - | | | All senior managers are hired from local communities |
| Indirect economic impacts | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 130 | | | |
| GRI 203: Indirect Economic Impacts 2016 | 203-1 Infrastructure investments and services supported | 103 | | | |
| | 203-2 Significant indirect economic impacts | 88 | | | |

VOLUNTARY DISCLOSURES

GRI Content Index

| GRI STANDARD/ OTHER SOURCE | DISCLOSURE | LOCATION | OMISSION | | | Remarks |
|---|--|------------------|---------------------------|---------------------|---------------------------------------|--|
| | | | REQUIREMENT(S) OMITTED | REASON | EXPLANATION | |
| Procurement practices | | | | | | |
| GRI 3: Ma- terial Topics 2021 | 3-3 Management of material topics | 130 | | | | |
| GRI 204: Procurement Practices 2016 | 204-1 Proportion of spending on local suppliers | 17 | | | | |
| Anti-corruption | | | | | | |
| GRI 3: Ma- terial Topics 2021 | 3-3 Management of material topics | 130 | | | | |
| GRI 205: An- ti-corruption 2016 | 205-1 Operations assessed for risks related to corruption | 64 | | | | |
| | 205-2 Communication and training about anti-corruption policies and procedures | - | | | | No such communi- cation and training in FY 22/23. |
| | 205-3 Confirmed incidents of corruption and actions taken | - | | | | Zero incidents reported in FY 22/23. |
| Tax | | | | | | |
| GRI 3: Ma- terial Topics 2021 | 3-3 Management of material topics | 130 | | | | |
| GRI 207: Tax 2019 | 207-1 Approach to tax | 201-202 | | | | |
| | 207-2 Tax governance, control, and risk management | 201-202, 223-224 | | | | |
| | 207-3 Stakeholder engagement and man- agement of concerns related to tax | 58-59 | | | | |
| | 207-4 Country-by-country reporting | - | 207-4 | Not Appli- cable | we are op- erated only locally. | |
| Materials | | | | | | |
| GRI 3: Ma- terial Topics 2021 | 3-3 Management of material topics | 130 | | | | |
| GRI 301: Ma- terials 2016 | 301-1 Materials used by weight or volume | 107 | | | | |
| | 301-2 Recycled input materials used | 107 | | | | |
| | 301-3 Reclaimed products and their pack- aging materials | - | | | | No such incidents reported in FY 22/23. |
| Energy | | | | | | |
| GRI 3: Ma- terial Topics 2021 | 3-3 Management of material topics | 130 | | | | |

| GRI STANDARD/ OTHER SOURCE | DISCLOSURE | LOCATION | OMISSION | | Remarks |
|-----------------------------------|---|--------------|---------------------------|-------------------------|--|
| | | | REQUIREMENT(S) OMITTED | REASON | EXPLANATION |
| GRI 302: Energy 2016 | 302-1 Energy consumption within the organisation | 30, 109-110 | | | |
| | 302-2 Energy consumption outside of the organisation | - | 302-2 | Information unavailable | The Group does not compute this information, at present. |
| | 302-3 Energy intensity | 30, 110 | | | |
| | 302-4 Reduction of energy consumption | 109-110 | | | |
| | 302-5 Reductions in energy requirements of products and services | - | 302-5 | Information unavailable | The Group does not track this information, at present. |
| Water and effluents | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 130 | | | |
| GRI 303: Water and Effluents 2018 | 303-1 Interactions with water as a shared resource | 27,111 - 112 | | | |
| | 303-2 Management of water discharge-related impacts | 27,112 | | | |
| | 303-3 Water withdrawal | 111 - 112 | | | |
| | 303-4 Water discharge | 112 | | | |
| | 303-5 Water consumption | 27,111-112 | | | |
| Biodiversity | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 130 | | | |
| GRI 304: Biodiversity 2016 | 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | 115 - 116 | | | |
| | 304-2 Significant impacts of activities, products and services on biodiversity | 115 - 116 | | | |
| | 304-3 Habitats protected or restored | 115 - 116 | | | |
| | 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations | 115 - 116 | | | |
| | | | | | |
| Emissions | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 130 | | | |
| GRI 305: Emissions 2016 | 305-1 Direct (Scope 1) GHG emissions | 113 - 114 | | | |
| | 305-2 Energy indirect (Scope 2) GHG emissions | 113 - 114 | | | |
| | 305-3 Other indirect (Scope 3) GHG emissions | 113 - 114 | | | |
| | 305-4 GHG emissions intensity | 113 - 114 | | | |
| | 305-5 Reduction of GHG emissions | 113 - 114 | | | |
| | 305-6 Emissions of ozone-depleting substances (ODS) | - | 305-6 | Information unavailable | The Group does not track this information, at present. |
| | 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions | - | 305-7 | Information unavailable | |

VOLUNTARY DISCLOSURES

GRI Content Index

| GRI STANDARD/ OTHER SOURCE | DISCLOSURE | LOCATION | OMISSION | | Remarks |
|---|--|-----------|---------------------------|-----------------------|--|
| | | | REQUIREMENT(S) OMITTED | REASON EXPLANATION | |
| Waste | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 130 | | | |
| GRI 306: Waste 2020 | 306-1 Waste generation and significant waste-related impacts | 112 - 113 | | | |
| | 306-2 Management of significant waste-related impacts | 112 - 113 | | | No such impacts in FY 22/23. |
| | 306-3 Waste generated | 112 - 113 | | | |
| | 306-4 Waste diverted from disposal | 112 - 113 | | | |
| | 306-5 Waste directed to disposal | 112 - 113 | | | |
| Supplier environmental assessment | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 130 | | | |
| GRI 308: Supplier Environmental Assessment 2016 | 308-1 New suppliers that were screened using environmental criteria | 87 | | | |
| | 308-2 Negative environmental impacts in the supply chain and actions taken | - | | | No such instances reported in FY 22/23. |
| Employment | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 130 | | | |
| GRI 401: Employment 2016 | 401-1 New employee hires and employee turnover | 92 | | | Region wise classification, not presented. |
| | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | 94 | | | |
| | 401-3 Parental leave | 95 | | | |
| Labor/management relations | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 130 | | | |
| GRI 402: Labor/Management Relations 2016 | 402-1 Minimum notice periods regarding operational changes | 96 | | | |
| Occupational health and safety | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 130 | | | |
| GRI 403: Occupational Health and Safety 2018 | 403-1 Occupational health and safety management system | 92 - 93 | | | |
| | 403-2 Hazard identification, risk assessment, and incident investigation | 92 - 93 | | | |
| | 403-3 Occupational health services | 92 - 93 | | | |
| | 403-4 Worker participation, consultation, and communication on occupational health and safety | 92 - 93 | | | |

| GRI STANDARD/ OTHER SOURCE | DISCLOSURE | LOCATION | OMISSION | | Remarks |
|--|--|----------|---------------------------|-----------------------|--|
| | | | REQUIREMENT(S) OMITTED | REASON EXPLANATION | |
| | 403-5 Worker training on occupational health and safety | 92 - 93 | | | |
| | 403-6 Promotion of worker health | 92 - 93 | | | |
| | 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 92 - 93 | | | |
| | 403-8 Workers covered by an occupational health and safety management system | 92 - 93 | | | |
| | 403-9 Work-related injuries | 92 - 93 | | | |
| | 403-10 Work-related ill health | 92 - 93 | | | |
| Training and education | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 130 | | | |
| GRI 404: Training and Education 2016 | 404-1 Average hours of training per year per employee | 95 | | | |
| | 404-2 Programs for upgrading employee skills and transition assistance programs | 95 | | | |
| | 404-3 Percentage of employees receiving regular performance and career development reviews | 94 | | | |
| Diversity and equal opportunity | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 130 | | | |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 Diversity of governance bodies and employees | 93,143 | | | |
| | 405-2 Ratio of basic salary and remuneration of women to men | - | | | There is no gender bias in remuneration offered. |
| Non-discrimination | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 130 | | | |
| GRI 406: Non-discrimination 2016 | 406-1 Incidents of discrimination and corrective actions taken | 96 | | | No such incidents reported in FY 22/23 |
| Freedom of association and collective bargaining | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 130 | | | |
| GRI 407: Freedom of Association and Collective Bargaining 2016 | 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | - | | | No such incidents reported in FY 22/23 |

VOLUNTARY DISCLOSURES

GRI Content Index

| GRI STANDARD/ OTHER SOURCE | DISCLOSURE | LOCATION | OMISSION | | | Remarks |
|---|--|----------|---------------------------|--------|-------------|--|
| | | | REQUIREMENT(S) OMITTED | REASON | EXPLANATION | |
| Child labor | | | | | | |
| GRI 3: Ma- terial Topics 2021 | 3-3 Management of material topics | 130 | | | | |
| GRI 408: Child Labor 2016 | 408-1 Operations and suppliers at signifi- cant risk for incidents of child labor | 96 | | | | |
| Forced or compulsory labor | | | | | | |
| GRI 3: Ma- terial Topics 2021 | 3-3 Management of material topics | 130 | | | | |
| GRI 409: Forced or Compulsory Labor 2016 | 409-1 Operations and suppliers at sig- nificant risk for incidents of forced or compulsory labor | 96 | | | | |
| Local communities | | | | | | |
| GRI 3: Ma- terial Topics 2021 | 3-3 Management of material topics | 130 | | | | |
| GRI 413: Local Communities 2016 | 413-1 Operations with local community engagement, impact assessments, and development programs | 88 - 89 | | | | |
| | 413-2 Operations with significant actual and potential negative impacts on local communities | - | | | | No such instances reported in FY 22/23. |
| Supplier social assessment | | | | | | |
| GRI 3: Ma- terial Topics 2021 | 3-3 Management of material topics | 130 | | | | |
| GRI 414: Sup- plier Social Assessment 2016 | 414-1 New suppliers that were screened using social criteria | 87 | | | | |
| | 414-2 Negative social impacts in the supply chain and actions taken | - | | | | No such instances reported in FY 22/23. |

| GRI STANDARD/ OTHER SOURCE | DISCLOSURE | LOCATION | OMISSION | | | Remarks |
|---|---|----------|---------------------------|--------|-------------|---|
| | | | REQUIREMENT(S) OMITTED | REASON | EXPLANATION | |
| Customer health and safety | | | | | | |
| GRI 3: Ma- terial Topics 2021 | 3-3 Management of material topics | 130 | | | | |
| GRI 416: Customer Health and Safety 2016 | 416-1 Assessment of the health and safety impacts of product and service categories | 109 | | | | Samples of finished fabrics are regularly tested by independent third parties for harmful substances. |
| | 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services | 85 | | | | |
| Marketing and labeling | | | | | | |
| GRI 3: Ma- terial Topics 2021 | 3-3 Management of material topics | 130 | | | | |
| GRI 417: Marketing and Labeling 2016 | 417-1 Requirements for product and service information and labeling | 85 | | | | |
| | 417-2 Incidents of non-compliance concerning product and service information and labeling | 85 | | | | |
| | 417-3 Incidents of non-compliance concerning marketing communications | 85 | | | | |
| Customer privacy | | | | | | |
| GRI 3: Ma- terial Topics 2021 | 3-3 Management of material topics | 130 | | | | |
| GRI 418: Customer Privacy 2016 | 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data | - | | | | No such instances reported in FY 22/23. |

VOLUNTARY DISCLOSURES

Topic Boundary

| Material Topic | Management Approach (3-3) | Internal Stakeholders | | External Stakeholders | | | | |
|--|---------------------------|-----------------------|--------------------------------------|-----------------------|-----------|-----------|------------|-----------|
| | | The Company | Brand Owners & Apparel Manufacturers | Investors | Employees | Suppliers | Regulators | Community |
| Economic Performance (201) | 78 - 83 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Market Presence (202) | 84 - 89 | ✓ | ✓ | ✓ | | ✓ | | |
| Indirect Economic Impacts (203) | 84 - 89 | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ |
| Procurement Practices (204) | 84 - 89 | ✓ | ✓ | ✓ | | ✓ | | |
| Anti-corruption(205) | 154 | ✓ | | ✓ | ✓ | | ✓ | |
| Tax (207) | 78 - 83 | ✓ | | ✓ | | | ✓ | |
| Materials (301) | 106 - 116 | ✓ | ✓ | | | | ✓ | |
| Energy (302) | 106 - 116 | ✓ | | | | | ✓ | ✓ |
| Water and Effluents (303) | 106 - 116 | ✓ | ✓ | | | | ✓ | ✓ |
| Biodiversity (304) | 106 - 116 | ✓ | ✓ | | | | ✓ | |
| Emissions (305) | 106 - 116 | ✓ | ✓ | | | | ✓ | ✓ |
| Waste (306) | 106 - 116 | ✓ | ✓ | | | | ✓ | ✓ |
| Supplier Environmental Assessment (308) and Supplier Social Assessment (414) | 84 - 89 | ✓ | ✓ | | | ✓ | | |
| Employment (401) | 90 - 97 | ✓ | | | ✓ | | ✓ | ✓ |
| Labour Management Relations (402) | 90 - 97 | ✓ | ✓ | | ✓ | ✓ | ✓ | |
| Occupational Health and Safety (403) | 90 - 97 | ✓ | ✓ | | ✓ | | ✓ | ✓ |
| Training and Education (404) | 90 - 97 | ✓ | | | ✓ | | | |
| Diversity and Equal Opportunity (405) | 90 - 97 | ✓ | ✓ | | ✓ | | ✓ | ✓ |
| Non-Discrimination (406) | 96, 118 | ✓ | ✓ | | ✓ | | ✓ | |
| Freedom of Association and Collective Bargaining (407) | 96, 118 | ✓ | ✓ | | ✓ | | ✓ | |
| Child Labour (408) and Forced or Compulsory Labour (409) | 96, 118 | ✓ | ✓ | | | ✓ | ✓ | |
| Local Communities (413) | 84 - 89 | ✓ | | ✓ | | | | ✓ |
| Customer Health and Safety (416) and Marketing and Labelling (417) | 84 - 89 | ✓ | ✓ | | | | | |
| Customer Privacy (418) | 154 | ✓ | ✓ | | | | | |

Sustainability Accounting Standard (SASB) - Apparel, Accessories & Footwear Standard

Table 1. Sustainability Disclosure Topics & Accounting Metrics

| Topic | Accounting Metric | Category | Unit of Measure | Code | Data | Disclosure Reference |
|---|--|-------------------------|-----------------|--------------|--|--|
| Management of Chemicals in Product | Discussion of processes to maintain compliance with restricted substances regulations | Discussion & Analysis | n/a | CG-AA-250a.1 | | Dyes and Chemicals - page 108-109 |
| | Discussion of processes to assess and manage risks and/or hazards associated with chemicals in product | Discussion & Analysis | n/a | CG-AA-250a.2 | | Dyes and Chemicals - page 108-109 |
| Environmental Impacts in the Supply Chain | Percentage of Tier 1 supplier facilities in compliance with wastewater discharge permits and/or contractual agreements | Quantitative | Percentage (%) | CG-AA-430a.1 | In FY 2023, 98% reported compliance to the ZDHC and other wastewater requirements. | |
| | Percentage of Tier 1 supplier facilities that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment | Quantitative | Percentage (%) | CG-AA-430a.2 | In FY 2023, 92% reported compliance to Higg FEM and other local requirement | |
| Labor Conditions in the Supply Chain | Percentage of Tier 1 suppliers that have been audited to a labor code of conduct | Quantitative | Percentage (%) | CG-AA-430b.1 | In FY 2023, 70 % of supplier facilities were assessed to a labour code of conduct, of which 48 % have been audited for SMETA, or SLCP assessments by SEDEX / SLCP approved verifiers | |
| | Percentage of total audits conducted by a third-party auditor | | | | | |
| | Priority non-conformance rate and associated corrective action rate for suppliers' labor code of conduct audits | Quantitative | Rate (%) | CG-AA-430b.2 | No noncompliance recorded | |
| | Description of the greatest (1) labor and (2) environmental, health, and safety risks in the supply chain | Discussion and Analysis | n/a | CG-AA-430b.3 | | Risks and Opportunities - page 65-69, Social and Relationship Capital - page 87, United Nations Global Compact Highlights - page 118 |

VOLUNTARY DISCLOSURES

Sustainability Accounting Standard (SASB) - Apparel, Accessories & Footwear Disclosures

| Topic | Accounting Metric | Category | Unit of Measure | Code | Data | Disclosure Reference | | | | | | | | | | | | | | | |
|------------------------|---|--------------------------------|--|--------------|---|--|--------|-----------|--------------------|-----------------------|-------|-------|--------|------------------------|---|--------------------------------|--|------------------|-----|-----|------|
| Raw Materials Sourcing | 1. List of priority raw materials; for each priority raw material: 2. environmental and/or social factor(s) most likely to threaten sourcing, 3. discussion on business risks and/or opportunities associated with environmental and/or social factors, and 4. management strategy for addressing business risks and opportunities | Discussion and Analysis | n/a | CG-AA-440a.3 | | Cotton Polyester Dyes & Chemicals Supply chain risks- Risks and Opportunities – page 65-69, Social and Relationship Capital - page 87, United Nations Global Compact Highlights - page 118 | | | | | | | | | | | | | | | |
| | 1. Amount of priority raw materials purchased, by material, and 2. amount of each priority raw material that is certified to a third-party environmental and/or social standard, by standard | Quantitative | Percentage (%) by weight | CG-AA-440a.4 | <table><tr><th>Priority Raw Material</th><th>Cotton</th><th>Polyester</th><th>Chemicals and Dyes</th></tr><tr><td>Amount Purchased (MT)</td><td>9,062</td><td>6,640</td><td>11,698</td></tr><tr><td>Certification Standard</td><td>BCI, GOTS, OCS, GRS, CMIA and Oeko Tex 100 certified sources only</td><td>Global Recycled Standard (GRS)</td><td>ZDHC level 1, Bluesign or GOTS certified</td></tr><tr><td>Amount Certified</td><td>45%</td><td>35%</td><td>100%</td></tr></table> | Priority Raw Material | Cotton | Polyester | Chemicals and Dyes | Amount Purchased (MT) | 9,062 | 6,640 | 11,698 | Certification Standard | BCI, GOTS, OCS, GRS, CMIA and Oeko Tex 100 certified sources only | Global Recycled Standard (GRS) | ZDHC level 1, Bluesign or GOTS certified | Amount Certified | 45% | 35% | 100% |
| Priority Raw Material | Cotton | Polyester | Chemicals and Dyes | | | | | | | | | | | | | | | | | | |
| Amount Purchased (MT) | 9,062 | 6,640 | 11,698 | | | | | | | | | | | | | | | | | | |
| Certification Standard | BCI, GOTS, OCS, GRS, CMIA and Oeko Tex 100 certified sources only | Global Recycled Standard (GRS) | ZDHC level 1, Bluesign or GOTS certified | | | | | | | | | | | | | | | | | | |
| Amount Certified | 45% | 35% | 100% | | | | | | | | | | | | | | | | | | |

Table 2. Activity Metrics

| TOPIC | ACCOUNTING METRIC | Category | Unit of Measure | Code | Data | Disclosure Reference |
|------------------|--|--------------|-----------------|-------------|-----------------------|----------------------|
| Activity metrics | Number of (1) Tier 1 suppliers and (2) suppliers beyond Tier 1 | Quantitative | Number | CG-AA-000.A | Tier 1 suppliers – 64 | |

Tier 2 – Hayley's Fabric PLC group does not consider Tier 2 supplier in the scope of reporting.

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF HAYLEYS FABRIC PLC



Ernst & Young
Chartered Accountants
201, C. S. Samarasinghe
Rd, Hayleys
Colombo 10, Sri Lanka

Tel: +94 11 246 3500
Fax: +94 11 246 3149
Cell: +94 11 967 8150
Email: ey@ey.com
www.ey.com

Independent Assurance Report to the Board of Directors of Hayleys Fabric PLC

Introduction and scope of the engagement

The management of Hayleys Fabric PLC ("the Company") engaged us to provide an independent assurance on the following elements of its Integrated Annual Report for the year ended 31st March 2023 ("the Report").

- Reasonable assurance on the information on financial performance as specified on Pages 18, 58-59, 95, 201-202, 217-218, 223-224 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the GRI Standards and SASB Standards.

Basis of our work and level of assurance

We perform our procedures to provide reasonable and limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000) (Revised): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'.

The criteria applied for this assurance engagement:

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at GRI's global website www.globalreporting.org.
- The Sustainability Accounting Standards Board (SASB) Standards, publicly available at SASB's website <https://www.sasb.org/> Apparel, Accessories & Foot ware Standard.

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 (Revised) and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Management of the Company's responsibility for the Report

The management of the Company is responsible for selecting the criteria, and for the preparation and presentation and self-declaration of the information contained in the Report in accordance with the given criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the information, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the given criteria. This Report is made solely to the Company in accordance with our engagement letter dated 5 December 2022. We disclaim any assumption of responsibility for any reliance on this Report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our

engagement, we have complied with the independence requirements of the Code of Ethics for Professional Accountants issued by CA Sri Lanka,

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

Key Assurance Procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our assurance conclusions. We performed such other procedures as we considered necessary in the circumstances. Key assurance procedures included:

- Agreed the information on financial performance as disclosed on pages 18, 58-59, 95, 201-202, 217-218, 223-224 of the Report to audited financial statements
- Validated the information presented and checked the calculations performed by the organisation through recalculation
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF HAYLEYS FABRIC PLC

- Conducted interviews with relevant organisation's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

Conclusion

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

- The information on financial performance as specified on pages 18, 58-59, 95, 201-202, 217-218, 223-224 of the Report are properly derived from the audited financial statements for the year ended 31st March 2023.
- Nothing has come to our attention that causes us to believe that the information presented in the Report are not fairly presented, in all material respects, in accordance with the relevant criteria

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

Chartered Accountant
Colombo
15th May 2023

Limitations and considerations

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

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

INDEPENDENT ASSURANCE REPORT



Ernst & Young
Chartered Accountants
201, C. S. Samarasinghe
Raj Mahal, Colombo 10, Sri Lanka

Tel: +94 11 246 3500
Fax: +94 11 246 3149
Cell: +94 99 007 8150
Email: ey@ey.com

Independent Assurance Report to the Board of Directors of Hayleys Fabric PLC on the Integrated Annual Report- 2022/23

Introduction and scope of the engagement

The management of Hayleys Fabric PLC ("the Company") engaged us to provide an independent assurance on the following elements of its Integrated Annual Report for the year ended 31st March 2023 ("the Report").

- Reasonable assurance on the information on financial capital management as specified on pages from 78 to 83 of the Report.
- Limited assurance on other information on management of the capitals (other than financial capital), stakeholder engagement, business model, strategy, organisational overview & external environment outlook presented in the Report on pages from 84 to 116, prepared in accordance with the Guiding Principles and Content Elements given in the IFRS Foundation/International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).

Basis of our work and level of assurance

We perform our procedures to provide reasonable and limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000) (Revised): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'.

The capital management criteria used for this limited assurance engagement are based on the Guiding Principles and Content Elements given in the IFRS Foundation/International Integrated Reporting Council (IIRC)'s

Integrated Reporting Framework (<IR> Framework).

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 (Revised) and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Management of the Company's responsibility for the Report

The management of the Company is responsible for the preparation and presentation and self-declaration of the information and statement contained within the Report, and for maintaining adequate records and internal controls that are designed to support the Integrated Reporting process under the Integrated Reporting Framework (<IR> Framework).

Ernst & Young's responsibilities

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).

This report is made solely to the Company in accordance with our engagement letter dated 5 December 2022. We disclaim any assumption of responsibility for any reliance on this report to any person other than the

Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code of Ethics for Professional Accountants issued by CA Sri Lanka,

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

Key Assurance Procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our assurance conclusions. We performed such other procedures as we considered necessary in the circumstances.

Key assurance procedures included:

- Performed a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).
- Checked whether the information contained in the Integrated Annual Report – Financial Capital element information has been properly derived from the audited financial statements.

INDEPENDENT ASSURANCE REPORT

- Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.
- Obtained an understanding of the relevant internal policies and procedures developed, including those relevant to determining what matters most to the stakeholders, how the organisation creates value, the external environment, strategy, approaches to putting members first, governance and reporting.
- Obtained an understanding of the description of the organisation's strategy and how the organisation creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement

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

Limitations and considerations

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

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

Conclusion

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

- The information on financial performance as specified on page from 78 to 83 of the Report are properly derived from the audited financial statements for the year ended 31 March 2023.
- Nothing has come to our attention that causes us to believe that other information on stakeholder engagement, business model, organisation overview & external environment and outlook presented in the Report are not fairly presented, in all material respects, in accordance with the Integrated

Annual Reporting practices and policies which are derived from the IFRS Foundation/International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).

Chartered Accountant
Colombo
15th May 2023

Our work was conducted in accordance with the International Standards on Assurance Engagements (ISAE) 3000, issued by the International Board of Standards and Practices for Assurance Engagements (IBISAE). The IBISAE is a member of the International Federation of Accountants (IFAC). The IBISAE is a member of the International Federation of Accountants (IFAC). The IBISAE is a member of the International Federation of Accountants (IFAC).

STRONG

LOCAL ROOTS

We strongly believe in the power of community, and our highly-driven team is the reason that we have continued to reach new heights to create consistent value for our stakeholders.

LEADING THROUGH GOOD GOVERNANCE

| | |
|---|-----|
| • Corporate Governance | 138 |
| • Senior Independent Director's Statement | 161 |
| • Report of the Audit Committee..... | 162 |
| • Report of the Remuneration Committee | 165 |
| • Report of the Related Party Transactions Review Committee | 166 |
| • Annual Report of The Board of Directors on the Affairs of the Company | 167 |
| • Responsibility Statement of Managing Director/ CEO and Director-Finance /Chief Financial Officer | 173 |
| • Board of Directors' Statement on Internal Control | 174 |
| • Statement of Directors' Responsibilities for Financial Statements | 176 |

LEADING THROUGH GOOD GOVERNANCE

Corporate Governance

We are a values-based organisation and are committed to the highest standards of business integrity and ethics in all our activities. The Board ensures that Hayleys Fabric Group is governed effectively in accordance with good corporate governance practices, industry rules, codes and standards and internal control systems.

Hayleys LifeCode – Governance Framework

We are guided by the Hayleys Lifecode -ESG framework that seeks to facilitate effective entrepreneurial leadership and prudent management to deliver long term value to stakeholders.

Balancing stakeholder interests, accountability, transparency and regulatory compliance form the bedrock to the Corporate Governance Framework, facilitating effective discharge of the Board's responsibilities.



The following internal and external instruments reference Hayleys Fabric PLC's Governance Framework.



Mandatory External Regulations

- Companies Act No. 7 of 2007
- Listing Rules of the Colombo Stock Exchange (CSE)
- Securities and Exchange Commission of Sri Lanka Act. No 19 of 2021



Voluntary standards

- UN Global Compact
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017)
- Integrated Reporting Framework by the IIRC
- Global Reporting Standards of the Global Reporting Initiative (GRI)



Internal Frameworks

- Articles of Association
- Board and Committee Charters
- Hayleys LifeCode, ESG Framework
- Policies, Code of conduct & Ethics



Internal mechanisms

- Strategic planning
- Budgeting and finance
- Risk management
- People management
- IT governance
- Stakeholder engagement

Compliance

Hayleys Fabric PLC has implemented controls to provide reasonable assurance of its compliance with all relevant statutory and regulatory requirements.

The Board confirms that, in the year under review, there were no material violations of any laws or regulations, nor were any material penalties or fines imposed on the Hayleys Fabric Group or its Directors for contraventions of any laws or regulations.

WE REMAIN COMMITTED TO

Respect for human rights

The safety and well-being of our employees remains our top priority.

- We have committed to uphold the UN Global Compact Principles on business and human rights and its principles of due diligence.
- Our commitment towards fair and equitable treatment of our employees is further reinforced by the voluntary adoption and benchmarking of our practices to industry-specific global certifications such as WRAP, SEDEX, BSCI and ETL.
- Our compliance efforts are governed by Board approved policies and practices which include, among others, the following:

| | |
|-------------------------------|---------------------------|
| Human Rights Policy | Grievance Handling Policy |
| Anti-Sexual Harassment Policy | Whistleblower Policy |
| Industrial Relations Policy | Health and Safety Policy |
| Disciplinary Policy | Code of Conduct & Ethics |

Entrenching an ethical culture

The Board sets the tone from the top. They lead by example, demonstrating their commitment to the Group's values, in decision-making.

- All employees are bound by the Hayleys Way - Code of Conduct & Ethics which serves as a foundation on how we behave and manage our business.
- Employees have a responsibility to uphold the Group's values.
- Our Whistle-blower Policy sets out our commitment to protecting all stakeholders who, in good faith, report contraventions of the Code, values, Hayleys Fabric policies and regulatory requirements.

Promoting sustainability

ESG considerations are reflected in our Purpose – and embedded in our business strategy.

- We have incorporated the Ten Principles of the UN Global Compact in growing a sustainable business.
- We adopted the Hayleys Lifecode - ESG framework in 2021 and are committed to implementing measures to meet the set goals. Hayleys Fabric PLC's Board approved policy framework and reporting mechanisms have been aligned to the Lifecode.

Driving Stakeholder communication

We are committed to listening to our stakeholders and responding meaningfully.

- Stakeholder expectations shape our strategy.
- A systematic and integrated approach to stakeholder engagement is in place.
- We focus on building strong, trust-based relationships with our stakeholders, through honest and transparent communication.

LEADING THROUGH GOOD GOVERNANCE

Corporate Governance

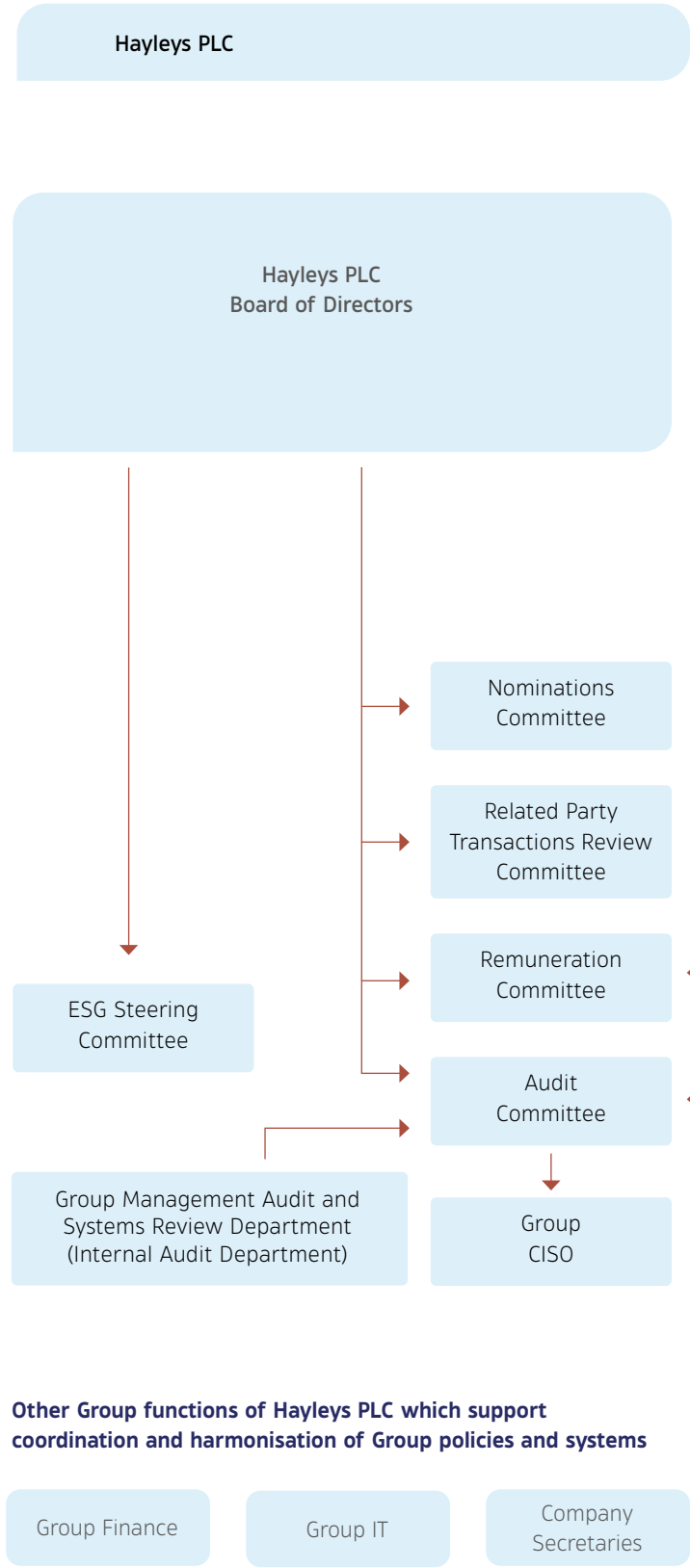
STRUCTURE & OVERSIGHT

The Board has overall responsibility for governance across each Company and retains effective control through the respective structures and frameworks.

The members of the Board of South Asia Textiles Limited comprise members of the Hayleys Fabric PLC Board, enabling a common standard of corporate governance across the Hayleys Fabric Group.

As a member of the Hayleys Group, Hayleys Fabric PLC and South Asia Textiles Limited benefit from the mature governance systems and insights of our parent company developed over more than a century of existence.

Governance systems are benchmarked to international best practice and rolled out effectively across the Group.



Hayleys Fabric PLC
58.96% owned subsidiary of Hayleys PLC

Composition

Executive Chairman of Hayleys PLC is also the Chairman of Hayleys Fabric PLC including 5 Executive Directors of whom

- 2 are common with the Parent company
- 3 in charge of Finance, Marketing and HR, respectively.

2 Non-Executive Directors

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

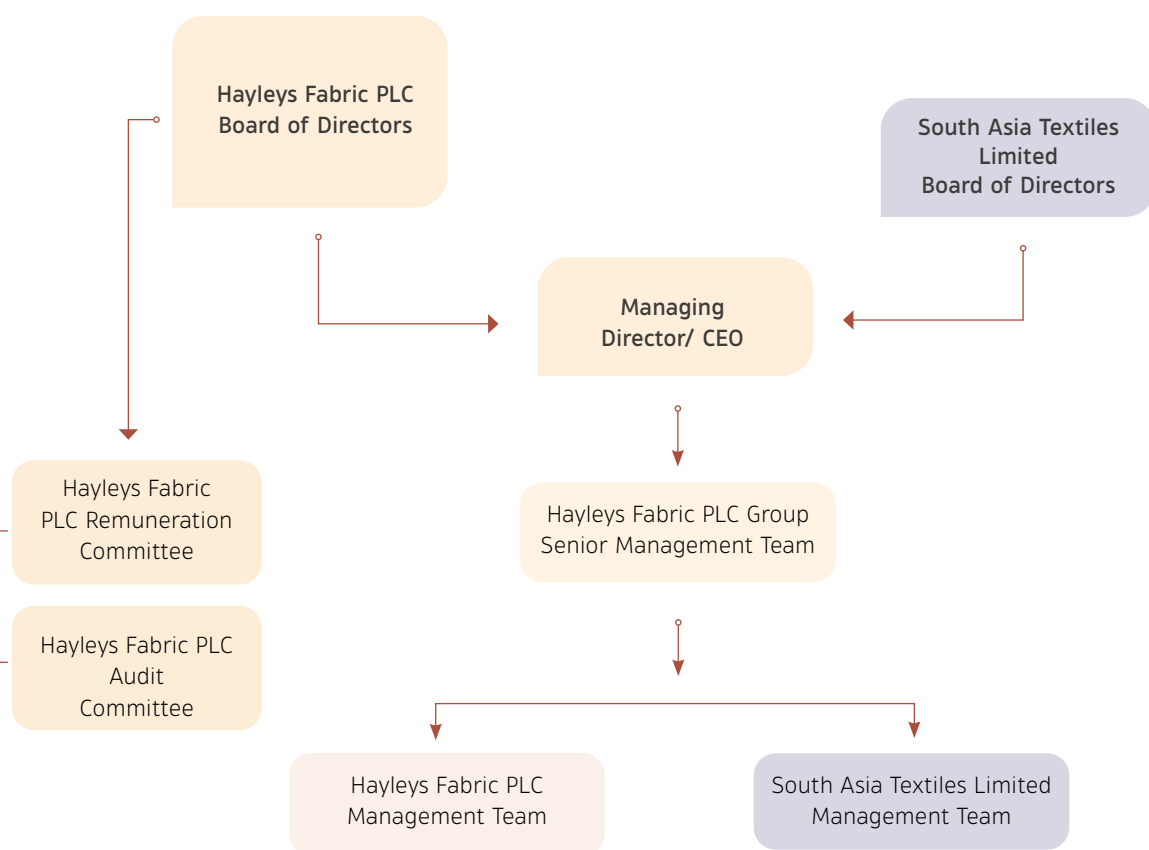
South Asia Textiles Limited
(100% Owned Subsidiary of Hayleys Fabric PLC)

Composition of South Asia Textiles Limited

Executive Chairman is the Chairman of Hayleys PLC, Hayleys Fabric PLC and South Asia Textiles Limited

MD/CEO of Hayleys Fabric PLC is also the MD/CEO for South Asia Textiles Limited and is an Executive Director

4 Executive Directors in common with Hayleys Fabric PLC including Directors in charge of Finance, Marketing and HR



Group HR & Legal

Group Treasury

Group ESG

Group Procurement

Strategic Business
Development Unit

LEADING THROUGH GOOD GOVERNANCE






Corporate Governance

Governance in 2022/23

The challenges of 2022, continued to test the resilience of our governance framework, structures, and systems. Conscious of our fiduciary role, the Board set the tone from the top, living by Hayleys Fabric PLC's values and upholding the highest standards of corporate governance.

Vigilance and oversight by the Board increased significantly, as the Board, supported management to navigate the volatile business landscape. Effective leadership, rigorous risk management and strategic agility underpinned responsible decision making, as we managed our most significant ESG impacts to enhance stakeholder value.

Board key focus areas

|  Strategy & Business |  Risk & Oversight |  Governance |  Stakeholder Engagement |  Financial Performance |
|---|---|---|--|--|
| <ul style="list-style-type: none"> • Rigorous oversight of Hayleys Fabric Group's strategic plan, and impact of risks and opportunities • Monitoring the implementation of Hayleys Life Code -ESG framework and policies • Rigorous review of South Asia Textiles operations, post acquisition and the realisation of synergies • Approval of CAPEX investments in South Asia Textiles Limited and upgrades to Hayleys Fabric PLC • Continuous support of product innovations and new product launches • Approval of budget 2023/24 | <ul style="list-style-type: none"> • Performance review of the Group • Indepth review of the Group's Risk Metrics • Optimisation of internal control framework • Compliance oversight | <ul style="list-style-type: none"> • Director Appointments, Director Rotation. • Review of KMP talent development plans • Endorsement and approval of new policies aligned to Lifecode • Appointment of Executive Director incharge of ESG • Approved the new "Purpose Statement" of the Company | <ul style="list-style-type: none"> • Reviewing the measures in place to support the well-being of employees during economic crisis and ensure continuity of operations • Convening of digitally enabled online Annual General Meeting (AGM) • Review of shareholder communication and AGM | <ul style="list-style-type: none"> • Financial impact from volatility in macroeconomic vulnerabilities • Optimising our capital structure • Proposed dividend payments, • Approval of Financial Statements and Annual Report |

Governance Framework & Structure

The Board is the highest decision-making authority and leads the Company in formulating strategy, setting risk appetite and monitoring performance and the achievement of goals and objectives. Their role and responsibilities are clearly set out in the Board Charter and summarised below.

The Boards are assisted in their responsibilities by the Audit Committee and Remuneration Committees of

Hayleys Fabric PLC, who have oversight responsibility for the matters assigned to them.

The Nominations Committee, Related Party Transactions Committee of the Parent company, Hayleys PLC assists the Board of Hayleys Fabric PLC in relevant areas as permitted by the Listing Rules of the Colombo Stock Exchange.

South Asia Textiles Limited is a limited Company, and the Board comprises

6 Directors of which 5 of them are Executive Directors and one Non-Executive Director of Hayleys Fabric PLC. The presence of common executive Directors responsible for key functional areas enabled the quick harmonisation of strategy, and alignment of systems and processes to drive immediate realisation of synergies from the acquisition, as reflected in the Group Results.

Board's Primary Governance Roles and Responsibility

| Strategic Direction | Approves Policy & Resource Allocation | Oversight & Monitoring | Accountability |
|--|---|---|---|
| <ul style="list-style-type: none"> • Approves strategy • Considers trends and business landscape • Monitor stakeholder concerns | <ul style="list-style-type: none"> • Articulates policy framework • Approves resource allocation • Sets risk appetite. | <ul style="list-style-type: none"> • Performance against plans • Operating environment • Risk management | <ul style="list-style-type: none"> • Set Corporate Values and promote ethical behaviours • Ensure effective functioning of internal controls • For organisational performance through reporting and disclosure, engagement |

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

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

An Effective Board

The Board brings independent, informed and effective judgement to bear on material decisions reserved for the Board. Its sets the tone for ethical and effective leadership.

Board Composition

BOARD SIZE

11

Appropriate Board size promoting accountability and encouraging healthy, constructive debate and decision-making, while meeting regulatory requirements

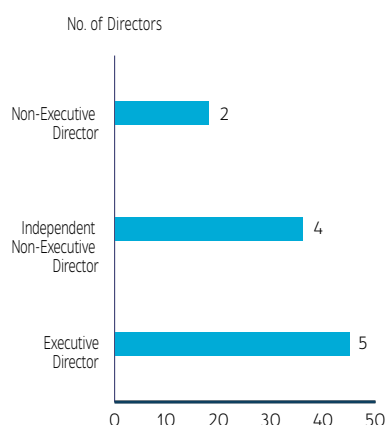
DIVERSITY OF EXPERTISE

| | Members |
|-----------------------|---------|
| Textile manufacturing | 1 |
| Marketing | 1 |
| Engineering | 3 |
| People development | 1 |
| Finance | 3 |
| Business leadership | 2 |

INDEPENDENCE

Comprises 45% of Non-Executive Directors, the majority of whom are independent.

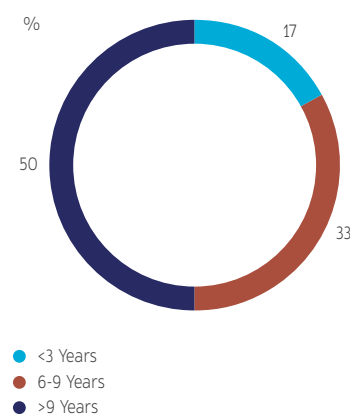
Independency of Board of Directors



DIVERSITY OF NON-EXECUTIVE TENURE

Sound balance between continuity and new expertise and insights.

Non-Executive Tenure



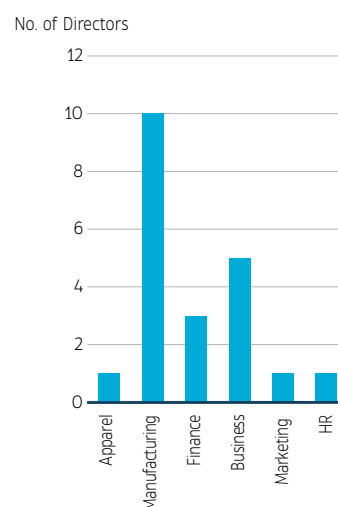
GENDER DIVERSITY



10 : 1

Gender Diversity improved during the year, with the appointment of Ms. K.A.D.B. Perera to the Board in October 2022.

Board Expertise



LEADING THROUGH GOOD GOVERNANCE

Corporate Governance

The Board is diverse and well balanced as reflected on Pages 143 and 144.

The Board comprises 11 Directors, comprising 5 Executive Directors and 6 Non-Executive Directors of whom 4 are independent, maintaining a balance of power to facilitate effective contribution by all members of the Board.

The appointment of Mr A.S. Jayatilleka in 2019 as Senior Independent Director (SID) in line with good governance practices, further strengthens the balance of power in line with best practice in corporate governance. The profiles of the Board





members are given on pages from 44 to 47 of the report.

The collective background of the Board of Directors provides a balanced mix of skills, experience, and tenures to enable the Board to objectively and effectively fulfil its roles and responsibilities. Non-Executive Directors are eminent professionals in their respective fields, who bring varied perspectives to Board deliberations and constructively challenge management. The Board, through the Board Nomination Committee reviews the composition on an ongoing basis.

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

Board Refreshment

Board refreshment allows for the introduction of members with new skills, insights, and perspectives, while retaining valuable industry knowledge and maintaining continuity. The Board is refreshed periodically through new appointments, retirement, resignation, and re-election/re-appointment of Directors.

| | | | |
|---|---|---|---|
|  |  |  |  |
| Executive Chairman | 4 Executive Directors, apart from Chairperson. | 2 Non- Executive Directors | 4 Independent Non- Executive Directors |



Appointments

- Directors are appointed by the Board following a formal and transparent process shall then be eligible for re-election by the shareholders at the next following Annual General Meeting.
- The Parent Company's Nominations Committee makes recommendations to the Board in this regard having considered the combined knowledge, experience and diversity of the Board in relation to the Company's strategic plans and any gaps thereof.
- Appointments are communicated to the shareholders through the Colombo Stock Exchange which includes a brief resume of the Director.



Re-election/Re-appointment

- In terms of the Articles of Association, 1/3 of the Directors except the Managing Director whilst holding that office will retire from office at each Annual General Meeting.
- These Directors are eligible to stand for re-election by the shareholders at the Annual General Meeting.
- The Group Nomination Committee recommends the Directors for re-election, and approval by the Board.
- A Director appointed by the Board to fill a casual vacancy arisen since the previous AGM, will offer himself/herself for re-election at the next AGM.



Retirement/Resignation & Director Tenure

- In terms of Section 210 of the Companies Act No.7 of 2007, Directors who attained the age of Seventy (70) years shall retire. However, in terms of Section 211 of the Companies Act No.7 of 2007, shareholders could resolve that the age limit referred to in Section 210 shall not apply to such Directors.
- Notice has been given to Shareholders pursuant to Section 211 of the Companies Act No. 7 of 2007, of the intention to re-appointment of Mr. A.M. Pandithage, Mr. A.S. Jayatilleka and Mr. E.R.P. Goonetilleke notwithstanding the age limit of seventy years.

| Appointment | Retirement | Resignation | Rotation |
|---|--|---|---|
| Ms. K.A.D.B Perera was appointed to the Board as a Non-Executive Director on 19th October 2022. In terms of the Articles of Association of the Company. Shareholders will be requested to re-elect her at the Annual General Meeting. | Chairman, Mr. A.M. Pandithage, Mr. A.S. Jayatilleka and Mr. E.R.P. Goonetilleke will retire in terms of Section 210 of the Companies Act No.7 of 2007 and being eligible offer themselves for re-appointment by the Shareholders in terms of Section 211 of the Companies Act No. 7 of 2007. | Mr. K.D.D. Perera resigned from the Board w.e.f 10th June 2022 Consequently, Ms. Y. Bhaskaran ceased to be Alternate to Mr. K.D.D.Perera w.e.f 10th June 2022. | Dr. N.S.J. Nawaratne, Mr. H. Somashantha and Mr. K.P.C.P.K. Pathirana will retire by rotation in terms of the Articles of Association of the Company and being eligible offer themselves for re-election. |

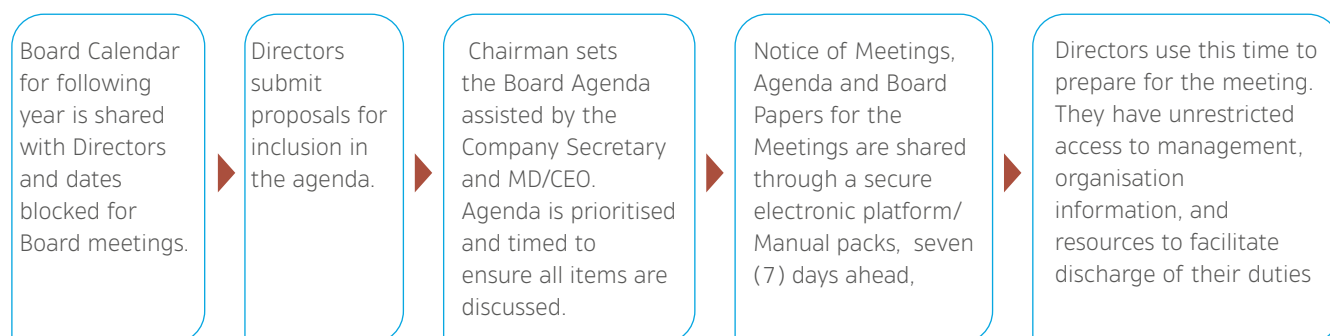
Board Sub-Committees

| Board Committee | Areas of Oversight | Composition | Further Information |
|---|--|--|--|
| Audit Committee | <ul style="list-style-type: none"> Financial Reporting Internal Controls Internal Audit External Audit | Comprises three Independent Non-Executive Directors including the Chairman of the Committee. | Report of the Audit Committee on page from 162 to 164 |
| Nominations Committee | <ul style="list-style-type: none"> Appointment of Key Management Personnel/ Directors Succession Planning Effectiveness of the Board and its Committees | Hayleys PLC (Parent company) Nominations Committee assists Hayleys Fabric PLC. Comprises Chairman (Executive Director), two Independent Non-Executive Directors. | |
| Remuneration Committee | <ul style="list-style-type: none"> Remuneration policy for Key Management Personnel Goals and targets for Key Management Personnel Performance evaluation | Comprises three Independent Non-Executive Directors including the Chairman of the Committee | Report of the Remuneration Committee on page 165 |
| Related Party Transactions Review Committee | Review of related party transactions | Hayleys PLC (Parent company) Related Party Transactions Committee assists Hayleys Fabric PLC. Comprises two Independent Non-Executive Directors and one Executive Director of Hayleys PLC | Report of the Related Party Transaction Review Committee on page 166 |

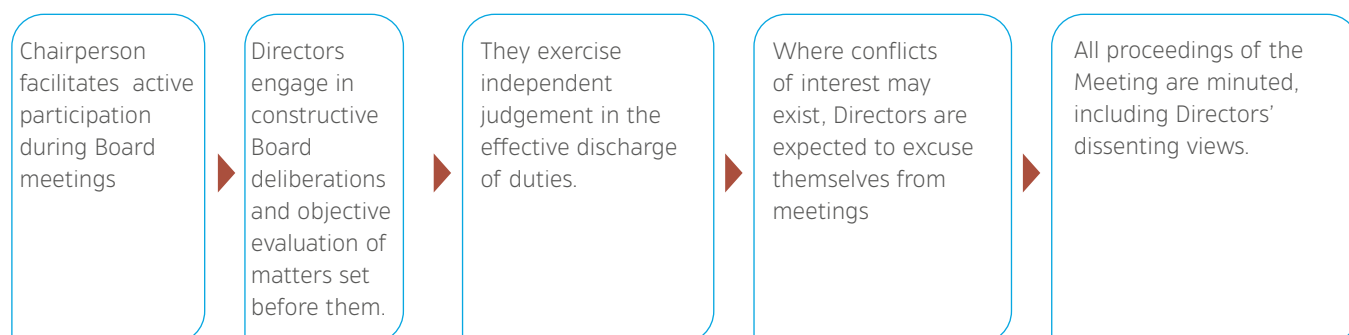
LEADING THROUGH GOOD GOVERNANCE

Corporate Governance

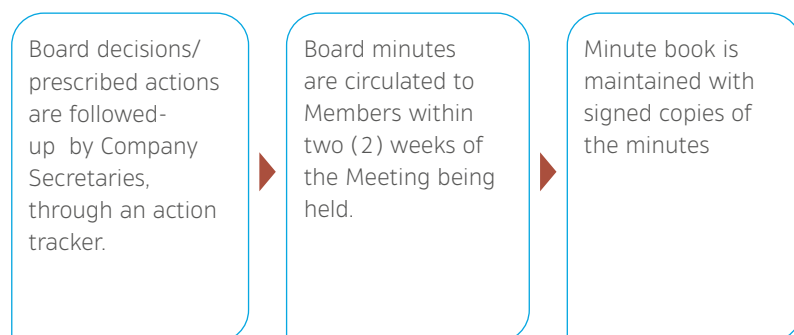
Meetings & Minutes



During the Meetings



After the Meetings



Attendance At Meetings

| Directors | | Date of Appointment | Board | Audit | Remuneration | Related Party Transaction Review * | Nomina-tion * |
|---|---|----------------------------|-------|-------|--------------|------------------------------------|---------------|
| Mr. A.M. Pandithage | Executive Chairman | 01.07.2007 | 4/4 | - | - | - | 9/9 |
| Mr. E.R.P. Goonetilleke | Managing Director/Chief Executive Officer | 01.03.2013 | 4/4 | - | - | - | - |
| Mr. K.D.D Perera (Resigned w.e.f 10.06.2022) | Non-Executive Director | 24.09.2009 | | | | | |
| Ms. Y. Bhaskaran (Ceased to be Alternate w.e.f 10.06.2022) | (Alternate Director to Mr. K.D.D.Perera) | 01.06.2015 | 1/1 | - | - | - | 1/2 |
| Ms. K.A.D.B Perera | Non-Executive Director | 19.10.2022 | 2/2 | - | - | - | - |
| Mr. S. C Ganegoda | Non-Executive Director | 01.11.2009 | 4/4 | - | - | 4/4 | - |
| Mr. H. Somashantha | Independent Non-Executive Director | 02.02.2012 | 4/4 | 4/4 | 1/1 | - | - |
| Mr. M.W.R.N. Somaratne | Independent Non-Executive Director | 02.02.2012 | 4/4 | - | - | - | - |
| Dr. N.S.J. Nawaratne | Independent Non-Executive Director | 25.04.2014 | 4/4 | 4/4 | 1/1 | - | - |
| Mr. A.S Jayatilleke | Senior Independent Non-Executive Director | 30.03.2015 | 4/4 | 4/4 | 1/1 | - | - |
| Mr. I.B.R.R. Bandara | Executive Director | 15.05.2018 | 4/4 | - | - | - | - |
| Mr. M.H. Jayasinghe | Executive Director | 01.04.2019 | 4/4 | - | - | - | - |
| Mr. K.P.C.P.K.Pathirana | Executive Director | 10.08.2020 | 4/4 | - | - | - | - |
| Dr. H. Cabral | Independent Non-Executive Director | Director of Parent Company | - | - | - | 4/4 | 9/9 |
| Mr. M.Y.A.Perera | Independent Non-Executive Director | Director of Parent Company | - | - | - | 4/4 | - |
| * Committee of the Parent Company | | | | | | | |

LEADING THROUGH GOOD GOVERNANCE

Corporate Governance

Roles & Responsibilities

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

| Chairman Role | MD/CEO Role | Senior Independent Director Role |
|---|--|--|
| Leads the Board, preserving good corporate governance and ensuring that the Board works ethically and effectively. | Accountable for implementation of Hayleys Fabric PLC strategic plan and driving performance. | <ul style="list-style-type: none"> Further strengthens the independence of the Board |
| Responsibilities | Responsibilities | Responsibilities |
| <ul style="list-style-type: none"> Setting the ethical tone for the Board and Company. Setting the Board's annual work plan and the agendas, in consultation with the Company Secretaries and the MD/CEO; Building and maintaining stakeholder trust and confidence; Ensuring effective participation of all Board members during Board meetings. Facilitating and encouraging discussions amongst all Directors of matters set before the Board and ensuring a balance of power is maintained between Executive and Non-Executive Director (NED). Monitoring the effectiveness of the Board. | <ul style="list-style-type: none"> Appointing and ensuring proper succession planning of the corporate management team, and assessing their performance; Developing the Company's strategy for consideration and approval by the Board; Developing and recommending to the Board budgets supporting the Company's long-term strategy. Monitoring and reporting to the Board on the performance of the Company and its compliance with applicable laws and Corporate Governance principles. Establishing an organisational structure for the Company which is appropriate for the execution of strategy; Ensuring a culture that is based on the Company's values; Ensuring that the Company operates within the approved risk appetite. | <ul style="list-style-type: none"> Acts as an intermediary between the Chair and other members of the Board when necessary maintains an additional channel to deal with shareholders concerns where contact through the normal channels have failed to resolve concerns, or where such contact is inappropriate. |
| Company Secretary | | |

The office of the Company Secretary is integral to the effective functioning of the Board. Secretarial services to the Board are provided by Hayleys Group Services (Private) Limited. The Company Secretaries guide the Board on discharging its duties and responsibilities, promoting best practices in Corporate Governance.

Responsibilities include;

- Ensuring the conduct of Board and General Meetings in accordance with the Articles of Association and relevant legislation.
- Maintaining statutory registers and the minutes of Board Meetings.
- Prompt communication to regulators and shareholders.
- Filing statutory returns and facilitating access to legal advice in consultation with the Board, where necessary.
- Maintain Register of Directors & Secretaries with the details of Directors' & Secretaries' particulars including names, surnames, former names (if any) , residential address, business, occupation, date of appointment and date of resignation (if applicable).
- Appraisal of Board and sub-Committee Performances

All Directors have access to the advice and services of this group function as necessary. Appointment and removal of the Company Secretaries is a matter for the Board.



DEFINITION

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



ASSESSMENT

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



OUTCOME

- The Board is satisfied that there are no relationships or circumstances likely to affect or appear to affect, Directors' judgement during the period under review.
- Messrs H. Somashantha and M.W.R.N. Somaratne served as Independent Non-Executive Directors for more than 9 years. The Board is of the opinion that the above Directors conduct themselves in an impartial and independent manner on matters deliberated by the Board and that independence will not be affected by being on the Board for more than 9 years.

Directors' Independence

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

Directors Interests and Related Party Transactions

Directors declare their business interests at appointment and quarterly thereafter. Details are maintained in a Register by the Company Secretaries. The Register is available for inspection in terms of the Companies Act. Directors have no direct or indirect interest in a contract or a proposed contract with the Company other than those disclosed on pages 225 to 227 in Financial Statements.

The Hayleys Group Related Party Transactions Review Committee considers all transactions that require approval, in line with the Group's Related Party Transactions Policy and in compliance with regulations, ensuring transactions are fair and in the best interest of Hayleys Fabric PLC. Related party transactions are disclosed in Note 27 to the financial statements on page from 225 to 227.

Conflict of Interest

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

LEADING THROUGH GOOD GOVERNANCE

Corporate Governance

Informed Decision making

Good decision-making requires possessing the right knowledge. Hayleys Fabric PLC's reporting and information systems ensures the Board receives relevant and objective information, in a timely manner.

Supply of Information

The Board pack, generally circulated seven (7) days in advance of a Board Meeting, provides comprehensive qualitative and quantitative information on matters to be raised at the Board Meeting. This includes reports on the Company's performance against strategic value drivers and reports on key focus areas such as sales order book, capacity utilisation, working capital management, risk assessment and impact of Covid 19 on Hayleys Fabric PLC's operations. Further, Corporate Management and external experts make regular presentations regarding the business environment, strategy and operations of the Company and ensure that the Board is apprised of developments impacting the Company.

Access to Information

Directors have unrestricted access to Management, organisation information, and resources to facilitate discharge of their duties. Directors are entitled to seek independent professional advice, co-ordinated through the Company Secretaries, at the Company's expense. Copies of such advice obtained are circulated to Directors who request for it.

Knowledge Development

On appointment, Directors are provided with an orientation pack with all relevant external and internal regulation documents and a tour of the factory premises. Directors are kept abreast of applicable legislation and regulation, relevant sector developments and changes in the risk and general business environment on an on- going basis. Directors undertake training and professional development as they consider necessary, which requirements are coordinated through the Company Secretaries. They are Members of the Sri Lanka Institute of Directors and attend sessions from time to time. Directors also undertake other Continuous Professional Development (CPD) programmes in their personal capacity to update their knowledge on relevant and emerging topics.

Corporate Management



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

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

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

Appraisal of MD/CEO

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

Sustainability Governance

As a responsible corporate citizen, we are committed to responsible Environmental, Social and Governance (ESG) practices, which are essential in creating sustainable long term value. We strive to uphold the highest standards, measuring our ESG performance against international frameworks and benchmarks, as listed on page 13 - Striving for Excellence. Launch of our new Purpose - "To Strengthen the Fabric of Society by knitting together a better environment for ALL!" - during the year, is a further endorsement of our commitment.

Hayleys Life-code – ESG Framework

The Hayleys Group launched the Hayleys LifeCode in January 2022, seeking to harmonise ESG integration across all Group entities. The LifeCode sets out the Group's commitment to ESG, articulating the Group's ESG philosophy, policies and strategies. As a subsidiary of the Hayleys Group, Hayleys Fabric PLC adopted the LifeCode, aligning its existing strategy with that of the Group. Please refer Our Commitment to Sustainability -page 22 for details on Hayleys Fabric Group's progress against LifeCode commitments. Integrating ESG into strategy

Given the many opportunities and risks that driving sustainability presents, entrenching ESG matters into all aspects of our business including strategy, risk management, compliance and culture remains a key strategic focus for the Group.

Our efforts in advancing environmental stewardship, practicing social responsibility, and implementing good governance have served us well, to create sustainable value for all our priority stakeholders in the prevalent volatile environment.



Implementing Strategy

- Annual ESG goal setting
- Sustainability team to drive initiatives within respective individual departments



Compliance

- Compliance team to ensure compliance with customer requirements and legal standards



Culture

- Eco friends team building programme to drive a sustainability culture across the organisation



Risk Management

- Refer Risks & opportunities - page 64



Assurance

- Internal audit ensures that the systems and controls for measuring and monitoring the ESG indicators are functioning effectively

Reporting

- ESG information is captured in the Hayleys Group non-financial information system called the "Cube".
- ESG matters are monitored by the dedicated sustainability teams at Company and Group levels.
- Monthly reports enable reviewing of ESG performance for action, by leadership teams at both Company (Corporate management team) and Group level (Hayleys Group Management Committee)

Quarterly reports inform the Hayleys Fabric PLC Board and Hayleys Group ESG Steering Committee of the progress against targets. Matters of critical concern are escalated to the Hayleys Group Board.

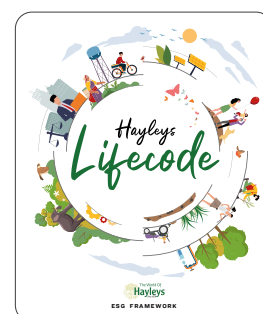
Board Responsibility

The Board takes overall responsibility for the design of and performance against ESG strategy, overseeing executive management in developing the approach, execution and associated reporting. Progress against our ESG ambitions is reviewed through discussion at Board meetings held quarterly. Key topics regularly reviewed include updates on net zero, customer experience and employee sentiment.

Group MD/CEO and the Executive Director – Finance & ESG, attend Board meetings and where appropriate provide regular verbal and written updates to the Board.

ESG Governance

The Board has delegated responsibility for governance activities, through a combination of specialist governance infrastructure and regular committees, where appropriate. The table below details the main specialist governance forums, their responsibilities and the responsible executives for the management of ESG matters.



LEADING THROUGH GOOD GOVERNANCE

Corporate Governance

| Governance forums | Responsible for: | Responsibility held by: |
|--|---|---|
| Board Audit Committee | <ul style="list-style-type: none"> Group Risk Management and ESG issues including climate-related opportunities and risk. Makes recommendations to the Board on managing ESG related risks and opportunities. Provides oversight for the scope and content of ESG disclosures, Meets quarterly. | <ul style="list-style-type: none"> Committee consists of 3 Independent Non Executive Directors. The Executive Director – Finance & ESG is a Permanent invitee to Audit Committee meetings |
| Sustainability Committee (Management) | <ul style="list-style-type: none"> Delivery of ESG strategy by providing oversight, coordination and management of ESG commitments and activities Meets monthly | <ul style="list-style-type: none"> Comprises Group functional heads/ members of the Management Committee & Head of Sustainability Chaired by Executive Director – Finance & ESG |
| Executive Director – Finance & ESG (Lifecode Champion) | <ul style="list-style-type: none"> Responsible for driving implementation and performance management of ESG framework. | <ul style="list-style-type: none"> In his role as Lifecode Champion for the Textile Sector of Hayleys Group, he reports directly to the Sector MD/CEO on ESG matters. |
| The ESG Steering Committee | <ul style="list-style-type: none"> To provide oversight with respect to the Hayleys Group's ESG framework, strategy, policies, risks and opportunities, initiatives and external commitments. | <ul style="list-style-type: none"> Consists of 3 Executive Directors of Hayleys PLC and 3 members of the Group Management Committee (GMC) including the Group Chief Financial Officer (GCFO) and Head-Group Human Resources and Legal. MD/CEO of Hayleys Fabric PLC is also a member of the Committee |

We expect that our ESG governance approach is likely to continue to develop, in line with our evolving approach to ESG matters and stakeholder expectations.

A review of our Capital Reports will inform readers of how Hayleys Fabric PLC has progressed towards these goals.

Responsible and Fair Remuneration

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

Remuneration Policy

Remuneration of KMP and Executive Directors is linked to sustainable value creation objectives in line with Hayleys Fabric PLC's strategy and is based on clear performance targets that have adequate stretch and benchmarked to local market rates. The Remuneration Committee (RC), consisting of 3 Independent Non Executive Directors is responsible for making recommendations to the Board regarding the remuneration of the Executive Directors. Please refer page 165 for the Report of the Remuneration Committee and Terms of Reference.

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

Level and Make Up of Remuneration

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

entitle them to extra compensation. However, such compensation, if any, would be determined by the Board of Directors. Please refer page 222 for the total Directors' Remuneration.

Board Accountability

Risk Management and Internal control

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

Accountability & Audit

Every effort has been made to present a balanced assessment of the Company's financial position, performance and prospects in compliance with the various legal enactments applicable, the Sri Lanka Financial Reporting Standards, the G4 standard on Sustainability Reporting published by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC). The Company's position and prospects have been discussed in detail in the following sections of this Annual Report.

- Chairman's Message pages 32 to 35
- Managing Director's Review pages 36 to 41
- Management Discussion & Analysis on pages 56 to 75

- Capital Reports on page 78 to 116
- Risk and Opportunities on page 64 to 71

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

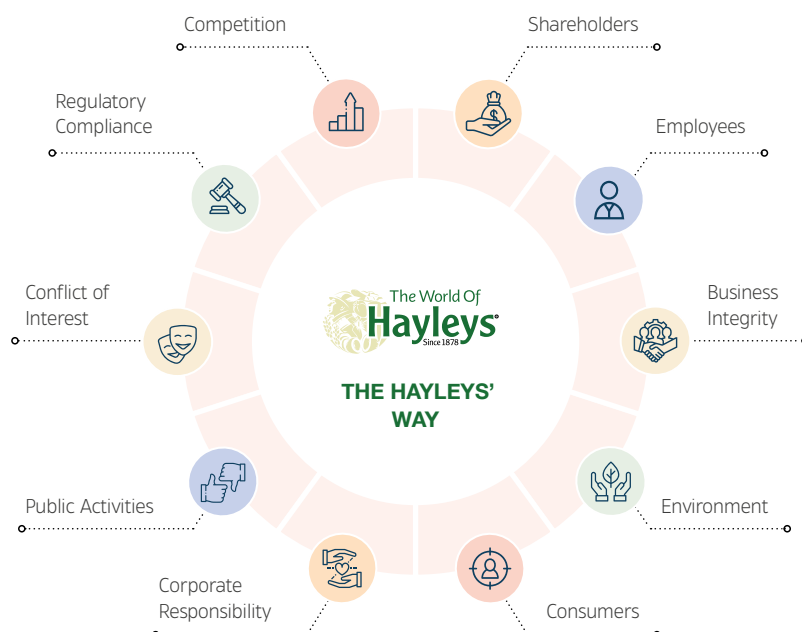
- The Directors' Report on pages 167 to 172 (including the declaration that the Company is a going concern)
- The Statement of Directors' Responsibility on page 176
- Report of the Auditors on page 179 to 182

Code of Conduct and Ethics

Hayleys Fabric PLC is committed to conducting its business operations with honesty, integrity and with respect to the rights and interests of all stakeholders. The Company is bound by the "The Hayleys Way"- The Code of conduct developed by Hayleys PLC (Parent Company) for the Group. It applies to all employees including key management personnel and Directors, and is reinforced at all levels through structured communication. The Code fosters an ethical culture and promotes compliance with relevant laws and legislation, an imperative to retaining the trust of stakeholders. The Board is not aware of any material violations of any of the provisions of the Code by any Director or employee of Hayleys Fabric PLC.

LEADING THROUGH GOOD GOVERNANCE

Corporate Governance



Diversity and equal opportunity

The Board appreciates the positive impact to productivity and creativity that diverse perspectives lend. Hayleys Fabric PLC is an equal opportunity employer, and does not discriminate against gender, marital status, religion, race, or disability.

Whistle Blowing /Grievance Mechanism

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

Anti-Bribery and Corruption (ABC)

Hayleys Fabric PLC 's ABC policy adopted from Hayleys PLC approved one, declares that corrupt practices are not acceptable in any business dealings of the Hayleys Fabric Group .We have adopted various policies, frameworks, processes and standards to effectively govern charitable donations, gifts, facilitation payments, solicitation and

extortion. The policy is supported through internal control systems and procedures in areas where bribery and corruption risk may be present.

Innovation Governance

Hayleys Fabric PLC's ability to continually innovate is critical to remaining relevant to the changing needs of customers. The Board and Management are aware of their role in innovation governance and to this end, encourages the creativity and flexibility that promotes innovative thinking, while managing risk within the agreed appetite.

Information Technology & Cyber Security Governance

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

Hayleys Group IT Department is responsible for implementing the Groups digital strategy including adopting IT policies and safeguarding

against cyber threats. The Group Head of IT functions as the CISO and the Data Protection Officer. Coverage and scope of related Group policies and guidelines are given below.

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

Taxation

Hayleys Fabric PLC is committed to being a responsible taxpayer that pays its fair share of tax within industry norms. The Board reviewed the amendments to Tax regulations during the year and their impact to the Group. Compliance with all applicable tax regulations was monitored and full transparency ensured.

Relations with Shareholders

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

Communication with Shareholders



Shareholders are engaged through multiple channels of communication, including the following.

- Annual General Meeting (AGM)
- Annual integrated report
- Interim financial statements
- A dedicated investor relations page on Hayleys Fabric PLC's website
- Notification of key events through announcements on the CSE

Shareholders can also query the Board & Management through representations made to the Company Secretaries whose contact details are provided on page IBC of this report.

All significant issues and concerns of Shareholders are referred to the Board of Directors and/ or relevant Director, together with the views of Management.

Annual Report

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

Constructive use of Annual General Meeting (AGM)

- The AGM is the main mechanism for the Board to interact with and account to shareholders and provides an opportunity for shareholders' views to be heard. The Board Chairperson, Chairpersons of Board Sub-committees, Directors, MD/CEO, key management personnel and external auditors, are present and available to address any queries raised.
- All Shareholders are encouraged to exercise their voting rights. The Company has an effective mechanism to record and count all proxy votes lodged for each resolution. In the event there are a significant proportion of the votes cast against a resolution, the Board will take steps to understand the reasons behind the vote results and determine if any actions are required.

Prior to the AGM

- Notice of the AGM and other related documents including proposed resolutions, are circulated to shareholders minimum 15 working days prior to the AGM.
- It allows sufficient time for all the shareholders to attend the AGM.

At the AGM

- The Board provides an update on the Group's performance.
- Shareholders have the opportunity to ask questions and clarify matters.
- A separate resolution is proposed for each item of business.
- All shareholders are encouraged to exercise their voting rights.

After the AGM

- The Board provides an update on the approved resolutions through the CSE.
- Minutes of the meeting are available to shareholders on request from the Company Secretaries' office.

LEADING THROUGH GOOD GOVERNANCE

Corporate Governance

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

| Rule No. | Subject | Requirement | Complied | Reference within the Report | Page |
|--------------|--|---|----------|--|-----------|
| 7.10.1(a) | Non-Executive Directors (NED) | At least 2 or 1/3 of the total number of Directors on the Board whichever is higher should be NEDs | Yes | Board Composition | 143 |
| 7.10.2(a) | Independent Directors (ID) | 2 or 1/3 of NEDs, whichever is higher, should be independent | Yes | Board Composition | 143 |
| 7.10.2(b) | Independent Directors (ID) | Each NED should submit a signed and dated declaration of his/her independence or non-independence | Yes | Directors Independence | 143 |
| 7.10.3(a) | Disclosure relating to Directors | <ul style="list-style-type: none"> The Board shall annually determine the independence or otherwise of the NEDs, and Names of each IDs should be disclosed in the Annual Report (AR) | Yes | Directors Independence | 143 |
| | | | | Board Profiles | 42 |
| 7.10.3(b) | Disclosure relating to Directors | The basis for the Board's determination of Independence if criteria specified for independence is not met | Yes | Directors Independence | 143 |
| 7.10.3(c) | Disclosure relating to Directors | A brief resume of each Director should be included in the AR including the Director's areas of expertise | Yes | Board Profiles | 42 |
| 7.10.3(d) | Disclosure relating to Directors | Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE | Yes | Board Profiles | 42 |
| 7.10.4 (a-h) | Criteria for defining Independence | Requirements for meeting criteria to be an Independent Director | Yes | Directors Independence | 143 & 149 |
| 7.10.5 | Remuneration Committee (RC) | A listed company shall have a Remuneration Committee | Yes | Remuneration Committee Report | 165 |
| 7.10.5(a) | Composition of Remuneration Committee | Remuneration Committee shall comprise of NEDs, a majority of whom will be independent One NED shall be appointed as Chairman of the Committee by the Board of Directors | Yes | Remuneration Committee Report | 165 |
| 7.10.5.(b) | Functions of Remuneration Committee | The Remuneration Committee shall recommend the remuneration of Executive Directors | Yes | Remuneration Committee Report | 165 |
| 7.10.5.(c) | Disclosure in the Annual Report relating to Remuneration Committee | <ul style="list-style-type: none"> Names of Directors comprising the Remuneration Committee Statement of Remuneration Policy Aggregated remuneration paid to Executive and Non-Executive Directors Should be included in the Annual Report | Yes | Remuneration Committee Report Note 23 to the Financial Statements | 165 |
| 7.10.6 | Audit Committee (AC) | The Company shall have an Audit Committee | Yes | Audit Committee Report | 162 |

| Rule No. | Subject | Requirement | Complied | Reference within the Report | Page |
|-----------|---|--|----------|---|------|
| 7.10.6(a) | Composition of Audit Committee | Shall comprise of Non-Executive Directors, a majority of whom are Independent | Yes | Audit Committee Report | 162 |
| | | Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings | Yes | Audit Committee Report | 162 |
| | | The Chairman of the Audit Committee or one member should be a member of a professional accounting body | Yes | Audit Committee Report | 162 |
| 7.10.6(b) | Audit Committee Functions | • Should be as outlined in the Section 7.10 of the Listing Rules | Yes | Audit Committee Report | 162 |
| 7.10.6(c) | Disclosure in Annual Report relating to Audit Committee | a) Names of the Directors comprising the Audit Committee | Yes | Audit Committee Report | 162 |
| | | b). The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination | Yes | Audit Committee Report | 162 |
| | | c) The Annual Report shall contain a Report of the Audit Committee in the prescribed manner | Yes | Audit Committee Report | 162 |
| 9.3.2 | Related Party Transactions Review Committee | a). Details pertaining to Non-Recurrent Related Party Transactions | Yes | Note 27 to the Financial Statements | |
| | | b). Details pertaining to Recurrent Related Party Transactions | Yes | Note 27 to the Financial Statements | |
| | | c). Report of the Related Party Transactions Review Committee | Yes | Report of the Related Party Transactions Review Committee | 166 |
| | | d). Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise | Yes | Annual Report of the Board of Directors | 167 |

LEADING THROUGH GOOD GOVERNANCE

Corporate Governance

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

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

| Code Ref. | Requirement | Complied | Reference within the Report | Page |
|------------------|--|----------|---|--------------|
| A | Directors | | | |
| A.1 | An effective Board should direct, lead and control the company | Yes | Board Profiles | 42 |
| A.1.1 | Regular Board meetings, provide information to the Board on a structured and regular basis | Yes | Meetings & Minutes | 146 |
| A.1.2 | Role and Responsibilities of the Board | Yes | Governance Structure | 138 |
| A.1.3 | Act in accordance with laws of the Country Independent professional advice | Yes | Compliance Informed Decision Making | 138 |
| A.1.4 | Access to advise and services of the Company Secretary | Yes | Company Secretary | 148 |
| A.1.5 | Independent judgement | Yes | Directors Independence | 143 |
| A.1.6 | Dedicate adequate time and effort to matters of the Board and the Company | Yes | Directors Interests and Related Party Transactions | 149 |
| A.1.7 | Calls for resolutions by at least 1/3rd of Directors | Yes | Meetings & Minutes | 146 |
| A.1.8 | Board induction and Training | Yes | Informed Decision Making | 150 |
| A.2 | Chairman and CEO | Yes | Roles & Responsibilities | 148 |
| A.3 | Chairman's role in preserving good corporate governance | Yes | Roles & Responsibilities | 148 |
| A.4 | Availability of financial acumen | Yes | Board Composition | 143 |
| A.5 | Board Balance | Yes | Board Composition | 143 |
| A.5.1 | The Board should include sufficient number of NEDs | Yes | Board Composition | 143 |
| A.5.2 | If the Board includes only 3 NEDs, they should be independent | N/A | | |
| A.5.3 | Independence of Directors | Yes | Director Independence | 143 & 149 |
| A.5.4 | Annual declaration of independence by Directors | Yes | Director Independence | 143 & 149 |
| A.5.5 | Annual determination of independence of NEDs | Yes | Director Independence | 143 |
| A.5.6 | Alternate Directors | Yes | N/A | |
| A.5.7 & A.5.8 | Senior Independent Directors | Yes | Board Composition | 143 |
| A.5.9 | Annual meeting with NEDs | Yes | Chairman and Senior Independent Director respectively, meet with NEDs informally | 146 |
| A.5.10 | Recording of dissent in minutes | Yes | Meetings and minutes | 146 |

| Code Ref. | Requirement | Complied | Reference within the Report | Page |
|-----------|--|----------|--|------|
| A.6 | Supply of Information | Yes | Informed Decision Making | 150 |
| A.7 | Appointments to the Board and Re-election | Yes | Board Refreshment | 144 |
| A.7.1 | Establishing a Nomination Committee, Chairman and Terms of Reference | Yes | Parent Company's Nomination Committee acts as the Committee for Hayleys Fabric PLC | |
| A.7.2 | Annual assessment of Board composition | Yes | Board composition is assessed when recommending Directors for Re-election. | 144 |
| A.7.3 | Disclosures on appointment of new Directors | Yes | Board Refreshment | 144 |
| A.8 | Directors to submit themselves for re-election | Yes | Board Refreshment | 144 |
| A.9 | Appraisal of Board and sub-Committee Performances | Yes | Corporate Governance | 148 |
| A.10 | Annual Report to disclose specified information regarding Directors | Yes | Board Profiles Meetings & Minutes Directorships in Other Companies Membership in committees | 42 |
| A.11 | Appraisal of the CEO | Yes | Appraisal of MD/CEO | 150 |
| B. | Directors Remuneration | | | |
| B.1 | Establish process for developing policy on executive and Director remuneration. | Yes | Responsible and Fair Remuneration | 153 |
| B.2 | Level and Make Up of Remuneration | Yes | Responsible and Fair Remuneration | 153 |
| B.3 | Disclosures related to remuneration in Annual Report - Remuneration Policy statement - Aggregate Board remuneration paid | Yes | Responsible and Fair Remuneration Remuneration Committee report Note 23 to Financial Statements | 153 |
| C | Relations with Shareholders | | | |
| C.1. | Constructive use of the AGM & Other General Meetings | Yes | Constructive use of the Annual General Meeting (AGM) | 155 |
| C.2. | Communication with shareholders | Yes | Communication with Shareholders | 155 |
| C.3 | Disclosure of major and material transactions | Yes | During the year, there were no major or material transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of Company. | |
| D. | Accountability & Audit | | | |
| D. 1 | Present a balanced and understandable assessment of the Company's financial position, performance and prospects | Yes | Communication with Shareholders | 155 |
| D1.1 | Balanced Annual Report | Yes | Communication with Shareholders | 155 |
| D.1.2 | Balanced and understandable communication | Yes | Relations with Shareholders | 154 |

LEADING THROUGH GOOD GOVERNANCE

Corporate Governance

| Code Ref. | Requirement | Complied | Reference within the Report | Page |
|-----------|---|----------|---|------------|
| D.1.3 | CEO/CFO declaration | Yes | Chief Executive Officer's and Chief Financial Officer's Responsibility Statement | 173 |
| D.1.4 | Directors Report declarations | Yes | Annual report of the Board of Directors on the Affairs of the Company | 167 |
| D.1.5 | Financial reporting -statement on Board responsibilities, Statement on internal control | Yes | Directors' Responsibility for Financial Reporting Directors' Statement on Internal Control | 176 174 |
| D.1.6 | Management Discussion & Analysis | Yes | Capital reports | 78 |
| D.1.7 | Net Assets < 50% | Yes | In the unlikely event of the net assets of the company falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting (EGM)to notify the shareholders of the position and to explain the remedial action being taken. | |
| D.1.8 | Related Party Transactions report | Yes | Directors' Interest in Contracts with the Company | 149 |
| D.2. | Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets | Yes | Risk Management and Internal control Repot of the Audit Committee Directors' Statement of Internal Control Risk Review | 153 163 |
| D.3. | Audit Committee | Yes | Audit Committee Report | 162 |
| D.4 | Related Party Transactions Review Committee | Yes | Related Party Transactions Review Committee report | 166 |
| D.5 | Code of Business Conduct and Ethics | Yes | Code of Conduct & Ethics | 153 |
| D.6 | Corporate Governance Disclosures | Yes | Corporate Governance Report | 138 |
| E/F | Institutional and other investors | | | |
| | Institutional and other investors, | Yes | Relations with Shareholders | 154 |
| G. | Internet of Things & Cybersecurity | Yes | Information Technology and Cyber Security | 154 |
| H | Principals of Sustainability Reporting | Yes | Sustainability Governance | 151 |

LEADING THROUGH GOOD GOVERNANCE

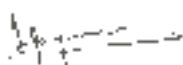
Senior Independent Director's Statement

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

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

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

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



A.S. Jayatilleka

Senior Independent Non Executive Director

15th May 2023

LEADING THROUGH GOOD GOVERNANCE

Report of the Audit Committee

As Chairman of Hayleys Fabric PLC's Audit Committee, I am pleased to present the report of the Audit Committee for the year ended 31st March 2023 which has been prepared by the Committee. The purpose of this report is to describe how the Committee has carried out its responsibilities during the year.

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

PURPOSE OF THE COMMITTEE

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

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

TERMS OF REFERENCE

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

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

COMMITTEE STRUCTURE

The composition of the Committee, which remained unchanged during the financial year is constituted of two Independent Non- Executive Directors and one Senior Independent Non- Executive Director.

MEMBERS AND MEETINGS

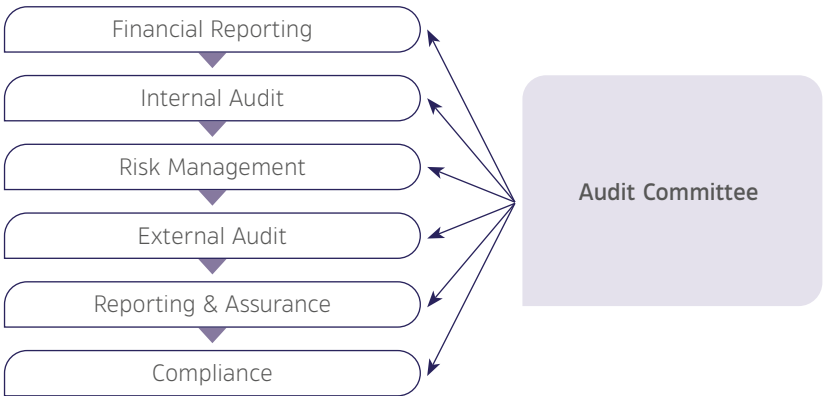
The Audit Committee comprises individuals with extensive experience in the fields of Accounting & Finance, Corporate Management, and Marketing & Strategic Management.

The Chairman of the Audit Committee is a member of the Institute of Chartered Accountants of Sri Lanka and the profiles of the members are given on pages 44 to 47 of this report.

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

| Audit Committee Members | |
|----------------------------|---|
| Chairman | Mr. H. Somashantha* (Chartered Accountant) |
| Members | Dr. N.S.J. Nawartne* |
| | Mr. A.S.Jayatilleka** |
| | *Independent Non-Executive Director |
| | ** Senior Independent Non-Executive Director |
| Secretary to the Committee | Hayleys Group Services (Private) Ltd |
| Attendance by invitation | Mr. A.M. Pandithage - Chairman- Hayleys Fabric PLC |
| | Mr. E.R.P. Goonetilleke - Managing Director/CEO- Hayleys Fabric PLC |
| | Mr. S.C Ganegoda - Director- Hayleys Fabric PLC |
| | Mr. I.B.R.R. Bandara- Director- Finance & ESG- Hayleys Fabric PLC |
| | Mr. T.M. Hewagama- Group CFO- Hayleys PLC |
| | Mr. A. Mathangaweera-Head of Group - MA & SRD - Hayleys PLC |

DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE



FINANCIAL REPORTING

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

The review included;

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

INTERNAL AUDIT

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

The Committee reviewed and assessed the Company's risk management

process including the adequacy of the overall control environment and controls in areas of significant risk. Key risks that exceeded the Company's risk appetite are presented from page 64 to 71.

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

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

EXTERNAL AUDIT

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

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

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

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

At the conclusion of the audit, the External Auditors met with the Audit Committee to discuss any matters of concern found in the course of the audit and also to discuss the matters mentioned in the Management Letter. Management responses for those concerns raised by the External Auditors were discussed with the Managing Director/CEO and Director-Finance & ESG of the Company.

There were no significant issues during the year under review.

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

The Committee has recommended to the Board that Messrs Ernst & Young be reappointed as the independent External Auditor and that the re-appointment be included in the agenda of the Annual General Meeting.

COMPLIANCE WITH FINANCIAL REPORTING AND STATUTORY REQUIREMENTS

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

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

MEETINGS

The Audit Committee met four (4) times during the year and attendance by the Committee members at each of these meetings are given in the Corporate Governance Report on page 147.

SUPPORT TO THE COMMITTEE

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

OTHER MATTERS

- The Committee reviewed the potential Cyber Risks of the Company and the steps taken by the Management to address these risks.

LEADING THROUGH GOOD GOVERNANCE

Report of the Audit Committee

- Carried out an in-depth review of the insurance policies of the Company.
- Reviewed the key audit observations made in respect of audits carried out on subsidiary Company.
- Reviewed the Audit Committee Charter Evaluated the areas to be further strengthened.

CONCLUSION

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

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



H. Somashantha

Chairman-Audit Committee

15th May 2023

Report of the Remuneration Committee

COMPOSITION OF THE COMMITTEE

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

The Members of the Remuneration Committee consist of as below;

- Mr. A.S. Jayatilleka – Chairman-Senior Independent Non-Executive Director
- Mr. H. Somashantha-Independent Non-Executive Director
- Dr. N.S.J Nawaratne - Independent Non-Executive Director

INDEPENDENCE OF THE COMMITTEE

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

KEY OBJECTIVE

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

RESPONSIBILITIES

The Remuneration Committee is responsible to the Board for;

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

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

REMUNERATION POLICY

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

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

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

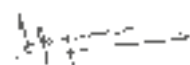
All Non-Executive Directors receive a fee for serving on the Board and serving on sub-Committees. They do not receive any performance related incentive payments. The Company/ Group does not have an employee share ownership plan for members of the Board, who are considered as Key Management Personnel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

MEETING

The Committee met on 7th February 2023 and discussed & reviewed the remuneration policies of the Company and its Subsidiary Attendance of such meeting is given in the Corporate Governance Report on Page 147.

DIRECTORS' EMOLUMENTS

The Directors' emoluments are disclosed in Note 23 on page 222.



A.S. Jayatilleka

Chairman - Remuneration Committee

15th May 2023

LEADING THROUGH GOOD GOVERNANCE

Report of the Related Party Transactions Review Committee

The Related Party Transaction Review Committee of Hayleys PLC, the parent Company functions as the Committee of the Company in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange

Composition of the Committee

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

The Committee comprises the following members.

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.

Task of the Committee

The Committee re-viewed the related party transactions and their compliances of Hayleys Fabric PLC and communicated the same to the Board.

The Committee in its re-view 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 2023

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

Meetings & Attendance

Number of Meetings held in 2022/23 and respective attendances were as below;

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

| Name | 17/05/2022 | 10/08/2022 | 08/11/2022 | 10/02/2023 | Total |
|------------------------|------------|------------|------------|------------|-------|
| Dr. Harsha Cabral, PC. | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Mr. M.Y.A. Perera | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Mr. S.C. Ganegoda | ✓ | ✓ | ✓ | ✓ | 4/4 |

The duties of the Committee

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

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

The Board of Directors of Hayleys Fabric PLC is pleased to present its Annual Report to the shareholders for the financial year ended 31st March 2023, together with the audited financial statements of the Company and the Group together with the Auditor's Report on those financial statements, conforming to the requirements of the Companies Act No 7 of 2007 and Listing Rules of the Colombo Stock Exchange (CSE).

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

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

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

The financial statements, together with the Reviews and other Reports which form part of the Annual Report were approved by the Board of Directors on 15th May 2023.

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

MANDATORY PROVISIONS - FULLY COMPLIANT

| Reference | Requirement | Complied | Reference (within the Report) | Page |
|---------------------|--|----------|--|----------------------------------|
| Section 168 (1) (a) | The nature of the business of the Company | Yes | About Us | 6 to 18 |
| Section 168 (1) (b) | Financial statements for the accounting period completed and signed in accordance with Section 152 | Yes | The Financial Statements of the Company and its subsidiary for the year ended 31 st March 2023 | 184 to 231 Signed on page 184 |
| Section 168 (1) (c) | Auditor's report on the financial statements of the Company/Group | Yes | Independent Auditors' Report. | 179 to 182 |
| Section 168 (1) (d) | Any change in accounting policies made during the accounting period | Yes | Note 4.4 to the Financial Statements - Changes in Accounting Policies | 202 |
| Section 168 (1) (e) | Particulars of entries in the interests register made during the accounting period | Yes | Directors' Interest in Contracts with the Company Details of the Directors' shareholdings. - Investor Information 40,000 shares were purchased, during the year by Mr. M.W.R.N. Somaratne, an Independent Non-Executive Director of Hayleys Fabric PLC. Out of which 15,000 shares were purchased through Margin Trading Account, Sampath Bank PLC/Mr. M.W.R.N. Somaratne. | 227 239 |
| Section 168 (1) (f) | Remuneration and other benefits of Directors during the accounting period | Yes | Note 23 to the Financial Statements - Profit/ (Loss) Before Tax | 222 |
| Section 168 (1) (g) | Total amount of donations made by the Company during the accounting period. | Yes | Note 23 to the Financial Statements - Profit/ (Loss) Before Tax | 222 |

LEADING THROUGH GOOD GOVERNANCE

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

| Reference | Requirement | Complied | Reference (within the Report) | Page |
|---------------------|--|----------|--|------------|
| Section 168 (1) (h) | Names of the persons holding office as Directors of the Company as at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company during the accounting period | Yes | <p>Board Profiles</p> <p>In terms of the Article 29 (1) of the Articles of Association of the Company, Dr. N.S.J. Nawaratne, Mr. H Somashantha and Mr. K.P.C.P.K. Pathirana retire by rotation and being eligible offer themselves for re-election.</p> <p>Mr. K.D.D.Perera - Non-Executive Director of the Company resigned from the Board w.e.f 10th June 2022. Consequently Ms. Y. Bhaskaran ceased to be Alternate to Mr. K.D.D. Perera w.e.f.10th June 2022</p> <p>Ms. K.A.D.B. Perera was appointed to the Board as a Non-Executive Director on 19th October 2022. In terms of Article 27 (2) of the Articles of Association of the Company, shareholders will be requested to re-elect her at the forthcoming Annual General Meeting.</p> <p>Notice has been given pursuant to Section 211 of the Companies Act No. 7 of 2007 of the intention to propose ordinary resolutions for the re-appointments of Mr. A.M. Pandithage, Mr. A.S. Jayatilleka and Mr. E.R.P. Goonetilleke notwithstanding the age limit of seventy years stipulated by Section 210 of the Companies Act No. 7 of 2007.</p> | 44 to 47 |
| Section 168 (1) (i) | Amounts payable by the Company to the Person or firm holding office as auditor of the Company as audit fees and as a separate item, fees payable by the Company for other services provided by that person or firm | Yes | Note 23 to the Financial Statements - Profit/ (Loss) Before Tax | 222 |
| Section 168 (1) (j) | Particulars of any relationship (other than that of auditor) which the auditor has with or any interests which the auditor has in, the Company or any of its subsidiaries | Yes | <p>The Company's auditors during the period under review were Messrs. Ernst & Young, Chartered Accountants.</p> <p>The Auditors do not have any relationship or interest with the Company other than that of an Auditor.</p> <p>A resolution for the re-appointment of the Auditors for the year 2023/24 and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.</p> | 243 |
| Section 168 (1) (k) | Signed on behalf of the Board by two Directors and the Company Secretary | Yes | Annual Report of the Board of Directors | 167 to 172 |

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

MANDATORY PROVISIONS - FULLY COMPLIANT

| Reference | Requirement | Complied | Reference (within the Report) | Page |
|-----------|--|----------|---|------------------|
| (i) | Names of persons who were Directors of the Entity | Yes | Board Profiles | 44 to 47 |
| (ii) | Principal activities of the entity and its subsidiaries during the year, and any changes therein | Yes | About Us | 6 to 18 |
| (iii) | The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held | Yes | Investor Information | 238 to 239 |
| (iv) | The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the listed entity complies with the Minimum Public Holding requirement | Yes | Investor Information | 238 to 239 |
| (v) | A statement of each Director's holding in shares of the Entity at the beginning and end of each financial year | Yes | Investor Information | 238 to 239 |
| (vi) | Information pertaining to material foreseeable risk factors of the Entity | Yes | Risk and Opportunities | 64 to 71 |
| (vii) | Details of material issues pertaining to employees and industrial relations of the Entity | Yes | Human Capital | 90 to 97 |
| (viii) | Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties | Yes | Note 6.7 and 6.8 - Property plant and Equipment to the Financial Statements | 208 |
| (ix) | Number of shares representing the Entity's stated capital | Yes | Investor Information | 238 |
| (x) | A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings | Yes | Investor Information | 238 |
| (xi) | Financial ratios and market price information | Yes | Investor Information/10 year summary | 234, 237 and 238 |
| (xii) | Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year | Yes | Note 6 - Property plant and Equipment to the Financial Statements | 205 to 208 |
| (xiii) | Details of funds raised through a public issue, rights issue and a private placement during the year | N/A | | |
| (xiv) | Information in respect of Employee Share Ownership or Stock Option Schemes | N/A | | |
| (xv) | Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules | Yes | Corporate Governance Report | 138 to 160 |
| (xvi) | Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower | Yes | Note 27 - Related Party Transactions, to the Financial Statements | 225 to 227 |

LEADING THROUGH GOOD GOVERNANCE

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

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

| Disclosure | Note Reference | Page |
|---|---|-------------|
| Principal Activities | About us | 6 to 18 |
| Purpose, Vision, Mission and Values | The Company is committed to upholding high standards of business conduct and ethics in the work place at all times, paramount in retaining the trust of stakeholders. All employees abide by the Company's Code of Conduct and Ethics in achieving the purpose, vision and mission. | 6 |
| Review of business performance | Chairman's Message | 32 to 35 |
| | Managing Director's Review | 36 to 41 |
| | The Capitals Report | 78 to 116 |
| | Measures taken to manage risks are given in the Risks and Opportunities Report | |
| Financial Statements | The financial statements of the Company and its subsidiary have been prepared in accordance with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of Companies Act No 7 of 2007. These Statements have been duly approved by the Directors and certified by the Chief Financial Officer. | 184 to 231 |
| Directors' Responsibility for Financial Reporting | The Statement of Directors' Responsibility for Financial Reporting | 176 |
| Auditors' Report | Independent Auditors' Report | 179 to 182 |
| Significant Accounting Policies | Notes 3 to the financial statements - Significant Accounting Policies | 189 |
| Going Concern | Note 5.1 to the financial statements – Going Concern | 203 |
| Revenue | Note 19 to the financial statements – Revenue | 221 |
| Financial Results and Appropriations | Statement of Profit or Loss and other Comprehensive Income Statement of Changes in Equity | 186 to 187 |
| Taxation | Notes 24 to the financial statements - Taxation | 223 to 224 |
| Corporate Donations | Note 23 to the financial statements - Profit Before Tax | 222 |
| Stated Capital and Reserves | Statement of Changes in Equity | 186 to 187 |
| Property, Plant and Equipment | Notes 6 to the financial statements - Property, Plant and Equipment | 205 to 208 |
| Intangible Assets | Notes 8 to the financial statements – Intangible Assets | 209 |
| Capital Expenditure | The total capital expenditure on acquisition of property, property, plant and equipment and intangible assets of the Group amounted to USD 4,704,003/- and USD 459,829/- respectively. Details are given in Note 6 and 8 to the financial statements. Capital expenditure approved and contracted for, and not contracted for, as at reporting date are given in Note 28 to the financial statements -Commitments and Contingencies. | 208 and 209 |
| Market Value of Freehold Properties | Note 6 to the financial statements - Property, Plant and Equipment. | 208 |
| Contingent Liabilities and Commitments | Note 28 to the financial statements - Commitments and Contingencies | 227 |
| Events after the Reporting Date | Note 30- to the financial statements - Events After the Reporting Period | 228 |

| Disclosure | Note Reference | Page |
|--|---|------------|
| Risk Management | Disclosure of the different types of risks the Company activities were exposed to are given in Note 31- to the financial statements. The Company's risk management process is described on pages 64 to 71, of the Annual Report. | 228 to 231 |
| Statutory Payments | The Directors, to the best of their knowledge are satisfied that all statutory payments in relation to the Government and the employees have been made up to date. | 176 |
| Internal Control | The Board is responsible for formulating and implementing sound internal control systems to safeguard shareholder interests and the assets of the Company/Group. Directors' Statement on Internal Control | 177 |
| Corporate Governance | Corporate Governance Report The Company has complied with the Listing Rules of the Colombo Stock Exchange (CSE) and the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) as described on pages 156 to 157. | |
| Environmental Protection | To the best of knowledge of the Board, the Company/Group has not engaged in any activity that is harmful or hazardous to the environment and has complied with the relevant environmental laws and regulations. Specific measures taken to protect the environment are found in the Natural Capital Report. | 106 to 116 |
| Compliance | To the best of their knowledge, the Board believes that the Company has not engaged in any activity which contravenes laws and regulations. There have been no irregularities involving management or employees that could have any material financial or other effect. | 176 |
| Stated Capital | Note 14 to the financial statements – Stated Capital | 214 |
| Share Information and Shareholdings | Investor information | 238 to 239 |
| Register of Directors and Secretaries | As required under Section 223 (1) of the Companies Act No 7 of 2007, the Company maintains a Register of Directors and Secretaries which contains the name, surname, former name (if any), residential address, business, occupation, dates of appointment and dates of resignation (if applicable) of each Director and the Secretary. | |
| Board of Directors | Board Profiles Board Composition- Corporate Governance Report | 44 to 47 |
| Board Committees | Board Sub-Committees - Corporate Governance Report | 140 |
| Board and Committee meeting attendance | Meetings & Minutes- Corporate Governance Report | 146 |
| Directors' shareholdings | Investor Information | 239 |
| Directors' interest in transactions | The Directors declared in terms of the requirement of the Listing Rules of the Colombo Stock Exchange that the transactions carried out by the Company with its Related Parties during the financial year ended 31st March 2023 did not exceed 10% of equity or 5% of the total assets of the Company. Related party transactions are disclosed in Note 27 to the financial statements | 227 |

LEADING THROUGH GOOD GOVERNANCE

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

| Disclosure | Note Reference | Page |
|---|--|----------|
| Directors' Remuneration | Notes 23 to the Corporate Governance Report - Directors' and Executive Remuneration | 222 |
| Human Resources | Human Capital Report | |
| Insurance and Indemnity | The Parent Company, Hayleys PLC has obtained a Directors' and Officers' liability insurance from a reputed Insurance company in Sri Lanka providing worldwide cover to indemnify all past, present and future Directors and Officers of the Company. | 90 to 97 |
| Material Foreseeable Risk Factors (As per Rule No. 7.6 (VI) of the Listing Rules of the Colombo Stock Exchange) | Risk Management Review | 64 to 71 |
| Material Issues Pertaining to Employees and Industrial Relations pertaining to the Company (As per Rule No. 7.6 (VII) of the Listing Rules of the Colombo Stock Exchange) | No material issues occurred during the year | |
| Operational Excellence | Performance Highlights | 28 |

Related Party Transactions

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

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

Following dividends were declared for the financial year 2022/23

1st Interim dividend - 2022/23 - Rs. 1.00 per share paid on 30th September 2022

2nd Interim dividend - 2022/23 - Rs. 0.20 per share paid on 25th January 2023

3rd Interim dividend - 2022/23 - Rs. 0.30 per share paid on 6th April 2023

The Board signed certificate of solvency stating that the Company would satisfy the Solvency Test immediately after the said distributions are made in accordance with section 57 of the Companies Act No.7 of 2007.

The Board obtained certificates of solvency from the Auditors prior to the date of dispatch of the dividend payments.

Notice of Annual General Meeting

The Annual General Meeting of the Company will be held at the conference Hall at Hayleys PLC, No.400, Deans Road, Colombo 10 on 23rd June 2023 at 3.00 pm. The notice of the Annual General Meeting appears on Page 240 to 241.

Acknowledgement of the Contents of the Report

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

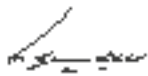
For and on behalf of the Board of Directors.



A.M. Pandithage


Chairman
Colombo

15th May 2023



E.R.P. Goonetilleke

Managing Director/CEO



Hayleys Group Services (Private) Limited

Secretaries

Responsibility Statement of Managing Director/CEO and Director-Finance /Chief Financial Officer

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

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

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

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

All applicable Sri Lanka Accounting Standards have been duly applied.

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

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

The estimates and judgements relating to the Financial Statements were made in a prudent and reasonable basis, in order to reflect true and fair picture and the form and substance of transactions and reasonably present the Company and its Subsidiary's State of affairs.

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

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

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

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

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

Conclusion

We confirm that we have discharged our responsibilities on maintaining proper financial records and preparing financial statements in accordance with LKASs/SLFRSs and complied with all applicable laws and regulations and guidelines. To the best of our knowledge, we also confirm that the system of risk management and internal control were operating effectively during the year.



E. R. P. Goonetilleke
Managing Director/CEO



R. Rohitha Bandara
Director – Finance & ESG

15th May 2023

LEADING THROUGH GOOD GOVERNANCE

Board of Directors' Statement on Internal Control

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

Responsibility

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

The Board has instituted an ongoing process for identifying, evaluating and mitigating significant risks faced by the Group.

This process entails enhancing the internal control system as and when there are changes to the business environment and regulatory guidelines.

Board Committee

The Board has delegated specific responsibilities to the following four sub-Committees:

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

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

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

Internal Audit

Group's Internal Audit function is performed by Hayleys Management Audit and System Review Department (HMA and SRD) which is an independent function report directly to Audit Committee that provides assurance on the efficiency and effectiveness of the Internal Control System of the Group and more details are available in Audit Committee Report on page 162 to 164.

Review Adequacy and Effectiveness

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

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

Policies, Procedures and Budgets

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

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

Code of Business Conduct and Ethics

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

Insurance and Physical Safeguards

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

Risk Management

An overview of the Group's risk management framework, is set out on pages 64 to 71.

Cyber Security

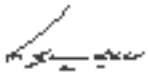
Group use several worlds renewed software systems for entire operations and thus increasing the Group's reliance on technology. In this era, securing and protecting the Group's information assets becomes a key priority. The Board and Hayleys Group level have taken necessary precautions to minimise the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

Confirmation

The Board of Directors of Hayleys Fabric PLC ('Group') confirm that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs),

requirements of the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and any other regulatory requirements. The Consolidated Financial Statements for the year ended 31st March 2023 have been audited by Messrs. Ernst & Young, Chartered Accountants,

By order of the Board



E.R.P. Goonetilleke
Managing Director/CEO



H. Somashantha
Chairman-Audit Committee



R. Rohitha Bandara
Director - Finance & ESG

Colombo
15th May 2023

LEADING THROUGH GOOD GOVERNANCE

Statement of Directors' Responsibilities for Financial Statements

The responsibilities of the Directors in relation to the Financial Statements of the Company and the Group are set out in this statement. The responsibility of the Auditors, in relation to the Financial Statements is set out in the Report of the Auditors on pages from 179 to 182 as required by the Companies Act No.7 of 2007.

The Directors are responsible under Sections 150 (1), 151, 152 (1) and 153 of the Companies Act to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss of the Company and the Group for the financial year.

The responsibility of the Auditors, in relation to the Financial Statements is set out in the Report of the Auditors on pages from 179 to 182.

The financial statements comprise of:

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

The Directors confirm that the Financial Statements and other statutory reports of the Company/Group for the year ended 31st March 2023 incorporated in this report have been prepared in accordance with the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

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

The Directors, having reviewed the financial budget and cash flows for the year to 31st March 2024 and the bank facilities, consider that the Group has adequate resources to continue in operation, and have continued to adopt the going concern basis in preparing these Financial Statements

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

The Board of Directors confirm that the Statements of Financial Position as at 31st March 2023 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2023 reflect a true and fair view.

The external Auditors Messrs Ernst & Young, Chartered Accountants who were re-appointed in terms of the Companies Act were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the financial statements. The Independent Auditor's Report shown on pages 179 to 182 set

out their responsibilities in relation to the financial statements.

As required by Section 56 (2) and Section 57 of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company/Group, based on the information available, satisfies the solvency test immediately after the distribution, and have obtained a certificate of solvency from the Auditors, prior to paying all dividends.

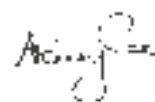
The Board of Directors have recommended the final dividend of Rs. 0.10 (Cents Ten) per share via a circular resolution dated 18th May 2023 subject to the approval of the shareholders at the Annual General Meeting to be held on 23rd June 2023 to be paid to the shareholders on 11th July 2023. The Board of Directors have sought a certificate of solvency from the Auditors prior to the date of dispatch of the final dividend.

Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its Subsidiary as at the reporting date have been paid or where relevant provided for, except as specified in Note 28.2 to the Financial Statements covering contingent liabilities.

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

By Order of the Board,



Hayleys Group Services (Private) Limited
Secretaries
Colombo

18th May 2023

HARMONISING EXPANSIVE GROWTH

We have embarked on a remarkable journey of expansive growth, driven by our unwavering commitment to aligning our vision with robust execution strategies. This approach has established our organisation as a trailblaser in the industry.

FINANCIAL INFORMATION

| | |
|--|-----|
| • Financial Calendar | 178 |
| • Independent Auditors' Report | 179 |
| • Financial Statements | 184 |
| • Financial Statements translated into LKR | 232 |
| • Ten Year Summary | 234 |
| • Glossary of Financial Terminology | 235 |
| • Quarterly Analysis | 237 |

FINANCIAL CALENDAR 2022/23

Interim Financial Statements- Submission to the Colombo Stock Exchange (CSE)

| | |
|---|-------------------|
| Three months ended 30th June 2022 | 1st August 2022 |
| Six months ended 30th September 2022 | 2nd November 2022 |
| Nine months ended 31st December 2022 | 7th February 2023 |
| Twelve months ended 31st March 2023 | 15th May 2023 |
| Authorisation for issue of Audited Financial Statements for 2022-23 | 15th May 2023 |
| Publication of Annual Report for the financial year 2022-23 | 1st June 2023 |
| 31st Annual General Meeting to be held on | 23rd June 2023 |

Dividends

| | |
|--------------------------------|---------------------|
| 1st Interim dividend - 2022/23 | 30th September 2022 |
| 2nd Interim dividend – 2022/23 | 25th January 2023 |
| 3rd Interim dividend – 2022/23 | 6th April 2023 |
| Final dividend – 2022/23 | 11th July 2023 |

INDEPENDENT AUDITOR'S REPORT

INTRODUCTION
MANAGEMENT DISCUSSION & ANALYSIS
PERFORMANCE AND VALUE CREATION
VOLUNTARY DISCLOSURES
LEADING THROUGH GOOD GOVERNANCE
FINANCIAL INFORMATION
ANNEXURES



Ernst & Young
Chartered Accountants
201, Col. Sarath Pathra
P.O. Box 121
Colombo 10, Sri Lanka

Tel: +94 11 246 3500
Fax: +94 11 246 3140
Cell: +94 11 567 8150
Email: ey@erandyoung.com
EY.com

TO THE SHAREHOLDERS OF HAYLEYS FABRIC PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hayleys Fabric PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 March 2023, 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 Company 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 judgement, were of most significance in the audit

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

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

Our audit was conducted in accordance with the Sri Lanka Auditing Standards (SLAuSs) and the International Standards on Auditing (ISAs) as adopted by Sri Lanka. The SLAuSs and ISAs require the auditor to obtain sufficient appropriate audit evidence to form an opinion on the financial statements. The auditor's responsibilities are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We have also performed procedures to identify and assess the risks of material misstatement of the financial statements, including the risks of fraud, and have designed and performed audit procedures to respond to those risks.

Our audit opinion is based on the results of our audit procedures.

INDEPENDENT AUDITOR'S REPORT



| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| <p>Impairment Assessment of Goodwill from South Asia Textiles Limited</p> <p>Goodwill reported by the Group as at 31 March 2023 amounted to USD 10,440,277 and is related to the investment made by the Group in South Asia Textiles Limited which has been considered as a single cash generating unit (CGU) by the Group.</p> <p>Goodwill is tested annually for impairment based on its recoverable amount. Where the carrying value of a CGU exceeds the recoverable value of the specific CGU then an impairment loss is recognised. The recoverable amount is estimated using value in use (VIU) computations prepared by management based on discounted future cash-flows.</p> <p>Assessment of impairment of goodwill was a key audit matter due to:</p> <ul style="list-style-type: none">- The significance of the reported balance; and- The degree of assumptions, judgements and estimates associated with deriving the estimated future cashflows used for value-in-use calculations, terminal growth rate and discount rate including the potential impact of current economic conditions. | <p>Our audit procedures were based on the best available information as at date of this report and included the following:</p> <ul style="list-style-type: none">- Gained an understanding of how management forecasts its future cash flows which including considerations made relating to the impacts of continuing economic conditions on the operations of the CGU, and- assessed the reasonableness of significant assumptions including cashflow forecasts provided, terminal growth rate and discount rate, tested the completeness and accuracy of the underlying data used and performed sensitivity analysis of significant assumptions to evaluate the effect on the value in-use calculations, <p>We have also assessed the adequacy of the disclosures made in Note 9.3 in the financial statements.</p> |



| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| <p>Measurement of Inventories</p> <p>As of the reporting date, the Group carried inventories amounting to USD 36,717,196 as disclosed in Note 11 to the financial statements.</p> <p>The measurement of inventories was a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of the balance (represented 31% of the Company's total assets); and • The use of significant management judgement over identifying inventories requiring write down to net realisable value (NRV), and estimates applied in the determination of allowances for slow moving and obsolete inventories. | <p>Our audit procedures included the following,</p> <ul style="list-style-type: none"> • Observed the physical inventory counts and reconciled the count results to the inventory listings compiled by management to support amounts reported as at the reporting period end, • obtained an understanding of the types and form of inventories maintained by the Group, together with key processes and controls relating to the recording and measurement of inventories, • tested the accuracy and completeness of inventory age reports used in the estimation of allowances, and • assessed the reasonableness of judgements applied in the identification and recording of inventories at NRV, and estimates applied in the determination of allowances for slow moving and obsolete inventories. <p>We also assessed the adequacy of disclosures made in relation to the measurement of inventories in Note 11 to the financial statements.</p> |

INDEPENDENT AUDITOR'S REPORT



Other Information included in the Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is

sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely

rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4107.

:

15 May 2023
 Colombo

STATEMENT OF FINANCIAL POSITION

| As at 31 March | Note | Group | | Company | |
|---------------------------------------|------|-------------|-------------|-------------|-------------|
| | | 2023 USD | 2022 USD | 2023 USD | 2022 USD |
| ASSETS | | | | | |
| Non-Current Assets | | | | | |
| Property, plant and equipment | 6 | 44,659,979 | 43,919,766 | 26,538,460 | 28,072,649 |
| Right of use assets | 7 | 831,632 | 844,186 | 192,533 | 199,598 |
| Intangible assets | 8 | 708,869 | 363,507 | 84,074 | 57,471 |
| Investment in subsidiary | 9 | - | - | 18,281,412 | 18,281,412 |
| Goodwill | 9 | 10,440,277 | 10,440,277 | - | - |
| Other non current receivables | 10 | - | 326,998 | - | - |
| | | 56,640,757 | 55,894,734 | 45,096,479 | 46,611,130 |
| Current Assets | | | | | |
| Inventories | 11 | 36,717,196 | 36,794,317 | 19,957,307 | 20,813,189 |
| Trade receivables | 12 | 18,030,268 | 16,158,804 | 11,050,299 | 9,704,541 |
| Other receivables | 12.2 | 1,479,525 | 1,397,729 | 2,143,673 | 627,282 |
| Advances and prepayments | 12.3 | 1,521,000 | 1,921,422 | 752,867 | 874,338 |
| Cash and cash equivalents | 13 | 4,560,763 | 9,875,615 | 1,790,681 | 4,708,535 |
| | | 62,308,752 | 66,147,887 | 35,694,827 | 36,727,885 |
| Total Assets | | 118,949,509 | 122,042,621 | 80,791,306 | 83,339,015 |
| EQUITY AND LIABILITIES | | | | | |
| Capital and Reserves | | | | | |
| Stated capital | 14 | 17,561,761 | 17,561,761 | 17,561,761 | 17,561,761 |
| Revaluation reserve | | 514,795 | 632,462 | 514,795 | 632,462 |
| Retained earnings | | 10,222,123 | 12,262,705 | 7,963,561 | 9,043,731 |
| Total Equity | | 28,298,679 | 30,456,928 | 26,040,117 | 27,237,954 |
| Non-Current Liabilities | | | | | |
| Interest bearing loans and borrowings | 15 | 15,870,384 | 17,445,592 | 10,425,144 | 15,706,479 |
| Deferred tax liabilities | 24.2 | 9,526,266 | 4,204,817 | 7,432,719 | 3,093,895 |
| Retirement benefit obligations | 16 | 3,032,099 | 2,941,519 | 2,550,367 | 2,471,850 |
| | | 28,428,749 | 24,591,928 | 20,408,230 | 21,272,224 |
| Current Liabilities | | | | | |
| Trade and other payables | 17 | 27,268,826 | 35,450,851 | 14,741,842 | 17,211,612 |
| Interest bearing loans and borrowings | 15 | 27,088,263 | 25,700,073 | 14,184,926 | 13,639,604 |
| Amounts due to Hayleys PLC | | 74,408 | 339,414 | 70,675 | 322,586 |
| Other non financial liabilities | 18 | 7,790,584 | 5,503,427 | 5,345,516 | 3,655,035 |
| | | 62,222,081 | 66,993,765 | 34,342,959 | 34,828,837 |
| Total Equity and Liabilities | | 118,949,509 | 122,042,621 | 80,791,306 | 83,339,015 |

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



R. Rohitha Bandara

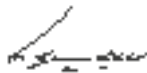
Director- Finance & ESG

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



A.M.Pandithage

Chairman



E.R.P.Goonetilleke

Managing Director/CEO

Colombo
15th May 2023

The accounting policies and notes on pages 189 through 231 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| Year ended 31 March | Note | Group | | Company | |
|--|------|-------------------|-------------------|-------------------|-------------------|
| | | 2023 USD | 2022 USD | 2023 USD | 2022 USD |
| Revenue from contracts with customers | 19 | 166,631,461 | 150,218,687 | 103,594,375 | 100,011,812 |
| Cost of sales | | (145,235,510) | (130,658,329) | (89,224,605) | (87,547,972) |
| Gross Profit | | 21,395,951 | 19,560,358 | 14,369,770 | 12,463,840 |
| Other operating income | 20 | 704,118 | 1,876,282 | 1,567,519 | 1,811,367 |
| Administrative expenses | | (9,313,297) | (10,989,203) | (6,121,832) | (7,447,137) |
| Distribution expenses | | (1,264,712) | (1,906,734) | (900,806) | (934,306) |
| Other expenses | 21 | (42,447) | (207,942) | (4,021) | (207,942) |
| Net financing income/(expense) | 22 | (3,096,929) | 6,643,479 | (1,049,171) | 5,575,279 |
| Profit before tax | | 8,382,684 | 14,976,240 | 7,861,459 | 11,261,101 |
| Income tax expense | 24 | (7,249,632) | (2,198,743) | (5,761,749) | (1,830,713) |
| Profit for the year | | 1,133,052 | 12,777,497 | 2,099,710 | 9,430,388 |
| Other Comprehensive Income not to be reclassified to profit or loss | | | | | |
| - Deficit on revaluation of land | 6.8 | - | (910,254) | - | (910,254) |
| - Effect on change in tax rate on revaluation of land | 24.2 | (117,667) | 127,436 | (117,667) | 127,436 |
| - Actuarial gain/(loss) on defined benefit plans | 16 | 37,978 | (75,432) | 29,056 | (88,939) |
| - Income tax effect on actuarial gain/(loss) on defined benefit plans | 24.2 | (11,393) | 10,560 | (8,717) | 12,451 |
| Total Comprehensive Income, Net of Tax | | 1,041,970 | 11,929,807 | 2,002,382 | 8,571,082 |
| Basic / Diluted Earnings per Share - USD | 25 | 0.003 | 0.031 | 0.005 | 0.023 |
| Dividend per share - USD | 26 | | | 0.007 | 0.005 |

The accounting policies and notes on pages 189 through 231 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

| Group | Stated Capital | Revaluation Reserve | Retained Earnings | Shareholders' Funds | Non- Controlling Interest | Total Equity |
|---|-------------------|------------------------|----------------------|------------------------|---------------------------------|-----------------|
| For the year ended 31st March 2023 | USD | USD | USD | USD | USD | USD |
| Balance as at 1st April 2022 | 17,561,761 | 632,462 | 12,262,705 | 30,456,928 | - | 30,456,928 |
| Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022 | - | - | (348,556) | (348,556) | - | (348,556) |
| Adjusted balance as at 1st April 2022 | 17,561,761 | 632,462 | 11,914,149 | 30,108,372 | - | 30,108,372 |
| Profit for the year | - | - | 1,133,052 | 1,133,052 | - | 1,133,052 |
| Other comprehensive income | | | | | | |
| Effect on change in tax rate on revaluation of land | - | (117,667) | - | (117,667) | - | (117,667) |
| Actuarial gain on defined benefit plans | - | - | 37,978 | 37,978 | - | 37,978 |
| Income tax effect on actuarial gain on defined benefit plans | - | - | (11,393) | (11,393) | - | (11,393) |
| Total other comprehensive income | - | (117,667) | 26,585 | (91,082) | - | (91,082) |
| Total comprehensive income | - | (117,667) | 1,159,637 | 1,041,970 | - | 1,041,970 |
| Transactions with owners, recorded directly in equity | | | | | | |
| Dividends to equity holders | - | - | (2,851,663) | (2,851,663) | - | (2,851,663) |
| Total contributions by and distributions to owners | - | - | (2,851,663) | (2,851,663) | - | (2,851,663) |
| Balance as at 31st March 2023 | 17,561,761 | 514,795 | 10,222,123 | 28,298,679 | - | 28,298,679 |
| For the year ended 31st March 2022 | | | | | | |
| Balance as at 1st April 2021 | 17,561,761 | 1,415,280 | 1,948,841 | 20,925,882 | - | 20,925,882 |
| Profit for the year | - | - | 12,777,497 | 12,777,497 | - | 12,777,497 |
| Other comprehensive income | | | | | | |
| Deficit on revaluation of land | - | (910,254) | - | (910,254) | - | (910,254) |
| Income tax effect on deficit on revaluation of land | - | 127,436 | - | 127,436 | - | 127,436 |
| Actuarial loss on defined benefit plans | - | - | (75,432) | (75,432) | - | (75,432) |
| Income tax effect on actuarial loss on defined benefit plans | - | - | 10,560 | 10,560 | - | 10,560 |
| Total other comprehensive income | - | (782,818) | (64,872) | (847,690) | - | (847,690) |
| Total comprehensive income | - | (782,818) | 12,712,625 | 11,929,807 | - | 11,929,807 |
| Transactions with owners, recorded directly in equity | | | | | | |
| Dividends to equity holders | - | - | (2,259,010) | (2,259,010) | - | (2,259,010) |
| Total contributions by and distributions to owners | - | - | (2,259,010) | (2,259,010) | - | (2,259,010) |
| Non-controlling interest acquired in business combination | - | - | - | - | 90,106 | 90,106 |
| Changes in ownership interests in subsidiary | - | - | (139,751) | (139,751) | (90,106) | (229,857) |
| Balance as at 31st March 2022 | 17,561,761 | 632,462 | 12,262,705 | 30,456,928 | - | 30,456,928 |

| Company | Stated Capital USD | Revaluation Reserve USD | Retained Earnings USD | Total USD |
|--|--------------------------|-------------------------------|-----------------------------|-------------------|
| For the year ended 31st March 2023 | | | | |
| Balance as at 1st April 2022 | 17,561,761 | 632,462 | 9,043,731 | 27,237,954 |
| Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022 | - | - | (348,556) | (348,556) |
| Adjusted balance as at 1st April 2022 | 17,561,761 | 632,462 | 8,695,175 | 26,889,398 |
| Profit for the year | - | - | 2,099,710 | 2,099,710 |
| Other comprehensive income | | | | |
| Effect on change in tax rate on revaluation of land | - | (117,667) | - | (117,667) |
| Actuarial gain on defined benefit plans | - | - | 29,056 | 29,056 |
| Income tax effect on actuarial gain on defined benefit plans | - | - | (8,717) | (8,717) |
| Total other comprehensive income | - | (117,667) | 20,339 | (97,328) |
| Total comprehensive income | - | (117,667) | 2,120,049 | 2,002,382 |
| Dividends to equity holders | | | (2,851,663) | (2,851,663) |
| Balance as at 31st March 2023 | 17,561,761 | 514,795 | 7,963,561 | 26,040,117 |
| For the year ended 31st March 2022 | | | | |
| Balance as at 1st April 2021 | 17,561,761 | 1,415,280 | 1,948,841 | 20,925,882 |
| Profit for the year | - | - | 9,430,388 | 9,430,388 |
| Other comprehensive income | | | | |
| Deficit on revaluation of land | - | (910,254) | - | (910,254) |
| Effect on deficit on revaluation of land | - | 127,436 | - | 127,436 |
| Actuarial loss on defined benefit plans | | | (88,939) | (88,939) |
| Income tax effect on actuarial loss on defined benefit plans | | | 12,451 | 12,451 |
| Total other comprehensive income | - | (782,818) | (76,488) | (859,306) |
| Total comprehensive income | | (782,818) | 9,353,900 | 8,571,082 |
| Dividends to equity holders | | | (2,259,010) | (2,259,010) |
| Balance as at 31st March 2022 | 17,561,761 | 632,462 | 9,043,731 | 27,237,954 |

The accounting policies and notes on pages 189 through 231 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

| Year ended 31st March | Note | Group | | Company | |
|---|------|-------------|--------------|-------------|--------------|
| | | 2023 USD | 2022 USD | 2023 USD | 2022 USD |
| Cash flows from / (used in) operating activities | | | | | |
| Profit before income tax expense | | 8,382,684 | 14,976,240 | 7,861,459 | 11,261,101 |
| Adjustments for | | | | | |
| Depreciation on property, plant and equipment | 6 | 3,899,568 | 3,420,565 | 2,452,793 | 2,493,807 |
| Depreciation on lease hold land | 7 | 28,276 | 25,325 | 7,065 | 6,833 |
| Depreciation adjustment on lease hold land | | (15,722) | - | - | |
| Amortisation of intangible assets | 8 | 114,467 | 92,175 | 30,489 | 40,436 |
| Provision for retiring gratuity | 16 | 592,547 | 479,008 | 479,620 | 419,842 |
| Net unrealised gain on translation of foreign currency | | (1,651,547) | (8,149,503) | (1,792,509) | (7,169,322) |
| Finance costs | 22 | 4,973,707 | 2,487,673 | 2,711,079 | 1,889,596 |
| (Profit)/loss on disposal of property, plant and equipment | 20 | 38,426 | (54,278) | (8,367) | (9,227) |
| Loss on impairment of idle property, plant and equipment | 21 | 4,021 | 207,942 | 4,021 | 207,942 |
| Creditors write back | 20 | (70,674) | (12,152) | (53,162) | (12,152) |
| Impairment /(reversal) for bad and doubtful debts | 23 | 12,880 | (19,839) | (10,998) | (33,394) |
| Impairment /(reversal) for slow moving inventories | 23 | 928,185 | (105,381) | 101,032 | 705,940 |
| Operating profit before working capital changes | | 17,236,818 | 13,347,775 | 11,782,522 | 9,801,402 |
| Increase in trade and other receivables | | (1,895,466) | (5,424,542) | (2,797,989) | (1,854,694) |
| (Increase)/decrease in advances and prepayments | | 400,422 | (566,387) | 121,471 | (111,383) |
| Decrease in other non-current receivables | | 326,998 | 496,819 | - | - |
| (Increase)/decrease in inventories | | (851,064) | (11,215,566) | 754,850 | (4,949,247) |
| Increase/(decrease) in trade and other payables and other non financial liabilities | | (6,931,829) | 13,910,378 | (1,714,356) | 5,324,905 |
| Cash generated from operations | | 8,285,879 | 10,548,477 | 8,146,498 | 8,210,983 |
| | | | | | |
| Retiring gratuity paid | 16 | (133,311) | (179,933) | (95,972) | (110,892) |
| Interest paid | | (5,172,947) | (2,784,327) | (2,855,239) | (2,069,432) |
| Income tax paid | | (1,295,159) | (384,657) | (876,024) | (276,886) |
| Surcharge tax paid | | (348,556) | - | (348,556) | - |
| Net cash flows from operating activities | | 1,335,906 | 7,199,560 | 3,970,707 | 5,753,773 |
| Cash flows from / (used in) investing activities | | | | | |
| Purchase and construction of property, plant and equipment | | (4,694,133) | (8,545,316) | (922,199) | (2,858,959) |
| Proceeds from disposal of property, plant and equipment | | 21,776 | 60,846 | 17,811 | 14,304 |
| Purchase of intangible assets | 8 | (459,829) | (23,461) | (57,092) | (23,461) |
| Interest received | | 216,954 | 296,654 | 152,570 | 179,836 |
| Acquisition of subsidiary | | - | (18,560,533) | - | (18,281,412) |
| Net cash flows used in investing activities | | (4,915,232) | (26,771,810) | (808,910) | (20,969,692) |
| Cash flows from /(used in) financing activities | | | | | |
| Proceeds from new term loans | 15.3 | 4,649,404 | 27,202,735 | - | 24,705,272 |
| Repayment of term loans | 15.3 | (4,752,469) | (3,677,259) | (4,028,594) | (2,786,776) |
| Payment of lease obligations | | (33,189) | (58,887) | (10,265) | (20,319) |
| Net movement of import & short term loans | | (565,886) | 3,532,709 | (331,265) | (3,276,114) |
| Dividend paid to equity holders | | (2,851,663) | (2,259,010) | (2,851,663) | (2,259,010) |
| Net cash flows from/(used in) financing activities | | (3,553,803) | 24,740,288 | (7,221,787) | 16,363,053 |
| Net increase/(decrease) in cash and cash equivalents | | | | | |
| Net increase/(decrease) in cash and cash equivalents | | (7,133,129) | 5,168,038 | (4,059,990) | 1,147,134 |
| Cash and cash equivalents at the beginning of the year | 13 | 8,367,176 | 3,199,138 | 4,346,272 | 3,199,138 |
| Cash and cash equivalents at the end of the year | 13 | 1,234,047 | 8,367,176 | 286,282 | 4,346,272 |

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting Entity

Hayleys Fabric PLC is a Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The address of the Company's registered office is situated in 400, Deans Road, Colombo 10 and the principal place of business is at Narthupana Estate, Neboda.

1.2 Consolidated Financial Statements

The Financial Statements for the year ended 31 March 2023 comprise "the Company" referring to Hayleys Fabric 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

Both Company and its Subsidiary's principal activities are manufacturing and sale of Knitted fabric for the export market.

The Hayleys Fabric PLC is the parent of the Group and Hayleys PLC is the ultimate parent.

1.4 Approval of Financial Statements

The Consolidated Financial Statements of Hayleys Fabric PLC and its subsidiary (collectively, the Group) for the year ended 31 March 2023 were authorised for issue by the Directors on 15th May 2023.

1.5 Responsibility for Financial Statements

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

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

- Lands which are recognised as property plant and equipment which are measured at cost on initial recognition and subsequently carried at fair value.

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

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

2.3 Functional and Presentation Currency

The Financial Statements are presented in United State Dollars (USDs), which is the Company's and its Subsidiary's functional currency which would better reflect the economic substance of underlying events and circumstances relevant to both entities.

2.4 Materiality and Aggregation

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

2.5 Comparative information

Comparative information including quantitative, narrative and descriptive information as relevant is disclosed in respect of previous period in the Financial Statements.

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

2.6 Offsetting

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Consolidation

The Consolidated Financial Statements encompass the Company, its subsidiary (together referred to as the "Group").

3.1.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

NOTES TO THE FINANCIAL STATEMENTS

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has the power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting right.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or Loss and each component of Other Comprehensive Income are attributed to equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The Consolidated Financial Statements of the Group for the year ended 31 March 2023 comprise of the Company and its Subsidiary and the details are as below;

| Company name | Year of acquisition | Ownership % |
|-----------------------------|---------------------|-------------|
| South Asia Textiles Limited | 2021/22 | 100% |

The Consolidated Financial Statements incorporating Subsidiary in the Group are using uniform accounting policies for like transactions and in similar circumstance are applied consistently.

3.2 Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measures the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the Statement of Profit or Loss in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair

value recognised in the Statement of Profit or Loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the Statement of Profit or Loss.

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

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

3.3 Foreign Currency

3.3.1 Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in Statement of Profit or Loss. Tax charges and credit attributable to exchange differences on those monetary items are also recognised in Other Comprehensive Income.

Non-monetary assets and liabilities which are measured in terms of historical cost in a foreign currency are translated using exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e., translation differences on items of which fair value gain or loss is recognised in OCI or Profit or Loss are also recognised in OCI or Profit or Loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary

liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

3.3.2 Current versus non-current classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

NOTES TO THE FINANCIAL STATEMENTS

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.4 Fair Value Measurement

The Group measures financial instruments such as investments which are designated as fair value through Other Comprehensive Income (OCI), financial assets at fair value through Profit or Loss and derivatives; non-financial assets such as owner-occupied land and investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value related disclosures for financial instruments and non-financial

assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions - Note 6.8.
- Quantitative disclosures of fair value measurement hierarchy - Note 6.8.
- Property (land) under revaluation model - Note 6.8.
- Financial instruments (including those carried at amortised cost) - Note 15.

3.5 Property, Plant & Equipment

The group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of the services or for administration purpose and are expected to be used for more than one year.

3.5.1 Basis of recognition

Property, plant and equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

3.5.2 Basis of measurement

Items of property, plant & equipment including construction in progress are measured at cost net of accumulated depreciation and accumulated impairment losses, if any, except for land which is measured at fair value.

3.5.3 Owned assets

The cost of property, plant & equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and includes the costs

of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

Revaluation of land is done with sufficient frequency to ensure that the fair value of the land does not differ materially from its carrying amount, and is undertaken by professionally qualified valuers.

Any revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the Statement of Profit or Loss, the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

3.5.4 Subsequent costs

The cost of replacing a component of an item of property, plant & equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised in accordance with the derecognition policy given below.

The costs of the repair and maintenance of property, plant & equipment are recognised in the Statement of Profit or Loss as incurred.

3.5.5 Derecognition

The carrying amount of an item of property, plant & equipment is derecognised on disposal; or when no future economic benefits are expected from its use. Any gains and losses on derecognition are recognised (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in the Statement of Profit or Loss. Gains are not classified as revenue.

3.5.6 Depreciation

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

| Description | Period |
|--|---------------|
| Buildings | 40- 50 years |
| Land Development | 10 years |
| Wastewater, purification, and River Embarkment | 15years |
| Plant & machinery | 15 – 20 years |
| Motor vehicles | 04 years |
| Furniture, Fittings & Office Equipment | 05-08 years |
| Computers & Equipment | 1-6 2/3 Years |
| Factory, Bungalow, Safety & Medical Equipment | 6 2/3 years |
| Tools & Equipment and Electrical Installation | 5 years |
| Solar Power Project | 20 years |

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognised. The asset's residual values, useful lives are reviewed, and adjusted if appropriate, at each

financial year end and adjusted prospectively, if appropriate.

3.5.7 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.5.7.1 Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3.5.7.1.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| Description | Period |
|-------------|---------------|
| Land | 30 - 35 years |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The

NOTES TO THE FINANCIAL STATEMENTS

right-of-use assets are also subject to impairment as more fully described in Note 7 Impairment of non-financial assets.

3.5.7.1.2 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings in Note 15 to the Financial Statements.

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

The Group applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.5.7.2 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Statement of Profit or Loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.6 Intangible Assets

3.6.1 Basis of recognition

An Intangible asset is recognised if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

3.6.2 Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination is their fair value as at the date of

acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the Statement of Profit or Loss in the year in which the expenditure is incurred.

3.6.3 Useful economic lives and amortisation

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with finite useful lives are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

3.6.4 Derecognition of intangible assets

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss.

3.6.5 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in Profit or Loss as incurred.

3.6.6 Amortisation

Amortisation of intangible assets with a finite life is recognised in Profit or Loss on a straight-line basis over the estimated useful lives of intangible assets, from the date on which they are available for use. The estimated useful lives are as follows:

| Description | Period |
|------------------------|-----------|
| ERP Systems & Software | 4-8 years |

3.7 Financial instruments

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

3.7.1 Financial assets

3.7.1.1 Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through

other comprehensive income (FVOCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with

the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

3.7.1.1.1 Assessment whether contractual cash flows is solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

NOTES TO THE FINANCIAL STATEMENTS

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3.7.1.2 Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, and loan to an associate and non-current trade and other receivables.

3.7.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e: removed from the Group's Consolidated Financial Position) when:

The rights to receive cash flows from the asset have expired, or

The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.7.1.4 Impairment

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.

Write-offs

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

3.7.2 Financial liabilities

3.7.2.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or

as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, amounts due to equity accounted investees and derivative financial instruments.

3.7.2.2 Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss so designated at the initial date of recognition, and only if criteria of SLFRS 9 are satisfied. The Group has

not designated any financial liability at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Profit or Loss.

3.7.2.3 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

3.7.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if,

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.8 Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

3.9 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

All inventory items, except manufactured inventories and work-in-progress are measured at weighted average directly attributable cost.

Manufactured inventories and work-in-progress are measured at weighted average factory cost which includes all direct expenditure and appropriate share of production overhead based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business less, the estimated cost of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

3.10 Impairment of Non-Financial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

Impairment losses of continuing operations are recognised in the Statement of Profit or Loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to Other Comprehensive Income. For such properties, the impairment is recognised in Other Comprehensive Income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.11 Cash and Cash Equivalents

Cash in hand and at bank and short-term deposits in the Statement of Financial Position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts and short-term borrowings as they are considered an integral part of the Group's cash management.

3.12 Employee Benefits

3.12.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

3.12.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – “Employee benefits”. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 16.3. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. Actuarial gains or losses are recognised in full in the Other Comprehensive Income.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefits. However, for entities of the Group operating in Sri Lanka, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded. The settlement of the liability is based on legal liability method or the following basis as applied by the respective entities.

Length of each service (Years) No. of month's salary for completed year of service.

| Length of each service (Years) | No. of months salary for completed year of service |
|--------------------------------|--|
| Up to 20 | ½ |
| 20 up to 25 | ¾ |
| 25 up to 30 | 1 |
| 30 up to 35 | 1 ¼ |
| Over 35 | 1 ½ |

3.12.3 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.14 Contingent Liabilities Recognised in a Business Combination

A contingent liability recognised in a business combination is initially measured at its fair value.

Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

3.15 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.16 Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

3.16.1 Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

3.16.1.1 Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration

NOTES TO THE FINANCIAL STATEMENTS

to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

3.16.1.2 Significant financing component

The Group receives short-term advances from its customers. Using the practical expedient for short term advances in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. Where long-term advances are received from customers, the transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

3.16.2 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

3.16.3 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group

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

3.16.4 Assets and liabilities arising from rights of return

3.16.4.1 Right of return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

3.16.4.2 Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from customers' right of return. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

3.17 Other Income

3.17.1 Dividends

Dividend income is recognised in Profit or Loss on the date the entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

3.17.2 Gains and losses

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and are recognised net within "other income" in Profit or Loss.

3.17.3 Other income

Other income is recognised on an accrual basis.

3.18 Expenses

Expenses are recognised in the Profit or Loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year. For the purpose of presentation of the Statement of Profit or Loss, the function of expenses method is adopted.

Repairs and renewals are charged to Profit or Loss in the year in which the expenditure is incurred.

3.18.1 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.19 Finance income

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in the Statement of Profit or Loss.

Interest income is recognised as it accrues in the Statement of Profit or Loss.

3.20 Finance Cost

Finance cost comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in the Statement of Profit or Loss.

3.21 Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Statement of Profit or Loss except to the extent that it relates to a business combinations, or items recognised directly in Equity or in Other Comprehensive Income.

3.21.1 Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current tax relating to items recognised directly in Other Comprehensive Income is recognised in Other Comprehensive Income and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.21.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases

of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, equity accounted investee and interests

in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the Statement of Profit or Loss is recognised outside the Statement of Profit or Loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed.

The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during

NOTES TO THE FINANCIAL STATEMENTS

the measurement period or in the Statement of Profit or Loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.21.3 Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

4. GENERAL

4.1 Events Occurring After the Reporting Date

All material post reporting date events have been considered and where appropriate adjustments or disclosures have been made in the

respective notes to the Financial Statements.

4.2 Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.3 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "indirect method".

Interest paid is classified as financing cash flow. Grants received, which are related to purchase and construction of property, plant & equipment are classified as investing cash flows. Dividend and interest income are classified as cash flows from investing activities.

Dividends paid are classified as financing cash flows. Dividends received by Hayleys Fabric PLC, which is an investment company, are classified as operating cash flows and are not disclosed separately in the Company Cash Flow Statement.

4.4 Changes in Accounting Policies and Disclosures

4.4.1 New and amended standards and interpretations

No significant impact resulted on the financials statements of the Group due to changes in Accounting standards and disclosures during the year.

4.5 Standards Issued but not yet Effective

The new and amended standards and interpretations that are issued up to the date of issuance of the Group's financial statements but are not effective for the current annual reporting period, are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective

Definition of Accounting Estimates - Amendments to LKAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and

interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Classification of Liabilities as Current or Non-current - Amendments to LKAS 1

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify –

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- Disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Financial Statements in conformity with SLFRS/LKAS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period and any future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes.

5.1 Going concern

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

5.2 Measurement of the recoverable amount of cash-generating units containing goodwill

The Group tests annually whether goodwill requires impairment, in accordance with the accounting policy stated in Note 3.10. The basis of determining the recoverable amounts of cash generating units and key assumptions used are given in Note 9.3 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

5.3 Measurement of the employee benefit obligations

The present value of the employee benefit obligations is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates. Further details about employee benefit obligation are provided in Note 16 to the Financial Statements.

use of significant judgement over identifying inventories requiring write down to NRV, including consideration of product life cycles, nature of inventories, future inventory demand and quality/ grading assessments, and the existence of significant estimates applied in the determination of NRV, considering expected sales prices and allowance policies based on historical sales.

5.4 Valuation of inventories

The Group has applied judgement 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

6. PROPERTY, PLANT & EQUIPMENT

6.1 Group

| | As at 01.04.2022 USD | Additions/ transfers USD | Disposals/ transfers USD | As at 31.03.2023 USD |
|--|----------------------------|--------------------------------|--------------------------------|----------------------------|
| Gross carrying amounts | | | | |
| At valuation | | | | |
| Freehold land | 2,066,940 | - | - | 2,066,940 |
| At cost | | | | |
| Buildings | 12,848,541 | 553,380 | - | 13,401,921 |
| Land development | 187,236 | 221,877 | - | 409,113 |
| Water treatment plant | 4,134,581 | 12,025 | (68,380) | 4,078,226 |
| Plant and machinery | 46,380,681 | 7,783,541 | (1,638,324) | 52,525,898 |
| Motor vehicles | 221,339 | - | (377) | 220,962 |
| Furniture and fittings | 2,724,247 | 118,474 | - | 2,842,721 |
| Office equipment | 414,279 | 30,892 | (137) | 445,034 |
| Computers | 1,406,519 | 428,229 | (41,284) | 1,793,464 |
| Factory equipment | 5,955,475 | 531,413 | (547) | 6,486,341 |
| Safety and medical equipment | 216,945 | - | - | 216,945 |
| Bungalow equipment | 7,499 | - | - | 7,499 |
| Solar power plant | 2,742,002 | - | - | 2,742,002 |
| Total value of depreciable assets | 79,306,284 | 9,679,831 | (1,749,049) | 87,237,066 |
| In the course of construction | | | | |
| Work in progress | 4,988,661 | 4,593,349 | (9,569,177) | 12,833 |
| Total gross carrying amount | 84,294,945 | 14,273,180 | (11,318,226) | 87,249,899 |

| | As at 01.04.2022 USD | Impairment USD | Charge for the year USD | Disposals/ transfer USD | As at 31.03.2023 USD |
|--|----------------------------|-------------------|-------------------------------|-------------------------------|----------------------------|
| Accumulated depreciation and impairment | | | | | |
| At Cost | | | | | |
| Buildings | 3,230,035 | - | 377,189 | - | 3,607,224 |
| Land development | 112,482 | - | 17,200 | - | 129,682 |
| Water treatment plant | 2,508,842 | - | 181,029 | (40,413) | 2,649,458 |
| Plant and machinery | 26,426,361 | 4,021 | 2,377,352 | (1,607,054) | 27,200,680 |
| Motor vehicles | 221,339 | - | - | (377) | 220,962 |
| Furniture and fittings | 1,803,530 | - | 229,585 | - | 2,033,115 |
| Office equipment | 377,604 | - | 13,802 | (137) | 391,269 |
| Computers | 870,936 | - | 199,474 | (40,397) | 1,030,013 |
| Factory equipment | 4,554,046 | - | 350,640 | (470) | 4,904,216 |
| Safety and medical equipment | 152,914 | - | 16,197 | - | 169,111 |
| Bungalow equipment | 7,499 | - | - | - | 7,499 |
| Solar power plant | 109,591 | - | 137,100 | - | 246,691 |
| Total depreciation | 40,375,179 | 4,021 | 3,899,568 | (1,688,848) | 42,589,920 |

NOTES TO THE FINANCIAL STATEMENTS

| Net book values As at 31st March | 2023 USD | 2022 USD |
|--|-------------|-------------|
| At valuation | | |
| Freehold land | 2,066,940 | 2,066,940 |
| At cost | | |
| Buildings | 9,794,697 | 9,618,506 |
| Land development | 279,431 | 74,754 |
| Water treatment plant | 1,428,768 | 1,625,739 |
| Plant and machinery | 25,325,218 | 19,954,320 |
| Furniture and fittings | 809,606 | 920,717 |
| Office equipment | 53,765 | 36,675 |
| Computers | 763,451 | 535,583 |
| Factory equipment | 1,582,125 | 1,401,429 |
| Safety and medical equipment | 47,834 | 64,031 |
| Solar power plant | 2,495,311 | 2,632,411 |
| | 44,647,146 | 38,931,105 |
| In the course of construction | | |
| Work in progress | 12,833 | 4,988,661 |
| Total carrying amount of property, plant and equipment | 44,659,979 | 43,919,766 |

6.2 Company

| | As at 01.04.2022 USD | Additions/ transfers USD | Disposals/ transfers USD | As at 31.03.2023 USD |
|--|----------------------------|--------------------------------|--------------------------------|----------------------------|
| Gross carrying amounts | | | | |
| At valuation | | | | |
| Freehold land | 2,066,940 | - | - | 2,066,940 |
| At cost | | | | |
| Buildings | 8,123,917 | - | - | 8,123,917 |
| Water treatment plant | 2,337,958 | - | (30,875) | 2,307,083 |
| Plant and machinery | 35,947,821 | 548,869 | (994,230) | 35,502,460 |
| Furniture and fittings | 2,551,762 | 106,451 | - | 2,658,213 |
| Office equipment | 280,555 | 15,145 | - | 295,700 |
| Computers | 739,068 | 160,891 | - | 899,959 |
| Factory equipment | 4,602,188 | 414,766 | - | 5,016,954 |
| Safety and medical equipment | 216,945 | - | - | 216,945 |
| Bungalow equipment | 7,499 | - | - | 7,499 |
| Solar power plant | 2,742,002 | - | - | 2,742,002 |
| Total value of depreciable assets | 59,616,655 | 1,246,122 | (1,025,105) | 59,837,672 |
| In the course of construction | | | | |
| Work in progress | 314,128 | 657,239 | (971,292) | 75 |
| Total gross carrying amount | 59,930,783 | 1,903,361 | (1,996,397) | 59,837,747 |

| | As at 01.04.2022 | Impairment | Charge for the year | Disposals/ transfer | As at 31.03.2023 |
|---|---------------------|------------|------------------------|------------------------|---------------------|
| Accumulated depreciation and impairment | USD | USD | USD | USD | USD |
| At cost | | | | | |
| Buildings | 3,081,078 | - | 212,892 | - | 3,293,970 |
| Water treatment plant | 1,786,918 | - | 70,748 | (8,105) | 1,849,561 |
| Plant and machinery | 20,744,529 | 4,021 | 1,443,062 | (1,007,556) | 21,184,056 |
| Furniture and fittings | 1,677,543 | - | 216,187 | - | 1,893,730 |
| Office equipment | 266,774 | - | 5,947 | - | 272,721 |
| Computers | 455,287 | - | 76,537 | - | 531,824 |
| Factory equipment | 3,576,001 | - | 274,123 | - | 3,850,124 |
| Safety and medical equipment | 152,914 | - | 16,197 | - | 169,111 |
| Bungalow equipment | 7,499 | - | - | - | 7,499 |
| Solar power plant | 109,591 | - | 137,100 | - | 246,691 |
| Total depreciation | 31,858,134 | 4,021 | 2,452,793 | (1,015,661) | 33,299,287 |

| | | |
|--|-------------|-------------|
| Net book values | 2023 | 2022 |
| As at 31st March | USD | USD |
| At valuation | | |
| Freehold land | 2,066,940 | 2,066,940 |
| At cost | | |
| Buildings | 4,829,947 | 5,042,839 |
| Water treatment plant | 457,522 | 551,040 |
| Plant and machinery | 14,318,404 | 15,203,292 |
| Furniture and fittings | 764,483 | 874,219 |
| Office equipment | 22,979 | 13,781 |
| Computers | 368,135 | 283,781 |
| Factory equipment | 1,166,830 | 1,026,187 |
| Safety and medical equipment | 47,834 | 64,031 |
| Solar power plant | 2,495,311 | 2,632,411 |
| | 26,538,385 | 27,758,521 |
| In the course of construction | | |
| Work in progress | 75 | 314,128 |
| Total carrying amount of property, plant and equipment | 26,538,460 | 28,072,649 |

6.3 Carrying value

| | Group | | Company | |
|--------------|------------|------------|------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| At cost | 42,593,039 | 41,852,826 | 24,471,520 | 26,005,709 |
| At valuation | 2,066,940 | 2,066,940 | 2,066,940 | 2,066,940 |
| | 44,659,979 | 43,919,766 | 26,538,460 | 28,072,649 |

NOTES TO THE FINANCIAL STATEMENTS

6.4 Group Property, plant & equipment includes buildings on lease hold land. The carrying amount of these assets are:

| As at 31st March | Cost | Accumulated depreciation | Carrying value | Carrying value |
|------------------|-----------|--------------------------|----------------|----------------|
| | USD | USD | 2023 | 2022 |
| | USD | USD | USD | USD |
| Buildings | 5,915,859 | 364,711 | 5,551,148 | 6,165,882 |
| Total | 5,915,859 | 364,711 | 5,551,148 | 6,165,882 |

6.5.1 During the financial year, the Group acquired property, plant & equipment to the aggregate value of USD 4,704,003 (2022-USD 8,659,264). Cash payments amounting to USD 4,694,132 (2022-USD 8,545,316) were made during the year for the purchase of property, plant and equipment.

6.5.2 During the financial year, the Company acquired property, plant & equipment to the aggregate value of USD 932,069 (2022 - USD 2,972,907). Cash payments amounting to USD 922,199 (2022 - USD 2,858,959) were made during the year for the purchase of property, plant and equipment.

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

| | Group | | Company | |
|------------------------------|------------|------------|------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Land development | 111,440 | 111,440 | - | - |
| Plant and machinery | 8,445,610 | 7,678,056 | 6,434,167 | 5,396,415 |
| Water treatment plant | 1,450,109 | 892,125 | 935,172 | 892,125 |
| Motor vehicles | 220,962 | 221,339 | - | - |
| Furniture and fittings | 1,319,234 | 1,144,131 | 1,208,468 | 1,041,117 |
| Office equipment | 360,864 | 335,496 | 259,123 | 237,984 |
| Computers | 690,695 | 676,760 | 335,260 | 289,513 |
| Factory equipment | 3,876,935 | 3,587,578 | 3,059,512 | 2,773,091 |
| Safety and medical equipment | 111,355 | 108,968 | 111,355 | 108,968 |
| Bungalow equipment | 7,499 | 7,499 | 7,499 | 7,499 |
| | 16,594,703 | 14,763,392 | 12,350,556 | 10,746,712 |

6.7.1 Hayleys Fabric PLC- 25 permanent buildings are located in Narthupana Estate, Neboda where the principle place of the business is operated. 2 permanent buildings are located in Knitting II plant at Wagawatta, BOI Industrial Zone.

6.7.2 South Asia Textiles Ltd- 66 permanent buildings are located in No. 70, Felix Dias Bandaranayake Mawatha, Pugoda where the principle place of the business is operated. 2 permanent buildings are located in Kumarimulla River Embankment Project, Pugoda.

6.8 The Group revalued its land (extent of 54.3 Acres) during the financial year 2021/22. The fair value of the land was determined by using market comparable methods which mean that valuation performed by the valuer are based on market prices, significantly adjusted for difference in the nature, location or condition of the specific property. The fair value of land is based on valuations performed by Messrs P.B Kalugalgedara and Associates., an accredited independent valuer, on 31 March 2022.

The significant unobservable valuation input used for Revaluation of Land, is the estimated market price of a perch of land, which was estimated as follows:

Land extent of 34.1 acres of Land in Anguruwatota demarcated by survey plan - Rs. 100,000 a perch

Land extent of 20.2 acres of Land in Anguruwatota demarcated by survey plan - Rs. 20,300 a perch.

Significant increase/(decrease) in estimated price per perch in isolation would result in a significantly higher/(lower) fair value.

If land was measured using the cost model, the carrying amounts would be USD 1,331,519 (2022 - USD 1,331,519)

7. RIGHT OF USE ASSETS

7.1 Group

| | As at 01.04.2022 | Adjustment | Additions/ (charge for the year) | As at 31.03.2023 |
|----------------------|---------------------|------------|--|---------------------|
| | USD | USD | USD | USD |
| Gross carrying value | 874,391 | - | - | 874,391 |
| Depreciation | (30,205) | 15,722 | (28,276) | (42,759) |
| Net carrying value | 844,186 | 15,722 | (28,276) | 831,632 |

7.2 Company

| | As at 01.04.2022 | Additions/ (charge for the year) | As at 31.03.2023 |
|----------------------|---------------------|--|---------------------|
| | USD | USD | USD |
| Gross carrying value | 211,311 | - | 211,311 |
| Depreciation | (11,713) | (7,065) | (18,778) |
| Net carrying value | 199,598 | (7,065) | 192,533 |

8. INTANGIBLE ASSETS - SOFTWARE

8.1 Group

| | As at 01.04.2022 | Additions/ (amortisation during the year) | As at 31.03.2023 |
|----------------------|---------------------|--|---------------------|
| | USD | USD | USD |
| Gross carrying value | 1,895,535 | 459,829 | 2,355,364 |
| Amortisation | (1,532,028) | (114,467) | (1,646,495) |
| Net carrying value | 363,507 | 345,362 | 708,869 |

8.2 Company

| | As at 01.04.2022 | Additions/ (amortisation during the year) | As at 31.03.2023 |
|----------------------|---------------------|--|---------------------|
| | USD | USD | USD |
| Gross carrying value | 1,444,255 | 57,092 | 1,501,347 |
| Amortisation | (1,386,784) | (30,489) | (1,417,273) |
| Net carrying value | 57,471 | 26,603 | 84,074 |

9. INVESTMENT IN SUBSIDIARIES

| Unquoted Investment | % Holding | No. of Shares | Value USD |
|-------------------------|-----------|---------------|------------|
| South Asia Textiles Ltd | 100 | 357,361,456 | 18,281,412 |

NOTES TO THE FINANCIAL STATEMENTS

- 9.1** On 22nd April 2021 the Company acquired a 98.83% interest in South Asia Textiles Ltd for a consideration of USD 18,051,555 and on 15th July 2021 the Company acquired the balance 1.17% equity stake, resulting in a total investment of USD 18,281,412.

| Assets acquired and liabilities assumed through the acquisition are summarised below: | | USD |
|---|--|------------------|
| Property, plant and equipment | | 11,089,011 |
| Intangible assets | | 357,776 |
| Right of use assets | | 663,080 |
| Other non current assets | | 2,220,394 |
| Inventories | | 8,863,849 |
| Trade and other receivables | | 3,561,179 |
| Long term loans | | (1,319,187) |
| Lease obligations | | (160,250) |
| Short term borrowings | | (3,541,246) |
| Employee benefit obligations | | (698,723) |
| Deferred tax liability | | (946,895) |
| Trade and other payables | | (12,455,810) |
| Income tax recoverable / (payable) | | 347,327 |
| Net identifiable assets and liabilities | | 7,980,505 |
| Non-controlling interests | | (90,106) |
| Goodwill acquired | | 10,440,277 |
| | | 18,330,676 |

9.2 Satisfied by

| | USD |
|--|--------------|
| Cash consideration | 18,330,676 |
| Analysis of cash and cash equivalents on acquisition of subsidiary | |
| Cash consideration | (18,051,555) |
| Cash in hand and at bank acquired on business combination | (279,121) |
| | (18,330,676) |

9.3 Impairment Test of Goodwill

The group performed its annual impairment test on Goodwill derived from the acquisition of South Asia Textiles Limited (CGU) as at 31 March 2023. The recoverable amount of the CGU has been determined considering its value in use (VIU). The key assumptions used in the determination of VIU are provided below;

| | |
|----------------------|----------|
| Discount rate | 15 - 28% |
| Terminal growth rate | 5% |

No impairment was recognised consequent to the impairment test carried out

10 AMOUNT DUE FROM AMBEON HOLDINGS LTD.

As described in Note 9, net assets acquired of South Asia Textiles Limited on 21st April 2021 included an amount of USD 2,220,394 which is due from Ambeon Holdings Limited, it's former parent. Amounts outstanding as at the reporting date which have been presented with in other receivable in Note 12.2

| | 2023 | | | 2022 | | |
|--------------------------------------|---------------------|--------------------------------|-------------------------------|---------------------|--------------------------------|-------------------------------|
| | As at 31.03.2023 | Receivable within 1 year | Receivable after 1 year | As at 31.03.2022 | Receivable within 1 year | Receivable after 1 year |
| | USD | USD | USD | USD | USD | USD |
| Amount due from Ambeon Holdings Ltd. | 291,501 | 291,501 | - | 980,993 | 653,995 | 326,998 |

11 INVENTORIES

| | Group | | Company | |
|---|-------------|-------------|-------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Raw materials | 15,739,885 | 14,267,548 | 8,303,411 | 9,613,562 |
| Less : Impairment for slow moving items | (1,637,505) | (1,307,641) | (1,273,896) | (949,585) |
| | 14,102,380 | 12,959,907 | 7,029,515 | 8,663,977 |
| Work-in-progress | 13,495,434 | 14,566,402 | 6,381,865 | 7,198,739 |
| Less : Impairment for slow moving items | (777,251) | (298,998) | (151,659) | (174,100) |
| | 12,718,183 | 14,267,404 | 6,230,206 | 7,024,639 |
| Finished goods (11.1) | 6,207,854 | 6,439,610 | 3,772,654 | 2,858,752 |
| Less : Impairment for slow moving items | (1,450,009) | (1,329,941) | (498,232) | (699,070) |
| | 4,757,845 | 5,109,669 | 3,274,422 | 2,159,682 |
| Stock consumables | 5,473,981 | 4,648,439 | 3,748,338 | 3,144,505 |
| Less : Impairment for slow moving items | (335,193) | (191,102) | (325,174) | (179,614) |
| | 5,138,788 | 4,457,337 | 3,423,164 | 2,964,891 |
| | 36,717,196 | 36,794,317 | 19,957,307 | 20,813,189 |

11.1 Company - Second grade finished goods amounting to USD 50,363 (2022- USD 142,841) are carried at net realisable value.

Group - Second grade finished goods amounting to USD 136,642 (2022- USD 266,563) are carried at net realisable value.

12 TRADE AND OTHER RECEIVABLES

12.1 Trade receivables

| | Group | | Company | |
|---|------------|------------|------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Receivable from subsidiary - South Asia Textiles Ltd. | - | - | 259,212 | 366,679 |
| Other related parties (12.1.1) | - | 11,124 | - | 11,124 |
| Others | 18,252,860 | 16,357,392 | 10,846,881 | 9,393,530 |
| Less : Impairment loss recognised (12.1.3) | (222,592) | (209,712) | (55,794) | (66,792) |
| | 18,030,268 | 16,158,804 | 11,050,299 | 9,704,541 |

12.1.1 Receivable from other related parties

| | | | Group | | Company | |
|----------------------------|-------------------|-----------------------|-------|--------|---------|--------|
| | Relationship | Nature of Transaction | 2023 | 2022 | 2023 | 2022 |
| | | | USD | USD | USD | USD |
| D P L Universal Gloves Ltd | Fellow Subsidiary | Sale of fabric | - | 11,124 | - | 11,124 |
| | | | - | 11,124 | - | 11,124 |

NOTES TO THE FINANCIAL STATEMENTS

12.1.2 The ageing analysis of trade receivables is as follows:

| Group | Neither | | Past due but not impaired | | | | Total |
|------------------------|--------------------------|----------------|---------------------------|-----------------|-----------------|---------------|------------|
| | past due nor impaired | 0 - 60 days | 61-120 days | 121-180 days | 181-365 days | > 365 days | |
| Related parties | - | - | - | - | - | - | - |
| Others | 14,349,061 | 2,964,556 | 355,541 | 322,564 | 38,546 | - | 18,030,268 |
| Total as at 31/03/2023 | 14,349,061 | 2,964,556 | 355,541 | 322,564 | 38,546 | - | 18,030,268 |

| | | | | | | | |
|------------------------|------------|-----------|---------|---------|--------|---|------------|
| Related parties | - | 11,125 | - | - | - | - | 11,125 |
| Others | 12,050,455 | 2,885,380 | 960,736 | 191,108 | 60,000 | - | 16,147,679 |
| Total as at 31/03/2022 | 12,050,455 | 2,896,505 | 960,736 | 191,108 | 60,000 | - | 16,158,804 |

| Company | Neither | | Past due but not impaired | | | | Total |
|------------------------|--------------------------|----------------|---------------------------|-----------------|-----------------|---------------|------------|
| | past due nor impaired | 0 - 60 days | 61-120 days | 121-180 days | 181-365 days | > 365 days | |
| Related parties | 68,709 | 190,503 | - | - | - | - | 259,212 |
| Others | 8,451,928 | 2,097,120 | 214,498 | 27,541 | - | - | 10,791,087 |
| Total as at 31/03/2023 | 8,520,637 | 2,287,623 | 214,498 | 27,541 | - | - | 11,050,299 |

| | | | | | | | |
|------------------------|-----------|-----------|---------|--------|---|---|-----------|
| Related parties | 38,509 | 235,083 | 104,212 | - | - | - | 377,804 |
| Others | 7,125,057 | 1,571,610 | 532,402 | 97,668 | - | - | 9,326,737 |
| Total as at 31/03/2022 | 7,163,566 | 1,806,693 | 636,614 | 97,668 | - | - | 9,704,541 |

See note 31 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

12.1.3 The impairment recognised in relation to Trade Receivables of the Group/Company have been based on a collective impairment model and is as follows:

| | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 2023 USD | 2022 USD | 2023 USD | 2022 USD |
| Balance as at the beginning of the year | 209,712 | 117,744 | 66,792 | 117,744 |
| Acquisition through business combinations | - | 129,365 | - | - |
| Impairment charged/(reversal) during the year | 12,880 | (19,839) | (10,998) | (33,394) |
| Write off of previously recognised impairment loss | - | (17,558) | - | (17,558) |
| Balance as at the end of the year | 222,592 | 209,712 | 55,794 | 66,792 |

12.2 Other receivable

| | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 2023 USD | 2022 USD | 2023 USD | 2022 USD |
| Income tax receivable | - | 85,288 | - | - |
| VAT recoverable | 210,435 | 309,451 | - | - |
| Claim receivable | 177,612 | 128,675 | 56,527 | 120,052 |
| WHT recoverable | 6,747 | 5,189 | 1,536 | - |
| Staff loans & advances | 151,670 | 128,360 | 106,753 | 74,944 |
| Interest receivable | 54,562 | 26,016 | 41,859 | 21,531 |
| Deposits | 442,496 | 60,755 | 442,496 | 60,755 |
| Receivable from Ceylon Electricity Board | 144,502 | - | 144,502 | - |
| Dividend receivable from subsidiary | - | - | 1,350,000 | 350,000 |
| Amount due from Ambeon Holdings Ltd. (Note 10) | 291,501 | 653,995 | - | - |
| | 1,479,525 | 1,397,729 | 2,143,673 | 627,282 |

12.2.1 Currency-wise Analysis of Trade and Other Receivables

| | Group | | Company | |
|-----------------------|------------|------------|------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| United States Dollars | 18,429,219 | 15,919,777 | 12,798,736 | 9,815,513 |
| Sri Lankan Rupees | 1,080,574 | 1,636,756 | 395,236 | 516,310 |
| | 19,509,793 | 17,556,533 | 13,193,972 | 10,331,823 |

12.3 Advances and prepayments

| | Group | | Company | |
|---|-----------|-----------|---------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Advances paid to related parties - (12.3.1) | 1,375 | 16,583 | - | 10,183 |
| Advances paid to other suppliers | 986,698 | 1,504,310 | 464,870 | 673,054 |
| Other prepayments | 532,927 | 400,529 | 287,997 | 191,101 |
| | 1,521,000 | 1,921,422 | 752,867 | 874,338 |

12.3.1 Advances paid to related parties

| Name of the Company | Nature of Transaction | Group | | Company | |
|----------------------------|---|-------|--------|---------|--------|
| | | 2023 | 2022 | 2023 | 2022 |
| | | USD | USD | USD | USD |
| Hayleys Aventura (Pvt) Ltd | Purchase spare parts and obtained technical support | 816 | 16,583 | - | 10,183 |
| Singer Sri Lanka PLC | Purchases of electrical items | 559 | - | - | - |
| | | 1,375 | 16,583 | - | 10,183 |

13 CASH AND CASH EQUIVALENTS IN STATEMENT OF CASH FLOW

13.1 Favourable Cash and Cash Equivalent Balances

| | Group | | Company | |
|---|-----------|-----------|-----------|-----------|
| Components of Cash and Cash Equivalents | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Cash and Bank Balances | 3,140,006 | 2,929,883 | 1,059,808 | 1,364,742 |
| Short term deposits | 1,420,757 | 6,945,732 | 730,873 | 3,343,793 |
| | 4,560,763 | 9,875,615 | 1,790,681 | 4,708,535 |

13.2 Unfavourable Cash and Cash Equivalent Balances

| | Group | | Company | |
|--|-------------|-------------|-------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Bank Overdraft (Note 15) | (3,326,716) | (1,508,439) | (1,504,399) | (362,263) |
| Total cash and cash equivalent balance for the purpose of statement of cash flow | 1,234,047 | 8,367,176 | 286,282 | 4,346,272 |

NOTES TO THE FINANCIAL STATEMENTS

14. STATED CAPITAL

| | 2023 | | 2022 | |
|------------------------------|-------------|------------|-------------|------------|
| | Number | USD | Number | USD |
| Ordinary shares (Fully paid) | 415,481,776 | 17,561,761 | 415,481,776 | 17,561,761 |

14.1 Other Capital Reserves & Retained Earnings

14.1.1 Revaluation Reserve

The Revaluation Reserve is maintained to record any surplus on revaluation of the Company's land, net of the tax effect of such re-valuation.

14.1.2 Retained Earnings

| | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 2023 USD | 2022 USD | 2023 USD | 2022 USD |
| Balance as at the beginning of the year | 12,262,705 | 1,948,841 | 9,043,731 | 1,948,841 |
| Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022 | (348,556) | - | (348,556) | - |
| Total comprehensive income | 1,159,637 | 12,712,625 | 2,120,049 | 9,353,900 |
| Dividends to equity holders | (2,851,663) | (2,259,010) | (2,851,663) | (2,259,010) |
| Adjustment on changes to non-controlling interest in subsidiary | - | (139,751) | - | - |
| Balance as at the end of the year | 10,222,123 | 12,262,705 | 7,963,561 | 9,043,731 |

15. INTEREST BEARING LOANS AND BORROWINGS

15.1 Group

| | 2023 | | | 2022 | | |
|---|--|---|--------------|--|---|--------------|
| | Amount Repayable Within 1 Year USD | Amount Repayable After 1 Year USD | Total USD | Amount Repayable Within 1 Year USD | Amount Repayable After 1 Year USD | Total USD |
| Term loans (Note 15.3) | 5,097,686 | 15,708,775 | 20,806,461 | 4,962,057 | 17,256,694 | 22,218,751 |
| Lease Obligations relating to right of use assets (Note 15.7) | 21,263 | 161,609 | 182,872 | 21,093 | 188,898 | 209,991 |
| Short term loans | 1,100,470 | - | 1,100,470 | 3,115,165 | - | 3,115,165 |
| Import loans | 17,542,128 | - | 17,542,128 | 16,093,319 | - | 16,093,319 |
| Bank overdraft (13.2) | 3,326,716 | - | 3,326,716 | 1,508,439 | - | 1,508,439 |
| | 27,088,263 | 15,870,384 | 42,958,647 | 25,700,073 | 17,445,592 | 43,145,665 |

15.2 Company

| | 2023 | | | 2022 | | |
|---|--|---|--------------|--|---|--------------|
| | Amount Repayable Within 1 Year USD | Amount Repayable After 1 Year USD | Total USD | Amount Repayable Within 1 Year USD | Amount Repayable After 1 Year USD | Total USD |
| Term loans (Note 15.3) | 4,149,291 | 10,313,263 | 14,462,554 | 4,414,862 | 15,592,721 | 20,007,583 |
| Lease Obligations relating to right of use assets (Note 15.7) | 4,086 | 111,881 | 115,967 | 4,064 | 113,758 | 117,822 |
| Short term loans | 750,000 | - | 750,000 | - | - | - |
| Import loans | 7,777,150 | - | 7,777,150 | 8,858,415 | - | 8,858,415 |
| Bank overdraft (13.2) | 1,504,399 | - | 1,504,399 | 362,263 | - | 362,263 |
| | 14,184,926 | 10,425,144 | 24,610,070 | 13,639,604 | 15,706,479 | 29,346,083 |

15.3 Term loans

| | Group | | Company | |
|---|-------------|-------------|-------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Balance at the beginning of the year | 22,218,751 | 4,319,287 | 20,007,583 | 4,319,287 |
| Acquisition through business combinations | - | 1,319,187 | - | - |
| New loans obtained | 4,649,404 | 27,202,735 | - | 24,705,272 |
| Effects of movement in exchange rate | (1,309,225) | (6,945,199) | (1,516,435) | (6,230,200) |
| Repayments | (4,752,469) | (3,677,259) | (4,028,594) | (2,786,776) |
| Balance at the end of the year | 20,806,461 | 22,218,751 | 14,462,554 | 20,007,583 |

15.3.1 Currency wise Analysis of Long Term Borrowings

| | Group | | Company | |
|-----------------------|------------|------------|------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| United States Dollars | 5,818,022 | 7,994,399 | 5,181,585 | 7,288,699 |
| Sri Lankan Rupees | 14,988,439 | 14,224,352 | 9,280,969 | 12,718,884 |
| | 20,806,461 | 22,218,751 | 14,462,554 | 20,007,583 |

15.4 Ageing Analysis for Interest -bearing loans and borrowings

| Group | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | >5 years | Total |
|---|-----------|--------------------|----------------|--------------|-----------|------------|
| | USD | USD | USD | USD | USD | USD |
| Total Interest bearing borrowings- As at 31.03.2023 | 8,651,527 | 12,638,128 | 5,798,609 | 15,131,329 | 739,054 | 42,958,647 |
| Total Interest bearing borrowings- As at 31.03.2022 | 4,363,851 | 14,803,578 | 6,532,645 | 15,089,753 | 2,355,838 | 43,145,665 |

| Company | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | >5 years | Total |
|---|-----------|--------------------|----------------|--------------|-----------|------------|
| | USD | USD | USD | USD | USD | USD |
| Total Interest bearing borrowings- As at 31.03.2023 | 2,866,517 | 7,347,845 | 3,970,565 | 9,708,365 | 716,778 | 24,610,070 |
| Total Interest bearing borrowings- As at 31.03.2022 | 1,295,681 | 7,598,741 | 4,745,183 | 13,410,074 | 2,296,404 | 29,346,083 |

NOTES TO THE FINANCIAL STATEMENTS

15.5 Long term loans - Hayleys Fabric PLC

| Lender | Rate of interest (p.a.) | 2023 USD | 2022 USD | Repayment | Security |
|-----------------------------|--|-------------|-------------|--|---|
| Sampath Bank PLC | 9.5% fixed rate | 1,178,900 | 1,830,920 | 48 monthly in equal instalments of USD 54,335 | Mortgage over machinery & Building |
| Sampath Bank PLC | 9.5% fixed rate | 2,100,000 | 2,700,000 | 60 instalments with 3 months grace period & Equal instalments of USD 50,000 | Mortgage over machinery-Solar Project |
| Standard Chartered Bank PLC | 3 Month LIBOR +2.90% | 1,902,685 | 2,757,779 | 48 instalments after a grace period of 1 year & Equal instalments of USD 71,258 | Mortgage over machinery |
| Seylan Bank | 4% fixed rate | - | 16,890 | 24 monthly in equal installments of LKR 1,050,000 | None |
| Bank of Ceylon | 5.5% fixed rate | 550,736 | 1,007,989 | 36 monthly in equal installments of LKR 9,722,222 | None |
| DFCC Bank | 7.75 % fixed rate | 4,700,240 | 6,406,714 | 72 monthly in equal installments after a grace period of 6 months & Equal installments of LKR 28,258,331 | Negative pledge over all immovable asset of Hayleys Fabric PLC & over the shares of South Asia Textiles Ltd |
| Sampath Bank PLC | AWPLR +0.5% for first five years and & AWPLR +1.0%-for balance 2 years | 4,029,993 | 5,287,291 | 84 monthly in equal installments of LKR 19,100,000 | Negative pledge over Shares of South Asia Textiles Ltd owned by Hayleys Fabric PLC |
| | | 14,462,554 | 20,007,583 | | |

15.6 Long term loans - South Asia Textiles Ltd

| Lender | Rate of interest (p.a.) | 2023 USD | 2022 USD | Repayment | Security |
|--------------------------------|---|-------------|-------------|---|-------------------------|
| People's Bank | 3 Months LIBOR+ 3% p.a. (Floor rate 10.75% p.a) | 453,447 | - | 24 monthly in equal installments of USD 26,800 | None |
| Nations Trust Bank PLC TL - 01 | 3 Months SOFR+ 5 % p.a. (Floor rate 10% p.a) | - | 278,724 | 36 monthly in equal installments of USD 29,167 | None |
| Nations Trust Bank PLC TL - 02 | 3 Months SOFR+ 5 % p.a. (Floor rate 10% p.a) | 182,990 | 426,976 | 48 monthly in equal installments of USD 20,332 | None |
| Seylan Bank PLC | 01 Month AWPLR+2% | 5,707,470 | 1,505,468 | 48 monthly in equal installments after a grace period of One & half years and Equal installments of LKR 40,229,000(23 Nos Sub loans) | Mortgage over machinery |
| | | 6,343,907 | 2,211,168 | | |

15.7 Lease Obligations

| | Group | | Company | |
|---|----------|----------|----------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Balance at the beginning of the year | 209,991 | 114,656 | 117,822 | 114,656 |
| Acquisition through business combinations | - | 159,085 | - | - |
| New leases obtained | - | 15,893 | - | 15,893 |
| Interest expense | 17,713 | 24,512 | 8,410 | 7,592 |
| Repayments | (33,189) | (58,887) | (10,265) | (20,319) |
| Effect of movements in exchange rates | (11,643) | (45,268) | - | - |
| Balance at the end of the year | 182,872 | 209,991 | 115,967 | 117,822 |

Hayleys Fabric PLC- A right to operate lease agreement with Board of Investment (BOI) is for the period of 30 years commencing from 10th July 2020 for two acre BOI land at the “Wagawatta” Industrial zone.

South Asia Textiles Ltd- A right to operate lease agreement with Board of Investment of Sri Lanka (BOI) is for the period of 50 years commencing from 02nd March 2004 for fifty five acres 1 rood 27.8 perches BOI land at Pugoda.

15.7.1 Currency wise analysis of lease obligations

| | Group | | Company | |
|-----------------------|---------|---------|---------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| United States Dollars | 115,967 | 117,821 | 115,967 | 117,822 |
| Sri Lankan Rupees | 66,905 | 92,170 | - | - |
| | 182,872 | 209,991 | 115,967 | 117,822 |

15.7.2 Maturity Profile for Lease Obligations

| | Group | | Company | |
|---------------------------|---------|---------|---------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Within the next 12 months | 21,263 | 21,093 | 4,086 | 4,064 |
| Between 1 to 5 years | 48,652 | 61,942 | 8,382 | 7,833 |
| Between 5 to 10 years | 14,516 | 23,926 | 13,931 | 13,019 |
| More than 10 years | 98,441 | 103,030 | 89,568 | 92,905 |
| | 182,872 | 209,991 | 115,967 | 117,821 |

16. RETIREMENT BENEFIT OBLIGATIONS

| | Group | | Company | |
|---|-----------|-------------|-----------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Retirement Benefit Obligation - Gratuity | | | | |
| At beginning of the year | 2,941,519 | 3,020,473 | 2,471,850 | 3,020,473 |
| Acquisition through business combinations | - | 698,723 | - | - |
| Effects of movement in exchange rate | (330,678) | (1,152,184) | (276,075) | (946,512) |
| Benefits paid by the plan | (133,311) | (179,933) | (95,972) | (110,892) |
| Past service cost | - | 97,570 | - | 104,683 |
| Current service cost | 209,413 | 190,529 | 156,675 | 155,041 |
| Interest cost | 383,134 | 190,909 | 322,945 | 160,118 |
| Actuarial (gain)/loss recognised directly in Other Comprehensive Income | (37,978) | 75,432 | (29,056) | 88,939 |
| At end of the year | 3,032,099 | 2,941,519 | 2,550,367 | 2,471,850 |

NOTES TO THE FINANCIAL STATEMENTS

16.1 Expenses recognised in the Statement of Profit or Loss

| | Group | | Company | |
|----------------------|---------|---------|---------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Past service cost | - | 97,570 | - | 104,683 |
| Current service cost | 209,413 | 190,529 | 156,675 | 155,041 |
| Interest cost | 383,134 | 190,909 | 322,945 | 160,118 |
| | 592,547 | 479,008 | 479,620 | 419,842 |

16.2 Legal Liability as at 31st March

| | Group | | Company | |
|----------------------------------|-----------|-----------|-----------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Legal Liability as at 31st March | 2,466,218 | 2,274,525 | 1,939,347 | 1,782,835 |

16.3 The Gratuity liability of the Company & the Group as at 31st March 2023 is based on an actuarial valuation carried out by Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries.

The following key assumptions were made in arriving at the above figure.

| | Group | | Company | |
|---|----------------|-----------------|-----------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| Rate of discount | 18% | 15% | 18% | 8% |
| Salary increase | 16.0% | 13.5% | 16.0% | 13.5% |
| Retirement age | 60 Years | 60 Years | 60 Years | 60 Years |
| Weighted average remaining working life | 8.0- 8.6 Years | 8.18- 8.7 Years | 8.6 Years | 8.7 Years |

Assumptions regarding mortality are based on a 1967/70 Mortality Table, issued by The Institute of Actuaries, London.

16.4 A quantitative sensitivity analysis for significant assumptions as at 31st March 2023 is as follows:

A one percentage point change in salary escalation rate / discount rate

| Group | Salary increment rate | | Discount rate | |
|-----------------------|-----------------------|-------------|---------------|-------------|
| | 1% increase | 1% decrease | 1% increase | 1% decrease |
| | USD | USD | USD | USD |
| As at 31st March 2023 | 256,427 | (230,405) | (213,732) | 241,007 |
| As at 31st March 2022 | 266,313 | (237,686) | (221,779) | 251,937 |

A one percentage point change in salary escalation rate / discount rate

| Company | Salary increment rate | | Discount rate | |
|-----------------------|-----------------------|-------------|---------------|-------------|
| | 1% increase | 1% decrease | 1% increase | 1% decrease |
| | USD | USD | USD | USD |
| As at 31st March 2023 | 216,817 | (195,221) | (181,115) | 203,768 |
| As at 31st March 2022 | 226,277 | (202,347) | (188,878) | 214,102 |

16.5 Maturity Profile

| | Group | | Company | |
|---------------------------|-----------|-----------|-----------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Within the next 12 months | 210,259 | 218,632 | 155,861 | 163,467 |
| Between 1 to 5 years | 961,596 | 895,401 | 785,512 | 723,728 |
| Between 5 to 10 years | 867,197 | 779,225 | 766,655 | 683,172 |
| More than 10 years | 993,047 | 1,048,261 | 842,339 | 901,483 |
| | 3,032,099 | 2,941,519 | 2,550,367 | 2,471,850 |

17. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Trade Payables | | | | |
| Payable to Subsidiary -South Asia Textiles Ltd. | - | - | 875,800 | 153,214 |
| -Other Related Parties (173) | 121,995 | 435,526 | 99,998 | 93,627 |
| -Others | 24,304,158 | 30,127,934 | 12,640,535 | 16,485,795 |
| Other Payables | 2,842,673 | 4,887,391 | 1,125,509 | 478,976 |
| | 27,268,826 | 35,450,851 | 14,741,842 | 17,211,612 |

17.1 Maturity Profile for Trade and Other Payables

| Group | On demand | Less than | 3 to 12 | 1 to 5 | >5 | Total |
|---------------|-----------|------------|-----------|---------|---------|------------|
| | USD | 3 months | months | years | years | USD |
| | USD | USD | USD | USD | USD | USD |
| 31.03.2023 | | | | | | |
| Related party | 56,973 | 62,131 | 1,867 | 1,024 | - | 121,995 |
| Others | 3,499,127 | 20,113,353 | 3,233,158 | 161,445 | 139,748 | 27,146,831 |
| Total | 3,556,100 | 20,175,484 | 3,235,025 | 162,469 | 139,748 | 27,268,826 |
| 31.03.2022 | | | | | | |
| Related party | 8,761 | 401,517 | 25,133 | 115 | - | 435,526 |
| Others | 5,566,348 | 23,773,258 | 5,435,757 | 112,067 | 127,895 | 35,015,325 |
| Total | 5,575,109 | 24,174,775 | 5,460,890 | 112,182 | 127,895 | 35,450,851 |
| Company | | | | | | |
| | On demand | Less than | 3 to 12 | 1 to 5 | >5 | Total |
| | USD | 3 months | months | years | years | USD |
| | USD | USD | USD | USD | USD | USD |
| 31.03.2023 | | | | | | |
| Related party | 364,655 | 550,500 | 59,619 | 1,024 | - | 975,798 |
| Others | 2,365,916 | 9,839,091 | 1,293,648 | 127,641 | 139,748 | 13,766,044 |
| Total | 2,730,571 | 10,389,591 | 1,353,267 | 128,665 | 139,748 | 14,741,842 |
| 31.03.2022 | | | | | | |
| Related party | 8,761 | 233,859 | 4,106 | 115 | - | 246,841 |
| Others | 2,819,133 | 13,051,128 | 873,775 | 92,840 | 127,895 | 16,964,771 |
| Total | 2,827,894 | 13,284,987 | 877,881 | 92,955 | 127,895 | 17,211,612 |

17.2 Currency wise Analysis of trade & other payables

| | Group | | Company | |
|-----------------------|------------|------------|------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| United States Dollars | 24,107,379 | 33,414,393 | 13,119,381 | 16,095,655 |
| Sri Lankan Rupees | 3,053,316 | 1,483,277 | 1,519,060 | 902,830 |
| Euro | 107,567 | 544,580 | 102,836 | 204,526 |
| Others | 565 | 8,601 | 565 | 8,601 |
| | 27,268,826 | 35,450,851 | 14,741,842 | 17,211,612 |

NOTES TO THE FINANCIAL STATEMENTS

17.3 Payable to other related parties

| Name of the Company | Relationship | Nature of Transaction | Group | | Company | |
|---|-------------------|---|-------------|-------------|-------------|-------------|
| | | | 2023 USD | 2022 USD | 2023 USD | 2022 USD |
| Puritas (Pvt) Ltd | Fellow Subsidiary | Purchase of oxypura products | 270 | - | - | - |
| Hayleys Agriculture Holdings Limited | Fellow Subsidiary | Purchase of sanitizer/ dividend payable | - | 6,968 | - | 6,968 |
| The Kingsbury Hotel PLC | Fellow Subsidiary | Entertainment facility | 1,499 | 4,000 | 1,499 | 2,683 |
| Hayleys Travels (Pvt) Ltd | Fellow Subsidiary | Reservations, ticketing and other travel related services | 741 | 11,615 | 85 | 7,548 |
| Kandyan Resorts Pvt Ltd. | Fellow Subsidiary | Reservations and travel related services | - | 623 | - | 623 |
| Culture Club Resorts Pvt Ltd | Fellow Subsidiary | Reservations and travel related services | - | 1,744 | - | 1,744 |
| Hayleys Aventura (Pvt) Ltd | Fellow Subsidiary | Purchase spare parts and obtained technical support | 4,449 | 3,549 | 4,449 | 354 |
| Energynet (Pvt) Ltd | Fellow Subsidiary | Service charge of electrical equipments | 5,274 | 14,179 | 1,109 | - |
| Hayleys Advantis Ltd | Fellow Subsidiary | Dividend payable | - | 10,107 | - | 10,107 |
| Logiwiz Limited | Fellow Subsidiary | Logistic service | 24,072 | 27,827 | 21,271 | 19,683 |
| Advantis Projects & Engineering (Pvt) Ltd | Fellow Subsidiary | Logistic service | 1,089 | - | 1,089 | - |
| Expelogix (Pvt) Ltd | Fellow Subsidiary | Logistic service | 10,014 | 2,951 | 10,014 | 2,951 |
| Hayleys Business Solutions Int.(Pvt) Ltd | Fellow Subsidiary | Payroll charges | 4,071 | 4,148 | 2,355 | 2,523 |
| Fentons Ltd | Fellow Subsidiary | Purchases of solar energy items and fire extinguishers | 30,082 | 300,269 | 18,797 | 13,309 |
| Singer Sri Lanka PLC | Fellow Subsidiary | Purchases of electrical items | 8,801 | 22,945 | 8,721 | 586 |
| Advantis Freight (Pvt) Ltd | Fellow Subsidiary | Logistic service | 28,753 | 24,548 | 28,145 | 24,548 |
| IML Delivery Systems (Pvt) Ltd | Fellow Subsidiary | Logistic service | 27 | 53 | - | - |
| Mabroc Teas (Pvt) Ltd | Fellow Subsidiary | Purchases of tea | 29 | - | 29 | - |
| Sun Tan Beach Resort (Pvt) Ltd | Fellow Subsidiary | Entertainment facilities | 1,524 | - | 1,524 | - |
| DPL Universal Gloves Ltd | Fellow Subsidiary | Purchasing special Yarn | 911 | - | 911 | - |
| Advantis Express (Pvt) Ltd | Fellow Subsidiary | Purchase of courier services | 389 | - | - | - |
| | | | 121,995 | 435,526 | 99,998 | 93,627 |

18 OTHER CURRENT NON FINANCIAL LIABILITIES

| | Group | | Company | |
|---------------------|-------------|-------------|-------------|-------------|
| | 2023 USD | 2022 USD | 2023 USD | 2022 USD |
| Accrued Expenditure | 4,451,800 | 2,080,209 | 2,911,968 | 1,453,992 |
| Advances Received | 3,338,784 | 3,423,218 | 2,433,548 | 2,201,043 |
| | 7,790,584 | 5,503,427 | 5,345,516 | 3,655,035 |

19 REVENUE FROM CONTRACTS WITH CUSTOMERS

19.1 Disaggregated revenue contracts

| | Group | | Company | |
|-----------------------|-------------|-------------|-------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Sales of Fabric | 166,631,461 | 150,218,687 | 102,458,262 | 99,691,650 |
| Sale of Raw Materials | - | - | 1,136,113 | 320,162 |
| | 166,631,461 | 150,218,687 | 103,594,375 | 100,011,812 |

19.2 Geographical Sales

| | Group | | Company | |
|-------------------|-------------|-------------|-------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Direct exports | 34,659,552 | 18,882,060 | 19,868,676 | 13,892,447 |
| Indirect exports | 130,455,564 | 128,950,117 | 81,503,054 | 79,881,551 |
| Local sales | 1,516,345 | 2,386,510 | 857,017 | 1,450,219 |
| Intra-group sales | - | - | 1,365,628 | 4,787,595 |
| | 166,631,461 | 150,218,687 | 103,594,375 | 100,011,812 |

19.3 In relation to indirect exports and sundry sales, the performance obligation is satisfied upon delivery of the goods.

In relation to direct exports, the performance obligation is satisfied upon shipment of the goods considering the terms under which the shipment has been carried out.

19.4 Payments for all revenue from contracts with customers is generally due within 30 to 45 days from delivery.

19.5 Contract assets from advances received, which are reflected in Note 18 are as follows:

Group - USD 3,338,784 (2022-USD 3,423,218)
Company - USD 2,433,548 (2022- USD 2,201,043)

20 OTHER OPERATING INCOME

| | Group | | Company | |
|---|---------|-----------|-----------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Profit on disposal of property, plant and equipment | - | 54,278 | 8,367 | 9,227 |
| Income from solar power generation | 302,886 | 540,879 | 302,886 | 540,879 |
| Creditors write back | 70,674 | 12,152 | 53,162 | 12,152 |
| Sundry Income | 330,558 | 461,360 | 203,105 | 243,097 |
| Dividend income | - | - | 1,000,000 | 400,000 |
| Facilitation Fees | - | 807,613 | - | 606,012 |
| | 704,118 | 1,876,282 | 1,567,519 | 1,811,367 |

21 OTHER EXPENSES

| | Group | | Company | |
|---|--------|---------|---------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Loss on disposal of property, plant and equipment | 38,426 | - | - | - |
| Impairment of idle property, plant and equipment | 4,021 | 207,942 | 4,021 | 207,942 |
| | 42,447 | 207,942 | 4,021 | 207,942 |

NOTES TO THE FINANCIAL STATEMENTS

22 NET FINANCING COST

22.1 Finance income

| | Group | | Company | |
|---|-------------|-------------|-------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Interest income | (216,954) | (296,654) | (152,570) | (179,836) |
| Gain on translation of foreign currency | (1,876,778) | (9,131,152) | (1,661,908) | (7,464,875) |
| | (2,093,732) | (9,427,806) | (1,814,478) | (7,644,711) |

22.2 Finance cost

| | Group | | Company | |
|---|------------------|--------------------|------------------|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Interest on short term borrowings | 2,247,241 | 1,644,926 | 1,014,443 | 1,057,445 |
| Interest on long term loans | 2,925,706 | 1,114,889 | 1,840,796 | 1,004,395 |
| Finance charges payable under Finance Lease | 17,714 | 24,512 | 8,410 | 7,592 |
| Finance cost | 5,190,661 | 2,784,327 | 2,863,649 | 2,069,432 |
| Net finance cost/(income) | 3,096,929 | (6,643,479) | 1,049,171 | (5,575,279) |

23 PROFIT BEFORE TAX

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

| | Group | | Company | |
|--|------------|------------|-----------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Staff cost (Note 23.1) | 10,862,184 | 15,198,721 | 7,386,128 | 9,829,960 |
| Directors' fees | 14,710 | 17,260 | 14,710 | 17,260 |
| Directors' emoluments | 592,981 | 747,413 | 592,981 | 747,413 |
| Depreciation of property, plant and equipment | 3,899,568 | 3,420,565 | 2,452,793 | 2,493,807 |
| Impairment of idle property, plant and equipment | 4,021 | 207,942 | 4,021 | 207,942 |
| Amortisation of intangible assets | 114,467 | 92,175 | 30,489 | 40,436 |
| Legal fees | 31,031 | 47,717 | 15,849 | 33,970 |
| Audit fees | 16,250 | 20,272 | 10,246 | 12,782 |
| Non-audit professional services | 5,602 | 15,007 | 4,073 | 11,737 |
| Donations | 12,375 | 9,783 | 9,462 | 4,153 |
| Impairment charge/(reversal) for slow moving inventories | 928,185 | (105,381) | 101,032 | 705,940 |
| Impairment reversal for receivables | 12,880 | (19,839) | (10,998) | (33,394) |
| Research & Development | 117,872 | 110,413 | 21,989 | 18,218 |

23.1 Staff cost

| | Group | | Company | |
|--|------------|------------|-----------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Salaries and other personnel cost | 9,509,630 | 13,684,345 | 6,407,852 | 8,728,878 |
| Defined contribution plan cost- EPF and ETF | 760,005 | 1,035,368 | 498,654 | 681,240 |
| Defined benefit plan cost- Retiring gratuity | 592,549 | 479,008 | 479,622 | 419,842 |
| | 10,862,184 | 15,198,721 | 7,386,128 | 9,829,960 |

24 INCOME TAX

The major components of income tax expense for the years ended 31st March are as follows:

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Income tax on profit for the year (Note 24.1) | 2,241,558 | 937,295 | 1,724,550 | 697,220 |
| (Over)/under provision in respect of previous year | (184,314) | (55,202) | (175,240) | (21,022) |
| Provision of deferred tax (Note 24.2) | 5,192,388 | 1,316,650 | 4,212,439 | 1,154,515 |
| Income tax expense reported in the statement of profit or loss | 7,249,632 | 2,198,743 | 5,761,749 | 1,830,713 |

24.1 Reconciliation of Current Tax Expenses and product of Accounting Profit

| | Group | | Company | |
|---|------------------|----------------|------------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | USD | USD | USD |
| Profit before tax | 8,382,684 | 14,976,240 | 7,861,459 | 11,261,101 |
| Adjustment of Pre acquisition loss made in April 2021 | - | (1,787,185) | - | - |
| Intra-group adjustments | 1,018,188 | 400,000 | - | - |
| Disallowable expenses | 5,921,324 | 6,183,952 | 4,068,057 | 4,087,328 |
| Disallowable unrealised exchange gain | (165,400) | (8,525,775) | (1,934,611) | (7,113,026) |
| Exempted Income | (194,026) | (183,489) | (152,570) | (179,836) |
| Tax deductible expenses | (4,100,455) | (6,256,144) | (1,961,651) | (4,692,355) |
| Taxable income | 10,862,315 | 4,807,599 | 7,880,684 | 3,363,212 |
| Income tax @ 14% | 866,229 | 569,761 | 452,622 | 420,552 |
| Income tax @ 18% | - | - | - | - |
| Income tax @ 24% | 165,702 | 367,534 | 62,301 | 276,668 |
| Income tax @ 30% | 1,209,627 | - | 1,209,627 | - |
| Tax expense | 2,241,558 | 937,295 | 1,724,550 | 697,220 |

- 24.1.1** In terms of the Inland Revenue Act No 24 of 2017 The Company and It's subsidiary, South Asia Textiles Ltd, profit from exports was taxed at 14%, profit from local sale was taxed at 18% under manufacturing rate and Company's income from solar power generation was liable at the rate of 24% until 30th September 2022.

Pursuant to the Inland Revenue (Amendment) Act, No. 45 of 2022 Certified on 19th of December 2022, the corporate income tax rate applied on profits earned from the export of goods was increased from 14% to 30% w.e.f 1st October 2022 including profit earned from Manufacturing income and all other income. As a result of this amendment, the income tax of the Company/Group from 1st October 2022 has been calculated based on a rate of 30%. Furthermore, in relation to deferred tax which is calculated on the liability method as per LKAS 12 "Income Taxes", the revised tax of 30% applied on all cumulative temporary differences as at 1st October 2022, resulting in deferred tax expenses of USD 5,192,388/- and USD 4,212,439/- have been recognised for the Group and the Company respectively as at 31st March 2023.

NOTES TO THE FINANCIAL STATEMENTS

24.2 Deferred Tax Assets, Liabilities and Income Tax relates to the following

| Group | Statement of Financial Position | | Statement of Profit or Loss and Other Comprehensive Income | |
|--|---------------------------------|-------------|--|-------------|
| | 2023 USD | 2022 USD | 2023 USD | 2022 USD |
| Deferred Tax Liabilities | | | | |
| Capital allowances for tax purposes | 9,258,951 | 3,874,537 | 5,384,414 | 75,001 |
| Tax on re-valuation of land | 220,626 | 181,893 | 38,733 | (127,436) |
| Tax on unrealised exchange gain | 2,525,542 | 1,193,610 | 1,331,932 | 1,193,610 |
| | 12,005,119 | 5,250,040 | 6,755,079 | 1,141,175 |
| Deferred Tax Assets | | | | |
| Tax effect of tax loss carried forward | 125,780 | - | (125,780) | - |
| Defined benefit plans | 909,630 | 411,813 | (497,817) | 109,563 |
| Impairment for slow moving inventories | 1,074,626 | 412,730 | (661,894) | 919 |
| Impairment for doubtful debts | 368,819 | 220,679 | (148,139) | (73,003) |
| | 2,478,853 | 1,045,223 | (1,433,630) | 37,479 |
| Net Deferred Tax Liability | 9,526,266 | 4,204,817 | | |
| Deferred Income Tax Charged to Profit or Loss | | | 5,192,388 | 1,316,650 |
| Deferred Income Tax Reversal to Other Comprehensive Income- Land re-valuation | | | 117,667 | (127,436) |
| Deferred Income Tax Reversal to Other Comprehensive Income- Defined benefit plan | | | 11,393 | (10,560) |
| Charge to Statement of Profit or Loss and Other Comprehensive Income | | | 5,321,448 | 1,178,654 |

24.3

| Company | Statement of Financial Position | | Statement of Profit or Loss and Other Comprehensive Income | |
|--|---------------------------------|-------------|--|-------------|
| | 2023 USD | 2022 USD | 2023 USD | 2022 USD |
| Deferred Tax Liabilities | | | | |
| Capital allowances for tax purposes | 5,938,596 | 2,605,708 | 3,332,888 | 161,131 |
| Tax on re-valuation of land | 220,626 | 102,959 | 117,667 | (127,436) |
| Tax on unrealised exchange gain | 2,632,481 | 995,824 | 1,636,657 | 995,824 |
| | 8,791,703 | 3,704,491 | 5,087,212 | 1,029,519 |
| Deferred Tax Assets | | | | |
| Defined benefit plans | 765,110 | 346,059 | (419,051) | 76,807 |
| Impairment for slow moving inventories | 577,136 | 255,186 | (321,950) | (98,832) |
| Impairment for doubtful debts | 16,738 | 9,351 | (7,387) | 7,133 |
| | 1,358,984 | 610,596 | (748,388) | (14,892) |
| Net Deferred Tax Liability | 7,432,719 | 3,093,895 | | |
| Deferred Income Tax Charged to Profit or Loss | | | 4,212,439 | 1,154,515 |
| Deferred Income Tax Charged/(reversal) to Other Comprehensive Income- Land re-valuation | | | 117,667 | (127,436) |
| Deferred Income Tax charged/(reversal) to Other Comprehensive Income- Defined benefit plan | | | 8,717 | (12,451) |
| Charge to Statement of Profit or Loss and Other Comprehensive Income | | | 4,338,823 | 1,014,628 |

25 EARNINGS PER SHARE

BASIC / DILUTED EARNINGS/(LOSS) PER SHARE

Basic Earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the earnings per share computations.

25.1 Basic/diluted earning per share calculated as follows.

| | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 2023 USD | 2022 USD | 2023 USD | 2022 USD |
| Profit attributable to equity holders of the Parent | 1,133,052 | 12,777,497 | 2,099,710 | 9,430,388 |
| Weighted average number of ordinary shares of the parent | 415,481,776 | 415,481,776 | 415,481,776 | 415,481,776 |
| Basic/diluted earnings per share | 0.003 | 0.031 | 0.005 | 0.023 |

26 DIVIDENDS

| | Company | |
|---|-------------|-------------|
| | 2023 USD | 2022 USD |
| Final Dividend for the year ended 31.03.2022 Rs 1.00 per share (Rs. 0.10 per share 31.03.2021) | 1,131,887 | 204,772 |
| Interim - Rs-1.50 per share 2023 / (Rs 1.10 per share in 2022) | 1,719,776 | 2,054,238 |
| | 2,851,663 | 2,259,010 |
| Dividend per share | 0.007 | 0.005 |

27 RELATED PARTY DISCLOSURES

27.1 Transactions with the Parent

Hayleys PLC provides finance, export shipping, secretarial, data processing, personnel and administration functions.

| Name of the Company | Group | | Company | |
|---------------------|-------------|-------------|-------------|-------------|
| | 2023 USD | 2022 USD | 2023 USD | 2022 USD |
| Hayleys PLC | 796,238 | 1,495,548 | 689,785 | 1,362,115 |

27.2 Transactions with the subsidiary

Sale of fabric, raw materials & commission Dyeing & finishing

| Name of the Company | Company | | | |
|-------------------------|--------------------------------------|------------------------------------|--------------------------------------|------------------------------------|
| | 2023 USD | | 2022 USD | |
| | Sale of fabric & Raw materials | Purchase of goods or service | Sale of fabric & Raw materials | Purchase of goods or service |
| South Asia Textiles Ltd | 1,542,963 | 3,454,722 | 830,672 | 4,707,427 |

NOTES TO THE FINANCIAL STATEMENTS

27.3 Transactions with the other related parties - (All are fellow subsidiaries)

| | Group | | | | Company | | | |
|---|--------------------------------|------------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|
| | 2023 USD | | 2022 USD | | 2023 USD | | 2022 USD | |
| | Sale of goods or Service | Purchase of goods or service | Sale of goods or Service | Purchase of goods or service | Sale of goods or Service | Purchase of goods or service | Sale of goods or Service | Purchase of goods or service |
| Puritas (Pvt) Ltd | - | 292 | - | 12,792 | - | - | - | 7,445 |
| Hayleys Agriculture Holding Ltd | - | - | 190,429 | 4,507 | - | - | 190,429 | 4,507 |
| Hayleys Agro Fertilizer (Pvt) Ltd | - | - | 25,046 | - | - | - | 25,046 | - |
| Hayleys Consumer Products Ltd | - | - | - | 1,773 | - | - | - | 1,773 |
| Quality Seed Company (Pvt) Ltd | - | 477 | - | - | - | - | - | - |
| Hayleys Electronics Ltd | - | - | - | 296 | - | - | - | 296 |
| The Kingsbury Hotel PLC | - | 42,657 | - | 10,517 | - | 40,471 | - | 6,739 |
| Hayleys Travels (Pvt) Ltd | - | 125,122 | 338 | 23,463 | - | 88,874 | - | 18,445 |
| Hayleys Tours (Pvt) Ltd | - | - | - | - | - | - | - | - |
| Hayleys Aventura (Pvt) Ltd | - | 107,100 | - | 140,123 | - | 88,960 | - | 97,113 |
| Agility Logistics (Pvt) Ltd | - | - | - | 6,269 | - | - | - | 6,269 |
| Advantis Freight (Pvt) Ltd | - | 93,414 | - | 78,729 | - | 92,822 | - | 78,729 |
| Logiwiz Limited | - | 215,973 | - | 236,937 | - | 151,802 | - | 165,912 |
| Advantis Projects & Engineering (Pvt) Ltd | - | 22,939 | - | 145,733 | - | 22,939 | - | 345 |
| Expelogix (Pvt) Ltd | - | 73,994 | - | 512,016 | - | 73,994 | - | 512,016 |
| Hayleys Business Solutions Int.(Pvt) Ltd | - | 46,263 | - | 65,755 | - | 27,936 | - | 43,490 |
| Dipped Products PLC | 15,711 | - | - | - | 15,711 | - | - | - |
| Fentons Ltd. | - | 342,834 | 246,256 | 1,232,484 | - | 60,136 | 131,561 | 542,862 |
| Energynet (Pvt) Ltd | - | 59,880 | - | 18,613 | - | 15,747 | - | 4,299 |
| Mabroc Teas (Pvt) Ltd | - | 1,225 | - | 4,786 | - | 504 | - | 488 |
| Talawakelle Tea Estate PLC | - | - | - | 493 | - | - | - | 493 |
| Martin Bauer Hayleys Pvt Ltd | - | 1,209 | - | 1,428 | - | 1,209 | - | 1,428 |
| Hayleys Lifesciences (Pvt) Ltd | - | - | - | 3,292 | - | - | - | 1,646 |
| Singer Sri Lanka PLC | - | 84,774 | 252,981 | 133,487 | - | 36,774 | 170,247 | 23,278 |
| Singer Digital Media (Pvt) Ltd | - | - | 7,393 | - | - | - | 7,393 | - |
| Kandyan Resorts (Pvt) Ltd | - | - | - | 727 | - | - | - | 727 |
| Mountain Hawk Express Pvt Ltd | - | 4,282 | - | - | - | - | - | - |
| Culture Club Resorts (Pvt) Ltd | - | 354 | - | 3,340 | - | 354 | - | 3,340 |
| Langdale Resorts & Spa | - | 352 | - | 847 | - | 352 | - | 847 |
| D P L Universal Gloves Ltd | 4,098 | - | 30,376 | - | 4,098 | - | 30,376 | - |
| Air Global Ltd | - | - | 60,193 | - | - | - | 60,193 | - |
| Alumex PLC | - | - | 72,203 | - | - | - | 72,203 | - |
| Sun Tan Beach Resorts Limited | - | 1,723 | - | - | - | 1,723 | - | - |
| Advantis Express (Pvt) Ltd | - | 13,086 | - | - | - | - | - | - |
| IML Delivery Systems (Pvt) Ltd | - | 405 | - | 3,107 | - | - | - | - |
| Moceti International (Pvt) Ltd | - | 483,780 | - | - | - | 289,080 | - | - |
| Regnis Lanka PLC | - | - | 3,788 | - | - | - | - | - |

27.4 Transactions with the related Companies

Ms. Brindhiini Perera who is a Director of the Company has a significant influence on the operation of below entities. The Group and the Company have carried out transactions in the ordinary course of business with these Companies during the year.

| Company | Nature of transaction | Group | | Company | |
|--------------------------------|------------------------------|-------------|-------------|-------------|-------------|
| | | 2023 USD | 2022 USD | 2023 USD | 2022 USD |
| Royal Ceramics Lanka PLC | Purchase of tiles | 701 | 20,418 | 701 | 504 |
| Delmege Forsyth & Co.(Pvt) Ltd | Purchase of office furniture | 3,094 | 14,471 | 3,094 | 5,721 |

- b) Transactions with all related parties have been carried out under relevant commercial terms and conditions. All transactions are settled in cash in the short term and are non-interest bearing.
- c) Amounts due from /to related parties are reflected in these Financial Statements within notes 12 &17 and directly in the Statement of Financial Position.

27.5 Transactions with Key Management Personnel

Key management personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors of the Company (including executive and non executive Directors) have been designated as KMP of the entity while their immediate family members have also been identified as related parties.

An immediate family member is defined as spouse or dependent. A dependent is defined as anyone who depends on the respective Director for more than 50% of his/ her financial needs.

a) Loans to Key Management Personnel

No loans have been provided to the Directors of the Group & the Company.

b) Compensation of Key Management Personnel

| | Group | | Company | |
|--------------------------------|-------------|-------------|-------------|-------------|
| | 2023 USD | 2022 USD | 2023 USD | 2022 USD |
| Short term employment benefits | 592,981 | 747,413 | 592,981 | 747,413 |

The amounts disclosed above are the amounts recognised as an expense during the reporting period related to key management personnel.

28. COMMITMENTS AND CONTINGENCIES

28.1 The amount of capital expenditure approved by the Directors but not contracted for the Company was USD 134,091 and the Group was USD 821,333 (2022- Company and the Group-USD 387,000).

28.2 Contingent liabilities as at 31 March 2023 of the Company and the Group on bills discounting was USD 147,703 (2022 - USD 586,500).

NOTES TO THE FINANCIAL STATEMENTS

29 ASSETS PLEDGED

The following assets have been pledged as security for short term borrowings and liabilities.

29.1 Hayleys Fabric PLC

| Nature of Assets | Nature of Liabilities | Carrying Amount Pledged | | Included under |
|--|--|-------------------------|-------------|-----------------------------|
| | | 2023 USD | 2022 USD | |
| Plant & Machinery, Water Treatment Plant | Primary Mortgage for Loans and Borrowings | 14,775,926 | 15,754,332 | Property, Plant & Equipment |
| Land & Buildings | Primary / Concurrent mortgage for Loans and Borrowings | 6,896,887 | 7,109,779 | Property, Plant & Equipment |
| Inventories | Primary / Concurrent mortgage for Loans and Borrowings | 19,957,307 | 20,813,189 | Inventories |
| Trade Receivables | Primary / Concurrent mortgage for Loans and Borrowings | 11,050,299 | 9,704,541 | Trade Receivables |

29.2 South Asia Textiles Ltd.

| Nature of Assets | Nature of Liabilities | Carrying Amount Pledged | | Included under |
|-------------------|---|-------------------------|-------------|-----------------------------|
| | | 2023 USD | 2022 USD | |
| Plant & Machinery | Primary mortgage for Loans and borrowings | 4,476,368 | - | Property, plant & equipment |

30 EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the Statement of Financial Position date, which would require adjustments/ discloses to the Financial Statements.

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's financial assets included trade receivables, other receivables and cash and cash equivalent that arrive directly from its operations.

The Company is exposed to Market risk, Interest rate risk, Foreign currency risk and Liquidity risk. The Company continuously evaluates the mentioned risks and appropriate actions are being taken with assistance from Group Treasury Department to minimise the adverse impact arising from such risks.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise two types of risk: interest rate risk and foreign currency risk. Financial instruments affected by the said risks in the Group includes loans and borrowings.

The sensitivity analysis in the following sections relate to the position as at 31 March in 2022 and 2023. The following assumptions have been made in calculating the sensitivity analysis:

The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2023 and 2022.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

The Group manages its interest rate risk by constantly monitoring the interest rates and negotiating them with the banks through assistance from the Parent Company's Treasury. Group's strategy is to keep the borrowing rates at AWPLR for LKR borrowings and USD borrowings at 3 Months LIBOR +4 % or less.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings outstanding as of the reporting date is as follows:

Hayleys Fabric PLC

| 2023 | | 2022 | |
|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| Increase/Decrease in basis points | Effect on profit before tax -USD | Increase/Decrease in basis points | Effect on profit before tax -USD |
| 114 | (266,967) | 66 | (184,486) |
| -114 | 266,967 | -66 | 184,486 |

South Asia Textiles Ltd

| 2023 | | 2022 | |
|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| Increase/Decrease in basis points | Effect on profit before tax -USD | Increase/Decrease in basis points | Effect on profit before tax -USD |
| 163 | (298,475) | 65 | (89,372) |
| -163 | 298,475 | -65 | 89,372 |

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when local expense is denominated in a different currency from the Group's presentation currency).

The Group manages its foreign currency risk by closely monitoring the rates with the assistance of the Parent Company's Treasury. Transactions are entered in to on carefully chosen dates to maximise the positive impact on exchange variance while caution is practised to negate and minimise any negative effect.

The Group does not hedge its exposure to fluctuations on the translation in to USD of its LKR denominated expenses. However, care is taken to reduce such liability thus nullifying any impact on exchange variance. No currency hedge is applied against other major currencies such as EURO or GBP due to their triviality.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in LKR and EURO exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

The movement in the post-tax effect is a result of a change in the monetary assets and liabilities denominated in other currencies such as LKR and Euro, where the functional currency is US dollars.

NOTES TO THE FINANCIAL STATEMENTS

Hayleys Fabric PLC

| | 2023 | | 2022 | |
|-----------------------------|--------------------|----------------------------------|--------------------|----------------------------------|
| | Change in LKR Rate | Effect on profit before tax -USD | Change in LKR Rate | Effect on profit before tax -USD |
| Change in LKR Exchange Rate | 3% | 283,115 | 3% | 398,336 |
| | -3% | (300,628) | -3% | (422,975) |

| | 2023 | | 2022 | |
|------------------------------|---------------------|----------------------------------|---------------------|----------------------------------|
| | Change in EURO Rate | Effect on profit before tax -USD | Change in EURO Rate | Effect on profit before tax -USD |
| Change in Euro Exchange Rate | 3% | 3,040 | 3% | 5,957 |
| | -3% | (3,229) | -3% | (6,326) |

South Asia Textiles Ltd

| | 2023 | | 2022 | |
|-----------------------------|--------------------|----------------------------------|--------------------|----------------------------------|
| | Change in LKR Rate | Effect on profit before tax -USD | Change in LKR Rate | Effect on profit before tax -USD |
| Change in LKR Exchange Rate | 3% | 190,210 | 3% | 168,649 |
| | -3% | (201,976) | -3% | (179,081) |

| | 2023 | | 2022 | |
|------------------------------|---------------------|----------------------------------|---------------------|----------------------------------|
| | Change in EURO Rate | Effect on profit before tax -USD | Change in EURO Rate | Effect on profit before tax -USD |
| Change in Euro Exchange Rate | 3% | 150 | 3% | 9,532 |
| | -3% | (159) | -3% | (10,122) |

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables)

Trade receivables

Customer credit risk is managed by customer wise and is subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit.

An impairment analysis is performed at each reporting date on an individual basis for all major clients.

The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets reported in these financial statements.

The Company does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are well reputed; cash rich and operate in largely independent markets.

The possible delay in getting past due receivables from the customers and request for extended credit periods as a result of current economic crisis are being managed through negotiations with customers on settlements and invoicing /Letter of Credit discounting arrangements with Banks.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. However, currently the Group does not hold any cash deposits or any other financial instrument other than those disclosed and is not affected by any credit risk emanating from such balances.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Group's policy is that the gearing is managed to a sustainable level. Group forecasts its financial commitments and collections on a weekly basis and any gap is bridged with an alternate fund sourcing in consultation with the Parent Company Treasury and financial institutions.

Approximately 63% of the Group's debt will mature in less than one year at 31 March 2023 (2022: 60%) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The maturity profile of the Group's financial liabilities based on contractual undiscounted payments are provided in Notes 15.2 and 17.1 to the financial statements.

Capital management

The Group's Capital is made up of both equity and debt capital which have been disclosed in Notes 15.4 and 17.1 respectively.

Fair value of financial instruments

Financial assets of the Group include cash and cash equivalents, trade receivables and other receivables, whilst financial liabilities include trade and other payables and interest bearing loans and borrowings.

The management assessed that cash and cash equivalents, trade receivables, other receivables and trade and other payables approximate their carrying amounts largely due to the short term maturities of these instruments. The management also assessed that long term variable rate borrowings approximate their carrying amounts largely due to the market based interest rates charged.

STATEMENT OF FINANCIAL POSITION

TRANSLATED INTO LKR

| As at 31 March | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| | LKR 000' | LKR 000' | LKR 000' | LKR 000' |
| ASSETS | | | | |
| Non-Current Assets | | | | |
| Property, plant and equipment | 14,979,404 | 13,132,010 | 8,901,265 | 8,393,722 |
| Right of use assets | 278,938 | 252,412 | 64,577 | 59,680 |
| Intangible assets | 237,762 | 108,689 | 28,199 | 17,184 |
| Investment in Subsidiary | - | - | 6,131,768 | 5,466,142 |
| Goodwill | 3,501,773 | 3,121,643 | - | - |
| Other non current receivables | - | 97,772 | - | - |
| | 18,997,877 | 16,712,526 | 15,215,809 | 13,936,728 |
| Current Assets | | | | |
| Inventories | 12,315,315 | 11,001,501 | 6,693,880 | 6,223,144 |
| Trade receivables | 6,047,532 | 4,831,482 | 3,706,381 | 2,901,658 |
| Other receivables | 496,247 | 417,921 | 719,009 | 187,557 |
| Advances and prepayments | 510,159 | 574,505 | 252,519 | 261,427 |
| Cash and cash equivalents | 1,529,725 | 2,952,809 | 600,612 | 1,407,852 |
| | 20,898,979 | 19,778,218 | 11,972,401 | 10,981,638 |
| Total Assets | 39,896,856 | 36,490,745 | 27,098,210 | 24,918,366 |
| EQUITY AND LIABILITIES | | | | |
| Capital and Reserves | | | | |
| Stated capital | 1,968,193 | 1,968,193 | 1,968,193 | 1,968,193 |
| Revaluation reserve | 172,667 | 189,106 | 172,667 | 189,106 |
| Retained earnings | 2,089,141 | 2,835,525 | 1,732,714 | 2,127,808 |
| Exchange fluctuation reserve | 5,261,658 | 4,113,798 | 4,860,538 | 3,859,042 |
| Total Equity | 9,491,659 | 9,106,622 | 8,734,113 | 8,144,149 |
| Non-Current Liabilities | | | | |
| Interest bearing loans and borrowings | 5,323,086 | 5,216,232 | 3,496,698 | 4,696,237 |
| Deferred tax liabilities | 3,195,205 | 1,257,240 | 2,493,008 | 925,075 |
| Retirement benefit obligations | 1,016,996 | 879,514 | 855,419 | 739,083 |
| | 9,535,286 | 7,352,986 | 6,845,125 | 6,360,395 |
| Current Liabilities | | | | |
| Trade and other payables | 9,146,237 | 10,599,804 | 4,944,561 | 5,146,272 |
| Interest bearing loans and borrowings | 9,085,674 | 7,684,322 | 4,757,766 | 4,078,242 |
| Amounts due to Hayleys PLC | 24,957 | 101,485 | 23,705 | 96,453 |
| Other current non financial liabilities | 2,613,040 | 1,645,525 | 1,792,940 | 1,092,855 |
| | 20,869,908 | 20,031,136 | 11,518,972 | 10,413,822 |
| Total Equity and Liabilities | 39,896,856 | 36,490,745 | 27,098,210 | 24,918,366 |

The financial statements prepared and presented in US Dollars reflect the economic substance of underlying events and circumstances of the enterprise. The supplementary information in SL Rupees is presented for convenience purposes only. The statements presented in Sri Lankan Rupees (LKR) are not a full set of financial statements and are not purported to comply with Sri Lanka Accounting Standards. They represent selected information taken from the US Dollar financial statements, translated into LKR generally using the principles set out in Sri Lanka Accounting Standard (LKAS) 21 for the translation of financial statements to a presentation currency from a measurement currency. Revenue and costs are converted using the average exchange rate for the period. Assets and liabilities are converted using the exchange rate at the end of the year. The revenue reserves incorporates the profit for the period reflected in the income statements.

In accordance with advice received from the Urgent Issue Task Force of the Institute of Chartered Accountants of Sri Lanka, Stated Capital is represented at it's original LKR value.

Followings exchange rates were used to convert the financials into LKR

| | 31.03.2023 | 31.03.2022 |
|--|------------|------------|
| Statement of Profit or Loss and Other Comprehensive Income | 365.77 | 210.71 |
| Statement of Financial Position | 335.41 | 299.00 |

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

TRANSLATED INTO LKR

| Year ended 31 March | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2023 LKR 000' | 2022 LKR 000' | 2023 LKR 000' | 2022 LKR 000' |
| Revenue from contracts with customers | 60,948,790 | 31,652,580 | 37,891,715 | 21,073,489 |
| Cost of sales | (53,122,793) | (27,531,017) | (32,635,684) | (18,447,233) |
| Gross Profit | 7,825,997 | 4,121,563 | 5,256,031 | 2,626,256 |
| Other operating income | 257,545 | 395,351 | 573,351 | 381,673 |
| Administrative expenses | (3,406,525) | (2,315,535) | (2,239,182) | (1,569,186) |
| Distribution expenses | (462,594) | (401,768) | (329,488) | (196,868) |
| Other expenses | (15,526) | (43,815) | (1,471) | (43,815) |
| Net financing income/(expense) | (1,132,764) | 1,399,847 | (383,755) | 1,174,767 |
| Profit before tax | 3,066,134 | 3,155,643 | 2,875,486 | 2,372,826 |
| Income tax expense | (2,651,698) | (463,297) | (2,107,475) | (385,750) |
| Profit for the year | 414,436 | 2,692,346 | 768,011 | 1,987,076 |
| Other Comprehensive Income not to be reclassified to profit or loss | | | | |
| - Deficit on revaluation of land | - | (191,800) | - | (191,800) |
| - Effect on change in tax rate on revaluation of land | (43,039) | 26,852 | (43,039) | 26,852 |
| - Actuarial gain/(loss) on defined benefit plans | 13,891 | (15,894) | 10,628 | (18,740) |
| - Income tax effect on actuarial gain/(loss) on defined benefit plans | (4,167) | 2,225 | (3,188) | 2,624 |
| Total Comprehensive Income, Net of Tax | 381,121 | 2,513,729 | 732,411 | 1,806,012 |
| Basic / Diluted Earnings per Share | 1.00 | 6.48 | 1.85 | 4.78 |

TEN YEAR SUMMARY

| | | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---------------------------------|--------------|--------------|--------------|-------------|--------------|-------------|-------------|-------------|-------------|--------------|
| | 10-year compound growth % | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| Results | | | | | | | | | | | |
| Net turnover | 12 | 166,631,461 | 150,218,687 | 77,280,698 | 67,115,723 | 69,940,639 | 57,686,803 | 55,537,401 | 59,924,103 | 65,031,509 | 61,252,088 |
| Profit after tax * | 7 | 1,133,051 | 12,777,497 | 3,852,439 | 1,270,611 | 1,058,335 | (679,516) | 490,267 | 1,845,409 | 679,920 | (1,388,400) |
| Funds Employed | | | | | | | | | | | |
| Stated capital | 3 | 17,561,761 | 17,561,761 | 17,561,761 | 17,561,761 | 17,561,761 | 17,561,761 | 17,561,761 | 17,561,761 | 17,561,761 | 13,563,304 |
| Reserves | (216) | 10,736,917 | 12,895,167 | 3,364,121 | 844,285 | 297,464 | (524,791) | 23,706 | (434,262) | (2,052,032) | (2,875,191) |
| Shareholders' fund | 11 | 28,298,678 | 30,456,928 | 20,925,882 | 18,406,046 | 17,859,225 | 17,036,970 | 17,585,467 | 17,127,499 | 15,509,729 | 10,688,113 |
| Borrowings (both short & long term) | 11 | 42,958,647 | 43,145,665 | 16,568,472 | 16,771,624 | 15,184,841 | 16,706,671 | 19,686,731 | 16,818,660 | 18,951,491 | 16,866,448 |
| | | 71,257,325 | 73,602,593 | 37,494,354 | 35,177,670 | 33,044,066 | 33,743,641 | 37,272,198 | 33,946,159 | 34,461,220 | 27,554,561 |
| Assets Employed | | | | | | | | | | | |
| Non current assets | 11 | 56,640,757 | 55,894,734 | 28,981,604 | 25,527,027 | 24,883,748 | 25,167,948 | 24,833,016 | 23,096,764 | 22,610,098 | 22,622,634 |
| Current assets | 14 | 62,308,752 | 66,147,887 | 28,963,558 | 23,410,426 | 22,725,793 | 20,921,177 | 21,942,322 | 19,649,659 | 22,507,445 | 19,490,701 |
| Current liabilities net of borrowings | 13 | (35,133,819) | (41,293,693) | (15,351,068) | (8,854,818) | (10,263,029) | (8,952,285) | (6,112,839) | (5,575,020) | (7,535,519) | (11,615,635) |
| Provisions | 17 | (12,558,363) | (7146,335) | (5,099,740) | (4,904,965) | (4,302,446) | (3,393,199) | (3,390,301) | (3,225,244) | (3,120,504) | (2,943,139) |
| Capital Employed | 11 | 71,257,326 | 73,602,593 | 37,494,354 | 35,177,670 | 33,044,066 | 33,743,641 | 37,272,198 | 33,946,159 | 34,461,220 | 27,554,561 |
| Cash Flow | | | | | | | | | | | |
| Net cash inflow/outflow from operating activities | | 1,335,906 | 7199,560 | 9,166,017 | 2,205,200 | 2,927,550 | 4,235,513 | 1,916,117 | 2,606,119 | (1,392,458) | (3,763,827) |
| Net cash outflow from investing activities | | (4,915,232) | (26,771,810) | (4,907,261) | (2,863,628) | (1,466,816) | (2,375,774) | (4,521,131) | (2,734,731) | (1,712,927) | (4,015,501) |
| Net cash inflow/outflow from financing activities | | (3,553,803) | 24,740,288 | (693,664) | 847,907 | (1,767,129) | (2,572,428) | 2,939,367 | (2,420,540) | 10,185,800 | 1,291,588 |
| Increase / (decrease) in cash & cash equivalents | | (7,133,129) | 5,168,038 | 3,565,092 | 189,479 | (306,395) | (712,690) | 334,353 | (2,549,151) | 7,080,416 | (2,873,740) |
| Key Indicators | | | | | | | | | | | |
| Earnings/(Loss) per share (basic) USD | | 0.003 | 0.031 | 0.009 | 0.003 | 0.005 | (0.003) | 0.002 | 0.009 | 0.004 | (0.008) |
| Net assets per share USD | | 0.068 | 0.073 | 0.050 | 0.089 | 0.086 | 0.082 | 0.085 | 0.082 | 0.075 | 0.07 |
| Dividend per share Rs. | | 2.50 | 1.20 | 0.60 | 0.30 | - | - | - | - | - | - |
| Gearing % | | 60 | 59 | 44 | 48 | 46 | 50 | 53 | 50 | 55 | 61 |
| Turnover to capital employed (times) | | 2.34 | 2.04 | 2.06 | 1.91 | 2.12 | 1.71 | 1.49 | 1.77 | 1.89 | 2.22 |

* For the calculation of compound growth of profit after tax is considered from year 2015 to year 2023.

GLOSSARY OF FINANCIAL TERMINOLOGY

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

Actuarial Gain/Loss on defined benefit plan

Gain or loss arising from the difference between estimates and actual experience in an entity's defined benefit plan.

Amortised cost

Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayment plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or un-collectability.

Assets Turnover

Revenue divided by average total assets.

Borrowings

Bank loans and overdrafts.

Capital Employed

Shareholders' funds plus debt.

Cash Equivalents

Liquid investments with original maturities of three months or less.

Contingent Liabilities

Conditions or situations at the date of Statement of Financial Position, the financial effect of which are to be determined by future events which may or may not occur.

Current Ratio

Current Assets divided by Current Liabilities.

Debt/Equity Ratio

Debt as a percentage of Shareholders' funds.

Deferred Taxation

Sum set aside for income tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

Direct Employment

The workers employed by the Company.

Discount Rate

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

Diluted Earnings Per share

Profit attributable to equity holders divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised and outstanding unexpired warrants.

Earnings Per Share (EPS)

Profit attributable to equity holders divided by the weighted average number of ordinary shares in issue during the period.

EBIT

Earnings before interest and tax (Includes other operating income).

EBITDA

Earnings before interest, tax, depreciation and amortisation.

Effective Rate of Taxation

Income tax including Deferred tax over Profit before tax.

Energy Intensity

Total energy consumed by the Company divided by in GJ divided by the Dyeing production in MT

Equity

Shareholders' funds

Fair value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial Instrument

A financial instrument is any contract that gives rise to both a financial assets in one entity and a financial liability or equity instrument in another entity.

Interest cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Market capitalisation

Number of Shares in issue at the end of the period multiplied by the share price at the end of the period.

Market value added

Market capitalisation minus shareholders' funds.

Net Assets

Total assets minus long term and current liabilities.

Net Assets Per Share

Net assets at the year- end divided by the number of Ordinary shares in issue

Net Profit Ratio

Profit after tax attributable to equity holders of the Company divided by total revenue.

Net working capital

Current assets minus current liabilities.

Organic wastage

Bio-degradable waste.

Price Earnings Ratio

Market price of share as at the year-end divided by Earnings Per Share.

GLOSSARY OF FINANCIAL TERMINOLOGY

Public Holding

Percentage of shares held by the public calculated as per the Colombo Stock Exchange Listing Rules as at the date of the Report.

Quick Asset Ratio

Current Assets other than inventory divided by Current liabilities.

Return on Assets (ROA)

Profit after tax divided by average total assets.

Return on Capital Employed (ROCE)

Earnings before interest and tax as a percentage of average shareholders' funds plus total debt.

Return on Equity (ROE)

Profit after tax as a percentage of Average shareholders' funds.

Recycle

The process of converting waste into reusable materials.

Risk Management

The identification, analysis, assessment, control and avoidance, minimisation or elimination of unacceptable risk.

Shareholders' Funds

Total of issued and fully paid share capital and both capital and Revenue Reserves.

Stewardship

The role of supervising or taking care of the organisation.

Total Assets

Non- current assets plus current assets.

Total Debt

Long term loans plus short term loans and overdrafts.

QUARTERLY ANALYSIS

| | Quarter 1 30.06.2022 USD '000 | Quarter 2 30.09.2022 USD '000 | Quarter 3 31.12.2022 USD '000 | Quarter 4 31.03.2023 USD '000 |
|-------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Revenue | 41,284 | 45,535 | 40,229 | 39,583 |
| Profit before tax | 5,505 | 1,425 | 1,343 | 110 |
| Tax (expense)/ reversal | (1,084) | (86) | (6,124) | 45 |
| Profit/(loss) after tax | 4,421 | 1,338 | (4,781) | 155 |
| Non current assets | 57,427 | 57,447 | 56,887 | 56,641 |
| Current assets | 65,164 | 68,078 | 65,021 | 62,309 |
| Non current Liabilities | 22,532 | 24,237 | 28,916 | 28,429 |
| Current Liabilities | 66,662 | 67,676 | 64,502 | 62,222 |

| | Quarter 1 30.06.2022 USD '000 | Quarter 2 30.09.2022 USD '000 | Quarter 3 31.12.2022 USD '000 | Quarter 4 31.03.2023 USD '000 |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Market value of share | | | | |
| Basic/diluted earnings per share | 3.88 | 1.21 | (4.22) | 0.13 |
| Last traded price (Rs.) | 29.00 | 34.60 | 22.50 | 25.10 |
| Highest price recorded for the three months ending | 37.90 | 42.00 | 35.00 | 28.40 |
| Lowest price recorded for the three months ending | 20.00 | 27.00 | 20.00 | 20.00 |
| Float-Adjusted Market capitalisation (Rs. Mn.) | 4,432 | 5,272 | 3,454 | 3,851 |
| Share trading information | | | | |
| Number of transactions | 5,483 | 15,584 | 8,460 | 8,968 |
| Number of shares traded | 17,236,529 | 47,088,740 | 13,560,789 | 24,579,875 |
| Value of shares traded (Rs.) | 531,695,990 | 1,733,956,985 | 355,042,260 | 602,950,571 |

INVESTOR INFORMATION

Ordinary Shareholders as at 31st March 2023

| No. of shares held | No. of share-holders | Residents | | Non-Residents | | | Total | | |
|---------------------|----------------------|---------------|--------|----------------------|---------------|-------|----------------------|---------------|---------|
| | | No. of shares | % | No. of share-holders | No. of shares | % | No. of share-holders | No. of shares | % |
| 1 - 1,000 | 3,902 | 1,316,177 | 0.317 | 10 | 4,190 | 0.001 | 3,912 | 1,320,367 | 0.318 |
| 1,001 - 10,000 | 2,791 | 11,014,904 | 2.651 | 14 | 56,721 | 0.014 | 2,805 | 11,071,625 | 2.665 |
| 10,001 - 100,000 | 928 | 28,772,424 | 6.925 | 13 | 458,018 | 0.110 | 941 | 29,230,442 | 7.035 |
| 100,001 - 1,000,000 | 142 | 43,948,378 | 10.578 | 5 | 1,844,358 | 0.444 | 147 | 45,792,736 | 11.022 |
| Over 1,000,000 | 21 | 324,462,380 | 78.093 | 1 | 3,604,226 | 0.867 | 22 | 328,066,606 | 78.960 |
| | 7,784 | 409,514,263 | 98.564 | 43 | 5,967,513 | 1.436 | 7,827 | 415,481,776 | 100.000 |

| Categories of shareholders | No. of share-holders | Residents | | Non-Residents | | | Total | | |
|----------------------------|----------------------|---------------|--------|----------------------|---------------|-------|----------------------|---------------|---------|
| | | No. of shares | % | No. of share-holders | No. of shares | % | No. of share-holders | No. of shares | % |
| Individuals | 7,397 | 82,361,725 | 19.823 | 40 | 2,102,787 | 0.506 | 7,437 | 84,464,512 | 20.329 |
| Institutions | 387 | 327,152,538 | 78.741 | 3 | 3,864,726 | 0.930 | 390 | 331,017,264 | 79.671 |
| | 7,784 | 409,514,263 | 98.564 | 43 | 5,967,513 | 1.436 | 7,827 | 415,481,776 | 100.000 |

Market Value

The market value of an ordinary share of Hayleys Fabric PLC was :

| Year ended 31 March | 2023 (LKR) | 2022 (LKR) |
|---------------------|---|----------------------------|
| Highest | 42.00 (on 22nd Aug. 2022) | 45.50 (on 15th Dec. 2021) |
| Lowest | 20.00 (on 27th April 2022, on 21st Dec 2022 & on 19th Jan 2023) | 14.10 (on 1st April 2021) |
| Closing price | 25.20 (on 31st March 2023) | 29.10 (on 31st March 2022) |

Share Trading

| | 2023 | 2022 |
|------------------------------|---------------|----------------|
| No. of transactions | 38,495 | 103,265 |
| No. of shares traded | 102,465,933 | 427,843,221 |
| Value of shares traded (Rs.) | 3,223,645,807 | 12,533,097,144 |

HAYLEYS FABRIC PLC

First Twenty Shareholders as at 31st March

| | | No. of Shares | | No. of Shares | |
|----|--|---------------------|-------|---------------------|-------|
| | | As at 31/03/2023 | % | As at 31/03/2022 | % |
| 1 | Hayleys PLC No 3 Share Investment Account | 244,974,046 | 58.96 | 244,974,046 | 58.96 |
| 2 | Employees Provident Fund | 11,081,454 | 2.67 | 11,081,454 | 2.67 |
| 3 | Hayleys Advantis Limited | 10,073,700 | 2.42 | 10,073,700 | 2.42 |
| 4 | Mr. Shanthikumar Nimal Placidus Palihena & Mrs. A.S.Palihena | 9,453,583 | 2.28 | 10,000,000 | 2.41 |
| 5 | J.B. Cocoshell (Pvt) Ltd | 7,528,335 | 1.81 | 1,407,179 | 0.34 |
| 6 | Hayleys Agriculture Holdings Limited | 6,944,514 | 1.67 | 6,944,514 | 1.67 |
| 7 | Mr. Kulappuarachchige Don Harindra Perera | 6,522,365 | 1.57 | 4,600,625 | 1.11 |
| 8 | Employees Trust Fund Board | 4,760,746 | 1.15 | 4,034,118 | 0.97 |
| 9 | Amana Bank PLC/ HI- Line Trading Pvt Ltd | 4,354,721 | 1.05 | 3,576,776 | 0.86 |
| 10 | Citibank New York S/A Norges Bank Account 2 | 3,604,226 | 0.87 | - | - |
| 11 | Mrs. Swyrie Balendra | 2,655,002 | 0.64 | 3,160,441 | 0.76 |
| 12 | DFCC Bank PLC A/C 1 | 2,000,000 | 0.48 | 2,000,000 | 0.48 |
| | Mrs. Juthika Narotam Ambani | 2,000,000 | 0.48 | - | - |
| 13 | DFCC Bank PLC A/C No. 02 | 1,842,168 | 0.44 | 1,842,168 | 0.44 |
| 14 | Union Assurance PLC- Universal Life Fund | 1,761,878 | 0.42 | 2,430,709 | 0.59 |
| 15 | Mr. Pasqual Handi Dayananda Waidyatilaka | 1,470,617 | 0.35 | 1,386,745 | 0.33 |
| 16 | AIA Insurance Lanka Ltd. A/C No 07 | 1,330,000 | 0.32 | - | - |
| 17 | Bank of Ceylon No. 1 Account | 1,259,527 | 0.30 | 1,259,527 | 0.30 |
| 18 | Mr. Subramaniam Vasudevan | 1,195,281 | 0.29 | 821,000 | 0.20 |
| 19 | Essajee Carimjee Insurance Brokers (Pvt) Ltd. | 1,148,454 | 0.28 | 800,000 | 0.19 |
| 20 | Insite Holdings Private Ltd | 1,100,000 | 0.26 | 1,000,000 | 0.24 |
| | Total | 327,060,617 | 78.72 | 311,393,002 | 74.95 |

There were no non-voting shares as at 31st March 2023

DIRECTORS' SHAREHOLDING AS AT 31.03.2023

| | Name of the Director | No. of Shares As at 31.03.2023 | No. of Shares As at 01.04.2022 |
|----|---|-----------------------------------|-----------------------------------|
| | | | |
| 1 | Mr. A.M. Pandithage | - | - |
| 2 | Mr. K.D.D. Perera (resigned w.e.f. 10.06.2022) | 8,180 | 8,180 |
| 3 | Mr. S.C. Ganegoda | 525,000 | 525,000 |
| 4 | Mr. H. Somashantha | 40,000 | 40,000 |
| 5 | Mr. M.W.R.N. Somaratne * | 100,000 | 60,000 |
| 6 | Mr. E.R.P. Goonetilleke | - | - |
| 7 | Dr. N.S.J. Nawaratne | - | - |
| 8 | Mr. A.S. Jayatilleke | - | - |
| 9 | Mr. I.B.R.R. Bandara | 20,000 | 20,000 |
| 10 | Mr. M.H. Jayasinghe | - | - |
| 11 | Mr. K.P.C.P.K. Pathirana | 2,000 | 2,000 |
| 12 | Ms. K.A.D.B. Perera (appointed on 19.10.2022) | - | - |
| 13 | Mrs. Y. Bhaskaran (Ceased to be Alternate to Mr. K.D.D. Perera w.e.f. 10.06.2022) | - | - |
| | | 695,180 | 655,180 |

* Mr. M.W.R.N. Somaratne holding 75,000 shares through Margin Trading Account, Sampath Bank PLC/Mr. Migel Wasam Rizvi Nandajith Somaratne.

Stated Capital

Stated Capital Rs. 1,968,192,915/- comprising 415,481,776 ordinary shares.

| | As at 31.03.2023 | As at 31.03.2022 |
|---|------------------|------------------|
| The issued number of shares of the company | 415,481,776 | 415,481,776 |
| Registered shareholders | 7,827 | 7,376 |
| The percentage of shares held by public | 36.78% | 36.78% |
| No. of shareholders representing Public Holding | 7,817 | 7,367 |
| Float adjusted Market Capitalisation | 3,850,917,769.69 | 4,446,893,139.04 |

As at 31.03.2023, the Company complies with option 4 of the Listing Rules 714.1 (i) (a) which requires a minimum Public Holding of 10%.

NOTICE OF ANNUAL GENERAL MEETING

HAYLEYS FABRIC PLC
(Company Registration No. PQ 37)

NOTICE IS HEREBY GIVEN THAT THE THIRTY FIRST ANNUAL GENERAL MEETING OF HAYLEYS FABRIC PLC will be held on Friday, 23rd June 2023 at 3.00 p.m. at the Conference Hall of Hayleys PLC, No. 400, Deans Road, Colombo 10 for the following purposes:

1. To consider and adopt the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2023 with the Report of the Auditors thereon.
2. To declare the final dividend of Rs. 0.10 (Cents Ten) per share as recommended by the Directors.
3. To re-elect as a Director Ms. K.A.D.B. Perera, who has been appointed to the Board since the last Annual General Meeting, in terms of Article 27 (2) of the Articles of Association of the Company.
4. To re-elect as a Director Dr. N.S.J. Nawaratne, who retires by rotation at the Annual General Meeting in terms of Article 29 (1) of the Articles of Association of the Company.
5. To re-elect as a Director Mr. H. Somashantha, 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. K.P.C.P.K. Pathirana, 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 propose the following resolution as an ordinary resolution for the re-appointment of Mr. A.S. Jayatilleka, in terms of Section 211 of the Companies Act No. 07 of 2007.

Ordinary Resolution

‘That Mr. Ananda Sunil Jayatilleka, who has attained the age of seventy two years be and is hereby re-appointed as 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 him’.

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.

Ordinary Resolution

‘That Mr. Abeyakumar Mohan Pandithage, who has attained the age of seventy two years be and is hereby re-appointed as 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 him’.

9. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. E.R.P. Goonetilleke in terms of Section 211 of the Companies Act No. 07 of 2007.

Ordinary Resolution

‘That Mr. Eranga Rohan Peiris Goonetilleke, who has attained the age of seventy years be and is hereby re-appointed as 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 him’.

10. To authorise the Directors to determine donations and contributions to charities for the ensuing year.
11. To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2023/24 and to authorise the Directors to determine their remuneration.
12. To consider and if thought fit, to pass the following Special Resolutions to amend the existing Articles in the Articles of Association of the Company, in order to be in line with the model articles provided in Schedule 1 of the Companies Act No 7 of 2007:

Special Resolution (1)

'That the existing Article 15 be deleted in its entirety and be substituted with the following Article 15;

"Article 15 - Method of Holding General Meetings

A meeting of shareholders may be held either;

- a) by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or
- b) by means of audio or audio and visual communication by which all shareholders participating and constituting a quorum, can simultaneously hear each other throughout the meeting."

Special Resolution (2)

"That Article 16 (2) be amended as follows;

16 (2) A quorum for a meeting of shareholders is present if three (03) shareholders are present in person or through audio visual communication, by themselves or by their proxy."

Special Resolution (3)

"That Article 18 (1) be amended as follows:

18 (1) (a) In the case of a meeting of shareholders held under paragraph (a) of Article 15, unless a poll is demanded, voting at the meeting shall be by whichever of the following methods as determined by the chairperson of the meeting –

- i. voting by voice; or
- ii. voting by a show of hands

(b) In the case of a meeting of shareholders held under paragraph (b) of Article 15, unless a poll is demanded, voting at the meeting shall be by shareholders signifying individually their assent or dissent by voice or by any other electronic means."

By Order of the Board,

HAYLEYS FABRIC PLC

HAYLEYS GROUP SERVICES (PRIVATE) LIMITED

Secretaries

Colombo.

01st June 2023.

Notes to shareholders:

1. The Annual Report of the Company for 2022/23 is available on the corporate website www.hayleysfabric.com and on the Colombo Stock Exchange website - www.cse.lk.
2. 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 the office of the Company Secretaries at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the time fixed for the Meeting.
3. For your reference, the existing Articles are available in the Colombo Stock Exchange website - www.cse.lk.
4. A shareholder who requires a hard copy of the Annual Report must post or handover the duly completed 'Request Form - Annexure A' to the office of the Secretaries.
5. In relation to the final dividend, the X'D date will be 26th June 2023.

NOTES

[illegible]

FORM OF PROXY

HAYLEYS FABRIC PLC
(Company Registration No. PQ 37)

I/We (Full name of shareholder)

NIC No./Reg. No. of Shareholder

of

being a shareholder/shareholders of HAYLEYS FABRIC PLC hereby appoint,

1. (Full name of Proxyholder)

NIC No. of proxyholder

of

or failing him/them

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our Proxy to attend and vote as indicated hereunder for me/us and on my/our behalf at the Thirty First Annual General Meeting of the Company to be held on Friday, 23rd June 2023 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

| | For | Against |
|--|--------------------------|--------------------------|
| 1 To adopt the Annual Report of the Directors and the Statement of Accounts for the year ended 31st March 2023 with the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 To declare the final dividend of Rs. 0.10 (Cents Ten) per share as recommended by the Directors. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 To re-elect as a Director Ms. K.A.D.B. Perera, as set out in the Notice. | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 To re-elect as a Director Dr. N.S.J. Nawaratne, as set out in the Notice. | <input type="checkbox"/> | <input type="checkbox"/> |
| 5 To re-elect as a Director Mr. H. Somashantha, as set out in the Notice. | <input type="checkbox"/> | <input type="checkbox"/> |
| 6 To re-elect as a Director Mr. K.P.C.P.K. Pathirana, as set out in the Notice. | <input type="checkbox"/> | <input type="checkbox"/> |
| 7 To re-appoint Mr. A.S. Jayatilleka, in terms of Section 211 of the Companies Act No. 07 of 2007. | <input type="checkbox"/> | <input type="checkbox"/> |
| 8 To re-appoint Mr. A.M. Pandithage, in terms of Section 211 of the Companies Act No. 07 of 2007. | <input type="checkbox"/> | <input type="checkbox"/> |
| 9 To re-appoint Mr. E.R.P. Goonetilleke, in terms of Section 211 of the Companies Act No. 07 of 2007. | <input type="checkbox"/> | <input type="checkbox"/> |
| 10 To authorise the Directors to determine donations and contributions to charities for the ensuing year. | <input type="checkbox"/> | <input type="checkbox"/> |
| 11 To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2023/24 and to authorise the Directors to determine their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> |
| 12 To pass the Special Resolutions to amend the Articles of Association of the Company as set out in the Notice. | | |
| Special Resolution (1) | <input type="checkbox"/> | <input type="checkbox"/> |
| Special Resolution (2) | <input type="checkbox"/> | <input type="checkbox"/> |
| Special Resolution (3) | <input type="checkbox"/> | <input type="checkbox"/> |

Signed on this day of 2023.

.....
Signature of Shareholder

Instructions:

1. The completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Private) Limited, at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the start of the meeting. Delayed Proxy Forms shall not be accepted.
2. A Shareholder entitled to attend and vote at the Annual General Meeting of the Company, is entitled to appoint a Proxy to attend and vote instead of him/her and the Proxy need not be a Shareholder of the Company.
3. Full name of Shareholder/Proxy holder and their NIC Nos. are mandatory. Your Proxy Form will be rejected if these details are not completed.
4. A Shareholder is not entitled to appoint more than one Proxy to attend on the same occasion.
5. The duly completed Form of Proxy must be dated and signed by the Shareholder.
6. 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 can vote as he/she thinks fit.
7. In the case of a company/corporation the proxy must be executed in the manner prescribed by its Articles of Association or by a duly authorised Director.
8. 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.
9. In case of Marginal Trading Accounts (slash accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

CORPORATE INFORMATION

Name of Company

Hayleys Fabric PLC

Legal Form

A Quoted Public Company with Limited Liability
(Incorporated in Sri Lanka in 1993)

Company Registration Number

PQ 37.

Stock Exchange Listing

The ordinary shares of the Company are listed on
Main Board of
Colombo Stock Exchange of Sri Lanka

Accounting year end

31st March

Principal Activity

Manufacturing of knitted fabric

Directors

A.M.Pandithage - Chairman
E.R.P. Goonetilleke - Managing Director/CEO
K.D.D.Perera (Resigned w.e.f.10th June 2022)
S.C.Ganegoda
H.Somashantha
R.N.Somaratne
Dr. N.S.J. Nawaratne
A.S.Jayatileka
I.B.R.R. Bandara
M.H Jayasinghe
K.P.C.P.K.Pathirana
Ms. Brindhiini Perera (Appointed w.e.f. 19th October 2022)
Ms.Yogadinusha Bhaskaran (Ceased to be alternate
Director to K.D.D.Perera w.e.f. 10th June 2022)

Subsidiaries

South Asia Textiles Limited

Secretaries

Hayleys Group Services (Pvt) Ltd.
400, Deans Road, Colombo 10.
Telephone: (94-11) 2627650/51/52/53

Registered Office

400, Deans Road,
Colombo 10.
Telephone: (94-11) 2627000
Website: www.hayleysfabric.com

Main Office & Factory

Narthupana Estate , Neboda.
Telephone: 94 (34) 2297100, 2242055

Bankers

Standard Chartered Bank plc
Hongkong and Shanghai Banking Corporation
Hatton National Bank PLC
Bank of Ceylon
National Development Bank PLC
Sampath Bank PLC
Deutsche Bank AG
Citibank, N.A.
Seylan Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
DFCC Bank
Union Bank of Colombo PLC
Nations Trust Bank
Bank of China

Auditors

Ernst & Young
Chartered Accountants,
201, De Saram Place,
Colombo 10.

