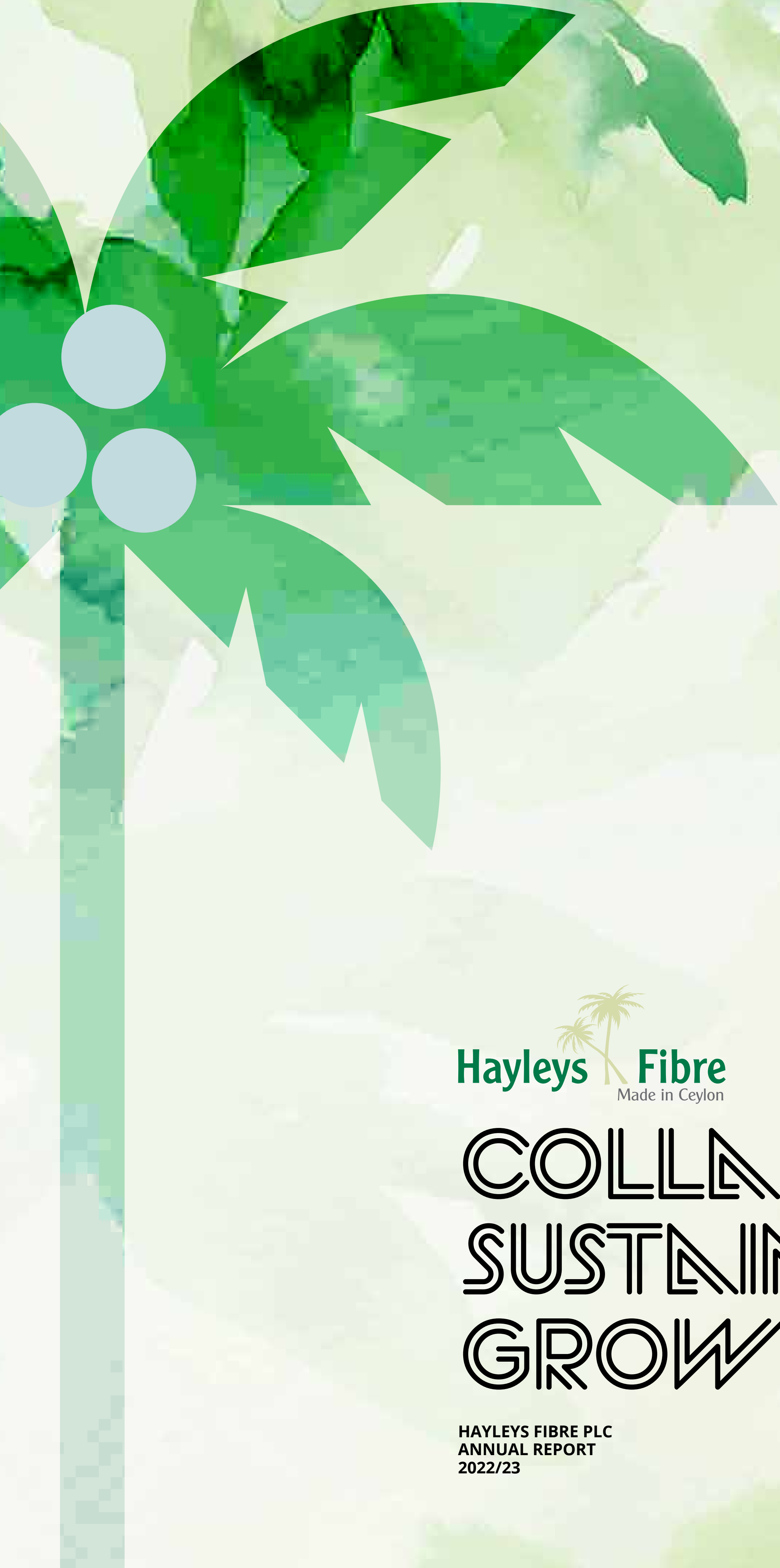

Hayleys Fibre
Made in Ceylon

COLLABORATE
SUSTAIN
GROW

HAYLEYS FIBRE PLC
ANNUAL REPORT
2022/23

Contents

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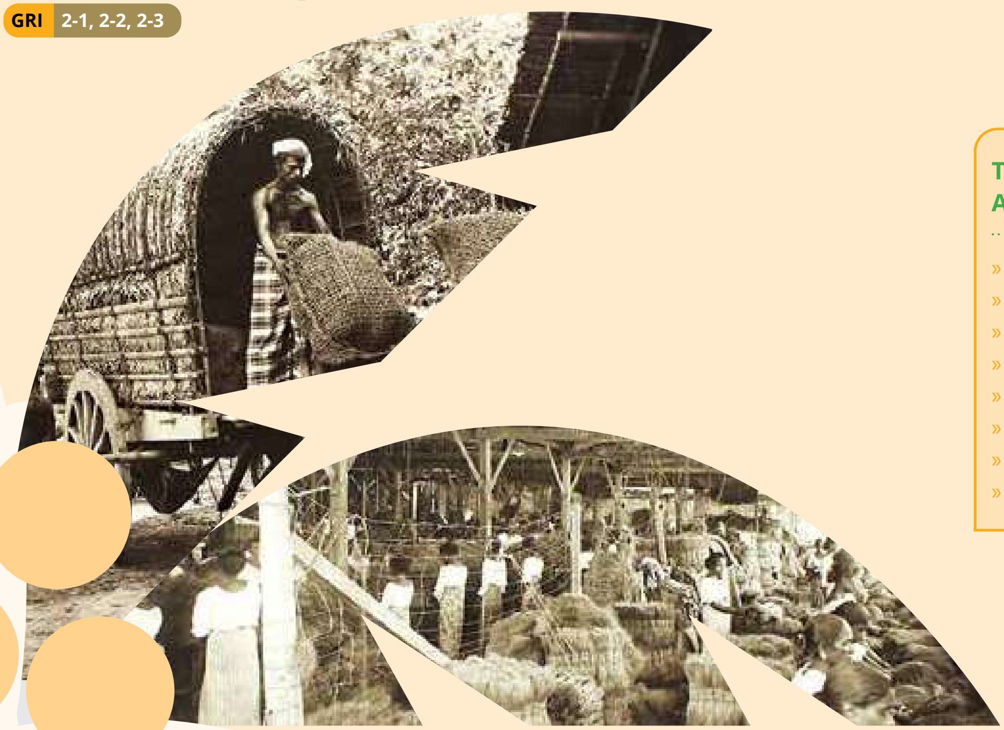
https://www.hayleysfibre.com/annual-reports/

COLLABORATE SUSTAIN GROW

An ethos that is strong, unique and ties us together in growth and progression, the year under review helped us to develop our strengths and carry out exemplary work through challenging times. Adapting with the ebbs and flows of the industry while taking advantage of new opportunities and vistas allowed us to be more efficient, while supporting our integrated and sustainable supply chain. Our success for the year has stemmed from our continued outlook on change and improvement, which not only has put us on par with world standards but also helped us to transition to a culture in which new ideas, new methods and expansionary viewpoints have made us flourish. Doing things differently has enabled remarkable results, a testament to following through on a strategy in which we collaborate, sustain and grow.

About the Report

GRI 2-1, 2-2, 2-3



Target Audience of the Integrated Annual Report

- Shareholders
- Customers
- Suppliers
- Employees
- Regulators
- Lenders
- Investors
- Community

Overview

This is the second Integrated Annual Report published by Hayleys Fibre PLC (HFP) Group. The current report has been structured to present a holistic review of HFP's financial and non-financial performance for FY 2022/23.

Scope and Boundary

The report covers the operations of Hayleys Fibre PLC and its subsidiaries - Bonterra Ltd (BL) and Creative Polymats (Pvt) Ltd (CPL). The reporting period covered from 01st April 2022 to 31st March 2023, which coincides with the Group's financial reporting cycle.

The Group's most recent Integrated Report for the year-ended 31st March 2022 is available for viewing and download under the "Investor Relations" tab on our corporate website - www.hayleysfibre.com

Materiality

In seeking to inform shareholders and other stakeholders about the HFP's economic, social and environmental performance for the review period, the report content has been informed by the principle of Materiality. Accordingly, the information presented in this report reflects the most relevant or "Material" to the Group as well as its stakeholders. The process for establishing these Material Topics is described in greater detail on pages 22 to 23 of this report.

Key Improvements Reflected in the Integrated Annual Report for FY 2022/2023

- Inclusion of the Group "Business Model" demonstrating the value creation process - refer pages 18 to 19
- Disclosure of the Stakeholder Engagement and Materiality Determination processes as per the GRI (Global Reporting Initiative) guidelines - refer pages 20 to 21 and 22 to 23
- Disclosure of selected non-financial information "In Reference" to the GRI Universal Standards - refer GRI Content Index on pages 177 to 181
- Demonstrating the Group's integrated thinking via the Strategy and Resource Allocation Process through the Six Capital Reports - refer pages 38 to 83
- Depicting the Group's socio-economic impact - refer pages 9 to 10
- Showcasing the Group's approach to sustainability and contribution to the SDGs

Reporting Frameworks

Integrated Reporting	International Integrated Reporting Council's (HRC) Reporting Framework
Financial Reporting	The Companies Act No. 07 of 2007 Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
Risk and Governance Report	Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) Listing Rules of the Colombo Stock Exchange and Regulations of Securities and Exchange Commission
Sustainability Reporting	Global Reporting Initiative (GRI) Universal Standards - "In Reference" United Nations Sustainable Development Goals (SDGs)

Forward-Looking Statements

Certain statements in this Integrated Annual Report including those concerning the economic outlook and expectations regarding operating results, growth prospects and the outlook for the Company's operations, contain certain forward-looking statements.

About the Report

GRI 2-4 2-5

Although HFP's Management opines that the expectations and the outcome described in such forward- looking statements are reasonable at the time of publishing this report, no assurance can be given that such expectations will prove to be correct in the future due to changes in economic and market conditions, changes in the regulatory or competitive environment etc. As such, actual results may differ from those set out in the forward-looking statements. Accordingly, HFP does not undertake to review or revise any of these forward-looking statements at a later date. On this basis, the Group confirms that there are no restatements pertaining to the Annual Report for FY 2021/22 or any reports prior to that.

Assurance

The Group employs a combined assurance model to assess and verify the information contained within this Integrated Report. Accordingly, the content included herein has been first approved by the respective business heads and reviewed by the Audit Committee prior to submission for Board approval.

In addition, the financial statements have been audited by the Group's external auditors, Messrs. Ernst & Young. An independent report by them is available on pages 111 to 114 of this report.

Board Responsibility Statement

The HFP Group Board acknowledges its responsibility to ensure the accuracy of the Integrated Annual Report for FY 2022/23. The Board has applied its collective expertise to assess the content of the report and is of the opinion that this report addresses all material issues and presents a fair and accurate view of Group performance in the year under review.

Signed for and on behalf of the Board,

Feedback on the Report

The Board welcomes stakeholder feedback on this Integrated Annual Report and requests that all feedback and queries be directed to:

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

Our Purpose, Vision, Mission and Values

Our Purpose

"Inspire Innovative and Inclusive Eco-Friendly living".

Vision

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

Mission

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

Hayleys Values

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

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

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

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

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

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

S - Social Responsibility as a Good Corporate Citizen - caring for the communities in which we work, actively supporting their growth and being environmentally responsible in all we do
&
I - Innovation - transforming ideas into products and services to create economic, social and environmental value in the pioneering spirit of Hayleys

Historical Milestones

2018

* Invested in Backward Integration Projects at Madampe

* Commenced trading business from Bonterra Ltd

2019

* Invested 74% stake in Creative Polymats (Pvt) Ltd

2020

* Implemented SAP S4 Hana System

* Capacity enhancement by 50% in Bonterra Ltd

2021

* Ordinary shares of the Company was sub-divided 01 : 03 shares

* Hayleys Fibre PLC won the “Bronze Award” at the 56th Annual Report Awards conducted by CA Sri Lanka

2022

* Recorded highest Dividend per share

* Acquisition of Bingiriya property

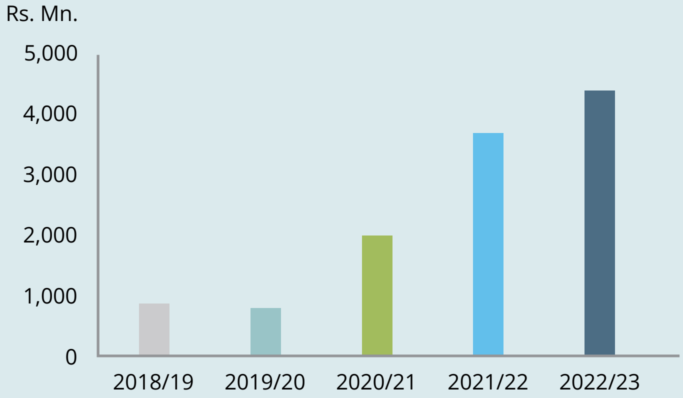
2023

* Crossed Rs:4 Billion in turnover and reported a profit before tax of Rs.465 million

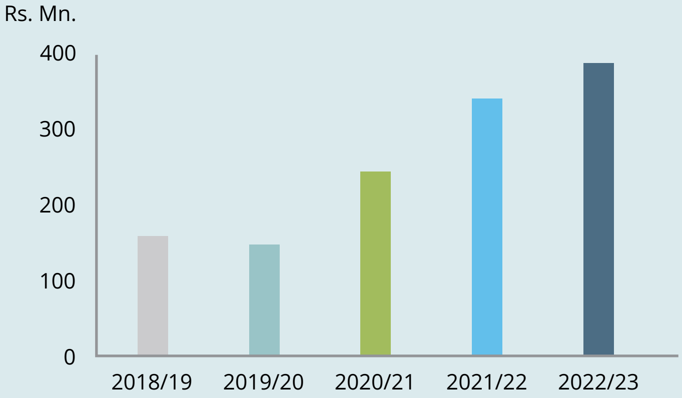
Financial Highlights

	2022/2023 Rs. Mn	2021/2022 Rs. Mn	Change %
FINANCIAL HIGHLIGHTS			
Revenue	4,389	3,699	19%
Profit before tax	466	439	6%
Tax	(81)	(99)	-18%
Profit after tax	384	340	13%
Dividends	(91)	(96)	-5%
Total assets	3,035	3,411	-11%
Total debt	690	1,149	-40%
Equity attributable to equity holders of the Group	1,408	1,216	16%
Total equity	1,649	1,480	11%
PROFITIBILITY RATIOS			
Gross profit margin	21%	15%	40%
Net profit margin	9%	9%	0%
Return on assets	12%	12%	0%
Return on equity	23%	23%	0%
LIQUIDITY RATIOS			
Working capital	764	840	-9%
Current ratio (times)	1.59	1.52	5%
Quick assets ratio (times)	0.79	0.99	-20%
EQUITY RATIOS			
Net assets value per share (Rs.)	58.69	50.66	16%
Earnings per share (Rs.)	12.43	8.25	51%
Dividend per share (Rs.)	3.80	4.00	-5%
Highest market price per share (Rs.)	84.90	99.90	-15%
Lowest market price per share (Rs.)	40.10	44.50	-10%
Closing market price end of the financial year	50.10	55.10	-9%
DEBT RATIOS			
Debt to equity	42%	78%	-46%
Interest cover (times)	3	5	-40%
Assets to equity ratio	184%	230%	-20%

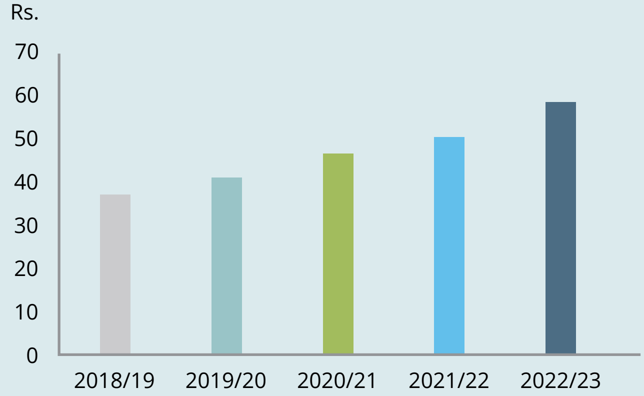
Highlights of the Year



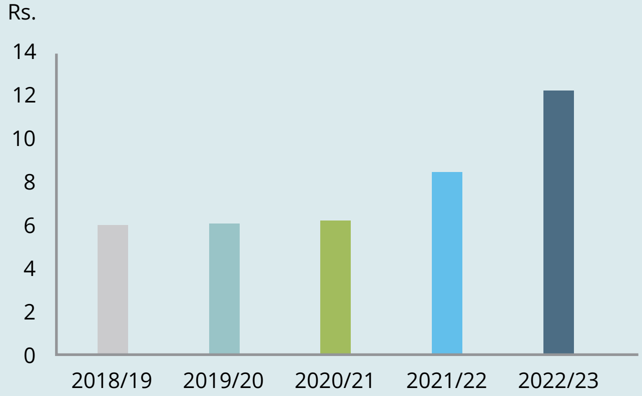
Revenue



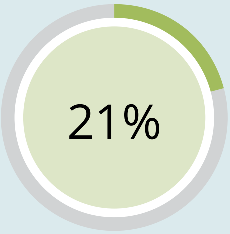
PAT



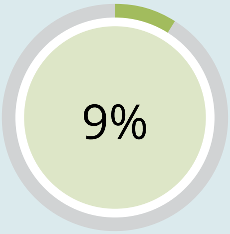
Net Asset per Share



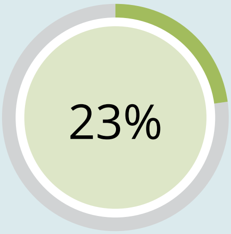
EPS



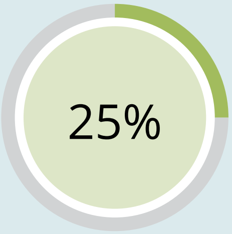
Gross Profit Margin



Net Profit Margin



ROE



P/E Ratio

4,389
Revenue
(Rs. Mn)

466
Profit Before Tax
(Rs. Mn)

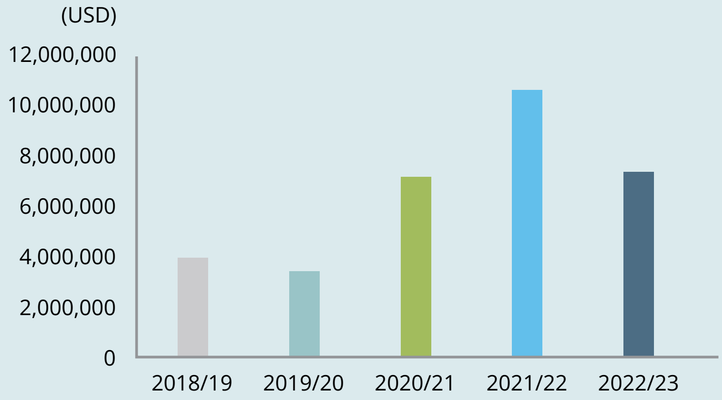
384
Profit After Tax
(Rs. Mn)

3,035
Total Assets
(Rs. Mn)

Socio Economic Impact

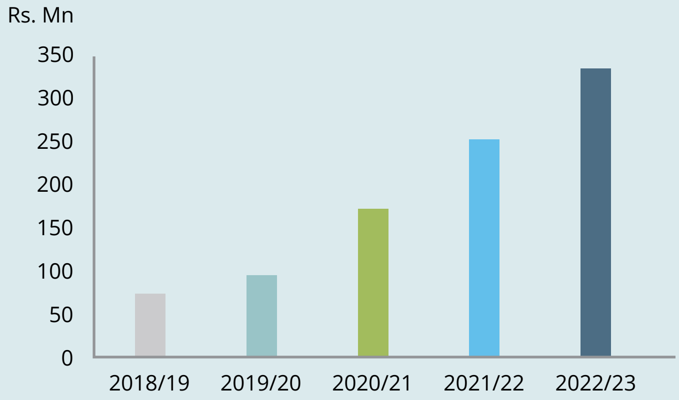
GRI 201-1 204-1

Inflow of Foreign Exchange to the Country



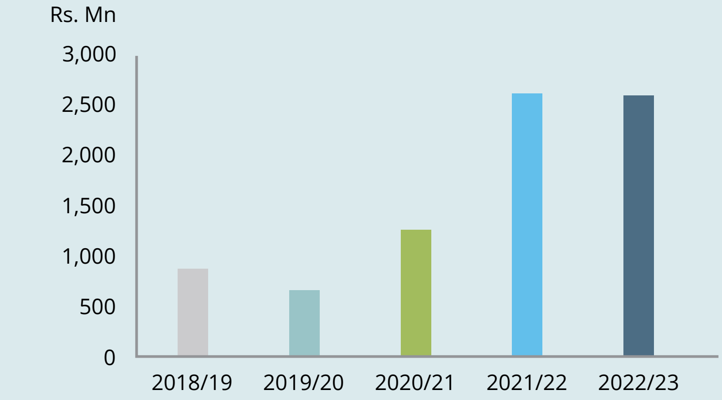
Inflow of Foreign Exchange

Employment Opportunities



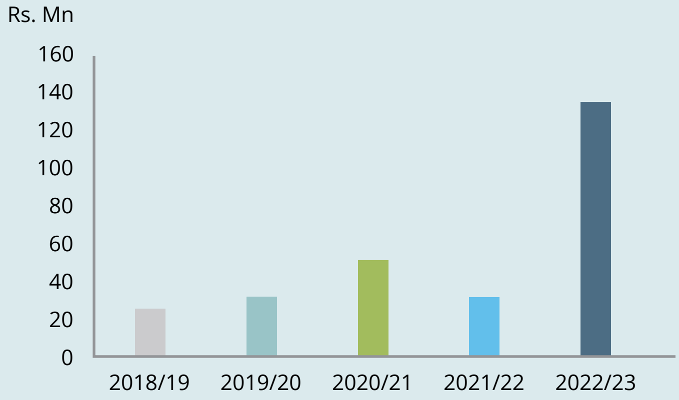
Payments to employees

Support for the SME Sector



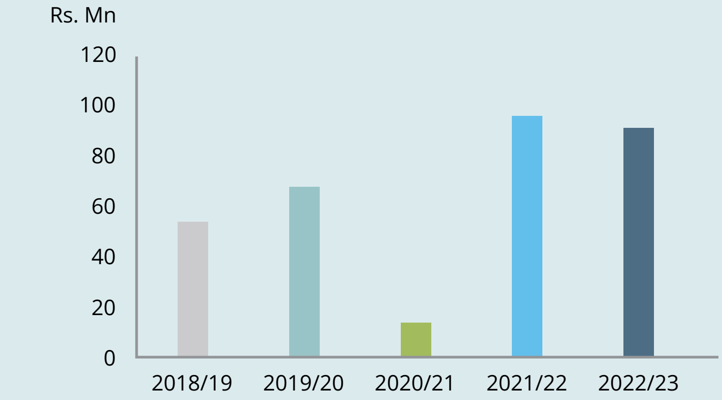
Payments to local suppliers

Contribution to Government Revenue



Taxes paid

Wellbeing of People and Community



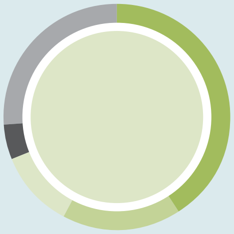
Dividend paid to Shareholders

Socio Economic Impact

GRI 201-1

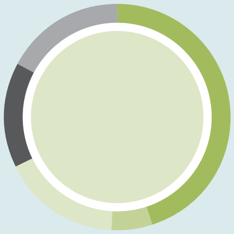
Statement of Value Added

	Group				**Company**			
For the year ended 31 March	2023		2022		2023		2022	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
Revenue	4,388,616		3,698,646		1,977,544		1,695,787	
Other income	23,726		70,397		152,130		146,200	
	4,412,342		3,769,043		2,129,674		1,841,987	
Less: Cost of materials and other costs	(3,596,491)		(3,208,314)		(1,604,296)		(1,525,403)	
	815,851		560,729		525,378		316,584	
Distribution of value added								
Employees	332,977	41	250,530	45	179,363	34	122,343	39
Government	134,893	17	31,398	6	54,198	10	7,800	2
Shareholders	91,200	11	96,000	17	91,200	18	96,000	30
Amounts set aside for provisions	41,782	5	86,157	15	(9,872)	(2)	36,435	12
Profit retained	214,999	26	96,644	17	210,489	40	54,006	17
	815,851	100	560,729	100	525,378	100	316,584	100



Group Value Distribution
In 2022-23

- ■ Employees 41%
- ■ Government 17%
- ■ Shareholders 11%
- ■ Amounts set aside from Profit Retained 5%
- ■ Profit Retained 26%



Group Value Distribution
In 2021-22

- ■ Employees 45%
- ■ Government 6%
- ■ Shareholders 17%
- ■ Amounts set aside from Profit Retained 15%
- ■ Profit Retained 17%

Awards and Recognition

One of the leading manufacturer and exporter of traditional and value-added coconut fibre products in Sri Lanka; Hayleys Fibre PLC reputed globally for its innovative and tailor-made solutions for a diverse customer base. Endorsing the above merit, we have received following awards for the year under review.

Silver Award- Coconut & Coconut Products Sector (Large category) at National Chamber of Exporters of Sri Lanka - Hayleys Fibre PLC

Silver Award- Coconut & Coconut Products Sector (Large category) at National Chamber of Exporters of Sri Lanka - Bonterra Ltd.

Awards for excellence in Total Productivity Management (TPM) at Institute of Lean Management (ILM) awards Ceremony

Winner at Hayleys Chairman's awards for fibre feeding automation (Process optimization)

Compliance award for Hayleys Fibre PLC annual report at the 57th Annual Report Awards Ceremony conducted by CA Sri Lanka, in the category of manufacturing companies with turnover up to Rs. 10 Bn in 2022

Chairman's Message

HEALTHY PAT SAW GROUP ROE AND ROCE REACHING 23% AND 31% RESPECTIVELY IN FY 2022/23

It is with great pleasure that I present to you the Annual Report and Financial Statements of Hayleys Fibre PLC for the year ending 31st March 2023.

Macro Economic Overview

The year 2022 was marked by severe negative headwinds both locally and globally, which impacted all spheres of our operations.

On the global front, the escalating geopolitical tensions and resultant economic vulnerabilities have overshadowed global growth prospects, with experts warning of a looming recession - a mere three years after the pandemic-induced economic slowdown in 2020. The conditions across advanced economies appear to have worsened throughout the year, on the back of rising inflationary pressures and an aggressive tightening of the monetary policy, with a knock-on effect affecting the prospects of emerging economies as well.

Locally, we saw the Sri Lankan economy hurtling towards another crisis, triggering deep contractions and socio-economic scarring across all key sectors. The situation was further aggravated by rising interest rates, low market liquidity and soaring inflation. The magnitude of the impact was evident in the overall GDP contraction of 7.8% in 2022, a sharp contrast to the 3.5% expansion recorded in 2021.

Strategy and Focus

Caught in the crosshairs, the HFP Group resolved to take early action to fortify its business against these global and local undercurrents. Inventory, liquidity, cost control and supply chain resilience were collectively earmarked as overriding priorities, and our teams worked under the guidance of the Hayleys Group Management Committee to reconstitute the internal risk architecture across each of our businesses to achieve the collective results.

Simultaneously, in response to the demand downturn from many of our key markets, we redoubled efforts to strengthen our global market outreach across untapped territories. To that end, considerable resources were also channeled towards research and new product development.

Based on a more holistic approach, we mobilised our cash flows to reduce our gearing position, with a focus on strengthening the Group balance sheet, whilst insulating our business against the rising finance costs stemming from the current interest rate hikes.

Locally, we saw the Sri Lankan economy hurtling towards another crisis, triggering deep contractions and socio-economic scarring across all key sectors. The situation was further aggravated by rising interest rates, low market liquidity and soaring inflation. The magnitude of the impact was evident in the overall GDP contraction of 7.8% in 2022, a sharp contrast to the 3.5% expansion recorded in 2021

Financial Performance

Leveraging the collective organisational resilience, and the drive of individual businesses to accomplish anticipated strategic outcomes, enabled the HFP Group to stay on course to deliver solid financial results for FY 2022/23. Group revenue was up by 19%, from Rs. 3,699 million, in 2021/22, to Rs. 4,389 million for the year ending 31st March 2023. Strong revenue results translated into a healthy bottom line performance, with Group PAT improving to Rs. 384 million, from Rs. 340 million in the previous year. This is all the more commendable given the sizeable increase in corporate tax rates under the newly introduced tax regime.

Healthy PAT saw Group ROE and ROCE reaching 23% and 31% respectively in FY 2022/23.

The HFP Group declared and paid a dividend of Rs. 3.80 per share to its ordinary shareholders, denoting a dividend payout ratio of 30% over the 48% reported the year before.

Governance and Stewardship

Throughout the year, the HFP Group Board and its Committees took a number of key decisions and administered a range of interventions and engagement, from approving refinements to the Group's strategy, to overseeing the performance of each of the businesses. Further reiterating their commitment to the highest standards of corporate governance, the Board also reviewed all policies, procedures and compliance protocols to determine their alignment with the latest good governance practices.

In a major milestone during the year, the HFP Group formulated its corporate purpose: "Inspire Innovative and Inclusive Eco-friendly Living". The Purpose articulates the Group's overarching reason for existence in the broader economic, social and environmental context and will provide a solid foundation upon which the Group can drive its triple bottom line and aspirations for value creation.

Meanwhile, in order to reflect the considerable evolution of the HFP Group in recent years, the Board decided to re-evaluate the culture and values of the Group. These will be deliberated by the Board and management in the forthcoming financial year, bearing in mind the inputs from our stakeholders, including employees.

ESG Goals

Inspired by the recently launched Hayleys Lifecode, the HFP Group Board initiated a coordinated effort to advance its own environmental, social and governance (ESG) agenda. Taking its first step, a 3-year ESG road map was drawn up, outlining the broad goals for the next few years. A short to medium term approach was deemed more effective as it would serve as the ideal learning ground for HFP to identify and calibrate its ESG priorities, before embarking on systematic efforts to embed more time sensitive targets in the coming years.

Looking Ahead

Based on the current predictions, it seems world-wide recessionary conditions will persist with the deepening stress on advanced economies likely to weaken consumer sentiments, lower household spending and shrinking capital outflows.

On the local front, Sri Lanka is expected to make steady progress in correcting economic imbalances, thus paving way for the restoration of macro-economic stability, long-term prosperity and equitable growth. The approval of an Extended Fund Facility by the IMF together with coordinated policy interventions to regain macro-economic stability, is expected to provide the impetus for a much needed reset for Sri Lanka's economy. It is also encouraging to see experts suggesting that inflationary pressures are likely to ease in 2023 reflecting moderating external pressures and normalisation of supply-side dynamics. Interest rates too will decline gradually as evidenced by its downward trajectory in recent months. Similarly the Sri Lankan Rupee is expected to gradually stabilise towards the latter part of 2023, supported by renewed investor confidence in the economy on the back of greater macroeconomic stability and sustained improvements in the external sector.

Having emerged relatively unscathed by the current challenges, the HFP Group looks to the future with a clear sense of purpose. Our goal would be to build on the accomplishments of this past year by executing strategies that have the potential to deliver consistent growth across all business models in the coming years.

Appreciation

I take this opportunity to extend a special word of appreciation to my colleagues on the Board for their wise counsel and unstinted support at all times.

On behalf of the Board, I wish to acknowledge the respective management teams of all HFP Group companies for their exemplary leadership in honouring our purpose, while producing consistent year on year results. To each one of our employees; the Board is deeply thankful for your perseverance, commitment and contribution towards the Group performance.

To our customers, suppliers, business partners and shareholders; we once again thank you for your ongoing support and belief in what we do. Let me conclude by appreciating your long-standing support - a source of great strength that gives us the confidence to tackle what lies ahead.

Sincerely,

Mohan Pandithage
Chairman

16th May 2023

Message from the Managing Director

GROUP REVENUE GREW BY 19% YEAR ON YEAR TO RS. 4,389 MILLION IN FY 2022/23, AN INCREASE FROM THE RS. 3,699 MILLION RECORDED DURING THE PREVIOUS YEAR. BOLSTERED BY A HEALTHY REVENUE, THE GROUP OPERATING PROFIT INCREASED BY 58% YEAR ON YEAR.

After over two years of battling the pandemic, we were quite enthusiastic to see what we could achieve in our first full year of operations in the post-pandemic era. However, an unexpected turn of events left Sri Lanka at yet another tipping point, rendering the FY 2022/23 an incredibly challenging one. Nonetheless, I am pleased to announce that the Hayleys Fibre PLC (HFP) Group stands among the elite few who defied the odds by surpassing their expected results for the year.

Group revenue grew by 19% year on year to Rs. 4,389 million in FY 2022/23, an increase from the Rs. 3,699 million recorded during the previous year. Bolstered by a healthy revenue, the Group operating profit increased by 58% year on year. The Group's cash generated from operating activities

Message from the Managing Director

showed a net positive position of Rs. 771 million as at 31st March 2023, compared with the Rs. (328) million at the end of the previous year. With the positive cashflows being mobilised towards the settlement of long-term interest bearing borrowings, the Group's debt to equity ratio declined to 42% in the reporting period, from 78% in the preceding year.

Building Our Defences

Sri Lanka's economic crisis has left all sectors of the economy scrambling to cope with the soaring inflationary pressures and a rising interest rate on top of rolling blackouts and a massive shortage of the basics, including fuel and essential inputs for many of the Country's core sectors.

Springing into action at the onset of the economic fallout, we at HFP demonstrted our agility by gearing up to face the future uncertainties. Being a predominantly export oriented operation, we redirected our financial resources towards building up emergency fuel stocks and other essential imports to ensure the continuity of our operations, whilst avoiding a breakdown of our supply chains, especially during the fuel crisis. Meanwhile, preempting setbacks that could potentially delay our delivery timelines, we leveraged on Group synergies to expedite freight capacity planning on key export routes.

In light of the surging inflation, we remained tenacious in our pursuit of cost efficiencies with a range of target-driven initiatives rolled out at every level of the business, which I am pleased to say has kept operational costs closer to our budgeted range. Similarly, the efforts to control finance costs were led by broad based liquidity management strategies to reduce Group gearing.

> **In light of the surging inflation, we remained tenacious in our pursuit of cost efficiencies with a range of target-driven initiatives rolled out at every level of the business, which I am pleased to say has kept operational costs closer to our budgeted range. Similarly, the efforts to control finance costs were led by broad based liquidity management strategies to reduce Group gearing**

We continued to mobilise resources to secure the commitment of our people during these challenging times.

Taking a unique approach to address the mounting food security concerns, we launched a vegetable cultivation project where we allocated a small land area at each of our plants and supplied the seeds and growing media to motivate employees to grow vegetables and share the harvest with their co-workers.

With the support of these proactive efforts, we were able to ensure that no work days were lost and the average capacity utilisation at all our plants remained stable throughout the year.

Strengthening Our Core

Seeing some of our conventional markets for coir fibre products coming under pressure owing to geopolitical issues, we strategically diversified into new non-traditional global markets. Being part of a focused de-risking strategy to reduce the dependency on traditional Russian and EU markets, the market penetration approach for non-traditional markets was twofold - to promote our existing generic products while driving the premium branded line of growing mediums under the "Haygreen" label. To that end, several new innovations including coir based growing media with increased water retention properties, strawberry charcoal briquettes and fertiliser enriched growing media, were launched. I am highly encouraged by the strong positive traction, buyers are showing for these innovative products, which have already witnessed our order books filling up.

Taking early action to scale up our capacity in anticipation of the future demands, we invested Rs. 143 million in our facilities, improving the capacity and storage in the year under review.

After experiencing a tough first six months, our mattress business that caters to the domestic market, rebounded strongly in the second half of the current financial year. At a time when many of our competitors were stymied by raw material scarcities and other limitations, we capitalised on our core competencies including the scale advantages to grow market share in the domestic mattress market.

Commitment to Sustainbility

Given that our business revolves around capturing waste material from the coconut industry to produce coir fibre products that when used will never sustain any damages to the environment, it is clear that the very purpose of our organisation is to create sustainable value. However, we do not want to rest on these laurels alone and want to drive sustainable change across a broader spherical context. To that end we undertook an ambitious exercise in the current financial year to develop a more target driven agenda that will underpin our value creation efforts over the next few years.

Looking Ahead

As it stands now, it seems obvious that Sri Lanka's return to the path of economic growth is several months away. On the global front too, I expect demand from our traditional markets to remain muted, especially given that it appears unlikely that the ongoing geopolitical issues will be resolved any time soon. Market uncertainty is likely to be further exacerbated as the global recessionary conditions intensify over the next twelve months.

That said, the HFP Group looks forward to the future with cautious optimism. If this past year has proven anything, it is that the HFP Group comprises business models that are simultaneously robust, resilient and relevant. While I remain confident that the hard work we have put in this past year to build our defenses and strengthen our core competencies will no doubt hold us in good stead in tackling what lies ahead, it is important to remember that our competitive landscape both globally and locally is evolving at a faster pace than ever before.

It is therefore critical that we make a concerted effort to invoke the scale advantages across all our business models. As part of our medium term plan, we are considering expanding our backward integration to achieve greater supply chain security, while the long term plan hinges on delving deeper into our markets based on systematic product diversification, in particular through proprietary innovations that will guarantee first mover advantage in all key customer markets.

Appreciations

I would like to take this opportunity to appreciate my Management Team and all HFP Group employees for setting an extraordinary example of commitment and professionalism in taking the Group forward in these uncertain times.

I am immensely grateful for the support of our valued customers, suppliers, business partners and distributors in Sri Lanka and around the world, for their trust and confidence in what we do.

I thank the Export Development Board for their assistance this past year and always.

And finally to conclude, I wish to express my sincere appreciation to our Chairman, the Board of Directors and the Hayleys Group Management Committee for their steadfast support and insightful leadership which has proved instrumental in steering the HFP Group not just onwards, but upwards.

Rajeeve Goonetileke
Managing Director

16th May 2023

Business Model

Input

Financial Capital
Equity Capital - Rs. 1,649 million
Debt Capital - Rs. 690 million
Investor Capital - Rs. 80 million

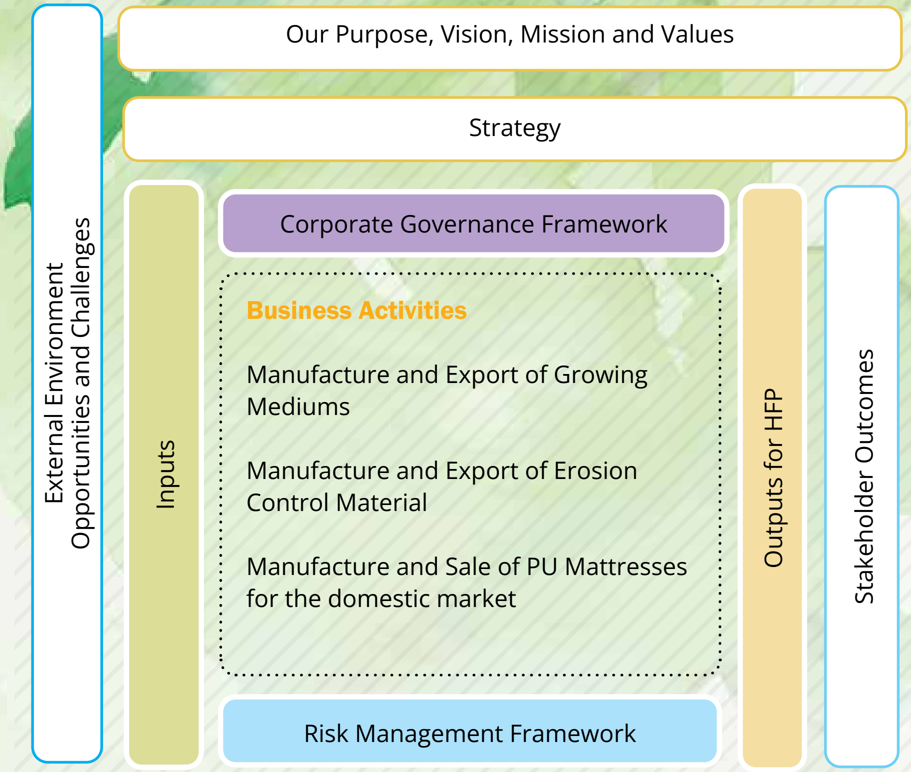
Manufactured Capital
Total Investment in Property Development
Machinery and Equipment - Rs. 143 million to date
Hayleys Fibre PLC Plant - Kuliyapitiya
Hayleys Fibre PLC Plant - Bingiriya
Hayleys Fibre PLC Plant - Madampe
Bonterra Ltd Plant - Kuliyapitiya
Creative Polymats (Pvt) Ltd Plant - Dankotuwa

Intellectual Capital
Brand Reputation
Standards and Certifications
AQL 2.5 Quality Inspection Guidelines
ISO 9001 Total Quality Management Standard
SLS 1335:2008 Sri Lanka Standard Specification for Polyurethane Foam Mattresses
Team Expertise
Research and Development

Human Capital
384 Employees
Compliance and Best Practices
HR Governance and Policy Framework
Strategic Recruitment
Industry Competitive Remuneration and Benefits
Performance Management
Training and Development
Employee Relations
Occupational Health and Safety
Employee Wellbeing

Social and Relationship Capital
Product Responsibility
Customer Relationship Management
Supply Chain Management
Supplier Development
Community Welfare

Natural Capital
Waste Management
Energy and Emission Management
Managing Water Resources
Training and Awareness
Environmental Projects



External Environment Opportunities and Challenges

Our Purpose, Vision, Mission and Values

Strategy

Inputs

Corporate Governance Framework

Business Activities

Manufacture and Export of Growing Mediums

Manufacture and Export of Erosion Control Material

Manufacture and Sale of PU Mattresses for the domestic market

Risk Management Framework

Outputs for HFP

Stakeholder Outcomes

Outputs for HFP Group

- Asset Turnover Ratio – 1.4 times
- Capacity utilisation
- HFP 52%
- BTL 76%
- CPL 57%
- 17% decrease in coir fibre export volumes
- 08 new markets reached
- Launch of a new branded line of growing mediums under the “Hay green” label
- Minimised customer complaints
- Improved industry standards
- Competitive edge through innovation
- Improve reliability of the supply chain
- Enhanced operational efficiency
- Higher employee productivity
- Minimised lost days
- Strong community ties

Stakeholder Outcomes

Shareholders

ROE - 23% (23% - FY 2021/22)
Dividend per share - Rs. 3.80 (Rs. 4.00 - FY 2021/22)
Consistent improvement in net assets per share

Customers

Assurance of guaranteed high quality products
Product customisation
Access to the latest innovations
100% customer satisfaction
Minimised defects

Employees

Monetary Benefits Distributed - Rs. 333 million
(Rs. 251 million - 2021/22)
Ratio of entry level wage between men and women 1:1
Incidents of discrimination - None
294 job opportunities created through recruitments
06 employees were promoted
5,957 skill training hours
845 hours of safety training
100% reduction in major injuries

Suppliers

Consistent growth prospects for suppliers
Amount paid to suppliers - Rs. 2,579 million
(Rs. 2,619 million - 2021/22)

Community and Environment

Support for the national healthcare system
195 MT of waste recycled
Managing Scope 1 emissions
Managing water consumption

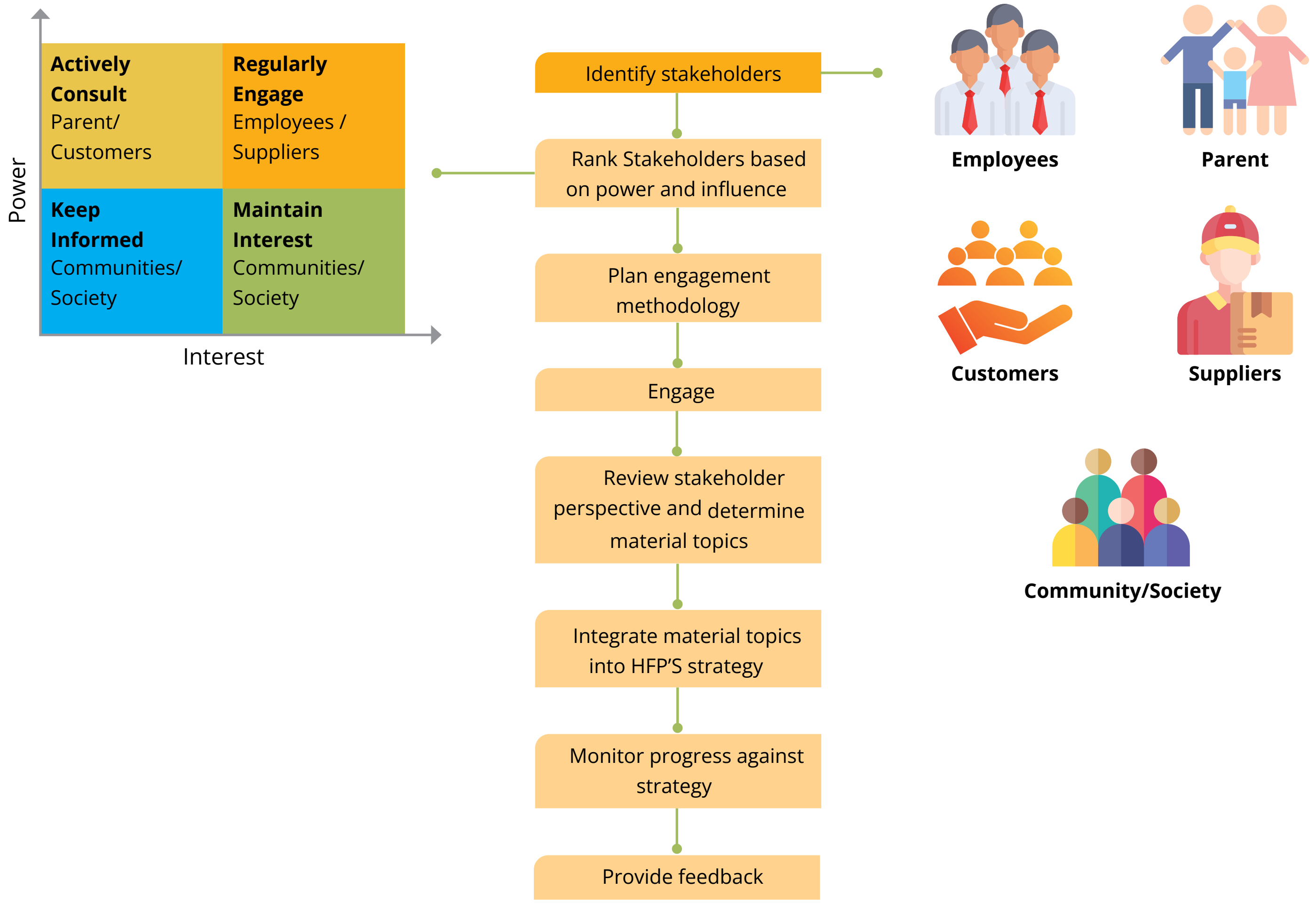
Stakeholder Engagement

GRI 2-29

At HFP, we recognise the importance of proactively responding to our stakeholders' interests. We do this through constructive and open dialogue which allows us, not only to understand stakeholder expectations, but also to give stakeholders a better understanding of our business operations strategy, including our short, medium and long- term plans. We use these interactions as an opportunity to outline the progress we are making against these targets and how each stakeholder can contribute towards advancing our efforts.

For this reason, we have implemented a highly streamlined eight-point approach towards stakeholder engagement, which is aimed at building strong relationships with stakeholders, based on trust and mutual respect.

Hayleys Fibre PLC Power/Interest Grid



Actively Consult Parent/ Customers	**Regularly Engage** Employees / Suppliers
Keep Informed Communities/ Society	**Maintain Interest** Communities/ Society

- Identify stakeholders
- Rank Stakeholders based on power and influence
- Plan engagement methodology
- Engage
- Review stakeholder perspective and determine material topics
- Integrate material topics into HFP'S strategy
- Monitor progress against strategy
- Provide feedback

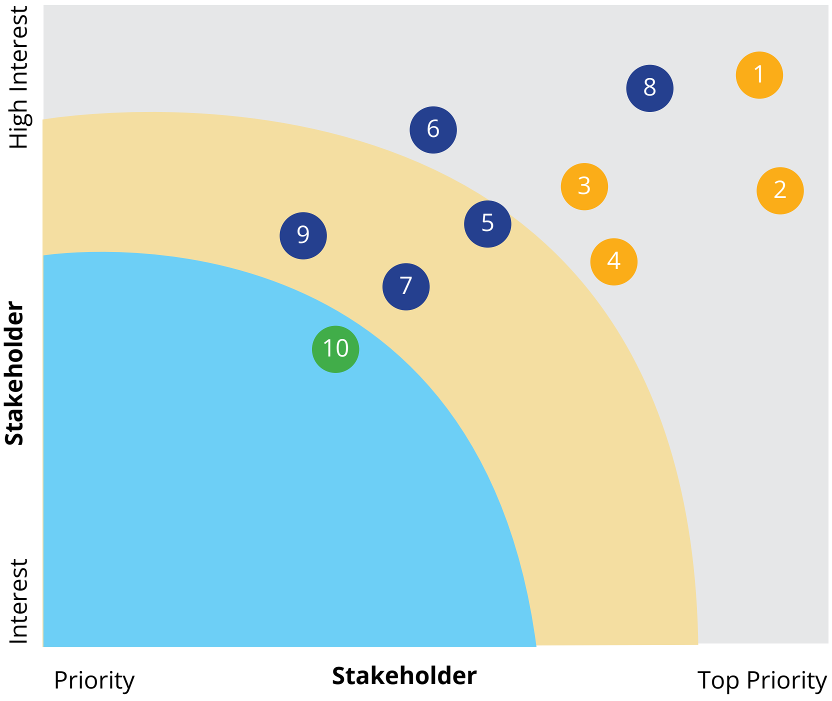
Stakeholder Group	Medium and Frequency of Engagement	Key Concerns Raised	Our Response	Responsible Authorities
Parent	Monthly management meetings with Hayleys Group Management Committee	Delivery of consistent financial results to augment the Group's overall vision	- Continuously monitor and measure progress against Group goals - Revenue diversification and cost management - Strengthen business resilience through effective risk management - Improve productivity through continuous innovation	HFP's Managing Director and Corporate Management Team
Employees	- Monthly meetings with trade union representatives - Daily/weekly team briefings at plants - Plant visits by HFP's Management Committee - Annual Management Committee forum - Annual Performance Review Meeting - Internal communications (continuous) - Open Door Policy (As needed)	- Fair employment terms including equitable pay and benefits and opportunities for training and development - Safe working environment - Long-term career prospects	Create a dynamic workplace where all employees are inspired and encouraged to aim for continuous personal and professional growth Refer Human Capital Report on pages 64 to 73	HFP HR Department and Hayleys Group HR Department
Customers	- Continuous interaction through one-on-one meetings - Participation in trade fairs and other promotional activities	- Product Quality and Safety - Product Availability - Price Competitiveness - On-time delivery	- Produce and deliver high quality products as per customer - specifications supported by on-time delivery Refer Social and Relationship Capital Report on pages 56 to 63	HFP's Managing Director and Marketing Team
Suppliers	- Ongoing interactions with local and overseas suppliers - Supplier on-boarding (as needed) - Annual evaluation of local suppliers	- Fair pricing - On-time payments - Opportunities for business expansion	- Honour all supplier commitments on time and without delay - Diversify the supply chain to provide opportunities for new entrants Refer Social and Relationship Capital Report on pages 56 to 63	HFP Group Central Procurement Team
Community/ Society	Continuous and ongoing engagement with community members in and around plants	Assistance to improve community infrastructure	Community capacity building initiatives Refer Social and Relationship Capital Report on pages 56 to 63	HFP's and Group's Sustainability Team

Material Topics

GRI 3-1, 3-2, 3-3

Material Topics are those aspects that have the most impact on our ability to create long-term value. Taking a 360-degree approach to identify Material Topics across all aspects of our business, we assess the risks and opportunities posed by our operating environment, review industry-specific issues, consult with our stakeholders and consider issues identified through our grievances mechanisms. The Material Topics identified in this way are further scrutinised to assess the significance of negative and positive impacts, taking into account the severity, likelihood, scale and scope of such impacts to both the business as well as our stakeholders. These findings are mapped on a Materiality Matrix which is used to inform the Board and Senior Management to reshape the Company's strategy.

Materiality Matrix



Economic

- ① Consistent Returns
- ② Cash Flow Position
- ③ Market Expansion
- ④ Competitive Position

Social

- ⑤ Customer Loyalty
- ⑥ Employee Retention
- ⑦ Employee Motivation
- ⑧ Supply Chain Partnerships
- ⑨ Community Relationship

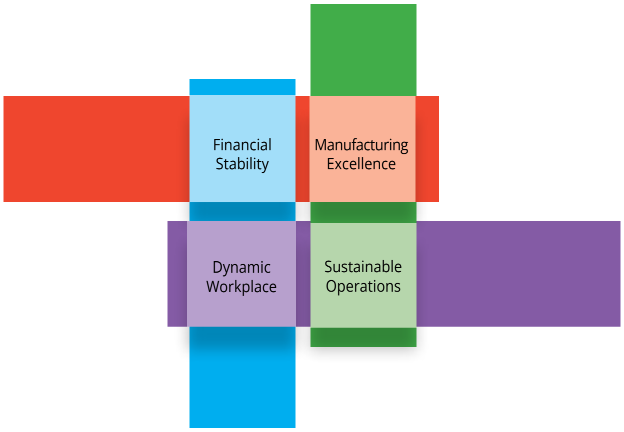
Environment

- ⑩ Environmental Stewardship

Materiality Matrix

Material Topic	Impacts	Management Approach
Consistent Returns	Enhances shareholder returns and improves long-term business prospects	Board approved strategic plan supported by strong risk and governance frameworks
Cash Flow Position	Safeguards business continuity, improves business resilience times and ensures stakeholder value creation targets are met	Effective treasury management and contingency funding plans
Market Expansion	Fuels current and future business growth	Board approved marketing strategy to drive global market development and market penetration
Competitive Position	Drives captive market share and supports business resilience	Holistic strategy to ensure productivity and cost efficiency at all levels of the business
Customer Loyalty	Creates a platform for sustained growth	Continuous and ongoing interaction to build customer trust
Employee Retention	Ensures year round uninterrupted business operations	Best in-class employee value proposition
Employee Motivation	Improves productivity and drives efficient operations	Talent development and succession planning
Supply Chain Partnerships	Continuous availability of raw materials to minimise business disruption	Supply chain management programme and supplier development initiatives
Community Relationships	Builds brand trust and enhances the Company’s reputation and standing	Board approved CSR programmes
Environmental Stewardship	Strengthens the Company’s credentials as a responsible corporate	Board approved Environmental Policy and Hayleys Group Lifecode

Business Strategy



Our strategy is designed to support HFP's purpose "Inspire Innovative and Inclusive Eco-Friendly living", vis-a-vis four strategic imperatives - financial stability, manufacturing excellence, dynamic workplace and sustainable operations.

These four strategic imperatives provide the impetus for our resource allocation decisions. Our goal is to achieve the optimal allocation of resources for each strategic imperative, considering both the risks and opportunities in driving each. Achieving this optimal balance often involves a combination of financial, human, physical and digital resources as well as knowledge-based systems.

Financial Stability	
Risks	- Stiff competition from new and emerging global players - Rapid change in customer behaviour patterns
Opportunities	- Continuously evolve the product suite with the inclusion of first to market products
Resources Allocated	- Rs. 11.54 million incurred on marketing and promotional activities to capture new markets - Focus on innovation and new product development - Effective management of gearing
Value Created	- 17% decrease in coir fibre export volumes - 08 new markets reached - Launch of a new branded line of growing mediums under the "Haygreen" label - Reduce gearing ratio to 29%
Focus for the Future	- Deepen the penetration into non-traditional markets - Appoint product specific agents/distributors in key markets to promote the "Haygreen" globally

Manufacturing Excellence	
Risks	- Rapid evolution in global technology resulting in outdated or obsolete machinery and equipment - High cost of imported machinery due to the devaluation of the LKR against the USD
Opportunities	- Pursue external partnerships to access technical knowledge to improve operational efficiencies - Explore the possibility of local fabrication of machinery for bespoke needs of the Company - Early adoption of best practices
Resources Allocated	- Rs. 72 million invested on account of machinery upgrades - Rs. 22 million invested to support in-house fabrication of machinery for HFP - Rs. 58 million incurred in maintenance and upkeep - Annual ISO 9001 Quality Management Standard
Value Created	- Asset turnover ratio - 1.4 - Capacity utilisation » HFP 52%, BL 76%, CPL 57% - 100% customer satisfaction - Minimise defects - Minimise customer complaints
Focus for the Future	- Invest in backward integration to improve supply chain capacity - Establish and develop exclusive supplier base for the sector

Dynamic Workplace	
Risks	- High attrition rate of unskilled labour at factory level - Skilled labour migration for overseas employment opportunities
Opportunities	- Undertake succession planning to improve employee career alignment - Invest in leadership development to build a reliable talent pipeline for all key positions
Resources Allocated	- Annual performance appraisal for all employees - Rs. 1.28 million invested on training and development - Rs. 6.14 million invested in strengthening safety systems
Value Created	- 6 nos employees were promoted - 5,957 skill training hours - 845 hours of safety training - 100% reduction in major injuries
Focus for the Future	- Obtain the ISO 45001 Occupational Health and Safety Standard certification - Establish dedicated learning centres at each plant to support continuous learning

Sustainable Operations	
Risks	- Atmospheric changes affecting temperature and precipitation levels in coconut growing regions leading to lower average yields during cropping season - Scarcity of raw materials due to fragmentation of coconut lands to facilitate urbanisation and due to pest attacks
Opportunities	- Invest in renewable energy - Use of low toxicity chemical agents - Use of biodegradable/reusable waste materials
Resources Allocated	- Established plant-specific industrial waste management guidelines - Established secondary spill containment units at all plants
Value Created	- 195 MT waste recycled - Managing scope 1 Emissions - Managing water consumption
Focus for the Future	- Implement the ISO 14001 Environment Management Standard Certification by end 2023 - Prepare a GHG Inventory report using 2023/24 as the baseline

Approach to Sustainability and Commitment to SDGs

GRI 2-22

Sustainability remains the cornerstone of HFP's strategy, business and decision-making processes. Our approach to sustainability is founded on the Hayleys Lifecode, which sets out the key environmental, social and governance (ESG) priorities across the value chains of all Group Companies. Considering the Lifecode as an overarching mandate, HFP's advocacy of ESG is based on further customisation that includes target setting and predefined key performance indicators to manage specific ESG matters relevant to business. In doing so, we are also guided by the Sustainable Development Goals set out under the United Nations 2030 Agenda for Sustainable Development.

All ESG matters are managed under the purview of the HFP Group Sustainability Champion who operates under the delegated authority of the Hayleys Group Sustainability Team.

Hayleys Lifecode

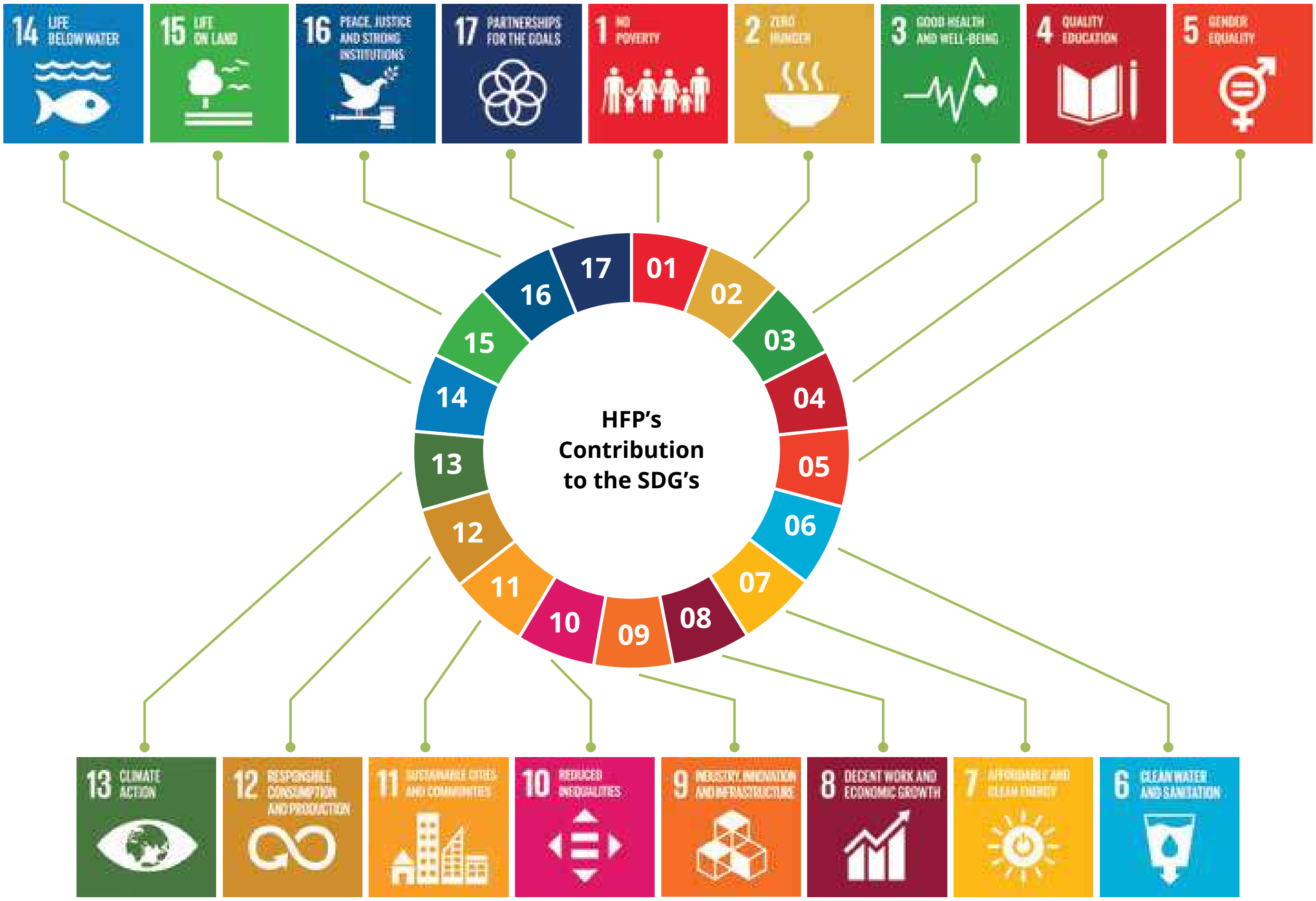
Environment	Social		Governance
» Material and Waste Management Policy » Energy and Emissions Management Policy » Water Management Policy » Biodiversity Conservation Policy » Chemical Management Policy » Sustainability Compliance Guideline	Human Capital	» Disciplinary Policy » Grievance Handling Policy » Recruitment Policy » Learning & Development Policy » Talent Management and Succession Planning Policy » Performance Management Policy » Human Rights Policy » Whistleblower Policy » Anti-Sexual Harassment Policy » Health and Safety Policy	» Board Charter » Board Committee Charters » Stakeholder Engagement » Information Disclosure Policies » IT Policy » Intellectual Capital Policy » Information Security Policy » Business Data Back-up Policy
	Social & Relationship Capital	» Customer Management Policy » Procurement Policy » Community Relations Policy	

2 ZERO HUNGER	Promoting resilient agriculture practices through innovative growing mediums and erosion control systems
3 GOOD HEALTH AND WELL-BEING	Investment in safeguarding the health and wellbeing of employees and the wider community
5 GENDER EQUALITY	Equal opportunity employment for men and women supported by 1:1 salary ratio

6 CLEAN WATER AND SANITATION	Raising awareness among employees and other stakeholders to promote the efficient use of water resources
8 DECENT WORK AND ECONOMIC GROWTH	Non-discriminatory employment supported by fair and equitable remuneration to safeguard the financial wellbeing of employees
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Drive in product and process innovation

10 REDUCED INEQUALITIES	Investment in reducing socioeconomic inequalities among underserved communities
11 SUSTAINABLE CITIES AND COMMUNITIES	Developing sustainable growing mediums to promote growing activity among urban populations
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Minimise waste in manufacturing

15 LIFE ON LAND	Commitment to preserve natural ecosystems
17 PARTNERSHIPS FOR THE GOALS	Partnerships for knowledge enhancement and to drive innovation




Hayleys
Hayleys

ROOTED IN
LONG-STANDING VALUE

Our Product Portfolio

Growing Media

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

Industrial Fibre

Coir Twine, Coir Twisted Fibre and Fibre in raw form

Erosion Control

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

Mattresses

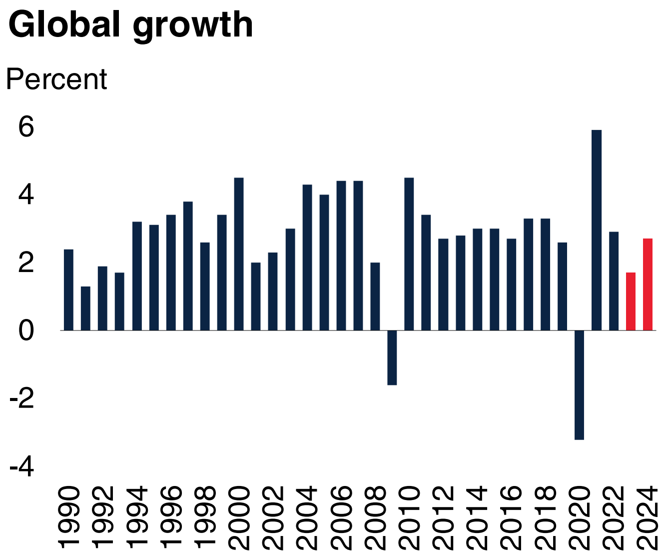
Polyurethane Mattresses, Pillows and Cushions

Operating Environment

Global Economy

Global growth hovered just above the 3% mark in 2022, with experts predicting a return to recessionary conditions, a mere three years after the pandemic induced downturn of 2020.

The performance of advanced economies deteriorated drastically in 2022, owing to declining confidence alongside high inflation and rapid monetary policy tightening. Growth in the United States slowed notably amidst the backdrop of one of the most aggressive monetary policy tightening cycles in its recent history. European region meanwhile continued to be affected by severe energy constraints and price hikes stemming from the escalating geopolitical tensions. As a whole growth in advanced economies slowed to 2.5% in 2022 from 3%+ in 2021.



Emerging market economies were not spared of the economic downturn as most remained under stress owing to weaker external demand and tightening financing conditions. In all, emerging market economies reported growth of 3.8% in 2022, defying its trend of 4%+ growth for several consecutive years in the recent past.

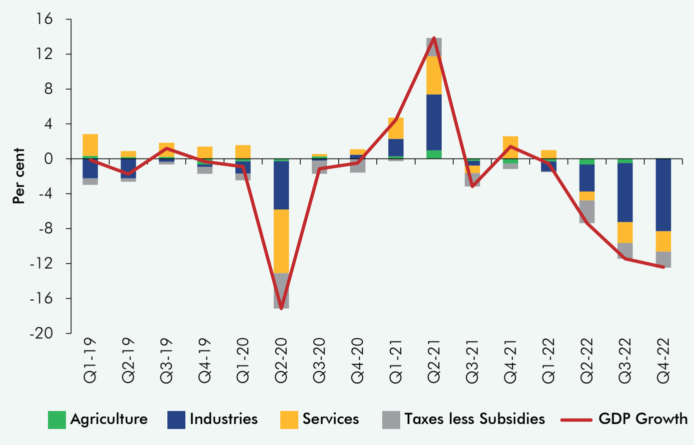
Source: World Economic Prospects (World Bank) - January 2023

Sri Lanka's Economic Context

GDP Growth

The Sri Lankan economy encountered some formidable challenges in 2022 as a consequence of unsustainable macroeconomic policies resulting in the build up of deficit accounts in the budget balance as well the external current account. After exhausting the full extent of its foreign reserves by early 2022, Sri Lanka was left increasingly vulnerable to external forces from both global and domestic sources. The resultant pressure on all key sectors caused an economic regression of epic proportions.

Activity-wise Contribution to GDP Growth

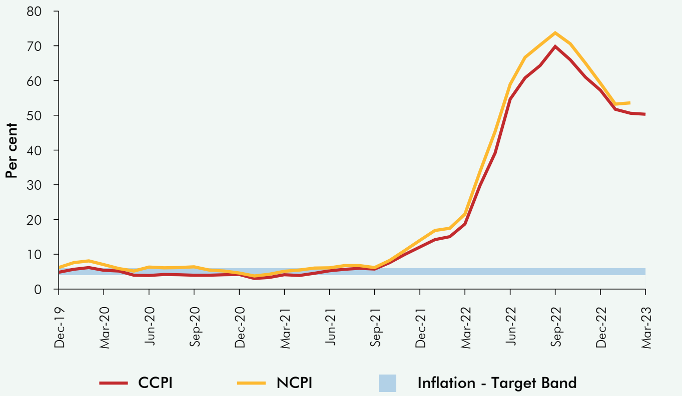


Source: Department of Census and Statistics

Inflation

Headline inflation, as measured by the Colombo Consumer Price Index (CCPI, 2013=100), which was recorded at 12.1% at the end of 2021, shot up to 69.8% in September 2022, reflecting price hikes in food, energy, and transport sectors, rapid adjustments to administered prices, sharp depreciation of the Sri Lanka rupee, and aggregate demand pressures owing to the lagged impact of monetary accommodation undertaken over the past few years, among others.

Headline Inflation (Year-on-Year) (a)



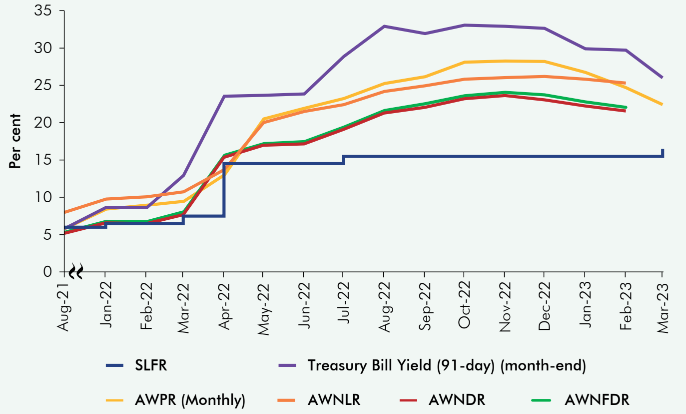
(a) The Department of Census and Statistics (DCS) commenced publishing the NCPI and the CCPI with the new base year, 2021=100, from the data releases of January 2023 and February 2023, respectively, and discontinued the publication of the NCPI and the CCPI with the old base year, 2013=100. Accordingly, data commencing January 2023 in the chart are based on the series with the new base year, 2021=100.

Sources: Department of Census and Statistics
Central Bank of Sri Lanka

Interest Rates

The unprecedented upward adjustment of policy interest began in April 2022, when the CBSL announced a 700 basis points rate hike in an attempt to arrest the build-up of demand driven inflationary pressures.

Movements in the Standing Lending Facility Rate and Selected Market Interest Rates



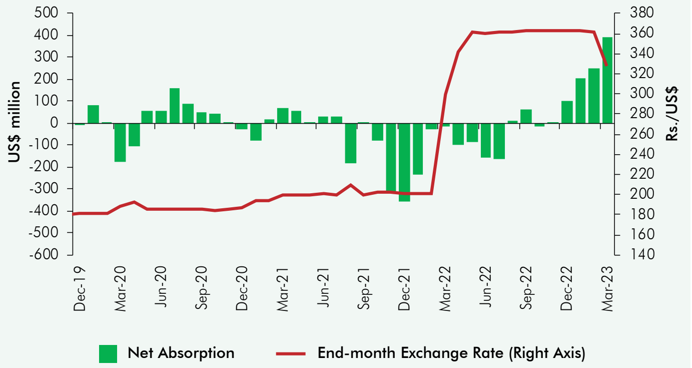
Source: Central Bank of Sri Lanka

Including this first rate hike the Central Bank increased its policy interest rates by a cumulative of 950 basis points in four occasions during 2022, thereby increasing the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate 8% (SLFR) to 14.50% and 15.50%, respectively, by end 2022.

Exchange Rate

The Sri Lanka rupee depreciated substantially by 41.4% against the US dollar by end April 2022.

Exchange Rate and Central Bank Intervention in the Domestic Foreign Exchange Market



Source: Central Bank of Sri Lanka

IMF-EFF Facility

Following the staff level agreement reached with the IMF for the EFF supported programme in September 2022, Sri Lanka secured IMF Executive Board approval for the EFF arrangement of SDR 2,286 million (approximately US dollars 3,000 million) in March 2023, with the first tranche of Special Drawing Rights (SDR) 254 million (approximately US dollars 333 million) being disbursed under the programme in late March 2023.

Source: CBSL AR 2022

Risk Management

GRI 201-2

HFP takes an enterprise-wide approach to managing these key risks. In this regard, we have adopted the Enterprise Risk Management (ERM) model based on the COSO risk framework to integrate risk considerations into our day-to-day activities and support our strategic planning processes.

Our ERM Model revolves around a 7-step Risk Management cycle that starts with setting of Risk Objectives, and then moving onto Event Identification, Risk Assessment, Risk Response, Control Activities, Information & communication and Risk Monitoring

The Board sets objectives that support and propagate the Company's mission and which are consistent with its risk appetite. The process includes reviewing and setting long-term (three-year) objectives and annual objectives with related performance indicators for monitoring purposes. The Senior Management Team takes the initiative in proposing business objectives and these are reviewed and approved by the Board.

The Company recognises internal and external events that affect the achievement of its objectives. The distinction between strategic and operational risks is also important. Further, the applicability of areas of risk identified previously during management discussions, internal audit reports and management letters of external auditors are reviewed to prepare a comprehensive list of risks of the Company.

The likelihood and impact of risks are assessed, as a basis for determining how to manage them. Any significant risks exceeding risk tolerance limits are responded by the management.

The Management selects appropriate actions to align risks with risk tolerance and risk appetite. Depending on the significance of the risk, decisions are taken appropriately to manage the risk by accepting, reducing, sharing or avoiding it. Risk responses identified in relation to set objectives are also documented and reviewed.

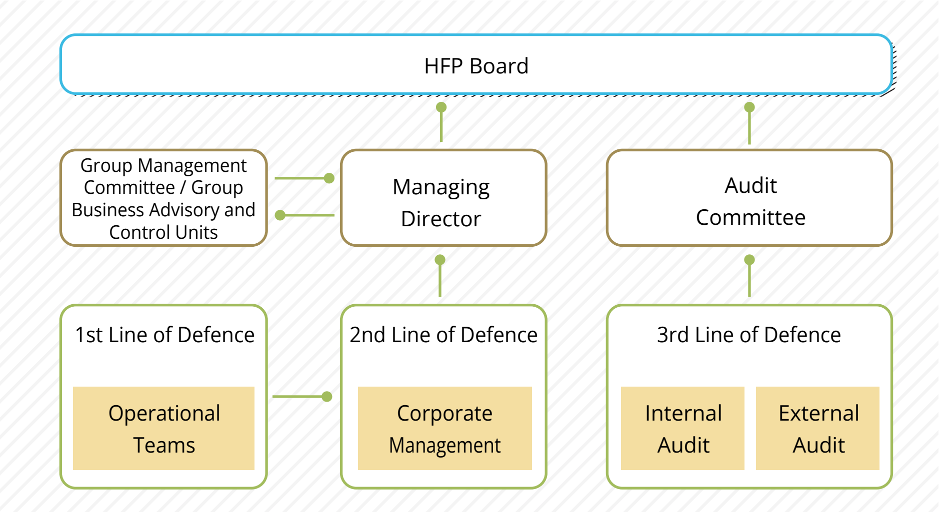
The corporate Management Team and the Senior Managers implement the risk response and action plans are identified, with a view of managing those risks

Documentation and reporting plays a key role in monitoring risk. The Corporate Plan, which includes Objectives and related risks, internal audit reports and management letters of external auditors, are communicated to the management of the Company, the Audit Committee and the Board of Directors of both Hayleys Fibre PLC and its holding Company, Hayleys PLC, for their review and actions.

During the monthly performance review meetings, all significant risks and their action plans are reviewed by the Corporate Management Team and the Group Managers. The Hayleys Group Management Committee, attended by the Managing Director of the Company, also reviews these risk areas on a monthly basis. The Audit Committee, which has the ultimate responsibility of monitoring the process of risk management, reviews the risks and action plans on a quarterly basis and makes recommendations to the Board

Risk Governance based on the "Three Lines of Defence"

HFP's risk governance structure is based on the "Three Lines of Defence", whereby each line has been assigned a specific role and defined responsibilities in such a way that the execution of tasks are separated from the control and monitoring of risks.



The 1st line of defence is formed by the heads of business units who perform the day-to-day operations of the Company. Their primary duty is to follow the appropriate policies and control procedures to create a conducive environment to manage the risks arising in the day-to-day business activities under their purview. They are also required to proactively monitor emerging risk factors that could potentially affect their business decisions over time.

The 2nd line of defence consists of HFP's Corporate Management Team responsible for overseeing the heads of business units to ensure they execute their risk management responsibilities as per approved protocols. In their capacity as the 2nd line of defence, the Corporate Management Team is also tasked with monitoring the Company's risk universe and reporting on any changes that may impact HFP's overall risk profile. The Hayleys Group Management Committee along with the Group business advisory and control units including legal, management audit and system reviews, strategic business developments, treasury, HR and corporate affairs, also play a key role in informing HFP's leadership about the risks applicable to Hayleys Group.

The 3rd line of defence comprises the internal audit function, which is tasked with providing an independent assurance regarding the proper implementation of established risk management procedures at an operational level. The external auditors, through their assessment of HFP's financial statements, confirm HFP's ability to continue as a going concern, thereby indirectly validating the Company's ability to effectively manage risks. The internal audit function and the external auditors report their findings directly to the Board Audit Committee.

Risk Awareness Culture

The success of the "Three-Lines-of Defence" rests on a solid enterprise-wide risk awareness culture. The Board sets the tone from the top via policies and procedures to drive responsible risk management, while the heads of business units are held accountable for making sure all employees under their purview are fully aware of and work according to the risk management processes applicable to their respective area of operation.

Risk Context - FY 2022/23

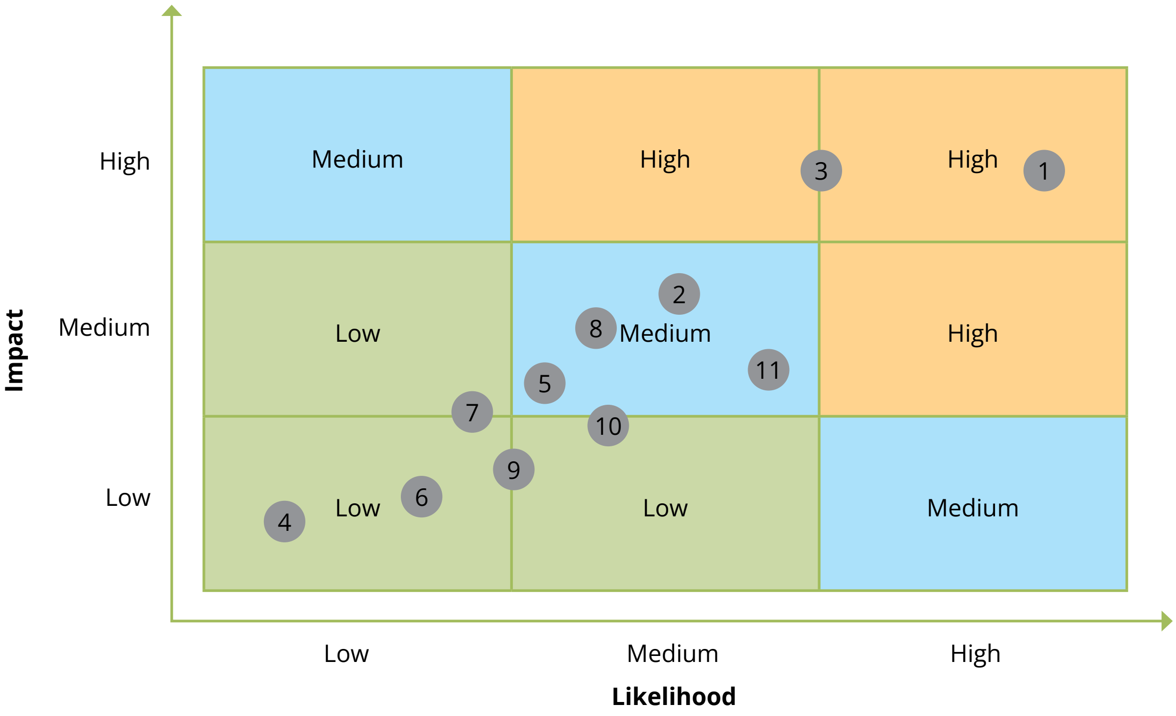
HFP's risk context in FY 2022/23 was influenced by several factors. On the domestic front the impact of the foreign currency liquidity shortage saw Sri Lanka being pushed into severe economic peril, leading to widespread shortages of fuel and other essentials.

Against this backdrop, the government was compelled to take drastic action to reign in the situation. Broad based import restrictions were imposed alongside the devaluation of the Rupee against the USD in order to control foreign currency outflows, while interest rates were raised consecutively several times throughout the year to preserve market liquidity.

As an export oriented business, a devaluation in the rupee is favourable to HFP.

Meanwhile, the geopolitical impact of the Russia/Ukraine war saw a notable slowdown in global economic activity which caused global demand to progressively to weaken during the course of the year.

Risk Management



1 Material Price Risk
2 Foreign Currency Risk
3 Interest Rate Risk
4 Liquidity Risk
5 Default Risk
6 Machinery Obsolescence Risk
7 Strategic Risk
8 Labour Shortages
9 Industrial Health and Safety
10 Suppy Chain Disruptions
11 Competitive Pressure

Risk Assessment Matrix 2022/23

Risk Type	Impact	Likelihood of Occurrence	Mitigating Actions
Material Price Risk	Unplanned cost escalations owing to inflation-induced increase fibre prices in the local market Raw material prices increased by 54% year-on-year	Very High	» Monitor prices/standard cost revisions » Negotiate variable pricing structures with customers
Foreign Currency Risk	Exchange loss on foreign currency denominated assets and liabilities due to exchange rate fluctuations as at the balance sheet date, or when transactions are carried out in foreign currency The rupee depreciated by 71% against the USD	Medium	» Monitor trends and book forward » Maintain a natural hedging of foreign currency denominated assets against liabilities » Increase the proposition of local borrowings to mitigate impacts on currency devaluations » Sri Lanka Export Credit Insurance for Exports

Risk Type	Impact	Likelihood of Occurrence	Mitigating Actions
Interest Rate Risk	Higher finance costs caused by rising interest rates Interest rates increased by 17% year on year	High	» Effective management of working capital » Strike the right balance between fixed and floating rates » Reduce the dependence on borrowings by mobilising built-up internal reserves for business purposes
Liquidity Risk	Lack of adequate funds to support the day-to-day operations of the business	Low	» Effective treasury function to forecast fund requirement and availability » Maintain a portfolio of short-term liquid assets » Maintain continuous funding plan
Default Risk	Cash flow constraints due to bad debts	Medium	» Adherence to the Group Credit Policy guidelines in dealings with customers » Periodic review of receivables, legal and other recovery actions
Machinery Obsolescence Risk	Production downtime caused by old and inefficient machinery and equipment	Low	» Detailed CAPEX plan to support necessary investments in new machinery » Routine maintenance to ensure optimal efficacy of existing machinery and equipment
Strategic Risk	Improper strategies to drive revenue growth, improve productivity and manage cost efficiency	Low	» Board approved strategic plan and annual budget » Proactive monitoring of external environment to ensure ongoing strategic reorientation
Labour Shortages	Lower productivity due to higher employee turnover	Medium	» Offer the best in-class employee value proposition to attract and retain employees » Increase the level of automation at all levels of the business to replace manual processes
Industrial Health and Safety	Workplace accidents, penalties, negative goodwill	Low	» World class safety management system in line with global best practices » Structured safety training and awareness programme » Workmen's compensation insurance cover for employees
Supply Chain Disruptions	Scarcity of raw material to maintain business continuity	Medium	» Develop a diverse supplier base » Introduce special initiatives to strengthen supplier loyalty
Competitive Pressure	Emergence of new local and global players	Medium	» New market development to grow captive market share » Pursue innovation to diversify the product portfolio with the inclusion of first-market products

Review of Business Operations

GRI 2-1

Hayleys Fibre PLC

Hayleys Fibre PLC (HFP) delivered a strong performance for the FY 2022/23 supported robust demand originating from the Company's primary market, the US. Demand for coconut fibre based products from the US accelerated significantly on the back of various government-led economic stimulus initiatives aimed at fueling the post-COVID economic recovery in the US.

Meanwhile, demand from other traditional markets in the EU region weakened considerably as geopolitical issues arising from the Russia / Ukraine war began to affect the economic stability of the region. As a direct consequence the demand from retail markets, in the EU declined notably, while the industrial segment appeared to show greater resilience to the macroeconomic challenges in the region.

Given that a number of the Company's captive markets were under stress, attention shifted to making inroads into non-traditional markets. The focus in these new markets was to promote existing products as well as drive a new branded line of growing mediums under the "Haygreen" label. Aggressive marketing coupled with strong emphasis on building relationships enabled the Company to on-board several new customers, including a few exclusive agreements for the supply of coconut fibre products. All in all a sizeable volume of new business was generated from these non-traditional markets towards the latter part of the financial year.

On an overall basis, total volumes for FY 2022/23 increased by 5% compared to the previous financial year. This together with the beneficial impact of the LKR devaluation against the USD at the start of the current financial year, resulted in revenue improving by 20% year on year.

Day-to-day operations continued despite various economic challenges in the country. Being an export-oriented business, Hayleys Fibre was able to leverage its export proceeds to procure fuel reserves to maintain continuity of operations and overcome supply side delays. Timely investments in backup power systems also helped to prevent work stoppages due to frequent power outages. Consequently, no work days were lost and capacity utilisation remained steadily. On the downside, operational costs increased significantly in the current financial year against the backdrop of rising inflation.

The Company reported PBT of Rs. 316 million for FY 2022/23, reflecting a 47% improvement over the Rs. 182 million recorded in the previous financial year.

Bonterra Ltd

Bonterra Ltd (BL) performed reasonably well in FY 2022/23 despite witnessing demand stagnation in key markets due to the lagged effects of the pandemic-induced economic downturn.

Nevertheless, leveraging its highly specialised range of erosion control materials, made to order based on customer specifications, the Company pushed ahead with plans to deepen penetration into major markets across Asia and Europe, while accelerating new market development initiatives to tap into yet unexplored territories.

The focus on new market development was also further intensified with a view to expanding the Company's global presence, specifically to gain entry to the Australian market. These efforts enabled Bonterra to tap into Australia's mining and landscaping industries for the first time.

A combination of consistent year-round demand from stronghold markets and good traction from emerging markets enabled Bonterra to sustain volumes and strengthen its global market share during the financial year under review.

Proactive strategies to manage fuel shortages, power outages and other challenges ensured that production activities continued without any interruptions. However, margin pressure caused by inflation-induced cost increases eroded the Company's bottom line.

Creative Polymats (Pvt) Ltd

Creative Polymats (Pvt) Ltd (CPL) operates in the Sri Lanka market, where it is positioned as an emerging supplier of PU mattresses and PU sheets in the country. The Company's products reach the market through a network of retail partner outlets around the country.

The first quarter of the current financial year proved to be extremely challenging for Creative Polymats, owing to the unprecedented economic crisis in the country at the time, along with cost pressures due to the rupee devaluation against the USD. Over and above this, the ongoing import restrictions continued to affect the availability of key materials.

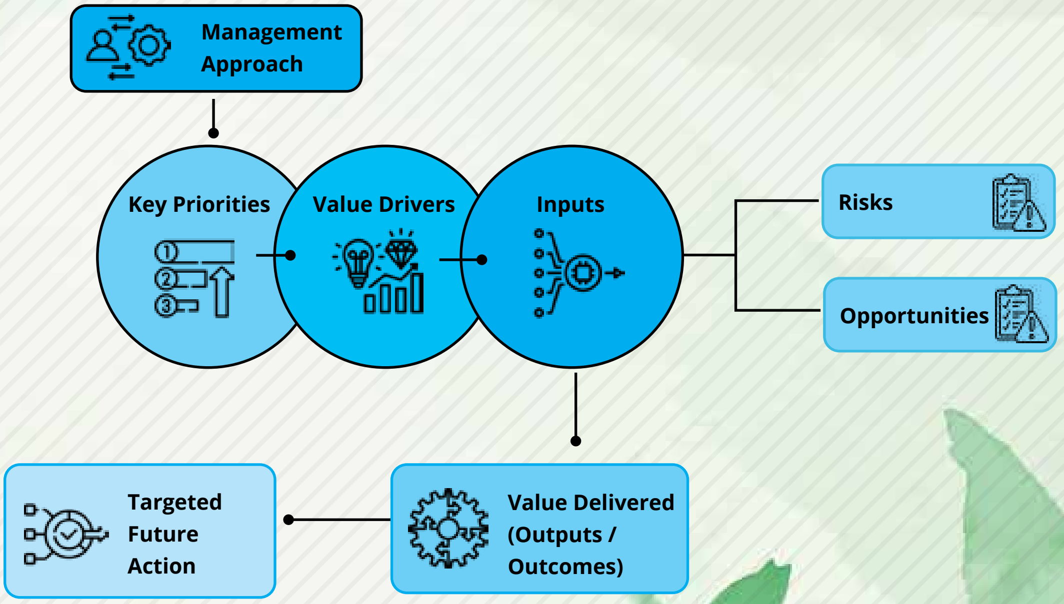
However, timely and well-planned inventory management measures helped provide some immunity against currency fluctuations and keep costs under control while ensuring a steady flow of raw materials to allow the Company's production plant to operate throughout the year. Production volumes for the current financial year remained on par with the previous year, while cost escalations were well-contained. Commendably, operational costs were maintained at an acceptable level and almost in line with the previous year, which gave the Company a strong competitive edge over peers.

Leveraging these competitive strengths, the Company succeeded in sustaining market share on par with the previous year, a very creditable achievement especially given the visible contraction in the market demand for mattresses due to the economic challenges.


SYSTEM

FINANCIAL CAPITAL

Financial Capital refers to the financial resources needed to ensure that HFP Group has capacity to operate as a going concern over time.



Financial Capital

Management Approach

Our approach on fortifying financial capital is based on disciplined management of the Group's financial resources to create a foundation to support sustained business growth and improve overall financial stability, while ensuring Group financial commitments are met, including all regular compliance obligations.

Key Priorities

- Effective management of credit risk, liquidity risk, operational risk and the market risk
- Balancing ROCE objectives in all strategic investments
- Ensure availability of adequate contingency funding lines
- Proactive cash-flow management in alignment with working capital objectives
- Strategic management of gearing position
- Well-planned cost optimisation initiatives to reduce margin pressure

Value Drivers

- Revenue
- Direct Variable Expenses and Factory Overheads
- Operating Expenses
- Borrowings

Risks and Opportunities

- Risks
  - Currency exposures
  - Liquidity shortages in the banking system due to the economic crisis
  - High finance costs amidst rising interest rates
- Opportunities
  - Improved cash flows attributed to the exchange gain on export revenue stemming from the rupee depreciation
  - Forward exchange contracts
  - Stringent measures on working capital management
  - Improved debt recovery

Value Creation Highlights

- Inputs
  - Stated Capital - Rs. 80 million
  - Debt Capital - (Credit loans, Money Market loans, Import loans, Letter of Credit and Bank Overdrafts) - Rs. 690 million
  - Revenue Reserves - Rs. 1,184 million

Value Delivered (Outputs / Outcomes)

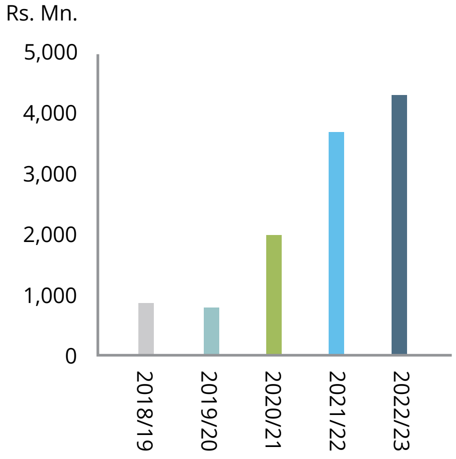
- Earnings Before Interest and Tax (EBIT) - Rs. 535 million (Rs. 339 million - 2021/22)
- Profit After Tax - Rs. 384 million (Rs. 340 million - 2021/22)
- Finance Cost and Interest Cover
- Cash Flow and Liquidity Position
- Return on Capital Employed (ROCE) - 31% (19% - 2021/22)
- Return on Equity (ROE) - 23% (23% - 2021/22)

Targeted Future Action

Drive revenue expansion by allocating resources towards capacity upgrades, process improvement, product enhancement and market development activities

Revenue

Despite the impact of the challenging internal and external environments, the annual turnover of the Group increased to Rs. 4,389 million compared to Rs. 3,699 million in the previous year, recording a 19% growth year on year driven by a substantial demand for the value-added products range. Meanwhile, unprecedented growth in local turnover resulted in a total revenue of Rs. 1,104 million in the year under review, in comparison to the previous year's revenue of Rs. 787 million, recording an increase of 40% year on year. Creative Polymats (Pvt) Ltd remained the single largest contributor to Group local sales, accounting for 25% of Group sales. Forecasted strategies are expected to capture the overseas market growth in line with expanded capacity in the ensuing financial year and beyond.



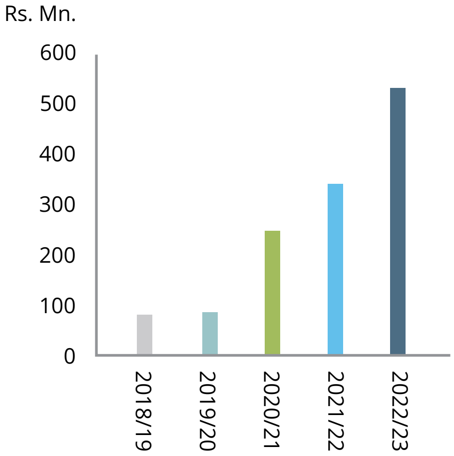
Revenue

Operating Expenses

The Group's operating expenses consist of selling and distribution expenses and administrative expenses. Operating expenses increased by 46% to Rs. 420 million primarily due to higher distribution costs attributed to the local business, higher staff expenses and the resumption of overseas market and promotional activities after the COVID induced hiatus. Overseas traveling and business promotion expenses increased by Rs. 30 million in the current financial year owing to participation in exhibitions and customer visits .

Earnings Before Interest and Tax (EBIT)

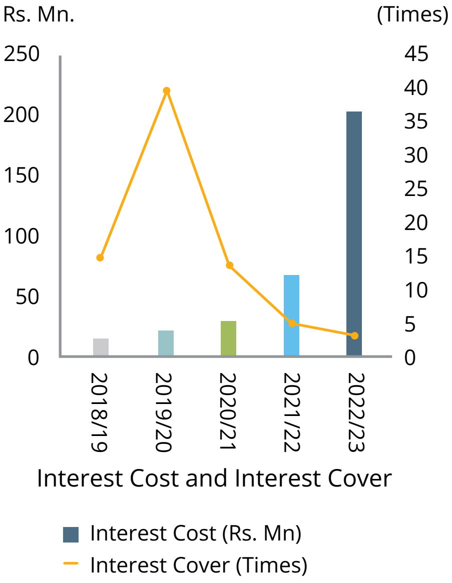
Group gross profit saw an increase of 68% to Rs. 932 million from Rs. 555 million in the preceding year, resulting in gross profit margin moving upwards to 21% in the current financial year from 15% in the financial year 2021/22. The improvement in gross profit is partly attributed to beneficial impact of the rupee depreciation on export revenue of the Coir Fibre Pith Blocks and better performance of Mattress Fibre operations. In addition, positive outcomes from cost reduction initiatives together with operational efficiency, also contributed towards boosting gross profit of the Group. Supported by higher gross profits, Group EBIT which is an indicator of operating level profitability, also increased by 58% year on year to Rs. 535 million, while EBIT margin of 12% was maintained in the year under review.



EBIT

Finance Cost and Interest Cover

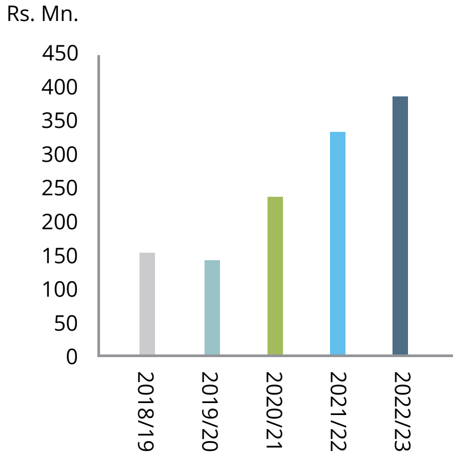
Group interest cost for FY 2022/23 was at Rs. 200 million compared to Rs. 63 million in the previous financial year. The increase is mainly on account of the higher borrowing cost to finance capital expansions of production facilities and working capital requirements during the year under review. With all long term loans fully settled during the course of the year, the Group incurred Rs. 48 million as interest on long term loans. Interest on long term loan accounted for 24% of the total interest cost for F/Y 2022/23. As a result Interest cover has declined to 3 times from 5 times from the previous financial year.



Interest Cost and Interest Cover

Profit After Tax

The Profit After Tax of the Group increased to Rs. 384 million from the Rs. 340 million tabled in the previous year. Tax expenses for the period reduced to Rs. 81 million from Rs. 99 million from the previous year. The reduction was on account of the reversal of a deferred tax liability of Rs. 13 million resulting from unrealized exchange losses reported in the previous financial year.

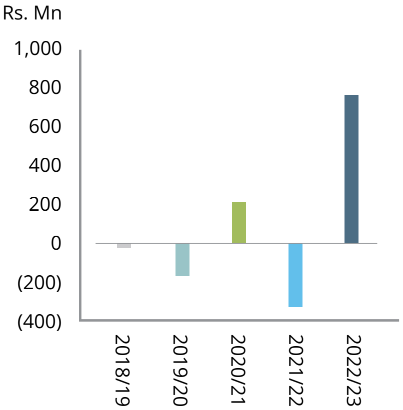


Profit After Tax

Financial Capital

Cash Flow and Liquidity Position

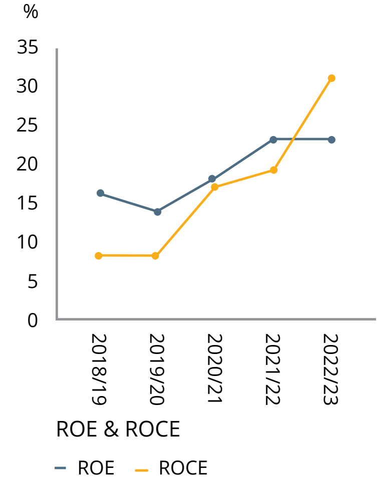
Owing to decrease in working capital, especially in trade and other receivables, the Group's cash flow improved to show a net positive position of Rs. 771 million as at 31st March 2023, compared with Rs. (328) million registered at the close of the previous year.



Cash Flow from Operations

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

An increase in EBIT and PAT, had a positive impact on both ROCE and ROE in the reporting period. Group ROCE increased to 31% from 19% recorded in the preceding year. Slight change in profitability resulted in same ROE of 23% in comparison years.

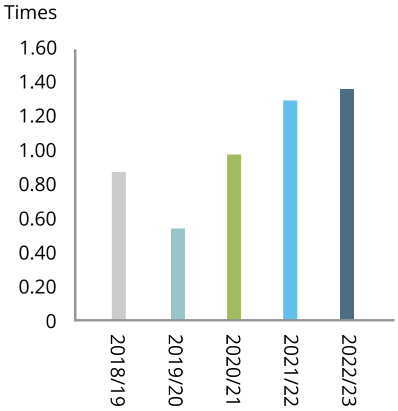


ROE & ROCE

Asset Turnover

The Group's asset base grew during the year to Rs. 143 million from Rs. 176 million in 2021/22. Out Of this, Rs. 42 million was spent on facility enhancement of pillow production at the Creative Polymats (Pvt) Ltd plant in Dankotuwa. Another Rs. 72 million was invested on machinery and equipment, of which Rs. 66 million was incurred for the purpose of acquiring a Grow Bag machine for Hayleys Fibre PLC.

Asset Turnover of the Group was recorded as 1.4 times from 1.3 time in the preceding year. The same trend continued in the Group's non-current asset turnover ratio, which increased to 4.6 times in the year under review from 4.1 times in the previous year. As a result, the generation of economic returns from investments are expected to be realized in the subsequent financial year.



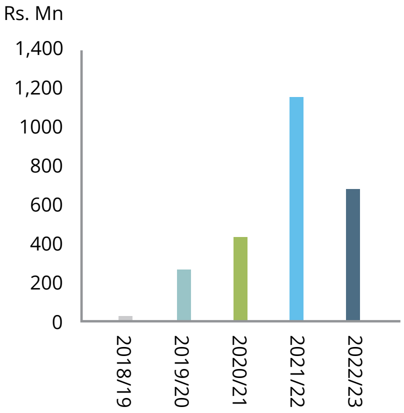
Asset Turnover

Borrowings

Borrowings of the Group during the review year consist of interest-bearing borrowings, import loans, short-term loans and overdrafts. Long-term interest bearing borrowings outstanding as at the year-end decreased to zero. (Rs. 197 million 2021/22), primarily due to the repayment of loans during the year.

The current portion of the term loans consist of only with one loan, which is Rs. 34 million (original loan amount was USD 547,000), obtained for two-year tenure to purchase new machinery for the Group subsidiary Bonterra Limited.

As at 31st March 2023, the Group reported short term interest-bearing borrowings amounting to Rs. 656 million, consisting of short-term loans, import loans as well as overdrafts (2021/22 - Rs. 818 million), all to support the working capital requirements of the Group. The interest payable on short-term loans, import loans and overdrafts were determined based on money market rates and was reviewed periodically by the Hayleys Group treasury function. Details of borrowings appear in notes 24 and 27 to the Financial Statements.

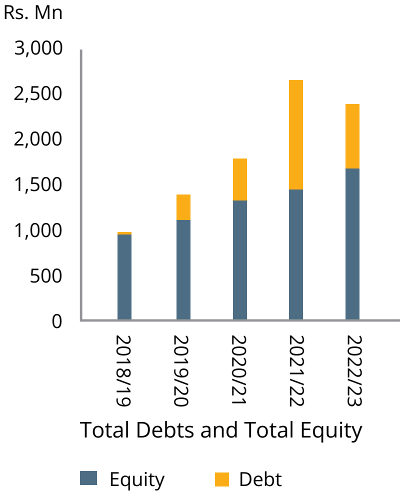


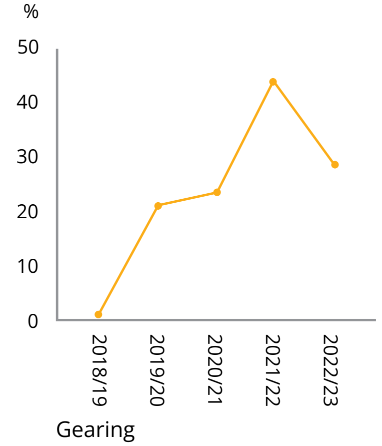
Borrowing

Capital Structure and Gearing

The capital structure of Hayleys Fibre PLC Group consists of both equity (71%) and debt (29%). Equity includes stated capital, other components of equity, amalgamation reserves and revenue reserves while debt consists of interest-bearing borrowings. The Group's debt to equity ratio stood at 42% during the reporting period compared to 78%

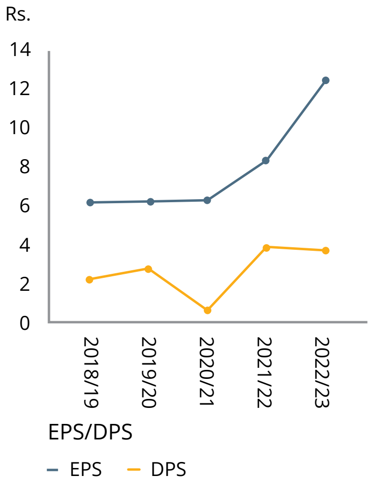
in the preceding year. The change of composition of the capital structure was mainly due to the reduction in debt. The subdued trend in financial gearing continued into the year under review from 44% to 29%.





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

The Group dividend policy is formulated taking into consideration the overall performance and growth plans as well as economic and market dynamics. During the year under review, the Group has paid Rs. 91 million as dividends to the equity shareholders. Shareholder returns as measured in terms of EPS increased by 51% to Rs. 12.43 per share from Rs. 8.25 in the previous year. The Company has paid Rs. 91 million as dividends, translating into DPS of Rs. 3.80 per share in FY 2022/23 from Rs. 4.00 per share in the previous year. Accordingly, the dividend payout ratio for 2022/23 stood at 30%.



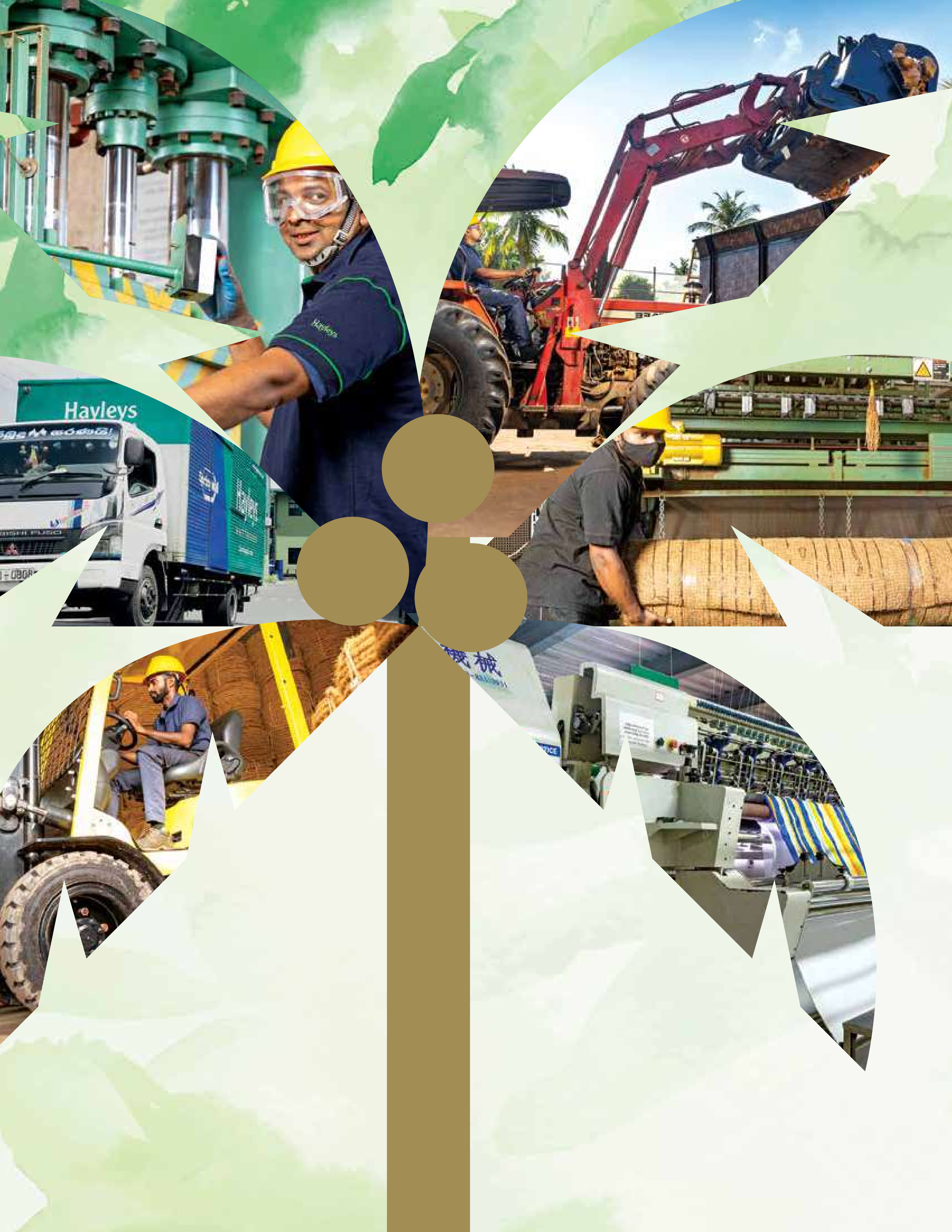
Solvency and Reserve

Section 56 of the Companies Act No. 07 of 2007, requires that a solvency test be performed prior to the payment of dividends in order to determine the Group's ability to pay its debts as they become due in the normal course of business. To satisfy this requirement, the Group conducted three solvency tests prior to the interim dividend for the financial year 2022/23 and the payment of interim and final dividends in the financial year 2021/22. All solvency tests were independently certified by the auditor confirming the solvency position of the Group based on the fact that the value of the Group's assets are greater than the value of its liabilities and stated capital.

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

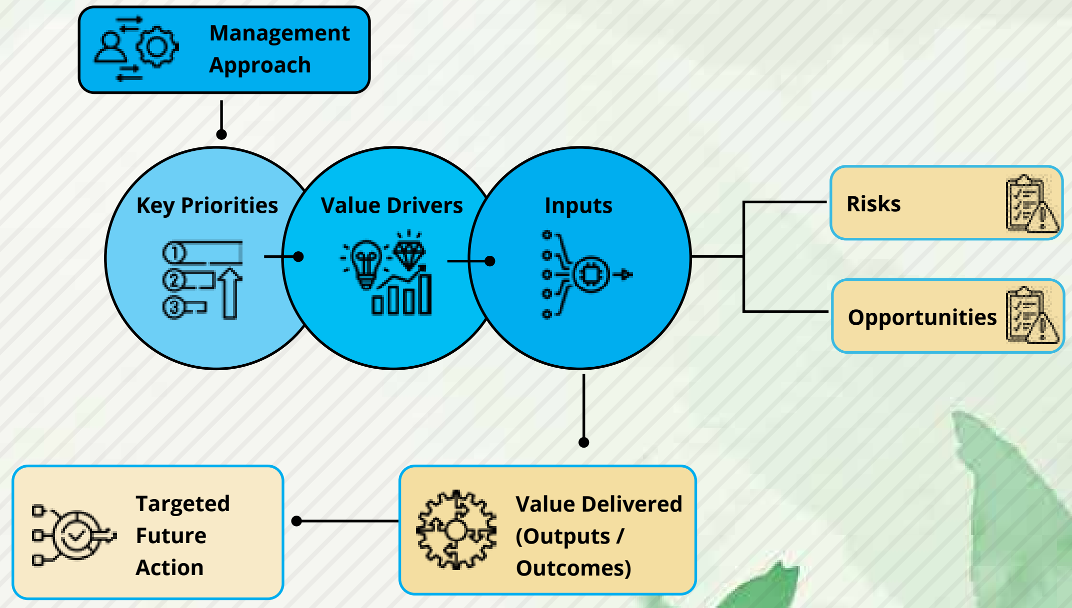
Solvency and Reserves

As at 31 March	2023	2022
	Rs. Mn	Rs. Mn
Non-current assets	978	949
Current assets	2,057	2,462
Total assets	3,035	3,411
Non-current liabilities	93	309
Current liabilities	1,293	1,622
Total liabilities	1,386	1,931
Assets less liabilities	1,649	1,480
Stated capital	80	80
Net position	1,569	1,400


Hayleys

MANUFACTURED CAPITAL

Manufactured Capital is a critical element in the value creation process of Hayleys Fibre PLC. Our Manufactured Capital refers to the core infrastructure - property, plant and equipment of our Group Companies. use to produce their respective core products - coir fibre growing mediums and coir related products by Hayleys Fibre PLC (HFP), coir fibre blankets by Bonterra Limited (BL) and PU mattresses by Creative Polymats (Pvt) Ltd (CPL). Our distribution architecture makes up the other key component of our Manufactured Capital.



Manufactured Capital

Management Approach

The Group has adopted a dynamic approach to developing Manufactured Capital, which aims to ensure the production and distribution infrastructure of all Group companies have the capacity and capability to meet current and future business needs. To strengthen its Manufactured Capital on an ongoing basis, the Group focuses on operational excellence, technology management, procurement and maintenance, with special strategic importance placed on the optimal management of fixed assets.

Key Priorities

- Make timely investments in reliable and high-performing infrastructure that are at the same time robust and resilient
- Upgrade fixed assets to improve productivity and achieve cost leadership in order to strengthen competitive positioning and augment the bottom line
- Undertake proactive maintenance drive to ensure optimal functionality of infrastructure
- Continuously strengthen distribution channels

Value Driver

- CAPEX Planning
- Procurement Practices
- Best Manufacturing Practices
- Continuous and Ongoing Maintenance
- Strengthening Distribution Networks

Risks and Opportunities

Risks

- Rapid evolution in global technology resulting in outdated or obsolete machinery and equipment
- High cost of imported machinery due to the devaluation of the LKR against the USD

Opportunities

- Pursue external partnerships to access the technical knowledge to improve operational efficiencies
- Explore the possibility of local fabrication of machinery for bespoke needs of the Company
- Explore alternative solutions to address labour shortages

Inputs

- Rs. 72 million invested on account of machinery upgrades
- Rs. 22 million invested to support in-house fabrication of machinery for HFP
- Rs. 58 million incurred in maintenance and upkeep
- Partnered with the University of Moratuwa to plan out the factory modernisation and automation of the Kuliyapitiya plant

Value Delivered (Outputs / Outcomes)

- Asset Turnover Ratio - 1.4
- Capacity Utilisation
  - HFP 52%
  - BL 76%
  - CPL 57%
- Efficiency Improvement Indicators

Targeted Future Action

Explore the viability of backward integration to strengthen supply chain capacity

CAPEX Planning

The capital expenditure is planned, managed and monitored with prudence, in alignment with our short, medium, and long-term goals, in a bid to achieve optimum value through this capital. All new investments are undertaken as per the Board-approved annual CAPEX plan and within the authorised budgetary allocations. Interim investments not included in the annual CAPEX plan, require special Board approval.

Consolidated CAPEX for the current financial year was Rs. 143 million, of which 50% was on account of the capacity enhancements at the HFP plants in Mahagama and Madampe.

New Investments (Rs. Mn)	Consolidated Value of Property, Plant & Equipment (Rs. Mn)			
2022/23		2022/23	2021/22	2020/21
-	Freehold land	67	67	43
49	Freehold buildings	388	356	257
-	Building on leasehold land	14	15	16
10	Furniture, fittings & office equipment	19	13	11
72	Machinery & stores equipment	288	254	244
1	Fixtures & fittings	6	7	9
11	Motor vehicles	14	6	2
143	Total	796	718	582

Procurement Best Practices

Stringent procurement guidelines support our efforts to acquire equipment that is most suited to our requirements. All machinery suppliers are strictly vetted based on a range of criteria. While quality, price and delivery record remain the key criteria for evaluating potential machinery suppliers, we also consider other factors such as the suppliers' credentials and after-sales service support.

Best Manufacturing Practices

All our manufacturing plants operate in line with global best practices set out under the ISO 9001: Quality Management Standard. Internal due diligence activities along with random audits by the Hayleys Group compliance unit provide further assurance regarding the efficacy of our manufacturing operations.

Continuous and Ongoing Maintenance

Apart from this, maintenance and upkeep activities are undertaken to ensure all assets are performing at optimal levels. Trained technical teams at all three Companies oversee maintenance work, including periodic servicing of machinery and equipment as per manufacturer-specified guidelines. In the year under review, HFP, BL and CPL incurred Rs. 34 million, Rs. 12 million and Rs. 12 million respectively, as maintenance and factory upkeep costs.

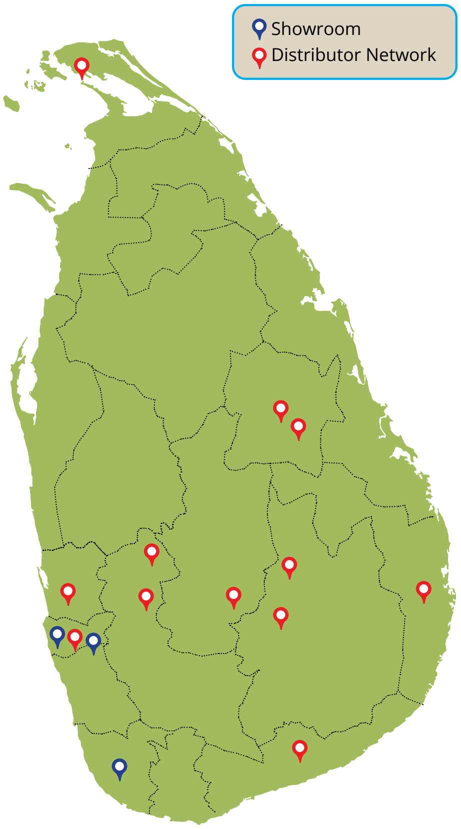
Maintenance and Factory Upkeep Costs (Rs. Mn)			
	2022/23	2021/22	2020/21
HFP	34	13	8
BL	12	12	8
CPL	12	5	2

Strengthening Distribution Networks

Our products reach the market via channel partners in Sri Lanka and worldwide. HFP and BL cater to the export markets and to that end have ongoing arrangements with distributor networks in key markets around the world. In the current financial year, both HFP and BL expanded their respective global partner networks through new tie-ups in existing and new markets.

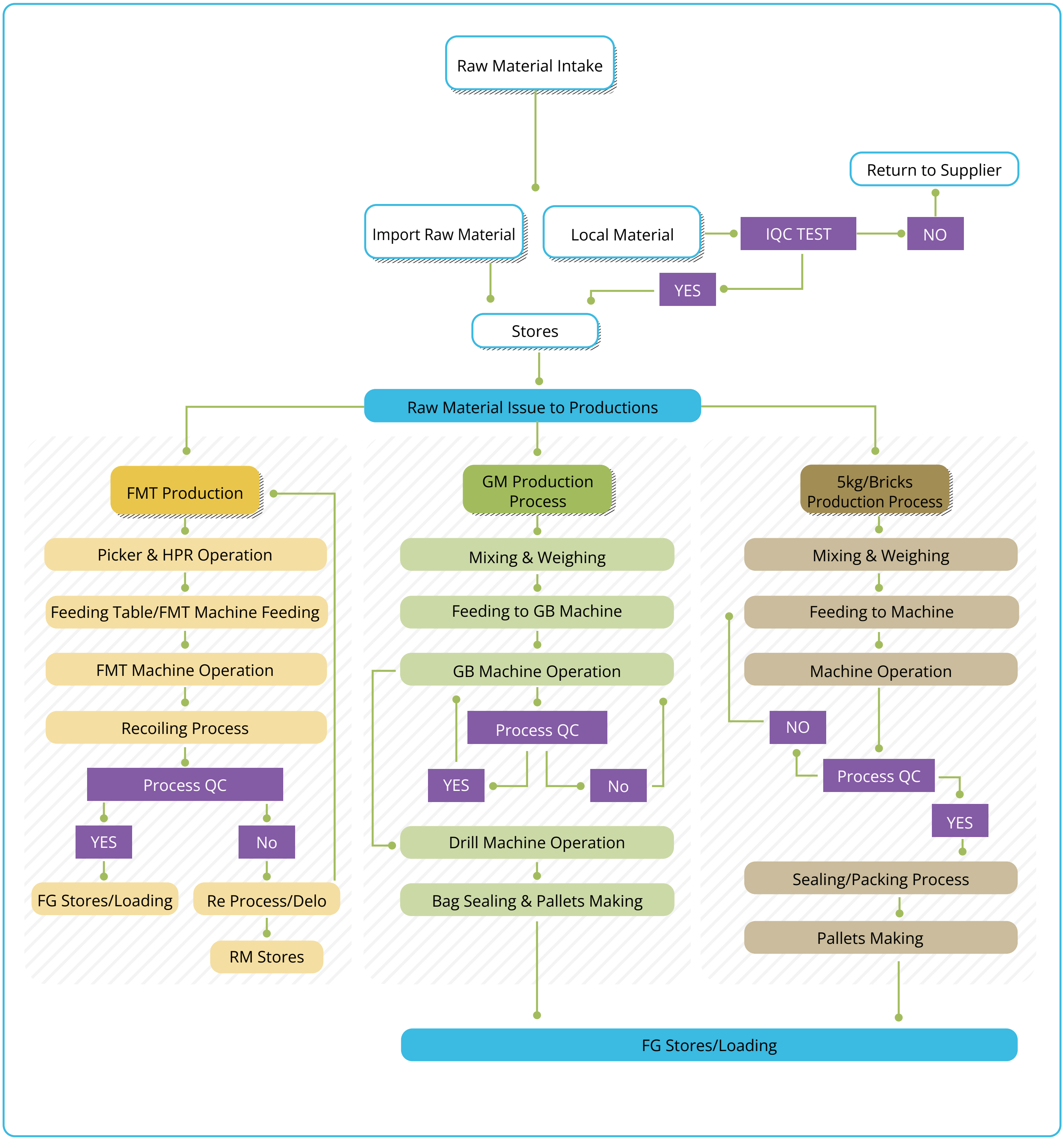
CPL products which target the local market are made available through the Company's own outlets in Colombo, Ekala and Galle as well as through a network of authorised dealers across Sri Lanka. During the year under review, 155 new dealerships were added to the network to increase the total dealer distribution strength to 1,195 dealer point as at end-March 2023.

Showroom & Distributor Network

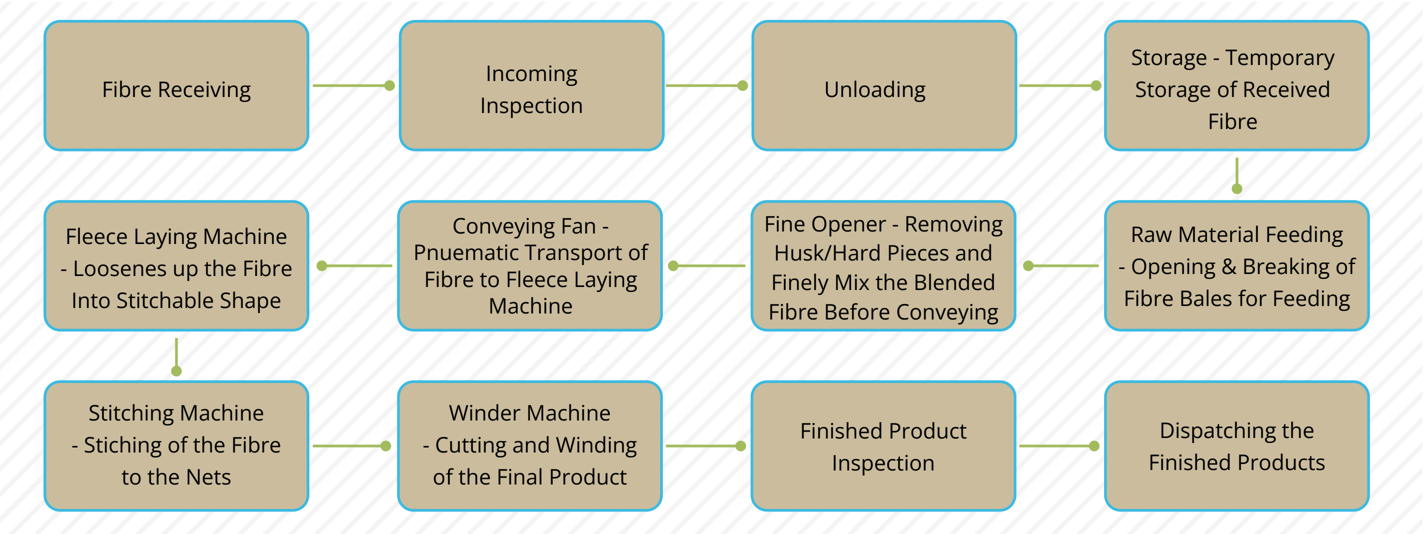


Manufactured Capital

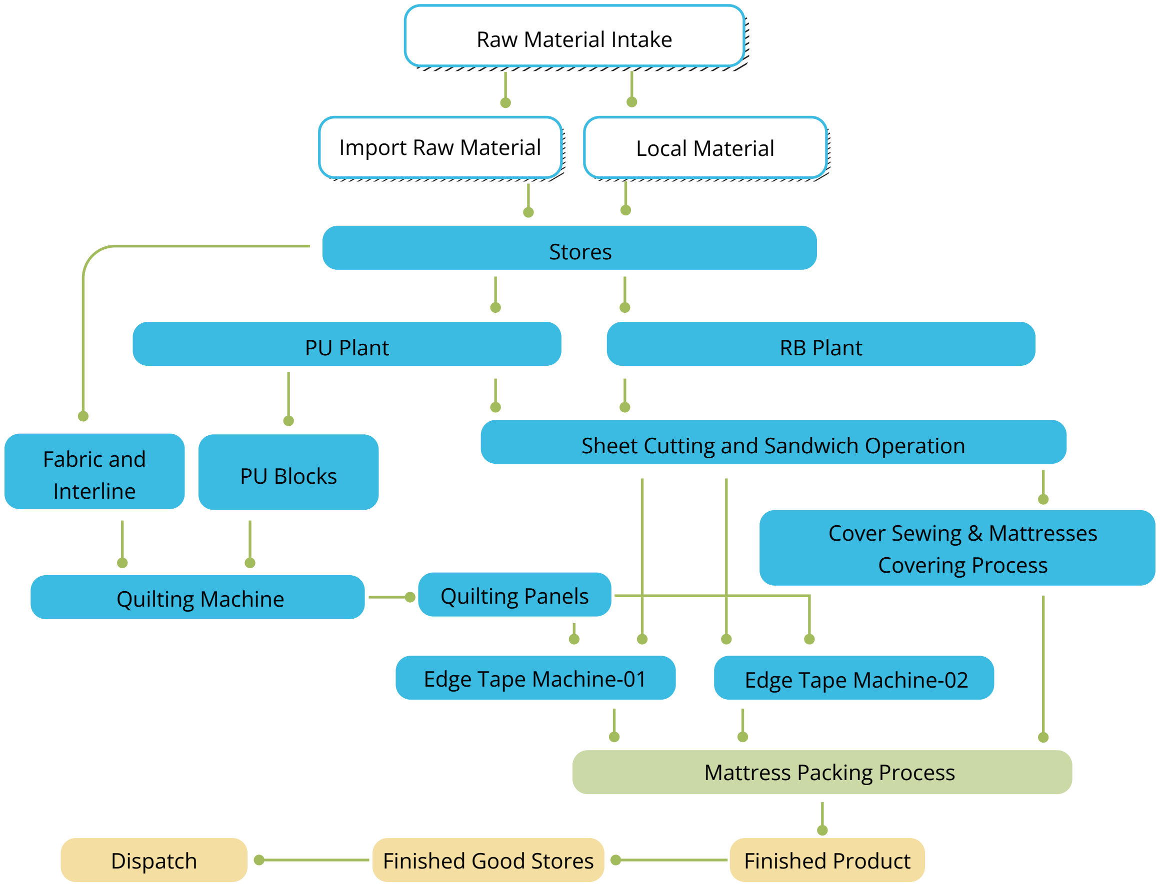
Hayleys Fibre production process



Bonterra Production Process

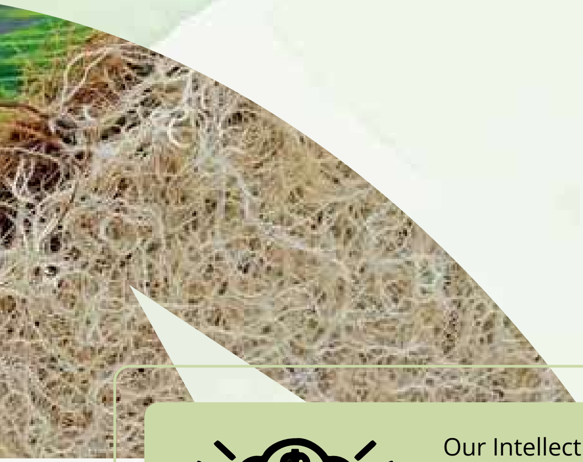


Creative Polymats Production Process

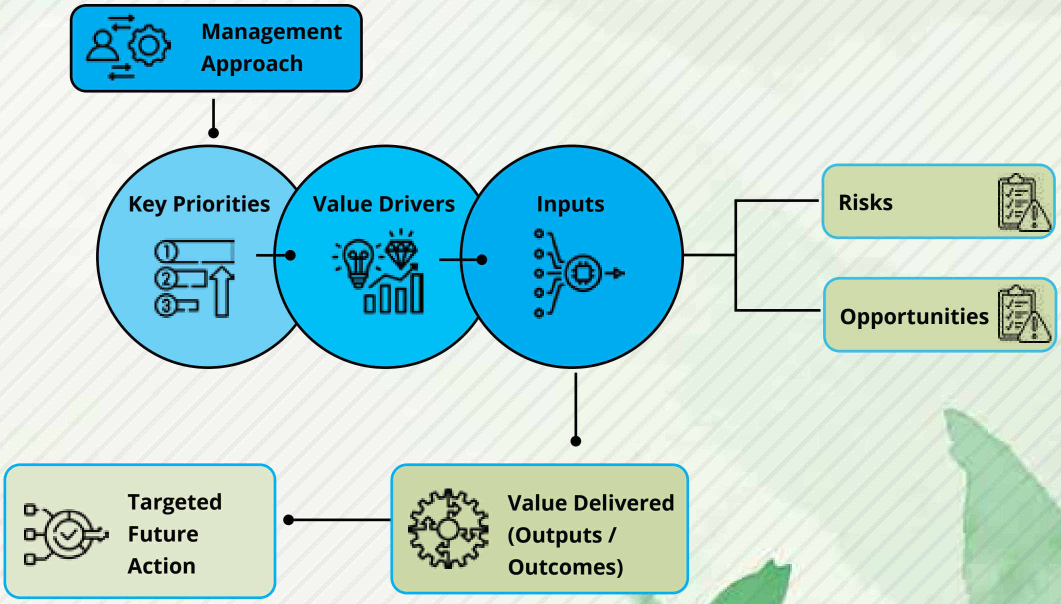



Sleep Expert
Hayleys
MATTRESSES
(PVT)
100ml
ESLN
STOP

INTELLECTUAL CAPITAL



Our Intellectual Capital refers to intangible assets of the Hayleys Fibre PLC (HFP) Group. These include the goodwill and reputation attached to each Company within the HFP Group, their singular ways of thinking and working as well as any other key attributes that are unique to the HFP Group. These include intangible assets such as the sound corporate reputation, tacit knowledge and core competencies, the strength of our brands and systems, processes and procedures, that collectively enhance the perceived value of the Group.



Management Approach

Key Priorities

Value Drivers

Inputs

Risks

Opportunities

Value Delivered (Outputs / Outcomes)

Targeted Future Action

Intellectual Capital

Management Approach

HFP's holistic approach to developing Intellectual Capital revolves around continuous enhancement of each individual intangible element in a way that will augment the Group's competitive position, while also driving greater synergy between elements to strengthen resilience over time.

Key Priorities

- Strengthening visibility and reach across all relevant markets
- Adopt global best practices for all processes end-to-end
- Invest in R&D to develop new products that offer first mover advantage

Value Driver

- Brand Reputation
- Standards and Certifications
- Team Expertise
- Research and Development

Risks and Opportunities

- Risks
  - Stiff competition from new and emerging global and local players
  - Fast evolving technology and industrial environment leading to obsolescence of certain growing mediums
  - Unforeseen natural disasters
- Opportunities
  - Continuously evolve the product suite with the inclusion of first to market products
  - Early adoption of best practices
  - Pursue value adding partnerships for knowledge enhancement
  - Contribute towards environmental conservation and preservation through the expansion of eco-friendly green solutions
- Inputs
  - Conscious diversification into new markets
  - Annual ISO 9001: Quality Management Standard audit
  - Strong emphasis on innovation and new product development

Value Delivered (Outputs / Outcomes)

- 17% decrease in coir fibre export volumes
- 08 new markets reached
- Launch of a new branded line of growing mediums under the "Hay green" label
- 03 research papers published

Targeted Future Action

Implement the ISO 14001: Environment Management Standard by end 2023

Implement the ISO 45001: Occupational Health and Safety Standard by 2025.

Brand Reputation

All HFP Group Companies have a very clear brand identity as part of the Hayleys Eco Solutions cluster - a legacy brand within the Hayleys Group backed by a history spanning over 145 years. Today, as the face of Hayleys Eco Solutions, HFP articulates the Eco Solutions brand promise through the delivery of responsible products that protect the environment and safeguard the wellbeing of people.

Being the pioneer in the manufacture of coir-based products in Sri Lanka, HFP has built a solid reputation as a reliable and innovative supplier in the global supply chain. We manufacture and distribute more than 400 products. These include mainstream applications for a wide range of industries, including Horticulture, Erosion Control, Bedding as well as precision-driven solutions for mining and construction industries.

HFP's 100% biodegradable products with their consistently high quality, innovative and sustainable profile have earned the trust of buyers in key markets around the world from North and South America, and Europe. Apart from these traditional markets, HFP successfully navigated into several non-traditional markets in North African Region, CIS Countries and Australia in the current financial year.

As one of the leading exporters of coir fibre products from Sri Lanka, HFP is positioned as the major foreign exchange earner in this space, generating revenue in the range of USD 7.50 million to 10.00 million to the country annually. The recognition received at the recently concluded 29th Annual Export Awards stands as a testament to HFP's unrivalled position in the local coir fibre industry.

Meanwhile, our locally produced mattress products for the domestic market reflect our commitment to ensuring that the Sri Lankan consumer has access to the latest ergonomically designed bedding solutions.

The strength of our Brands

Intellectual Capital

Standards and Certifications

All our products are manufactured in conformity with the highest standards for quality, safety and sustainability. For our coir fibre operations, we apply the AQL 2.5 quality inspection guidelines which implies zero tolerance of critical defects, as the baseline standard at every stage from raw material procurement all the way to final product dispatch.

Our mattresses comply with SLS 1335:2008 Sri Lanka Standard Specification for Polyurethane Foam Mattresses.

All production plants operate in line with the ISO 9001 Quality Management Standard certification. Routine due diligence activities and spot audits are conducted by our in-house internal audit to verify adherence to ISO 9001: guidelines on an ongoing basis, while the annual compliance audit by the relevant certification body provides independent assurance.

Further, reiterating our commitment to global standards, we have appointed plant-wise quality champions to implement safety and environmental best practices at our plants.

Team Expertise

GRI 2-28

The knowledge, skills and innovative spirit of our teams are a critical success factor in all our businesses. We have a strong knowledge base consisting of experienced engineers, technicians and research scientists, many of whom have been with the Company for over 5 years, and some even since the inception.

Each year, we invest in training and targeted capacity building initiatives to enable our teams to upgrade their knowledge and sharpen their skills. Memberships and affiliations with the following entities also further complement our knowledge enhancement initiatives;

- Coconut Cultivation Board
- National Institute of Health and Safety
- National Cleaner Production Center
- Local Universities
- Export Development Board
- Ceylon Chamber of Commerce

Research and Development (R&D)

In our business, R&D is vital to driving our market penetration and market development strategies. Our in-house NPD (New product Development) Team works on new formulations on an ongoing basis which over the years, has led to some groundbreaking new products. The most notable development in the current financial year was the launch of a new branded line of growing mediums under the “Haygreen” label, including the coir-based growing media with increased water retention properties, Charcoal infused growing media for strawberry and fertiliser enriched nursery media.

The NPD team also works closely with several leading state universities to conduct research on various growing techniques and explore new areas of knowledge. To facilitate this type of collaborative research, HFP provides all the financial, material and infrastructure inputs along with the technical knowhow from our NPD team, which in turn creates the opportunity for university undergraduates to freely engage in their research activities. With this initiative, we at HFP believe we are extending a helping hand to budding scientists from Sri Lanka. As an outcome of these collaborations, a series of joint research papers were published in 2022 on the following topics;

- Effectiveness of Potassium Polyacrylamide in increasing the Water Holding Capacity within Growing Medium
- Optimisation of the Buffering Process of a Mixture of Coconut Husk, Coir Fibre Pith and Coir Fibre Particles
- Development of Fertilizer Enriched Coco Peat Brick

In the year under review, we concluded another 04 successful research trials which have been submitted for peer review.

R & D Framework

Ideation Inputs are Derived From

- Brainstorming
- Trend analysis
- Market analysis
- Competitor analysis
- Customer feedback

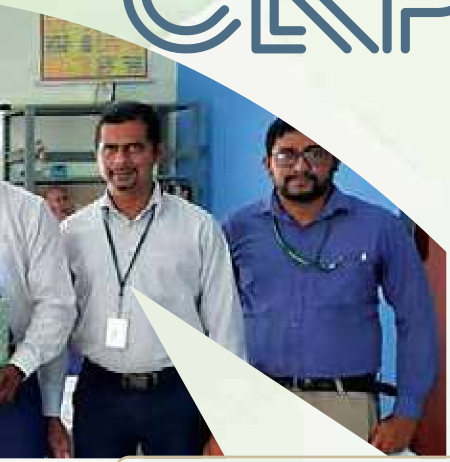
R & D Focus

- Material scarcity
- Cost efficiency
- Waste minimisation
- Water scarcity
- Optimal use of land
- Sustainable growing concepts
- Product sensitivity to climatic conditions
- Organic farming trends

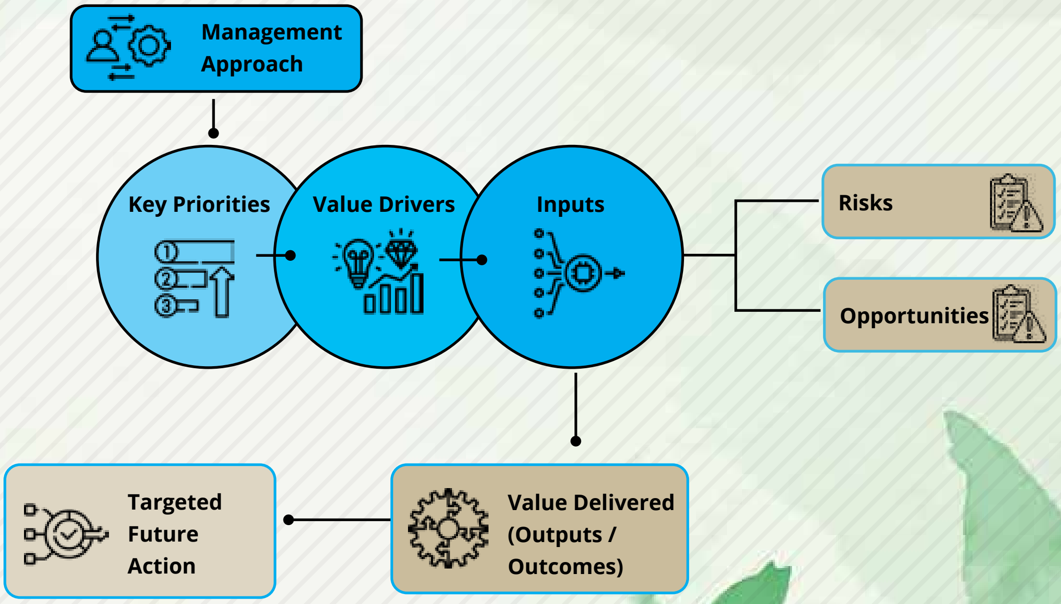
In our business, R&D is vital in driving our market penetration and market development strategies


Innova
CONTROL - EF
- GEOTEXTILE
MKB
Stormwater Innovation
Hayleys Fibre

SOCIAL AND RELATIONSHIP CAPITAL



Our Social and Relationship Capital refers to the relationships we have formed with key stakeholders - our customers and suppliers as well as the ties we have with the community that together create an ecosystem to support business continuity of our operations and safeguard the HFP Group reputation and good standing.



Social and Relationship Capital

Management Approach

Our approach to managing Social and Relationship Capital is based on developing strong foundational relationships with key stakeholders (customers, suppliers and the community) in order to support HFP's strategic objectives.

Key Priorities

- Building a diverse customer base across all key markets - global and local
- Creating a sustainable and reliable supply chain partners
- Integrating community needs as part of the day-to-day operations

Value Driver

- Product Responsibility
- Customer Relationship Management
- Supply Chain Management
- Supplier Development
- Community Welfare

Risks and Opportunities

- Risks
  - Competition from new and emerging players
  - Rapid change in customer behaviour patterns
- Opportunities
  - Drive innovative new products to gain first-mover advantage in new and emerging markets
  - Invest in backward integration to strengthen supply chain security

Inputs

- AQL 2.5 quality inspection guidelines
- ISO 9001 Total Quality Management Standard
- SLS 1335:2008 Sri Lanka Standard Specification for Polyurethane Foam Mattresses
- Individual interactions with 100% of the overseas customer base
- Participation in overseas market development activities
- Rs. 1.64 million invested in community welfare

Value Delivered (Outputs/Outcomes)

- Entered into 8 non-traditional markets
- 100% customer satisfaction
- Minimised defects
- Minimised customer complaints
- Launching growing media under the "Haygreen" label
- 12 new suppliers on-board
- Upkeep and development of community infrastructure

Targeted Future Action

Appoint and establish product category specific agents and partnership in key markets.

Introduce forward purchase contracts with selected suppliers for input materials.

Increase CSR beneficiaries

Customers

The HFP Group caters to a diverse range of customers. The coir fibre products manufactured by HFP and Bonterra are distributed internationally through B2B arrangements with our global customer network. PU mattresses manufactured by CPL for the domestic market are made available to the end consumer via CPL's own outlets in Colombo, Ekala and Galle as well through a network of authorised dealers across Sri Lanka.

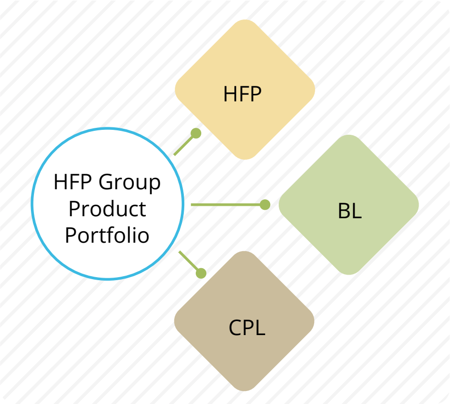
Global Presence and Key Destinations

Product Responsibility

The reputation of the HFP Group rests primarily on its ability to produce and deliver innovative, customer-centric products manufactured in line with world class quality and safety assurance standards. Given that coconut husks are the base raw material for our coir fibre operations, the end products we produce represent substantial value addition. To demonstrate our commitment to excellence in the value addition process, we comply with all applicable product specific quality standards. In HFP and BL coir fibre operations, we aim for zero defects at every stage of the value chain. In this regard, designated plant-wise quality champions provide oversight for the implementation of the AQL 2.5 quality inspection guidelines from point of sourcing, to production and packing, all the way to final product despatch. Similarly, CPL adheres to the mandatory SLS 1335:2008 Sri Lanka Standard Specification for Polyurethane Foam Mattresses.

The fact that all our plants are certified under the ISO 9001: Total Quality Management Standard provides further assurance that our manufacturing processes confirm to global standards. To further augment specific aspects of our quality assurance processes, we often collaborate with industry experts and other independent specialists to improve our alignment with the latest global best practices.

Innovation is another major element of our overall approach to product responsibility. Through our focus on continuous innovation, we have succeeded in building a diversified product portfolio to cater to the bespoke needs of specific customers in Sri Lanka and the world over.



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Social and Relationship Capital

Customer Relationship Management

GRI 416-1, 417-1, 417-3

The success of our business depends on building strong connections with our customers. Over the years, HFP has built a global B2B customer base by reaching out individually to promote frequent and ongoing two-way communication. We also use these one-on-one interactions as a means of resolving complaints and to obtain customer feedback which, in turn supports continuous improvement of our internal processes and drives product innovation. Today, HFP has a loyal customer base where more than 58% comprise regular bulk buyers with long standing relationships spanning 5+ years.

Compliance Track Record - FY 2022/23

- ZERO - Legal actions for anti-competitive behaviour, antitrust, and monopoly practices (GRI 206 -1)
- ZERO - Incidents of non-compliance concerning the health and safety impacts of products and services (GRI 416-2)
- ZERO- Incidents of non-compliance concerning product and service information and labelling (GRI 417 -2)
- ZERO- Complaints concerning breaches of Customer privacy and data (GRI 418 -1)

IPM exhibition in Germany

In FY 2022/23, HFP launched an aggressive new customer acquisition drive, which saw our leaders and marketing teams participating in various forums and other market development activities especially in non-traditional markets around the world. Morocco, Azerbijan, Uzbekistan, New Caledonia, Lebanon, Latvia, Nothern Ireland and Lithuania were a few of the non-traditional markets that the Group ventured into during the year under review.

Customer relationship management visits

For our domestic customers, we aim to be upfront in our marketing and communication activities by publishing clear, concise information with regard to product profile, the safe use of our PU mattresses, etc. We adhere to all relevant regulatory disclosure requirements in our marketing and communication activities and refrain from engaging in anti-competitive behaviour.

Suppliers

Locally sourced coconut husks are the base raw material for HFP and BL's coir fibre products. Husk suppliers, all based in Sri Lanka account for more than 25% of the Group's average annual procurement spend and are thus considered the most material suppliers for the Group.

CPL's supply chain comprises largely overseas suppliers who provide the essential raw material for the manufacture of PU mattresses which accounts for more than 80% of the respective company's average annual procurement spend.

There were no significant changes to the aforementioned supply chain dynamics reported in the current financial year.

Supply Chain Management

GRI 2-6

The responsibility for building a reliable and sustainable supply chain to support our coir fibre businesses rests with the HFP Group Central Procurement Team. The Central Procurement Team plays a dual role - often collaborating with the Internal Stock Management Teams, Product Development Teams as well as the Manufacturing and Quality Assurance Teams as part of the procurement planning process, while at the same time engaging with suppliers to ensure a steady and uninterrupted flow on input materials for all business needs.

Supplier visits in India

A formal procurement process supports the Central Procurement Team's efforts to establish a network of approved suppliers. The list of approved suppliers is updated annually by the Central Procurement Team, based on the findings from supplier evaluation and due diligence activities conducted throughout the year.

HFP Group Supplier Evaluation Criteria and Due Diligence Activities

GRI 308-1, 308-2, 414-1, 414-2

Economic	Price Capacity Quality Delivery Financial Standing Reputation	Site Visits Customer Referrals Spot Checks Annual Supplier Review
Social	Statutory Payments on Behalf of Employees Safety Systems	
Environmental	Waste Management Practices	

Social and Relationship Capital

All major suppliers mainly including coconut husk suppliers are evaluated annually and assigned a rating that captures their economic, social and environmental performance. Suppliers with a consistently higher rating are positioned as preferred suppliers. Based on the insights gained through this review process, the Central Procurement Team continues to work with suppliers to help them to improve their safety and waste management practices.

Given that CPL's suppliers are based overseas, we seek independent third party verification of supplier credentials.

Supplier Development

We have in place various special assistance programmes, including financial support for our coconut husk suppliers, many of whom are small-time individual operators and budding micro-entrepreneurs. Our efforts are aimed at helping them to boost their business prospects. Towards this end, HFP has tied up with the ILO to provide financial assistance to support infrastructure development efforts of coir fibre suppliers. The programme first introduced in 2021, is now in its second year.

Community

GRI 411-1 413-1 413-2

Our manufacturing operations do not pose any threats or negative impacts to the communities that live in and around our production facilities. Nonetheless, the HFP Group takes great pride in being known as a responsible corporate entity that cares for the community.

Community Welfare

To reiterate our commitment to community welfare, we have appointed the plant-wise HR Manager to serve as the main community liaison and to maintain ongoing dialogue with community stakeholders in order to identify and assess how the Group could assist. Potential projects identified in this manner are recommended to HFP's leadership for approval, with approved projects resourced through the annual CSR budget allocation for each plant. A sum of Rs. 1.64 million was invested in the current financial year to carry out community welfare projects at all plants.

Key Projects for FY 2022/23

GRI 203-1, 203-2

Essential medicine donation to state hospitals

HFP donated essential medicines to several state hospitals in the Kurunagala and Puttlam Districts to assist them in bridging the shortage of essential medicines due to the financial crisis.

Celebration of World Children's Day

HFP carried out a series of events at a number of local schools in Kurunagala and Puttlam Districts to celebrate World Children's Day on 5th October 2022.

"Mansala"– World Down Syndrome Day programme

HFP marked the annual "World Down Syndrome Day" on 21st March 2023 with a special ceremony held for children in the surrounding areas in plants. The theme for this year's event "With Us Not for Us". The theme was selected to highlight that people with disabilities have the right to be treated fairly and have the same opportunities as everyone else. "Mansala" programmes were held for children at selected childcare centres and special care units in the schools where over 300 children were provided meals, school supplies, essential medicine and special needs items. Special tokens of appreciation were gifted to the caregivers of these childcare centres and special care units.

"Mehewara" elders' home shramadana and donation campaign

BTL and HF KUL carried out a shramadana campaign at the "Daya Elders home", where the premises was cleaned to improve the living conditions of residents. As part of the campaign medicine, dry rations and other essential items were also donated to the residents of the home.

Sponsorships

- CPL sponsored athlete uniform for inter-provincial sports tournament.
- Constructed disc throwing platform at Bujjampola Junior School.

School Cultivation Projects

Distributed saplings growing media and technical knowhow to surrounding local schools to promote healthy home gardening and good food patterns.

World children's day celebration at surrounding schools

"Mansala" World down syndrome day programme

"Weda bimai- Haritha Yayai" - Cultivation project in factory environment

Essential medicine donation to government hospitals

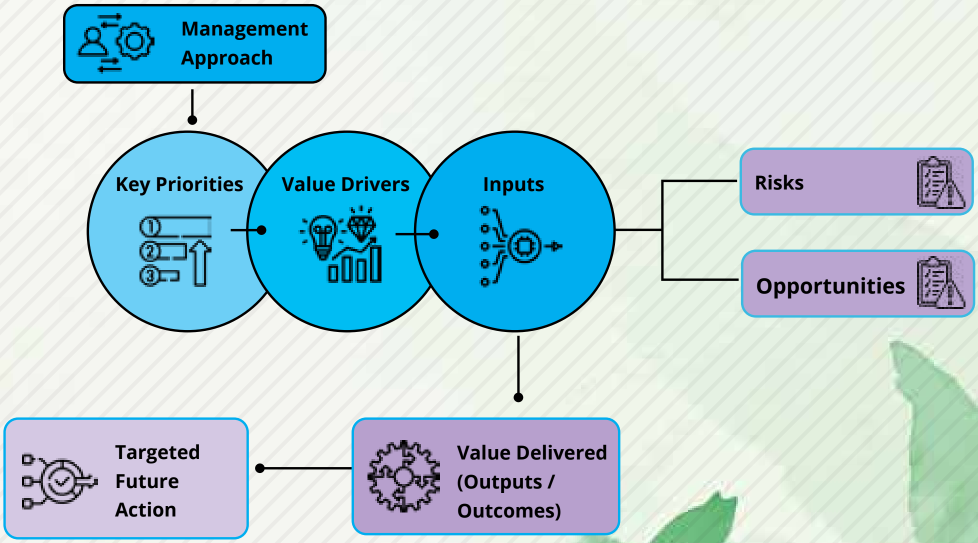
School cultivation projects

Dry ration distribution for all employees

CPL staff cricket tournament

HUMAN CAPITAL

Being a highly labour-intensive manufacturing operation, HFP's day-to-day operations depend heavily on its Human Capital. This is why we consider every one of our 384 employees as valued members of our team, with an important role to play in achieving the Group's strategic objectives.



Human Capital

HFP Group Employee Profile as at 31st March 2023

GRI 2-7, 2-8

		Male	Female	Total
Employment Type	Permanent	86	23	109
	Contract	185	90	275
Region	Kuliyapitiya	91	66	157
	Madampe	4	0	4
	Dankotuwa	101	14	115
	Bingiriya	52	25	77
	Colombo	23	8	31
Age Analysis	<30 years	100	49	149
	30- 50 years	133	36	169
	> 50 years	38	28	66
Employee Categories (Permanent)	Manual Workers	28	9	37
	Staff	20	5	25
	Executives	38	9	47

Employee Age and Gender

	<30 years	30- 50 years	> 50 years	Total
Manual Workers	11	20	6	37
Staff	17	6	2	25
Executives	17	24	6	47
Total	45	50	14	109

Employee Distribution across the Group

GRI 405-1

	HFP	BL	CPL	Total
Manual Workers	22	4	11	37
Staff	17	-	8	25
Executives	18	5	24	47
Total	57	9	43	109

Management Approach

Our approach to Human Capital management aims to create a dynamic workplace where all employees are inspired and encouraged to target for continuous personal and professional growth. In doing so, we are guided by HFP's business strategy as well as the value culture and leadership principles of the wider Hayleys Group.

Key Priorities

GRI 2-19 2-20

- Comply with all labour laws and strive to embed global best practices for human capital management
- Establish a comprehensive HR governance framework to safeguard the interests of employees at every stage of the employment lifecycle
- Offer competitive remuneration and benefits on par with industry standards to support the financial wellbeing of employees
- Ensure employee have a clear understanding of what is expected of them and know that they will be rewarded for achieving targets
- Invest in capacity building to drive employee career growth
- Secure employee commitment over the long term
- Adopt internationally accepted safety benchmarks to ensure the the physical and psychological wellbeing of all employees

Value Driver

- Compliance and Best Practices
- HR Governance and Policy Framework
- Strategic Recruitment
- Industry Competitive Remuneration and Benefits
- Performance Management
- Training and Development
- Employee Relations
- Occupational Health and Safety
- Employee Wellbeing

Risks and Opportunities

- Risks
  - High attrition rate of unskilled labour at factory level
  - Skilled labour migration for overseas employment opportunities
- Opportunities
  - Undertake succession planning to improve employee career alignment
  - Invest in leadership development to build a reliable talent pipeline for all key positions

Value Creation Highlights

- Input
  - Annual performance appraisal for 72 employees
  - Rs. 1.28 million invested on training and development
  - Rs. 6.14 million invested in strengthening safety systems

Value Delivered (Outputs / Outcomes)

- 294 job opportunities created through recruitments
- Rs. 333 million distributed as remuneration and benefits to employees
- 06 employees were promoted
- 5,957 skill training hours
- 845 hours of safety training
- 100% reduction in major injuries

Targeted Future Action

Obtain the ISO 45001: Occupational Health and Safety Standard certification
Establish dedicated learning centres at each plant to support continuous learning.

Compliance and Best Practices

GRI 406-1, 408-1, 409-1

Full compliance with all applicable labour laws is one of the fundamental commitments we make to our employees. HFP's operations are governed by two major labour laws. Our factory operations fall under the

New Year celebrations at Sector Head Office

Factories Ordinance (No. 45 of 1942) and its amendments, while the Shop and Office Employees (Regulation of Employment and Remuneration) Act, No. 19 of 1954 and its amendments are applicable to our administrative employees. In addition, we are also governed by the EPF Act, ETF Act and the Payment of Gratuity Act. HFP remains fully compliant with all the above labour regulations. No incidents of non-compliance have been reported in the current financial year or at any time prior to that.

Equally and importantly, HFP seeks to emulate the best practices set out under the ILO convention and the United Nations Global Compact for Labour and Human Rights. Towards this end, HFP projects itself as an equal opportunity employer committed to providing equal opportunities to men and women at every stage of the employment lifecycle. However, the nature of our operations is such that certain technical areas of the business continue to be largely male-dominated.

As a non-discriminatory employer, HFP has a zero tolerance for any form of harassment in the workplace, with strict guidelines in place to ensure our leaders facilitate the respectful treatment of colleagues regardless of age, sex, marital status, religious beliefs or other status protected by law. This is non-discriminatory approach extends across all Human Capital processes without exception. No incidents of discriminatory nature have been reported in the current financial year or at any time prior to that.

Furthermore, the HFP Group does not accept or condone any aspect of forced labour as we believe employees choose to work for us at their own discretion and are free to leave subject to the conditions indicated in all our employment contracts. Accordingly, HFP's operations are not at risk for forced or compulsory labour.

HR Governance and Policy Framework

The overarching policy mandates set out by the Hayleys Group HR function serve as the foundational pillars for ensuring legal compliance and best practices are followed for the benefit of all HFP Group employees. The Group HR function oversees the implementation of these policies across all HFP Group Companies.

Key Policies and Procedures

GRI 205-1, 205-2, 205-3

- Recruitment & Selection
- Performance Management
- Leave Entitlement
- Health & Safety
- Disciplinary
- Grievances
- Anti-Sexual Harassment
- Bribery and anti-corruption policy

"The Group's bribery and anti-corruption policy emphasises zero tolerance for bribery and corruption. The policy is applicable to the Board of Directors and all employees of Hayleys PLC and its subsidiaries and includes guidelines on gifts, hospitality and promotional expenses, facilitating payments, political contributions and donations, charitable donations, commission payments to third parties and partner due diligence among others."

Strategic Recruitment

GRI 2-23, 2-24

Recruitments are based primarily on the Board-approved annual manpower plan and undertaken in line with the guidelines set out under the Recruitment Policy. Selections too are managed in line with the Hayleys Group criteria thus ensuring fair and equitable selection of candidates based purely on the grounds of merit. Our selection process also includes additional protocols to verify the age of all new recruits, to ensure that HFP's operations are not at risk of child labour.

The current financial year saw HFP embarking on a recruitment drive to strengthen its factory management teams. This was done to offset the high attrition rates seen in the post-COVID period.

Recruitment and Attrition FY 2022/23

GRI 401 -1

		New Recruits			Resignations		
		Male	Female	Total	Male	Female	Total
Region	Kuliyapitiya	67	28	95	35	13	48
	Madampe	5	2	7	8	3	11
	Dankotuwa	160	4	164	131	9	140
	Bingiriya	16	12	28	17	-	17
	Colombo	-	-	-	-	-	-
Age Analysis	<30 years	151	14	165	124	10	134
	30- 50 years	68	17	85	47	12	59
	> 50 years	29	15	44	20	3	23

Industry Competitive Remuneration and Benefits

GRI 2-20, 202-1, 401-2, 405-2

Our remuneration and benefit structures are in accordance with market standards for our sector and are designed to compensate employees fairly and adequately in line with their skills, experience and the demands of their job role. In keeping with the Hayleys Group equity principles we advocate "equal pay for equal work" and ensure a 1:1 ratio is the basic salary of men and women performing similar roles.

Celebrations on International Women's Day

All permanent employees of HFP are entitled to other monetary benefits including annual increments, other variable incentives based on individual and team performance as well as annual bonuses depending on Company performance. All HFP Group employees are also entitled to the following non-monetary benefits:

Parental Leave Statistics FY 2022/23

GRI 401 -3

	Number	As a % of total female workforce
Employees taking maternity leave	1	1
Employees returning to work after maternity leave	1	100
Resignations after maternity leave	-	-
Retained within the Group after 12 months taking maternity leave	-	-
Return to work rate - 100%		
Retention rate - 0%		

Performance Management

GRI 404-3

As a manufacturing-based Group HFP maintains a two-tier performance management programme to reward and recognise employee contribution towards corporate performance. The performance of all permanent employees (staff and executives) is evaluated at least twice every year, if not more often. The performance of various factory units are assessed continuously to determine team performance against the monthly targets assigned to the respective unit followed by a final review at the conclusion of the financial year to determine increments, bonuses and promotions.

The performance of administrative staff and executives are assessed on an individual basis, with increments and other rewards based on the average performance rating recorded by each individual during their respective mid-year and annual review cycles.

The performance of all 72 staff and executives across the HFP Group was reviewed in the FY 2022/23.

Training and Development

GRI 404-2

Training and development is seen as a critical lever in keeping our people invested and engaged in the Group's strategy and future success. A major portion of the technical and soft skill training needs are identified through the mid-year review and annual performance appraisal mechanism. Fulfilling these needs within the allocated training budget is the responsibility of the respective unit heads, with training often delivered using a combination of formal training, on-the-job training, coaching and job rotation assignments.

Training Focus FY 2022/23

- Health and Safety
- People Management and Leadership Development
- Total Productivity Management
- Effective Time and Task Management

Training Hours for FY 2022/23

GRI 404-1

	Male	Female	Total
Manual Workers	545	300	845
Staff	602	92	694
Executives	4,734	529	5,263
Total	5,881	921	6,802

Apart from technical competency and soft skill training interventions, high-performing employees (executives) can also access the Hayleys Group future leaders programme in order to accelerate their career development goals.

Employee Relations

GRI 2-25, 2-26, 402-1

HFP has always given top priority to building and maintaining good relationships with employees. HFP maintains cordial relations with employee representatives through regular and ongoing dialogue.

The daily/weekly team briefings at plants along with our Open Door Policy help to create an ecosystem for employees to reach out to their superiors to raise any concerns and resolve any grievances they may have. Meanwhile, scheduled plant visits by HFP's Management Committee and the annual Management Committee forum also provide opportunities for employees to freely connect with HFP's senior leadership to seek advice or guidance regarding work related matters.

An established procedure is in place to inform employees of operational changes with adequate notice prior to implementation.

Occupational Health and Safety

GRI 2-21, 403-1, 403-3, 403-8

HFP's operations are not known to cause ill health among employees. However, as a manufacturing organisation, our operations entail some injury risks for our employees. We have thus made safety our first priority.

HFP complies with all mandatory health and safety regulations stipulated under the Factories Ordinance 1942. In line with the Workmen's Compensation Ordinance of 1935, we also have in place a workmen's compensation insurance cover for workers injured during the course of their work.

Strengthening Safety Systems in FY 2022/23

- Rs. 6.14 million incurred on maintenance of safety systems
- Rs. 143 million spent on new PPE
- Rs. 78k paid as workmen's compensation insurance premium

In addition, the comprehensive safety manual outlines safety procedures covering every aspect of factory operations. Procedures contained in the safety manual apply to all aspects of plant operations and thus covers all on-site employees.

All plants have a dedicated Safety Champion to provide oversight to ensure adherence to the safety manual on a day-to-day basis, for reviewing and updating safety procedures as needed and for routine maintenance and upgrading safety equipment. Safety Champions are also tasked with conducting risk assessments to identify potential safety hazards, investigating accidents or incidents and reporting to the Hayleys Group Safety Team on the same. The duties and responsibilities of Plant Safety Champions also include conducting safety training to propagate the safety awareness culture at plant-level. Bi-weekly safety briefings have proven to be an important platform for plant employees to escalate safety observations and work towards ongoing improvement of safety systems.

Conducting safety trainings

Human Capital

As part of HFP's holistic approach to operational safety, we work with our logistics partners to perform routine safety checks to verify the roadworthiness of their transport fleet and the legality of vehicle drivers.

Key Safety Hazards Associated with HFP Operations

GRI 403-7

Hazard	Reason for Hazard	Hazard Prevention System Implemented GRI 403-7
Fire Hazards	Combustible nature of coir fibre	Detailed fire safety procedures
		Appointment of fire wardens at all plants
		Annual fire safety drill in collaboration with the regional fire brigade
		Regular training and awareness on fire prevention and safety
Being Hit by Moving Objects	Coming into contact with moving machinery, goods and tools and equipment	Compliance with the safety guidelines specified by the original equipment manufacturer for the use, maintenance and storage of equipment
		Machinery to be operated only by designated persons along with the mandatory use of appropriate PPE
Falls, Trips and Slips	Due to poor housekeeping practices at the factory	Keep only frequently used tools in the work area
		Ensure regular maintenance of factory premises
		Keep work areas tidy by storing materials and equipment in line with recommended safety guidelines

Safety Training - FY 2022/23

GRI 403-5

Topic	No. of participants
Fire fighting training 2022	43
Frist aid training 2022	21
Safety	30

HFP Injury Record

GRI 403-9, 403-10

	2022/23	2021/22	2020/21
No. of minor injuries	3	5	2
No. of major injuries	-	2	3
No. of fatalities	-	-	-
No. of lost work days due to injury	3	102	73

Vision tests for our employees

Employee Wellbeing

GRI 403-2, 403-4, 403-6

Being in a high-pressure business such as ours, we understand that work commitments do take a toll on our employees. To relieve work stress and improve the quality of life for our employees, we arrange various wellbeing activities. Key initiatives for the current year included the annual health camp to safeguard physical health and a series of counselling sessions focusing on the psychological well being of employees. We also launched a special work-life balance initiative - a vegetable cultivation project where we allocated a small land area at each of our plants and supplied the seeds and growing media to motivate employees to grow vegetables and share the harvest with their co-workers.

HFP employees also continued to benefit from the wellbeing programme of the Hayleys Group.

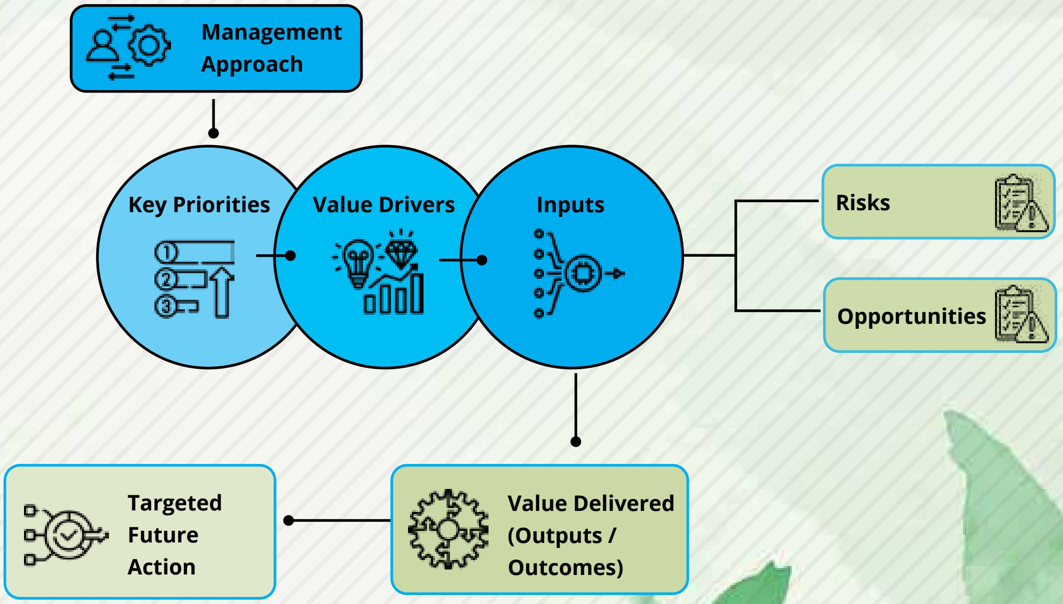
People Leaders Development Programme (PLDP)

Relieve work stress and improve the quality of life for our employees


Hayleys
Eco Solutio
GRE
INDEPENDE

NATURAL CAPITAL

Natural Capital is at the heart of HFP's value chain. In our coir fibre business, the raw material is extracted from nature and used to manufacture our end products which are used for agriculture and other growing activities as well as for erosion control, all of which ultimately contributes towards the preservation of Natural Capital.



Management Approach

Key Priorities

Value Drivers

Inputs

Risks

Opportunities

Value Delivered (Outputs / Outcomes)

Targeted Future Action

Natural Capital

Management Approach

GRI 2-14

Our approach to preserving Natural Capital revolves around 100% compliance with all environmental laws and regulations applicable to our various businesses. All our manufacturing plants are governed by the Environmental Protection Licence issued by the Central Environmental Authority. In addition, the CPL plant in Dankotuwa Industrial Estate has a Scheduled Waste Management Licence for the management of waste during the manufacturing process.

Going beyond compliance, HFP strives to manage the business impact on Natural Capital in line with the Hayleys Group Environmental Policies that set out specific guidelines for the implementation of environmental best practices across our manufacturing plants.

At a plant-level, the Plant Engineer is responsible for the implementation of environmental best practices. Environmental performance is monitored at Group-level via the Group sustainability system (CUBE). The responsibility for ensuring all data is updated to the CUBE rests with the Hayleys Eco-Solutions Sector Lifecode Champion who is also required to liaise with the Hayleys Group sustainability division to address performance gaps, if any.

Our facility in Madampe

Key Priorities

- Prevention of pollution by reducing the discharges to land, water and air
- Set targets supported by continuous monitoring of environmental performance
- Involve all personnel, top to bottom in impact recognition, impact elimination and sustainable use of resources
- Pursue external collaborations to drive high-impact environmental projects

Value Drivers

- Waste Management
- Energy and Emission Management
- Managing Water Resources
- Training and Awareness
- Environmental Projects

Risks and Opportunities

Risks

- Atmospheric changes affecting temperature and precipitation levels in coconut growing regions leading to lower average yields during cropping season
- Scarcity of raw materials due to fragmentation of coconut lands to facilitate urbanisation and due to pest attacks

Opportunities

- Invest in renewable energy
- Use of low toxicity chemical agents
- Use of biodegradable/ reusable waste materials

Inputs

- Continuous monitoring of environmental performance by the Hayleys Eco-Solutions Sector Lifecode Champion jointly with Hayleys Group Sustainability Team
- Establishing plant-specific industrial waste management guidelines
- Commissioning secondary spill containment units at all plants

Value Delivered (Outputs / Outcomes)

- 195 MT of waste recycled.
- Managing scope 1 emission
- Managing water consumption

Targeted Future Action

Implement the ISO 14001: Environment Management Standard by end-2023.

Prepare a GHG Inventory Report using 2023/24 as the baseline year

Materials used across the HFP’s value chain

GRI 301-1, 301-2, 301-3

Materials used across the HFP’s value chain	Unit of measured	2020/21	2021/22	2022/23
Coconut based raw material (Coconut Husks)**	Husk (Nos)	3,414,930	5,114,458	7,157,450
Fibre/Pith/Chips**	(Kg)	7,441,966	11,176,067	11,107,177
Chemicals*	(Kg’s)	473,586	940,038	498,018
Nylon/Polypropylene*	Packing (Nos)	168,500	571,386	690,059
	Packing (Kg)	76,843	122,338	49,207
	Netting (Sqm)	15,727,155	27,981,604	21,289,359
Jute**	Netting (Sqm)	4,970,658	4,674,310	1,444,005
	Bags (Nos)	52,500	46,250	26,250
Polythene*	Packing (Nos)	535,582	983,579	1,545,958
	Packing (Kg)	30,285	37,084	32,869

*Non-renewable materials
**Renewable material

Waste Management

HFP and BL's coir fibre manufacturing operations exemplify the principle of circularity. The primary raw material input used for the manufacture of coir fibre products are coconut husks - a renewable/ toxic-free/ biodegradable material that is a by-product of coconut cultivation. Through our manufacturing processes, we upcycle coconut husks to create mediums for agriculture, growing and erosion control. The small amounts of fibre waste and dust generated at various points of the manufacturing process are collected and recycled into the manufacturing process. Coir fibre manufacturing is a chemical free process.

Hayleys Group Waste Management Policy - Key Principles

GRI 306-1, 306-2

» Defining the solid / semi solid waste categories within operating boundaries, mapping them accordingly and implementing mechanisms to quantify waste generation	Quantifying waste generation by appropriate categories
» Establishing waste management programmes focusing on minimising, reducing and controlling waste generation. (Programme should be developed based on 7R [Reject, Reduce, Reuse, Reclaim, Replace, Repair, Recycle] concept applications over significant operations identified)	Waste management programmes based on the 7R concept for significant applications
» Proper segregation practices should be implemented across all the categories of waste generation (process and non-process)	Segregation of waste
» Segregated waste should be stored separately complying with all the relevant legal and other requirements (availability of separate waste storage for hazardous and non-hazardous waste, following defined colour code and labelling mechanism, zero contamination to the environment, application of emergency preparedness programmes, health and safety requirements on waste handling, etc.)	Compliance with safe storage of waste
» Ensuring the sustainable disposal of all types of waste by following "zero landfilling" (getting into agreements with legally accepted waste collectors and disposers, ensuring proper disposal through audits and proof documentations, maintaining records of all the waste disposals)	Sustainable disposal of waste
» Establishing material and waste management targets and objectives and driving continuous improvement programmes (focusing on monitoring, corrective and preventing actions, auditing and reviews of waste management)	Establishing targets and objectives to drive continuous improvement
» Ensuring the availability of relevant information, documents, training tools and guidance to drive the defined waste management programmes	Training and tools to enable performance

The waste streams at CPL's manufacturing plant include; non-hazardous waste (quilted fabric scrap and bale hoop scrap metal) and polythene waste from the packing operation. Quilted fabric scrap and bale hoop scrap metal are reclaimed to produce alternative products.

In the year under review, we commenced two important waste management projects:
1) Establishing plant-wise guidelines for the segregation and management of industrial waste and
2) commissioning spill control units to prevent all hazardous and non-hazardous chemicals from contaminating soil and water.

As a policy, waste generated by the HFP Group is not sent to landfills.

HFP Group Waste Matrix - FY 2022/23

GRI 306-3, 306-4, 306-5

Waste Type		Kg's	Disposal Methodology
Non-Hazardous Waste	Fibre Waste / Dust	195,000	100% Recycled into the coir fibre production process
	Quilted Fabric Scrap	2,972	Sold to soft toys manufacturers
	Bale Hoop Scrap Metal	4,200	Sold to registered scrap metal vendors
	Polythene	780	Disposed through CEA-approved waste collectors
Hazardous Waste	Empty Chemical Containers	48,384	100% disposed of through CEA-approved waste contractors
	E-waste	70	100% disposed of through CEA-approved waste contractors

Energy and Emission Management

Electricity is the primary source of energy used to power machinery at all plants. However, electricity consumption across the Group is relatively less compared to other industrial plants. Our coir fibre manufacturing is predominantly a labour intensive operation and requires very limited use of heavy machinery. CPL's operations, on the other hand, depend mainly on the use of machinery and equipment. Other forms of energy used by the HFP Group include diesel for boilers and for backup generators as well as for use in factory-owned vehicles.

Hayleys Group Energy and Emission Management Policy - Key Principles

» Implementation of customised energy and emission management programmes focusing on the materiality of relevant energy/emission aspects In driving these programmes, identify all energy and emission related processes and applications, evaluate the significance, set targets and objectives, continuously monitor performance and drive the programme based on defined KPIs in line with Table 1 Energy & Emission Management Strategies, Targets and KPIs.	Implement holistic energy and emission management programmes at all entities
» Ensure the availability of relevant information, documents, training tools and guidance to drive the defined energy and emission management programmes.	Availability of resources
» Gradually shift from non-renewable energy sources and increase reliance on renewable energy such as solar, wind, biomass energy, etc. Ensure that purchased biofuel is sustainably sourced and does not result in deforestation.	Shift to renewable energy
» Minimising energy-related environmental impact and enhanceing the Group's competitiveness through energy costs savings by embracing lean management practices, application of Life Cycle Assessment (LCA) concept, carbon neutral operations and many other recognised green concepts.	Minimise energy-related impact on environment
» Adopting energy and emission conscious procurement procedure on all relevant operations and propagating our energy and emission management practices across the supply chain, implementing effective operation and maintenance programmes to ensure energy-efficient operations while minimising emissions for significant energy consuming applications (machines/ processes).	Energy and emission management
» Nurturing a culture of energy and emission consciousness across all the relevant stakeholder groups (e/g. employees, communities, non-profit organisations, government, etc.); all business entities within the Group should observe the energy practices of its supply chain partners and encourage the use of clean energy across its supply chain.	Energy and emission conscious cultures
» Aligning with the Hayleys Group sustainability strategy	Align with Group

HFP Group Energy Matrix

GRI 302-1, 302-2, 302-3, 302-4, 302-5

Energy Consumed within the Group	2022/23	2021/22	Variance %
Electricity	2,492,258 MJ	3,032,644 MJ	-18
Diesel	2,310,199 MJ	863,593 MJ	168
Energy Intensity Ratio (MJ/Revenue - Mn)	1,094	1,053	4

Plant-wise energy consumption and emissions are tracked through the CUBE system. Stack emissions at plants are also monitored and tested regularly in line with the EPL conditions. We are conducting preliminary studies to assess the feasibility of investing in rooftop solar infrastructure to meet the needs of each plant.

HFP Group Emission Matrix

GRI 305-1, 305-2, 305-3, 305-4, 305-5

Emissions	2022/23 tCO_2e	2021/22 tCO_2e	Reduction of GHG emissions (tCO_2e) %
Direct (Scope 1) GHG Emissions	172	64	168
Indirect (Scope 2) GHG Emissions	375	457	-18
Other indirect (Scope 3) Emissions	107	26	314
Total GHG emissions	655	547	20
Emission Intensity Ratio (tCO_2e/ Revenue - Mn)	0.149	0.148	0.68

Scope 1 : Consumption of diesel, Co2 fire extinguisher, Refrigerent
Scope 2 : Electricity usage from the national grid, Electricity transmission and distribution losses
Scope 3 : Business air travel, 3rd party transport, Employee commuting

Managing Water Resources

GRI 303-1, 303-2, 303-3, 303-4, 303-5

Our manufacturing processes do not require the use of water. Therefore water is used only in limited quantities across the HFP Group, mainly for the utility and sanitation requirements of employees. Water needs at the HFP and BL plants are met by extracting groundwater, while CPL procures water from municipal water lines for its requirements. As a policy, HFP does not discharge any water to the environment with all used water captured in on-site soakage pits.

In recent years, HFP has been focusing on improving its alignment with the Hayleys Group Water Management Policy, where we are aiming for greater water sustainability across all our plants. Towards this end, we have already begun installing special equipment to streamline water consumption. We are currently in the process of drawing up plans to invest in rainwater harvesting systems at all plants.

Training and Awareness

Environment management Oriented ESG trainings are conducted by HFP's sustainability team and Hayleys Groups sustainability team to improve the green culture of our employees

Environmental Projects

GRI 304-2 304-3

HFP's responsibility to the environment extends beyond the core business to address broader national concerns such as biodiversity conservation, habitat restoration and increasing Sri Lanka's forest cover. Over the years, we have undertaken notable projects in these areas.

Project 1: Microhabitat Development

Scope / Purpose: Creating a dedicated butterfly garden and mini-wetland to develop micro habitats for the protection and conservation of native fauna and flora species in the a

Project 2 - "Grow Me" Planting native trees to celebrate employee birthdays and special events

Scope / Purpose: Promote green ethics by creating employee awareness on environmental services and importance of biodiversity conservation

Project 3 -Guava Plant Donation

Scope / Purpose: Donation of 500 guava plants to schools in the North Western Province school scout troops

Project 4 - Green Independence Day

Scope / Purpose: Donation of 300 fruit plants to celebrate 75th Independence Day as part of a focused effort to promote home gardening to support food security

Natural Capital

Project 5 - “Weda Bimai Haritha Yayai” Urban Gardening Initiative

Scope / Purpose: Encourage home gardening among employees and local schools in the North Western Province to promote green ethics

Project 6 - Medicinal Garden

Scope / Purpose: A special initiative to grow medicinal plants to raise community awareness and support to conserve native flora in the area.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Ongoing Projects

"Haritha Mawath" - Roadside Tree Planting Project

Scope / Purpose: Planting 500 native forest trees (Mee, Murutha, Ehela) in the roadside of Kuliyapitiya area

Preservation of Natural Ecosystems

Scope / Purpose: Introduction of honeybees to coconut plantations in order to increase pollination and boost coconut yield

Board of Directors

1. A. M. Pandithage - *Chairman & Chief Executive*
2. H. S. R. Kariyawasan - *Deputy Chairman*
3. M. M. A. R. P. Goonetileke - *Managing Director*
4. Dr. S. A. B. Ekanayake - *Independent Non-Executive Director*
5. S. C. Ganegoda - *Non-Executive Director*
6. L. A. K. I. Kodytuakku - *Deputy Managing Director*

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

Profiles of Directors

Mohan Pandithage
Chairman & Chief Executive

Mohan Pandithage currently serves as the Chairman and Chief Executive of Hayleys PLC, a position he has held since his appointment in July 2009. Appointed to the Board of Hayleys Fibre PLC in 2007.

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, 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.

H. S. R. Kariyawasan
Deputy Chairman

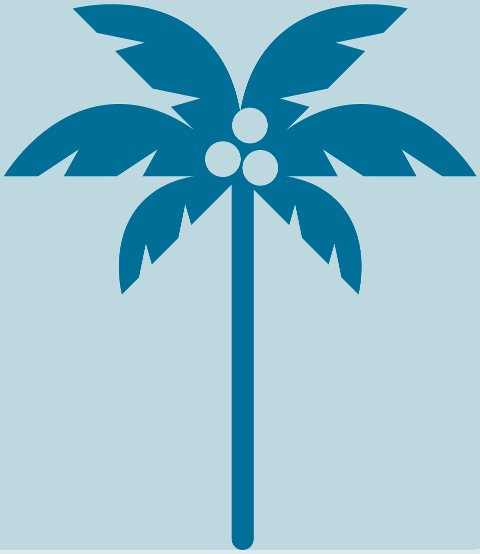
Joined the Hayleys Group in January 2010. Appointed to the Board of Hayleys Fibre PLC in May 2017. He is also a Member of the Hayleys PLC Board of Directors and is also the Managing Director of Haycarb PLC and the Deputy Chairman of the Eco Solutions Sector and Dipped Products PLC. He was appointed to the Board of Sri Lanka Institute of Nanotechnology (Pvt) Ltd, (SLINTEC) as a Nominee Director of Hayleys PLC in March 2019 and as a Lead Member of the Hayleys ESG Steering Committee representing the Hayleys Executive Directors in 2022.

Holds a BSC Engineering (Electronics and Telecommunications) from the University of Moratuwa, Sri Lanka. Fellow Member of the Chartered Institute of Management Accountants, UK. Also a Six Sigma (Continuous Improvement Methodology) Black Belt, certified by the Motorola University, Malaysia.

Before joining Hayleys Group, held the position of Director/General Manager of Ansell Lanka (Pvt) Ltd. Served as the Chairman of the Manufacturing Association of Export Processing Zone, Biyagama.

M. M. A. R. P. Goonetileke
Managing Director

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



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

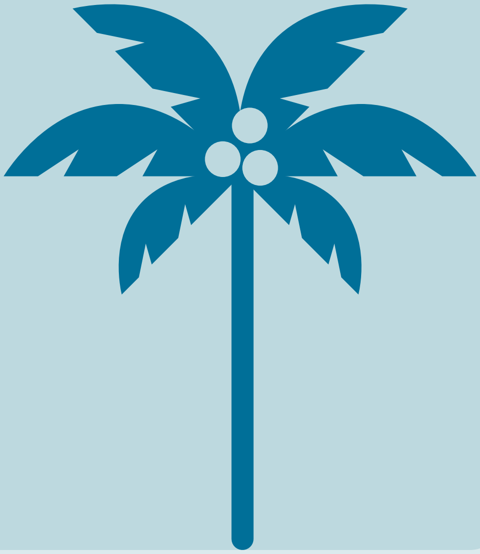
Appointed to the Board in March 2007. Past Chairman of the Ceylon Chamber of Commerce and past Chairman of the Industrial Association of Sri Lanka. Served as Director Human Resources and Corporate Relations at Unilever Sri Lanka Limited and as a Member of Company's Board. Also served as Director General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

S. C. Ganegoda
Non-Executive Director

Rejoined Hayleys in March 2007. Appointed to the Group Management Committee in July 2007. Appointed to the Board in September 2009. Fellow Member of CA Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Worked for Hayleys Group between 1987 and 2002, ultimately as an Executive Director. Subsequently, held several senior management positions in large private sector entities in Sri Lanka and overseas. Has responsibility for the Strategic Business Development Unit, Group Information Technology of Hayleys PLC and appointed as the Deputy Chairman of Alumex PLC in October 2020. He serves on the Boards of Unisyst Engineering PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC and Horana Plantations PLC.

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

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



Profiles of Directors

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

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

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

Appointed to the Board in September 2017, Dr. Prasad Samarasinghe is the Managing Director of Lanka Bell Ltd. In addition, he holds the position of Managing Director of Bell Solutions (Pvt) Ltd & Bell Vantage (Pvt) Ltd, Director of HNB PLC. Alternative Director positions at HNB Assurance PLC, and HNB General Insurance Limited.

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

T. G. Thoradeniya
Independent Non-Executive Director

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

M. C. Sampath
Executive Director/Chief Financial Officer

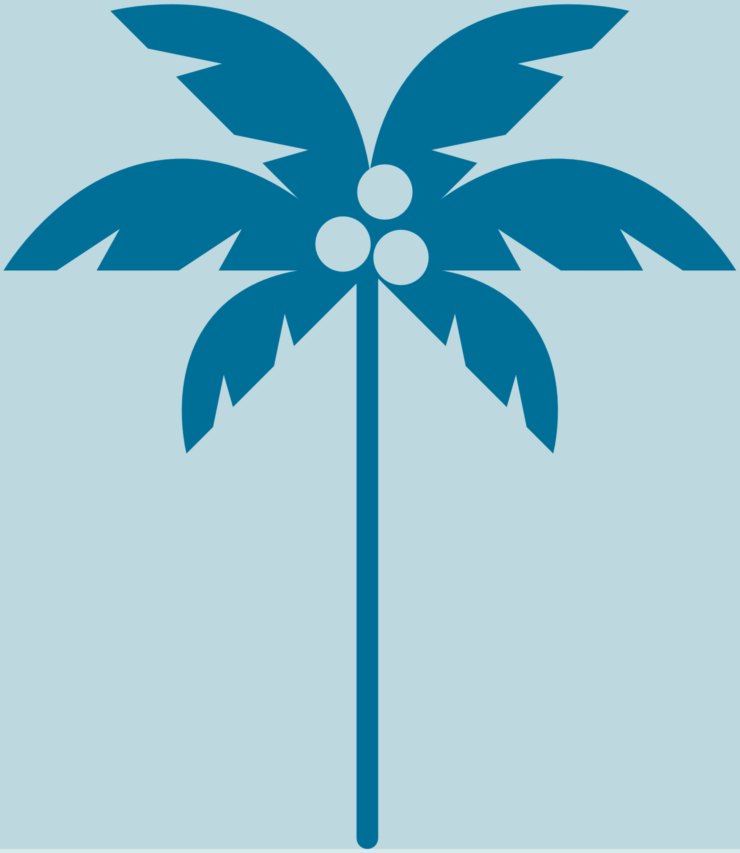
Joined Hayleys Group in June 2015 as the Chief Financial Officer of the Eco Solutions Sector. Appointed to the Board in May 2018. Fellow Member of the Institute of Chartered Accountants of Sri Lanka. Holds a special degree in B.Sc. Accountancy and Financial Management from the University of Sri Jayewardenepura.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

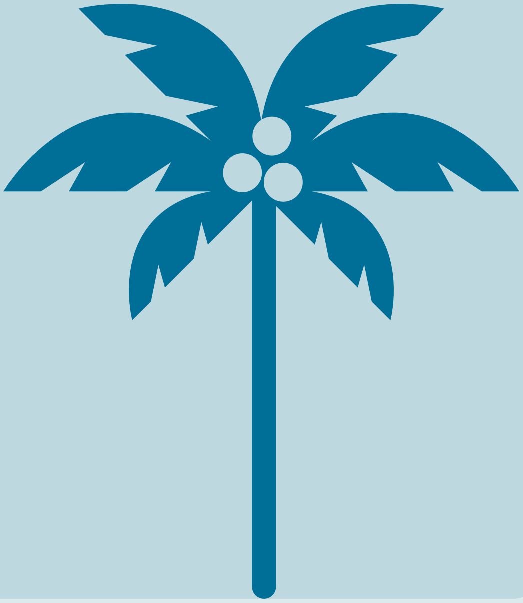
W. A. K. Kumara
Executive Director

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

L. Uralagamage
Executive Director

Lasantha Uralagamage is currently the Director/ General Manager (Head of Manufacturing) at Chas P. Hayley & Company (Pvt) Ltd in the Eco Solutions Sector, with over 38 years of experience in fibre and brushware related products. He received the Chairman's Award in 2017 at Hayleys for introducing a new type of fibre to the industry. He invented several machineries that contributed towards the betterment of the Hayleys Fibre industry. He also received a scholarship from HIDA – Japan (The Overseas Human Resources and Industry Development Association) for Quality Management.





Management Committee

Seated from Right to Left
1. H. S. R. Kariyawasan - *Deputy Chairman*
2. M. M. A. R. P. Goonetileke - *Managing Director*
3. L. A. K. I. Kodytuakku - *Deputy Managing Director*

Standing from Right to Left
1. G. S. De Silva - *Head of HR*
2. M. C. Sampath - *Executive Director/CFO*
3. L. Uralagamage - *Executive Director*
4. Duminda Gunawardana - *CEO, Brushware*
5. W. A. K. Kumara - *Executive Director*

Corporate Governance

GRI 2-9, 2-10, 2-11, 2-12, 2-13, 2-16, 2-18, 2-27

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

The Company is a subsidiary of Hayleys PLC.

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

Board Of Directors

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

Composition and Attendance at Meetings

As at the end of the year under review, the Board consist of Twelve Directors, Five Non-Executive Directors out of which Four are Independent Non-Executive Directors, Seven Executive Directors. Profiles of these Directors are given on pages 86 to 89 of this Report. Details of Directors' shareholding in Hayleys Fibre PLC and the directorates they hold in other companies are given on pages 104 and 86 to 89, respectively.

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

Board Meeting Attendance

As at	31 March 2023
Mr. A. M. Pandithage	4/4
Mr. H. S. R. Kariyawasan	4/4
Mr. M. M. A. R. P. Goonetileke	4/4
Dr. S. A. B. Ekanayake**	3/4
Mr. S. C. Ganegoda*	3/4
Mr. T. G. Thoradeniya**	4/4
Dr. T. K. D. A. P. Samarasinghe**	4/4
Mr. L. A. K. I. Kodytuakku	3/4
Mr. D. K. De Silva Wijeyeratne**	4/4
Mr. M. C. Sampath	4/4
Mr. W. A. Kelum Kumara	4/4
Mr. L. Uralagamage	4/4

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

Responsibilities

The Board is responsible to:

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

Inter Alia, Directors:

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

Company Secretary

The services and advices of the Company Secretary are made available to Directors as necessary. The Company Secretary keeps the Board informed of new laws, regulations and requirements coming into effect which are relevant

Corporate Governance

to them as individual Directors and, collectively, to the Board. Shareholders are free to communicate with the Secretaries whenever it is considered necessary.

Chairman's Role

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

Board Balance

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

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

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

Financial Acumen

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

Supply of Information

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

Appointments to the Board

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

Re-Election of Directors

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

The Managing Director does not retire by rotation.

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

Remuneration Procedure

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

Remuneration Committee of Hayleys PLC consists of:

- Dr. H. Cabraal, PC** - Chairman
- Mr. Dhammika Perera*
  (Resigned w.e.f. 10th June 2022)
- Mr. M. H. Jamaldeen**
- Mr. M. Y. A. Perera**
- Mr. K. D. G. Gunaratne**
  (Appointed w.e.f. 21st April 2023)

* Non – Executive Director
** Independent Non – Executive Director

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

Disclosure of Remuneration

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

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

Management Structure

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

The authority is exercised within the ethical framework and business practices established by the Board which demand compliance with existing laws and regulations as well as best practices in dealing with employees, customers, suppliers and the community at large.

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

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

Relations with Shareholders

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

Constructive Use of the Annual General Meeting

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

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

Communication with Shareholders

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

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

Price Sensitive Information

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

Shareholder Value & Return

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

Accountability and Audit Financial Reporting

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

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

The Statement of Directors' Responsibilities for the financial statements is given in page 102 of this report.

Management Report

Chairman's Message (pages 12 to 14), Message from the Managing Director (pages 15 to 17) and Review of Business Operations (pages 36 to 37) in this report provide an analysis of the Company and its Group's performance during the financial year.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks. This process has been in place throughout the year under review and the Risk Management Report is given from pages 32 to 35.

Going Concern

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

Internal Controls

The Directors are responsible for the Group system of internal financial controls. The system is designed to safeguard assets against unauthorised use or disposition and to ensure that accurate records are maintained and reliable financial information is

Corporate Governance

generated. However, there are limits to which any system can ensure that errors and irregularities are prevented or detected within a reasonable period.

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

Members of the Audit Committee consists of:
- Mr. D. K. De Silva Wijeyeratne** (Chairman)
- Dr. S. A. B. Ekanayake**
- Mr. T. G. Thoradeniya**
- Dr. T. K. D. A. P. Samarasinghe**

* Non – Executive Director
** Independent Non – Executive Director

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

The Board has reviewed the effectiveness of the system of financial control for the period up to the date of signing the accounts. The Directors Responsibilities for the financial statements are described on page 102.

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

Level of compliance with CSE's Listing ruling

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.1	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executive Directors	Compliant	Five of Twelve Directors are Non-Executive Directors
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher, should be Independent	Compliant	Four Non-Executive Directors are Independent
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format	Compliant	Non-Executive Directors have submitted the declaration
7.10.3 (a)	Disclosure relating to Directors	Names of independent Directors should be disclosed in the Annual Report	Compliant	Please refer page 103

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.3 (b)	Disclosure relating to Directors	The basis for Board to determine a Director as independent, If specified criteria for independence is not met	Compliant	Given in page 92 under the heading of Board Balance
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the areas of expertise	Compliant	Please refer pages 86 to 89
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(d) to the Exchange	Compliant	A brief resume was provided to the Exchange at the time of appointment
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee	Compliant	Remuneration Committee of the parent (Hayleys PLC) acts as a Remuneration Committee of the Company
7.10.5 (a)	Composition of Remuneration Committee	Shall comprise Non-Executive Directors, majority of whom will be independent	Compliant	Please refer page 99
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Managing Director	Compliant	As above and stated in this report
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out: a) Names of Directors comprising the Remuneration Committee	Compliant	a) and b) Please refer page 99
		b) Statement of Remuneration Policy	Compliant	
		c) Aggregated remuneration paid to Executive & Non-Executive Directors	Compliant	c) Please refer page 104
7.10.6 (a)	Audit Committee	The Company shall have an Audit Committee	Compliant	Names of the members of the Audit Committee is given on page 100
7.10.6 (b)	Composition of Audit Committee	Shall comprise Non-Executive Directors, a majority of whom will be independent	Compliant	Audit Committee consists of Four Non-Executive Directors of which all are independent
		A Non-Executive Director shall be appointed as the Chairman of the Committee	Compliant	Chairman of the Audit Committee is an Independent Non-Executive Director

Corporate Governance

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings	Compliant	The Managing Director and Chief Financial Officer attend meetings by invitation
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	Chairman of the Audit Committee is a Chartered Accountant
7.10.6 (c)	Audit Committee Functions	Should be as outlined in the Section 7 of the listing rules	Compliant	The terms of reference of the Audit Committee are on pages 100 to 101
7.10.6 (d)	Disclosure in the Annual Report relating to Audit Committee	a) Names of Directors comprising the Audit Committee b) The Audit Committee shall make a determination of the independence of the Auditors and disclose such determination c) The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance of the functions	Compliant Compliant Compliant	Please refer Audit Committee Report on pages 100 to 101 Please refer Audit Committee Report on pages 100 to 101 Please refer Audit Committee Report on pages 100 to 101
9.2	Related Party Transactions Review Committee	If the parent Company and the subsidiary Company are both listed entities, the Related Party Transactions Review Committee of the parent Company may be permitted to function as such Committee of the subsidiary	Compliant	The Committee of the parent Company which was formed on 10th February 2015 functions as the committee of the Company
9.2.2	Composition	02 Independent Non-Executive Directors and 01 Executive Director of Hayleys PLC	Compliant	Please refer page 98
9.2.3	Related Party Transactions Review Committee Functions	» To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction » Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party	Compliant	As above

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
		» Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary obtaining appropriate professional and expert advice from suitably qualified persons » To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction » To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders » Meet with the Management, Internal Auditors/ External Auditors as necessary to carry out the assigned duties » To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged » To review the economic and commercial substance of both recurrent/non recurrent related party transactions » To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction	Compliant	As above
9.2.4	Related Party Transactions Review Committee Meetings	Shall meet once a calendar year	Compliant	Please refer page 98
9.2.5	Related Party Transactions Review Committee Disclosure in the Annual Report	a) Non-recurrent Related Party Transactions- If aggregate value exceeds 10% of the equity or 5% of total assets whichever is lower. b) Recurrent Related Party Transactions – If aggregate value exceeds 10% of gross revenue/ income as per the latest audited accounts	Compliant	a) Page 173 b) Page 174
		c) Report by the Related Party Transactions review Committee d) A declaration by the Board of Directors		c) Page 98 d) Page 104

Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee (RPTRC) of Hayleys PLC, the parent Company functions as the RPTRC Committee of the Company in terms of Section 9 of the Listing Rules of the Colombo Stock Exchange.

Composition of the Committee

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director and the members are as follows.

Dr. H. Cabral**, PC - Chairman
Mr. M. Y. A. Perera**
Mr. S. C. Ganegoda*

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

Attendance

Committee met four (04) times in the Financial Year 2022/23.

Meetings were held on 17th May 2022, 10th August 2022, 8th November 2022 and 10th February 2023.

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

The Duties of the Committee

- To review in advance all proposed related party transactions of the Group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions.
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining competent independent advice from independent professional experts with regard to the value of the substantial asset of the related party transaction.

Task of the Committee

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

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

Dr. Harsha Cabral, PC.
Chairman
Related Party Transactions Review Committee of Hayleys PLC

17th May 2023

Remuneration Committee Report

GRI 2-19

Composition of the Committee

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

Composition
Dr. H. Cabral, PC** – Chairman
Mr. K. D. D. Perera* (Resigned w.e.f. 10th June 2022)
Mr. M. Y. A. Perera**
Mr. M. H. Jamaldeen**
Mr. K. D. G. Gunaratne** (Appointed w.e.f. 21st April 2023)

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

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

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

Duties of the Remuneration Committee

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

- Determining the compensation of the Chairman and Chief Executive, Executive Directors and the Members of the Group Management Committee.
- Lay down guidelines and parameters for the compensation of all Management staff within the Group taking into consideration industry norms.
- Formulate guidelines, policies, and parameters for the compensation of all Executive staff of the Company.
- Review information related to executive pay from time to time to ensure same is on par with the market/industry rates.
- Evaluate the performance of the Chairman and Chief Executive and Key Management Personnel against the pre-determined targets and goals.
- Assess and recommend to the Board of Directors of the promotions of the Key Management Personnel and address succession planning.
- Approving annual salary increments and bonuses.

Remuneration Policy

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

Activities In 2022/23

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

Dr. Harsha Cabral, PC
Chairman
Remuneration Committee

19th May 2023

Audit Committee Report

Composition of the Audit Committee

The Audit Committee of Hayleys Fibre PLC, appointed by and responsible to the Board of Directors, comprises of four Independent Non-Executive Directors, namely, Mr. D. K. De Silva Wijeyeratne, Chairman of the Committee and Dr. S. A. B. Ekanayake, Mr. T. G. Thoradeniya and Dr. T. K. D. A. P. Samarasinghe.

Brief profiles of each member are provided on pages 86 to 89 of this report.

The Company Secretary acts as the Secretary to the Audit Committee. The Chairman of the Audit Committee is a senior qualified Accountant and other members possess relevant knowledge, qualifications and experiences in financial reporting, control and regulatory requirements.

Meeting of the Audit Committee

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

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

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

Other members of the Board, External Auditors, Internal Auditors and the Chief Financial Officer were present at discussions as required. The proceedings of the Audit Committee are regularly reported to the Board of Directors. Audit committee meeting papers, including agenda, minutes and related reports and documents are circulated to the committee members in advance.

Tasks of the Audit Committee & Role

The Audit Committee assists the Board of Directors in fulfilling effectively its responsibility of oversight of the Group accounting and financial reporting process and audit of the financial statement of the Group. The responsibilities of the committee are:

- Review the financial reporting process of Hayleys Fibre Group in order to ensure that an accurate and effective financial reporting process is in place.
- Review the effectiveness of the Company's internal control system.
- Review and assess the risk management process of the Company.
- Review the adequacy of the scope, functions and resources of internal auditors.
- Recommend to the Board of appointment or continuing engagement of the external auditors, review of their scope, approach and performance.
- Review the effectiveness of the system with a view to monitoring compliance with laws and regulations.
- Report to the Board its findings based on the reports of the external auditor or internal auditor.

Other responsibilities include holding discussions with the management about the major policies with respect to risk assessment and risk management.

Internal Audits

The Committee reviewed the process to assess the effectiveness of the Internal Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements. The Hayleys Group Management Audit & Systems Review Department (MA & SRD) reports on key control elements and procedure in Group companies that are selected according to an annual plan were reviewed. Internal Audits are outsourced wherever necessary, to leading audit firms in line with an agreed annual audit plan. Follow up reviews are scheduled to ascertain that audit recommendations are being acted upon. The Committee appraised the independence of the Group MA & SRD and other internal auditors, in the conduct of their assignments.

The committee reviewed statements that indicated major business risks, mitigating actions or contemplated for management of these risks.

External Audits

During the year, the Committee reviewed the external audit scope and the strategy. The Audit Committee discussed the audit plan and the scope of the external audit with Messrs Ernst & Young. The Interim Issues Memorandum, Audit Results Report and the Management Letters issued by the External Auditors with regard to the

Financial Statements are circulated and reviewed at the Audit Committee.

The Committee reviews annually the appointment of the External Auditor and makes recommendations to the Board accordingly. The Committee is satisfied that the independence of the External Auditors had not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors, in order to ensure that it did not compromise their independence.

The Audit Committee recommended to the Board the re-appointment of Messrs Ernst and Young, Chartered Accountants as the External Auditors of the Company for the ensuing financial year, subject to the approval of the shareholders at the next Annual General Meeting.

The Audit Committee provides the opportunity to External Auditors to meet Audit Committee members independently, if necessary.

Appointment of External Auditor

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young continue as auditors for the financial year ending 31st March 2024.

Conclusion

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

D. K. De Silva Wijeyeratne
Chairman- Audit Committee

16th May 2023

Statement of Directors' Responsibility

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

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

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

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

The Directors have confirmed that the Company has satisfied the solvency test requirement under Section 56 of the Companies Act No.07 of 2007 for the interim dividends paid. A solvency certificate was obtained from the Auditors in respect of the interim dividends paid.

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 Report of the Auditors, shown on pages 111 to 114 sets out their responsibilities in relation to the Financial Statements.

Compliance Report

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

By Order of the Board,

Hayleys Group Services (Pvt) Ltd.
Secretaries

16th May 2023

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

GRI 2-15

The Directors of Hayleys Fibre PLC are pleased to present their report together with the audited Financial Statements of the Company and of the Group for the year ended 31st March 2023.

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

Principal Activities

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

Review of The Year

The Chairman's Message (pages 12 to 14), Message from the Managing Director (pages 15 to 17) and Review of Business Operations (pages 36 to 37) describes briefly the activities of the Group and the Company during the year under review. The results for the year are set out in the Income Statement.

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

Financial Statements and Auditors' Report

The Financial Statements of the Group and the Company are given on pages 115 to 121 in the Annual Report.

The Auditors' Report on the financial statements is given on pages 111 to 114.

Accounting Policies

The accounting polices adopted in the preparation of financial statements are given on pages 122 to 136. There were no changes in the accounting policies adopted by the Group.

Property, Plant and Equipment

Information relating to the movement in Property, Plant and Equipment is given in note 11 to the Financial Statements.

Changes in Fixed Assets

The movement in fixed assets during the year is set out in note 11 to the Financial Statement.

Investments

Details of investments held by the Company and by the Group are given in note 15 to the Financial Statements.

Employees and Industrial Relations

There have been no material issues pertaining to employees and industrial relation of the Company during the Financial Year. The number of persons employed by the Group was 384.

Directorate

The names of the Directors who held office during the financial year are given below and their brief profiles appear on pages 86 to 89.

Executive Directors

1. Mr. A. M. Pandithage (Chairman)
2. Mr. H. S. R. Kariyawasan (Deputy Chairman)
3. Mr. M. M. A. R. P. Goonetileke (Managing Director)
4. Mr. L. A. K. I. Kodytuakku (Deputy Managing Director)
5. Mr. M. C. Sampath
6. Mr. W. A. K. Kumara
7. Mr. L. Uralagamage

Non-Executive Directors

8. Mr. S. C. Ganegoda

Independent Non-Executive Directors

9 Dr. S. A. B. Ekanayake
10. Mr. T. G. Thoradeniya
11. Dr. T. K. D. A. P. Samarasinghe
12. Mr. D. K. De Silva Wijeyeratne

In terms of Article No.29(1) of the Articles of Association of the Company, Messrs. L. A. K. I. Kodytuakku, D. K. De Silva Wijeyeratne and M. C. Sampath retire by rotation and being eligible offer themselves for re-election.

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

Notice has been given of the intention to propose an ordinary resolution in terms of Section 211 of the Companies Act No. 07 of 2007 ('Companies Act') for the re-appointment of Mr. A.M. Pandithage who has attained the age of 72 years, resolving that the age limit of 70 years stipulated in Section 210 of the Companies Act shall not apply to him.

Directors' Shareholdings

	As at 31/03/2023	As at 01/04/2022
Mr. A. M .Pandithage	960	960
Mr. H. S. R. Kariyawasan	Nil	Nil
Mr. M. M. A. R. P. Goonetileke	Nil	Nil
Mr. L. A. K. I. Kodytuakku	Nil	Nil
Dr. S. A. B. Ekanayake	Nil	Nil
Mr. S. C. Ganegoda	1,824	1,824
Mr.T.G. Thoradeniya	Nil	Nil
Dr. T. K. D. A. P. Samarasinghe	Nil	Nil
Mr. D. K. De Silva Wijeyeratne	Nil	Nil
Mr. M. C. Sampath	Nil	Nil
Mr. W. A. K. Kumara	Nil	Nil
Mr. L. Uralagamage	Nil	Nil

Interests Register

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

Director's Interest in Transactions

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No.7 of 2007. Note 37 to the Financial Statements deal with related party disclosures.

Director's Interest in Shares

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

Director's Remuneration

The total remuneration of Non Executive Directors for the year ended 31st March 2023 was Rs. 2.5 million determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this remuneration is fair to the Company.

Related Party Transactions

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

The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee of Hayleys PLC, the parent Company which acts as the Related Party Transactions Review Committee of the Hayleys Fibre PLC and are in compliance with Section 09 of the CSE Listing Rules. The Committee met Four (04) times in the financial year 2022/2023.

Attendance

Meetings held on 17th May 2022, 10th August 2022, 08th November 2022 and 10th February 2023.

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

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

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

Details of the Related Party Transaction reviewed Committee are given on page 98 in the annual report.

Remuneration Committee

The Remuneration Committee of the parent Company, Hayleys PLC functions as the Remuneration Committee of the Company and conforms to the requirements of the Listing Rules of CSE. The Report of the Remuneration Committee is given on page 99.

Board Nomination Committee

The Nomination Committee of the parent Company, Hayleys PLC functions as the Nomination Committee of the Company and conforms to the regulatory requirements.

Corporate Donations

No Donations were made during the year. (2021/2022 - Nil)

Directors’ Indemnity and Insurance

The parent of the Company, Hayleys PLC has obtained a Directors’ and Officers’ Liability insurance from a reputed insurance Company in Sri Lanka providing worldwide cover to indemnify all past, present and future Directors and Officers of the Group.

Dividend

1st Interim Dividend of Rs.2.00 per share for the year 2022/23 was distributed on 21st October 2022.
2nd Interim Dividend of Rs.1.00 per share for the year 2022/23 was distributed on 24th January 2023.
3rd Interim Dividend of Rs.0.50 per share for the year 2022/23 distributed on 12th April 2023.

The Directors confirm that the Company has satisfied the solvency test requirement under Section 56 and the requirements in the Companies Act No. 07 of 2007 for the payment of the aforesaid dividends.

(During the Financial Year 2021/2022 the following dividends were declared and distributed to the shareholders : 1st Interim Dividend of Rs.1/- per share, 2nd Interim Dividend of Rs.0.75 per share, 3rd Interim Dividend of Rs.0.50 per share and Final Dividend of Rs.0.30 per share)

Group Revenue/International Trade

The gross revenue of the Group during the year was Rs. 4,389 million (2021/2022 – Rs. 3,699 million) of which Rs. 1,946 million (2021/22 - Rs. 1,619 million) was exported by the Company.

Results of Operations

The Group profit before taxation amounted to Rs. 466 million. After deducting Rs. 81 million for taxation, the Group profit attributed to equity holders of the Group for the year was Rs. 384 million. The Group’s Statement of Profit or Loss for the year is given on page 115. Details of transfer to/from reserves in respect of the Group are shown in the Statement of Changes in Equity on page 118.

Material Foreseeable Risk Factors

Details of material foreseeable risk factors and the risk management measures in place are given in pages 32 to 35 and pages 165 to 171.

Capital Expenditure

Purchase and construction of property, plant & equipment during the year amounted to Rs. 143 million. The movement in property, plant & equipment is set out in note 11 to the financial statements.

Share Capital and Reserves

The stated capital of the Company is Rs. 80 million comprising 24,000,000 ordinary shares. The Group revenue reserves as at 31st March 2023 amounts to Rs. 1,184 million (2021/2022 – Rs. 1,000 million), other component of equity Rs. 94 million (2021/2022 – Rs. 85 million) and other reserves of Rs. 51 million (2021/2022 –Rs. 51 million).

Taxation

It is the policy to provide for deferred taxation on all temporary differences on the liability method. The tax liability on profits derived on business is explained under note 8 of the financial statements.

Share Information

Information relating to earnings, dividends and dividends per share is given in notes 9 and 10 to the financial statements and on the pages 182 to 184.

Shareholders Distribution & Public Shareholding

The distribution of shareholders is indicated on page 182 in the Annual Report. There were 5,285 registered shareholders as at 31st March 2023. The percentage of the shares held by the public as at 31st March 2023 was 34.99%, representing 5,285 shareholders. Movement in share price during the year is given in page 183.

Shareholders

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

Statutory Payments

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

Corporate Governance/Internal Control

Adoption of good governance practices has become an essential requirement in today’s corporate culture. The practices carried out by the Company/ Group are explained in the Corporate Governance statement on pages 91 to 97.

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

Going Concern

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

Events Occurring After The Balance Sheet Date

Events occurring after the reporting date are given in the note 35 to the Financial Statements.

Auditors

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

The Auditors, Messrs Ernst & Young, Chartered Accountants, were paid Rs. 2.41 million (2021/2022 Rs. 1.82 million) and Rs. 3.55 million (2021/2022 Rs. 3.27 million) as audit fees by the Company and the Group respectively. In addition, they were paid Rs. 0.67 million (2021/2022 Rs. 0.54 million) and Rs. 1.04 million (2021/2022 Rs. 0.86 million), by the Company and the Group respectively, for non-audit related work, which consisted mainly of tax consultancy services. As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interests in the Company.

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

Annual General Meeting

The Annual General Meeting will be held at the Registered Office of the Company, No. 400, Deans Road, Colombo 10, Sri Lanka at 3.30 a.m. on Wednesday, 28th June, 2023. The Notice of the Annual General Meeting appears on pages 185 to 186.

For and on behalf of the board

Mohan Pandithage
Chairman

Rajeeve Goonetileke
Managing Director

Hayleys Group Services (Private) Limited
Secretaries
No.400, Deans Road, Colombo 10.

16th May 2023

Responsibility Statement of Chairman, Managing Director and Chief Financial Officer

The Financial Statements of Hayleys Fibre PLC and the Consolidated Financial Statements of the Group, as at 31st March 2023, are prepared and presented in compliance with the requirements of the following:

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

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

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

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

The Financial Statements were audited by independent external auditors, Messrs Ernst & Young, Chartered Accountants. Their report is given on pages 111 to 114 of the Annual Report.

The Audit Committee approves the audit and non-audit services provided by the External Auditor, in order to ensure that the provision of such services do not impair their independence.

We confirm that,

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

Mohan Pandithage
Chairman/Chief Executive

Rajeeve Goonetileke
Managing Director

Chaminda Sampath
Director/Chief Financial Officer

16th May 2023

The year under review demonstrated the power of collaboration in creating a strong, sustainable performance. The results - our marked growth and performance - is indicative of our future progress.

BEARING FRUIT THROUGH COLLABORATION

Financial Calendar

1st Quarter Report	10th August 2022
2nd Quarter Report	08th November 2022
3rd Quarter Report	08th February 2023
4th Quarter Report	16th May 2023
Annual Report 2022/2023	05th June 2023
37th Annual General Meeting	28th June 2023
1st Interim Dividend Paid	21st October 2022
2nd Interim Dividend Paid	24th January 2023
3rd Interim Dividend Paid	12th April 2023

Independent Auditor’s Report

Building a better
working world

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

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Fax (Tax): +94 11 557 8180
Email: eysl@lk.ey.com
ey.com

INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF HAYLEYS FIBRE PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hayleys Fibre PLC (“the Company”) and the consolidated financial statements of the Company and its subsidiaries (“the Group”), which comprise the statement of financial position as of 31 March 2023, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as of 31 March 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 Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Independent Auditor's Report

Key audit matters	How our audit addressed the key audit matters
Measurement of Inventories As of the reporting date, the carrying value of the Group's inventories amount to Rs. 1,036 million in accordance with its accounting policy as disclosed in notes 17 to financial statements. The measurement of inventories were a key audit matter due to: » The materiality of the balance, which represents 34% of the Group's total assets; » The significance of estimates applied by the management in measuring the quantity of inventories such as the use of estimation techniques to measure the quantity of coir fibre inventories included in raw materials and judgments applied by management in determining provision for slow moving and obsolete inventory, as disclosed in note 17 to the financial statements.	Our audit procedures included the following: » We understood the process involved in the measurement of inventories. » We observed the physical inventory counts at selected locations and reconciled count results to the inventory reported as at the period end. As a part of our procedures over measurement of coir fibre inventories, we assessed whether the actual moisture levels as at the count date has been appropriately considered when measuring inventories. » We tested the unit costs of inventory and related sales to supporting documentation to assess whether the inventory is held at the lower of cost and net realizable value. » We assessed the reasonableness of management judgements applied in determining provision for slow-moving and obsolete inventory. We also assessed the adequacy of the disclosures in the note 17 of the financial statements.
Valuation of unquoted equity investments carried at fair value through other comprehensive income. The Group has investments in unquoted equity shares carried at fair value amounting to Rs. 130 million as disclosed in note 15 in financial statements. Valuation of unquoted equity investments carried at fair value through other comprehensive income was a key audit matter due to: » The Group using an income approach as its valuation technique and the degree of management assumptions, judgements and estimates associated with the valuation. Key areas of significant assumptions, judgments and estimates include revenue growth rate, EBITDA margin and discount rate as disclosed in note 15 to the financial statements.	Our audit procedures included the following. » We evaluated the appropriateness of methodology and the reasonableness of assumptions used by management in the projected future cashflows, in particular to those relating to discount rate, EBITDA margins and revenue growth rate, based on latest information available up to date of our report. » We assessed whether the underlying data used by the management is consistent with the actual historical data and whether the future cash flows are consistent with the annual budget approved by the Board of Directors. We assessed the adequacy of the disclosures in the note 15 in relation to the valuation of investments.

Other information included in the 2023 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and those charged with governance

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

» Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

» Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

» Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

» Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor’s Report

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

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

Ernst & Young

16 May 2023
Colombo

Statement of Profit or Loss

For the year ended 31 March	Notes	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
Revenue	4	4,388,616	3,698,646	1,977,544	1,695,787
Cost of sales		(3,457,052)	(3,143,883)	(1,742,179)	(1,585,032)
Gross profit		931,564	554,763	235,365	110,755
Other income	5	23,726	70,397	152,130	146,200
Selling and distribution expenses		(133,678)	(94,606)	(726)	(41,287)
Administrative expenses		(286,683)	(191,808)	(163,867)	(103,869)
Operating profit		534,929	338,746	222,902	111,799
Finance income	6	339,336	180,991	245,643	92,077
Finance cost	6	(408,630)	(80,804)	(152,824)	(21,987)
Net finance income/(cost)		(69,294)	100,187	92,819	70,090
Profit before tax		465,635	438,933	315,721	181,889
Tax expense	8	(81,448)	(99,250)	(8,069)	(43,865)
Profit for the year		384,187	339,683	307,652	138,024
Profit for the year attributable to:					
Equity holders of the Company		298,232	197,932	307,652	138,024
Non-controlling interest		85,955	141,751	-	-
		384,187	339,683	307,652	138,024
Basic earnings per share (Rs.)	9	12 .43	8 .25	12.82	5.75
Dividend per share (Rs.)	10	-	-	3.80	4.00

Notes from pages 122 to 175 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Comprehensive Income

		Group		Company	
For the year ended 31 March	Notes	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Profit for the year		384,187	339,683	307,652	138,024
Other comprehensive income					
Other comprehensive income that may not be reclassified to the profit or loss in subsequent periods					
Re-measurement gain/(loss) on employee benefit obligations	26	(1,707)	(3,660)	(1,640)	(2,680)
Income tax effect on re-measurement gain/(loss) on employee benefit obligations	8	512	514	492	375
		(1,195)	(3,146)	(1,148)	(2,305)
Revaluation of land	11	-	4,454	-	4,454
Income tax effect on revaluation of land	8	(5,460)	(624)	(5,460)	(624)
		(5,460)	3,830	(5,460)	3,830
Net gain/(loss) on equity instrument designated at FVOCI	15	8,921	11,619	8,921	11,619
Income tax effect on net gain/(loss) on equity instrument designated at FVOCI	8	(8,276)	(1,162)	(8,276)	(1,162)
		645	10,457	645	10,457
Other comprehensive income that may be reclassified to the profit or loss in subsequent periods					
Net gain/(loss) on cash flow hedges		27,913	(33,572)	-	-
		27,913	(33,572)	-	-
Total other comprehensive income for the year, net of tax		21,903	(22,431)	(5,963)	11,982
Total comprehensive income for the year, net of tax		406,090	317,252	301,689	150,006
Total comprehensive income for the year attributable to:					
Equity holders of the Company		306,199	192,644	301,689	150,006
Non-controlling Interest		99,891	124,608	-	-
		406,090	317,252	301,689	150,006

Notes from pages 122 to 175 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Financial Position

		Group		Company	
As at 31 March	Notes	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Assets					
Non-current assets					
Property, plant and equipment	11	796,449	754,508	389,855	328,769
Intangible assets	12	36,201	41,621	7,962	9,250
Right-of-use assets	13	15,112	16,802	13,110	15,777
Investments in subsidiaries	14	-	-	233,034	233,034
Other non-current financial assets	15	129,908	120,987	129,908	120,987
Deferred tax assets	25	-	15,196	-	-
Total non-current assets		977,670	949,114	773,869	707,817
Current assets					
Inventories	17	1,035,886	858,920	367,210	342,419
Trade and other receivables	18	627,590	893,392	161,161	291,689
Other current assets	19	8,466	32,098	5,319	4,037
Amounts due from other related companies	20	233,205	299,858	239,471	244,564
Short-term deposits		105,550	215,045	105,539	215,035
Cash in hand and at bank	21	46,246	162,870	23,269	116,376
Total current assets		2,056,943	2,462,183	901,969	1,214,120
Total assets		3,034,613	3,411,297	1,675,838	1,921,937
Equity and liabilities					
Stated capital	22	80,000	80,000	80,000	80,000
Other components of equity	23	94,184	85,042	100,902	105,717
Amalgamation reserves	23	50,625	50,625	50,625	50,625
Revenue reserves	23	1,183,633	1,000,285	992,786	799,991
Total Equity attributable to equity holders of the company		1,408,442	1,215,952	1,224,313	1,036,333
Non-controlling interest		240,244	264,028	-	-
Total equity		1,648,686	1,479,980	1,224,313	1,036,333
Non-current liabilities					
Interest bearing borrowings	24	-	197,315	-	166,664
Non-current lease liabilities	13	21,458	22,324	17,206	19,852
Deferred tax liabilities	25	39,477	54,900	16,697	33,788
Employee benefit obligations	26	32,350	34,938	25,175	30,235
Total non-current liabilities		93,285	309,477	59,078	250,539
Current liabilities					
Trade and other payables	28	420,663	329,700	189,524	153,763
Current lease liabilities	13	2,758	2,160	2,645	2,114
Other current liabilities	29	41,304	20,721	6,080	10,605
Amounts due to other related companies	30	96,553	290,790	68,744	260,517
Current portion of interest bearing borrowings	24	33,752	132,970	-	40,279
Short-term interest bearing borrowings	27	655,801	818,458	105,417	154,729
Income tax payable	31	41,811	27,041	20,037	13,058
Total current liabilities		1,292,642	1,621,840	392,447	635,065
Total liabilities		1,385,927	1,931,317	451,525	885,604
Total equity and liabilities		3,034,613	3,411,297	1,675,838	1,921,937

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

Chaminda Sampath
Director/Chief Financial Officer

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

Mohan Pandithage
Chairman

Rajeeve Goonetileke
Managing Director

Notes from pages 122 to 175 form an integral part of these Financial Statements. Figures in brackets indicate deductions.
16th May 2023
Colombo

Statement of Changes in Equity

		Attributable to equity holders of the Group								
For the year ended 31 March	Notes	Stated capital	Other components of equity			Amalgamation reserves		Revenue reserves	Non-controlling interest	Total
Group			Fair value reserve of financial assets at FVOCI	Revaluation reserve	Cash flow hedge reserve	Capital reserve	Revenue reserve	Retained earnings		
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 April 2021		80,000	66,919	24,511	(3,889)	14,000	36,625	901,142	228,597	1,347,905
Profit for the year		-	-	-	-	-	-	197,932	141,751	339,683
Revaluation of land		-	-	4,454	-	-	-	-	-	4,454
Net gain/(loss) on equity instruments designated at FVOCI	15	-	11,619	-	-	-	-	-	-	11,619
Re-measurement gain/(loss) on employee benefit obligations	26	-	-	-	-	-	-	(3,245)	(415)	(3,660)
Net gain/(loss) on cash flow hedges		-	-	-	(16,786)	-	-	-	(16,786)	(33,572)
Income tax on other comprehensive income	8	-	(1,162)	(624)	-	-	-	456	58	(1,272)
Total other comprehensive income for the year		-	10,457	3,830	(16,786)	-	-	195,143	124,608	317,252
Dividends to equity holders	10	-	-	-	-	-	-	(96,000)	(89,177)	(185,177)
Balance as at 01 April 2022		80,000	77,376	28,341	(20,675)	14,000	36,625	1,000,285	264,028	1,479,980
Adjustment for surcharge tax		-	-	-	-	-	-	(22,509)	-	(22,509)
Adjusted balance as at 01 April 2022		80,000	77,376	28,341	(20,675)	14,000	36,625	977,776	264,028	1,457,471
Profit for the year		-	-	-	-	-	-	298,232	85,955	384,187
Net gain/(loss) on equity instruments designated at FVOCI	15	-	8,921	-	-	-	-	-	-	8,921
Re-measurement gain/(loss) on employee benefit obligations	26		-	-	-	-	-	(1,678)	(29)	(1,707)
Net gain/(loss) on cash flow hedges		-	-	-	13,957	-	-	-	13,956	27,913
Income tax on other comprehensive income	8	-	(8,276)	(5,460)	-	-	-	503	9	(13,224)
Total other comprehensive income for the year		-	645	(5,460)	13,957	-	-	297,057	99,891	406,090
Dividends to equity holders	10	-	-	-		-	-	(91,200)	(123,675)	(214,875)
Balance as at 31 March 2023		80,000	78,021	22,881	(6,718)	14,000	36,625	1,183,633	240,244	1,648,686

Notes from pages 122 to 175 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

		Attributable to equity holders of the Company						
For the year ended 31 March	Notes	Stated capital	Other components of equity		Amalgamation reserves		Revenue reserves	Total
Company			Fair value reserve of financial assets at FVOCI	Revaluation reserve	Capital reserve	Revenue reserve	Retained earnings	
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 April 2021		80,000	66,919	24,511	14,000	36,625	760,272	982,327
Profit for the year		-	-	-	-	-	138,024	138,024
Revaluation of land		-	-	4,454	-	-	-	4,454
Net gain/(loss) on equity instruments designated at FVOCI	15	-	11,619	-	-	-	-	11,619
Re-measurement gain/(loss) on employee benefit obligations	26	-	-	-	-	-	(2,680)	(2,680)
Income tax on other comprehensive income	8	-	(1,162)	(624)	-	-	375	(1,411)
Total other comprehensive income for the year		-	10,457	3,830	-	-	135,719	150,006
Dividends to equity holders	10	-	-	-	-	-	(96,000)	(96,000)
Balance as at 01 April 2022		80,000	77,376	28,341	14,000	36,625	799,991	1,036,333
Adjustment for surcharge tax		-	-	-	-	-	(22,509)	(22,509)
Adjusted balance as at 01 April 2022		80,000	77,376	28,341	14,000	36,625	777,482	1,013,824
Profit for the year		-	-	-	-	-	307,652	307,652
Net gain/(loss) on equity instruments designated at FVOCI	15	-	8,921	-	-	-	-	8,921
Re-measurement gain/(loss) on employee benefit obligations	26	-	-	-	-	-	(1,640)	(1,640)
Income tax on other comprehensive income	8	-	(8,276)	(5,460)	-	-	492	(13,244)
Total other comprehensive income for the year		-	645	(5,460)	-	-	306,504	301,689
Dividends to equity holders	10	-	-	-	-	-	(91,200)	(91,200)
Balance as at 31 March 2023		80,000	78,021	22,881	14,000	36,625	992,786	1,224,313

Notes from pages 122 to 175 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Cash Flows

For the year ended 31 March	Notes	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
Cash flows from operating activities					
Profit before taxation		465,635	438,933	315,721	181,889
Adjustments for:					
Finance cost	6	199,992	62,541	63,233	16,480
Finance income	6	(43,755)	(18,007)	(47,003)	(17,157)
Provision for employee benefit obligations	26	7,444	4,881	5,039	3,357
Depreciation of property, plant and equipment	11	55,233	41,624	20,463	12,428
Depreciation of right-of-use assets		2,825	2,729	2,667	2,667
Amortisation of intangible assets	12	7,200	7,054	3,068	2,921
Profit on disposal of property, plant and equipment	5	(996)	(2,376)	(996)	(2,376)
Dividend income	5	(19,296)	(13,711)	(142,971)	(102,888)
Provision for bad and doubtful debts	18	(17,659)	44,523	(27,519)	36,663
Provision/(reversal) for slow moving inventories	17	1,484	1,752	1,792	(1,799)
Operating profit before working capital changes		658,107	569,943	193,494	132,185
(Increase)/decrease in inventories	17	(178,450)	(390,212)	(26,583)	(260,213)
(Increase)/decrease in trade and other receivables	18	307,093	(460,079)	156,765	(259,258)
(Increase)/decrease in amounts due from related companies	20	66,653	(183,168)	5,093	(160,238)
Increase/(decrease) in trade and other payables	28	112,141	(68,140)	31,767	78,351
Increase/(decrease) in amounts due to related companies	30	(194,237)	203,973	(191,773)	231,705
Cash generated from operating activities		771,307	(327,683)	168,763	(237,468)
Interest paid	6	(199,992)	(62,541)	(63,233)	(16,480)
Income tax paid		(102,638)	(26,519)	(53,934)	(5,391)
Employee benefit paid	26	(11,739)	(243)	(11,739)	-
Net cash used in operating activities		456,938	(416,986)	39,857	(259,339)

For the year ended 31 March	Notes	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(107,620)	(163,929)	(91,995)	(148,550)
Acquisition of intangible assets		(1,780)	-	(1,780)	-
Proceeds from sale of property, plant and equipment		11,442	5,400	11,442	5,400
Finance income	6	43,755	18,007	47,003	17,157
Dividend income	5	19,296	13,711	142,971	102,888
Net cash flows used in investing activities		(34,907)	(126,811)	107,641	(23,105)
Cash flows from financing activities					
Dividend paid	10	(91,200)	(96,000)	(91,200)	(96,000)
Dividend paid to non-controlling interest		(123,675)	(89,177)	-	-
Capital payment on lease	13	(4,743)	(4,877)	(4,743)	(4,517)
Proceeds from interest-bearing borrowings		1,366,733	1,591,386	144,015	436,400
Repayments of interest-bearing borrowings		(1,743,711)	(1,052,862)	(353,872)	(178,268)
Net cash flows from financing activities		(596,596)	348,470	(305,800)	157,615
Net increase/(decrease) in cash & cash equivalents		(174,565)	(195,327)	(158,302)	(124,829)
Cash & cash equivalents at the beginning of the year		183,617	378,944	249,082	373,911
Cash & cash equivalents at the end of the year (Note - A)		9,052	183,617	90,780	249,082
A. Analysis of cash and cash equivalents as at 31 March					
Cash in hand and at bank	21	46,246	162,870	23,269	116,376
Short-term deposits		105,550	215,045	105,539	215,035
		151,796	377,915	128,808	331,411
Bank overdrafts	27	(142,744)	(194,298)	(38,028)	(82,329)
Cash and cash equivalents at the end of the year		9,052	183,617	90,780	249,082

Notes from pages 122 to 175 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Notes to the Financial Statements

GRI 201-3, 207-1, 207-2, 207-4

1. Corporate Information

1.1 Reporting Entity

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

1.2 Consolidated Financial Statements

The Financial Statements for the year ended 31 March 2023 comprise "the Company" referring to Hayleys Fibre PLC as the holding Company and the "Group" referring to Companies that have been consolidated therein.

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

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

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

1.4 Approval of Financial Statements

The Group Financial Statements of Hayleys Fibre PLC and its subsidiaries (collectively, the Group) for the year ended 31 March 2023 were authorised for issue by the Directors on 16 May 2023.

1.5 Responsibility for Financial Statements

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

2. Significant Accounting Policies

2.1 Basis of Preparation

2.1.1 Statement of compliance

The Group Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 07 of 2007.

2.1.2 Basis of Measurement

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

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

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

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

2.1.3 Functional and Presentation Currency

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

2.1.4 Rounding

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

2.1.5 Offsetting

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

2.1.6 Materiality and Aggregation

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

2.1.7 Comparative Information

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

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

2.2 Basis of Consolidation

The consolidated Financial Statements comprise the financial statements of the

Company and its subsidiaries as at 31 March 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it de-recognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Summary of Significant Accounting Policies

2.3.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities

Notes to the Financial Statements

assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

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

2.3.2 Current Versus Non-Current Classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in a normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.3.3 Fair Value Measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the date of measurement. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the Group Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Group Financial Statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

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

2.3.4 Property, Plant and Equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any, buildings, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any, such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

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

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

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

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its' use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is de-recognised.

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

2.3.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the

Notes to the Financial Statements

expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Research and development costs

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

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

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

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

Amortisation of intangible assets with a finite life is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date on which they are available for use. The estimated useful lives are as follows

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

2.3.6 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.3.6.1 Group as a Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.3.6.1.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and buildings 10 to 30 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

2.3.6.1.2 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in Interest-bearing loans and borrowings.

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.3.6.2 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.3.7 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3.8 Financial Instruments

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

2.3.8.1 Financial Assets

Initial Recognition and Measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15. Refer to the accounting policies in note 2.3.15 for Revenue from contracts with customers.

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

Notes to the Financial Statements

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

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

2.3.8.1.1 Financial Assets at Amortised Cost (Debt Instruments)

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

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

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables.

2.3.8.1.2 Financial Assets Designated at Fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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

2.3.8.1.3 De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset when the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.3.8.1.4 Impairment of Financial Assets

The Group recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

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

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

» Trade receivables note 18.

2.3.8.2 Financial Liabilities

Initial Recognition and Measurement of Financial liabilities are classified, at initial recognition, as loans and borrowings and payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent Measurement

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

2.3.8.2.1 Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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

2.3.8.2.2 De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.3.8.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.3.8.4 Derivative financial instruments and hedge accounting

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

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

Notes to the Financial Statements

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

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

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

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

Cash flow hedges

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

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

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

2.3.9 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

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

2.3.10 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.3.11 Cash and Short-term Deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.3.12 Provisions

2.3.12.1 General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example,under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to 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.

2.3.12.2 Revision of slow-moving stock provision on raw materials

Due to the usability and consumption pattern of raw materials, company has revised the stock provisioning policy on raw materials to reflect the actual usability extending the impairment period. The inventory (raw material) provisioning policy has revised from 50% over 1 year to 50% over 1.5 years.

2.3.13 Employee Benefits

2.3.13.1 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.

2.3.13.2 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 26. 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.

Notes to the Financial Statements

Length of each service (Years)	No. of months salary for completed year of service
Up to 20	1/2
20 up to 25	3/4
25 up to 30	1
30 up to 35	1 1/4
Over 35	1 1/2

2.3.13.3 Short-term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

2.3.14 Investment in Subsidiaries

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

Bonterra Limited was accounted for under Equity Accounted Investee method up to 31st March 2020. Having considered the level of Company's involvement in relevant activities of the investee together with changes in key management personnel, management concluded such investment to be accounted for as a subsidiary of the Group with effect from 1st April 2020 as per SLFRS 10 - Consolidated Financial Statements.

2.3.15 Revenue from Contracts with Customers

The Group is in the business of manufacturing, exporting coir fibre products Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

2.3.15.1 Sale of Goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, considering relevant terms of delivery. The normal credit term is 30 to 90 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of coir fibre products, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

2.3.15.2 Significant Financing Component

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

2.3.15.3 Contract Balances

2.3.15.3.1 Trade Receivables

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

2.3.15.3.2 Contract Liabilities

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

2.3.16 Other Income

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

2.3.17 Taxes

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.

2.3.17.1 Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2.3.17.2 Deferred Tax

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

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

» When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

» In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

» When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

» In respect of deductible temporary differences associated with investments in joint arrangements, deferred tax asset is recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside 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 (OCI) or directly in equity.

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

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.3.17.3 Sales Tax

Expenses and assets are recognised net of the amount of sales tax, except:

» When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

» When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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2.3.17.4 Surcharge Tax

Surcharge Tax Act No. 14 of 2022 was enacted on 8 April 2022 and is applicable to the Group as the collective taxable income of companies belonging to the Group, calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, exceeds Rs. 2,000 million, for the year of assessment 2020/2021. The liability is computed at the rate of 25 per cent on the taxable income of the individual Group companies, net of dividends from subsidiaries and deemed to be an expenditure in the financial statements in the year of assessment which commenced on 1 April 2020.

Total Surcharge Tax of Rs. 23 million was recognized in the financial statements of financial year 2022/2023 for the Group and the Company as an opening adjustment to the 1 April 2022 retained earnings in the statement of Changes in Equity as per the Addendum to the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka.

2.3.18 Foreign Currencies

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

Transactions in foreign currencies are initially recorded by the Parent Company and subsidiaries at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

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

2.3.19 Cash Dividend

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

2.3.20 Earnings per Share (EPS)

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.

2.4 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group Financial Statements in conformity with SLFRS/ LKAS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period and any future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Group Financial Statements is included in the following notes.

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

The Group assesses fair value of unquoted equity shares as at 31 March 2023. The primary approach adopted was the income approach using discounted cash flow method. A degree of judgment is required in establishing fair value and changes in assumptions could affect the reported fair value. The key assumptions used to determine the fair value of unquoted equity shares and sensitivity analyses are provided in note 15.

2.4.2 Revaluation of Lands

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

2.4.3 Development costs

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 March 2023, the carrying amount was Rs. 28.24 million (2022: 32.37 million). This amount includes significant investment in the development of Polyurethane (PU) foam product portfolio.

2.4.4 Taxes

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

The Group has Rs. 121 million (2022: Rs. 121 million) of tax losses carried forward. These losses relates to the subsidiary that has a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

2.4.5 Measurement of the Employee Benefit Obligations

The present value of the employee benefit obligations is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates. Further details about employee benefit obligation are provided in note 26 to the Financial Statements.

2.4.6 Going Concern

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

2.4.7 Revaluation of Property, Plant and Equipment and Investment Properties

The Group measures the freehold land (classified as property, plant and equipment) at revalued amounts, with changes in fair value being recognised in OCI. The freehold lands were valued by reference to transactions involving properties of a similar nature, location and condition. In addition, the Group carries its investment properties at fair value, with changes in fair value being recognised in the profit or loss. For investment properties, valuation methodologies such as market approach, and income approach (the discounted cash flow (DCF) model) for properties lacked comparable market data were used.

The Group engaged a valuation specialist to assess fair values as at 31 March 2023 for the freehold lands and investment properties. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in notes 11 and 15 to the Financial Statements.

2.4.8 Valuation of Inventories

The Group has applied judgment in the determination of impairment in relation to inventories that are slow moving or obsolete. The Group's impairment assessment in relation to such inventories take into account factors such as the use of significant judgement over identifying inventories requiring write down to NRV, including consideration of product life cycles, nature of inventories, future inventory

Notes to the Financial Statements

demand and quality/ grading assessments, and the existence of significant estimates applied in the determination of NRV, considering expected sales prices and allowance policies based on historical sales.

3. Changes in Accounting Policies and Disclosures

3.1 New and Amended Standards and Interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3.1.1 Amendments to LKAS 8 – Definition of Accounting Estimates

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.

3.1.2 Amendments to LKAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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.

Amendments to LKAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

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.

Amendments to LKAS 1 - Classification of Liabilities as Current or Non-current

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
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

4 REVENUE

	Group		Company	
For the year ended 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Export sales	2,694,998	2,604,531	1,380,231	1,353,045
Indirect export sales	589,864	306,913	565,326	265,634
Local sales	1,103,754	787,202	31,987	77,108
	4,388,616	3,698,646	1,977,544	1,695,787

5 OTHER INCOME

	Group		Company	
For the year ended 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Rent income	-	-	7,588	7,226
Gain on disposal of property, plant and equipment	996	2,376	996	2,376
Dividend income	19,296	13,711	142,971	102,888
Facilitation fee	-	51,635	-	33,267
Sundry income	3,434	2,675	575	443
	23,726	70,397	152,130	146,200

6 NET FINANCE INCOME

6.1 Finance Income

	Group		Company	
For the year ended 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Interest income	43,755	18,007	47,003	17,157
Foreign exchange gain	295,581	162,984	198,640	74,920
	339,336	180,991	245,643	92,077

6.2 Finance Cost

	Group		Company	
For the year ended 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Interest on debts and borrowings	(199,992)	(62,541)	(63,233)	(16,480)
Foreign exchange loss	(205,297)	(15,082)	(86,963)	(2,646)
Interest expenses on lease liabilities	(3,341)	(3,181)	(2,628)	(2,861)
	(408,630)	(80,804)	(152,824)	(21,987)
Net finance income/(cost)	(69,294)	100,187	92,819	70,090

Notes to the Financial Statements

7 PROFIT BEFORE TAX

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

For the year ended 31 March	Notes	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
Ernst & Young : Audit fees		3,553	3,273	2,417	1,823
Non audit services		1,045	863	678	541
Depreciation on property, plant and equipment	11	55,233	41,624	20,463	12,428
Provision/(reversal) for inventories	17	1,484	1,752	1,792	(1,799)
Employee benefits including the following					
-Defined contribution plan cost - EPF and ETF		7,664	5,859	4,599	3,375
-Employee benefit plan cost	26	7,444	4,881	5,039	3,357
Impairment/(reversal) bad debts		(17,659)	44,523	(27,519)	36,663
Directors fees		2,460	2,618	2,460	2,618

8 TAXATION

8.1 Tax Expense

For the year ended 31 March	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
Current income tax				
Income tax on current year profits	97,560	54,502	41,119	19,858
Adjustment in respect of current income tax of previous year	(2,661)	-	(2,715)	-
Irrecoverable Economic Service Charge	-	215	-	-
Deferred tax				
Relating to origination and reversal of temporary differences	(13,451)	44,533	(30,335)	24,007
Tax expense reported in the statement of profit or loss	81,448	99,250	8,069	43,865

A reconciliation between tax expense and the result of accounting profit multiplied by domestic tax rate for the year ended 31 March 2023 and 2022 is given on note 8.4.

8.2 Deferred Tax on Other Comprehensive Income

	Group		Company	
For the year ended 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Deferred tax related to items recognised in other comprehensive income during the year				
Re-measurement gain/(loss) on employee benefit obligations	512	514	492	375
Tax on revaluation reserve	(5,460)	(624)	(5,460)	(624)
Revaluation of financial assets designated at FVOCI	(8,276)	(1,162)	(8,276)	(1,162)
Deferred tax charged directly to other comprehensive income	(13,224)	(1,272)	(13,244)	(1,411)

8.3 Impact on Deferred tax rate change

	Group		Company	
For the Year Ended 31 March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Charge / (Reversal) arising on during the year movement	7,828	44,533	2,112	24,007
Charge / (Reversal) due to change in tax rates	(21,279)	-	(32,447)	-
Income tax expense recorded in PL	(13,451)	44,533	(30,335)	24,007
Charge / (Reversal) arising on during the year movement	(3,104)	(1,272)	(10,744)	(1,411)
Charge / (Reversal) due to change in tax rates	(10,120)	-	(2,500)	-
Income tax expense recorded in OCI	(13,224)	(1,272)	(13,244)	(1,411)

The Company has used the new tax rate introduced in the Inland Revenue (Amendment) Act No. 45 of 2022 certified on 19 December 2022, (with retrospective effect from 01 October 2022) for income and deferred taxation. Accordingly, income tax rates of, 18% for manufacturing business profits, 14% for export profits and 24% for trading and other income have been used for the first six months and a standard rate of 30% has been used for profits of all segments for the second six months. The Rate of 30% has been used for Deferred Tax. The resultant impact has been recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Deferred taxes of the Company is computed at the rate of 30% (2022 - 14%)

8.4 Reconciliation of Accounting Profit to Income Tax Expense

	Group		Company	
For the year ended 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Profit before tax	465,635	438,933	315,721	181,889
Disallowable expenses	493,858	314,764	136,842	156,487
Allowable expenses	(119,323)	(367,642)	(86,821)	(212,785)
Tax exempt income	(11,585)	(36,112)	(10,816)	(27,079)
Tax loss brought forward	(120,603)	(139,346)	-	-
Adjustment for tax loss brought forward	(154,304)	(1,431)	(69,489)	-
Tax loss carried forward	35,787	120,603	-	-
Taxable income	589,465	329,769	285,437	98,512
Income tax @ 14%	67,603	32,435	38,008	4,125
Income tax @ 18%	1,405	4,424	-	2,515
Income tax @ 15%	396	-	396	-
Income tax @ 24%	2,737	17,643	2,715	13,218
Income tax @ 30%	25,419	-	-	
Income tax on current year profit	97,560	54,502	41,119	19,858
Irrecoverable Economic Service Charge	-	215	-	-
Adjustment in respect of current income tax of previous year	(2,661)	-	(2,715)	-
Tax on temporary difference - tax @ 30%	(13,451)	44,533	(30,335)	24,007
Tax expense reported in the statement of profit and loss	81,448	99,250	8,069	43,865

8.5 Pursuant to the Inland Revenue (Amendment) Act, No. 45 of 2022 certified on 19th of December, 2022, corporate income tax arising from export of goods has been increased from 14% to 30% & Local Manufacturing and sales has been increased from 18% to 30% w.e.f. 1st October 2022. As a result of this amendment, 3rd and 4th quarter income tax has been calculated based on a tax rate of 30%.

9 BASIC EARNINGS PER SHARE

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

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

	Group		Company	
For the year ended 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Amounts used as numerator :				
Profit attributable to ordinary equity holders of the Company	298,232	197,932	307,652	138,024

	Group		Company	
For the year ended 31 March	2023 Number	2022 Number	2023 Number	2022 Number
Number of ordinary shares used as denominator :				
Weighted average number of ordinary shares issued	24,000,000	24,000,000	24,000,000	24,000,000
Basic earnings per share (Rs.)	12.43	8.25	12.82	5.75

10 DIVIDENDS DECLARED AND PAID

	Company	
For the year ended 31 March	2023 Rs. '000	2022 Rs. '000
Cash dividends on ordinary shares declared and paid during the year:		
Final interim dividend for 2021/2022 - Rs.0.30 per share (2022: Final interim dividend for 2020/2021 - Rs. 1.75/- per share)	7,200	42,000
First interim dividend for 2022/2023 - Rs. 2/- per share (2022: First interim dividend for 2021/2022 - Rs. 1/- per share)	48,000	24,000
Second interim dividend for 2022/2023 - Rs. 1/- per share (2022: Second interim dividend for 2021/2022 - Rs. 0.75/- per share)	24,000	18,000
Third interim dividend for 2022/2023 - Rs. 0.50/- per share (Third interim dividend for 2021/2022 - Rs. 0.50/- per share)	12,000	12,000
	91,200	96,000
Number of shares (no.'000)	24,000	24,000
Dividend per share (Rs.)	3.80	4.00
Dividend payout ratio	30%	70%

11 PROPERTY, PLANT AND EQUIPMENT

11.1 Group

	Freehold land	Freehold buildings	Building on leasehold land	Furniture, fittings & office equipment	Machinery & stores equipment	Fixtures & fittings	Motor vehicles	Total 2023	Total 2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation									
As at 01 of April	67,200	403,559	15,804	35,721	350,086	13,147	8,440	893,957	718,625
Revaluation of land	-	-	-	-	-	-	-	-	4,454
Additions	-	12,556	-	10,189	71,848	1,198	10,934	106,725	162,162
Transfer (Note 11.7)	-	36,614	-	-	-	-	-	36,614	13,560
Disposals	-	-	-	-	(10,897)	-	-	(10,897)	(4,844)
As at 31 March	67,200	452,729	15,804	45,910	411,037	14,345	19,374	1,026,399	893,957
Depreciation									
As at 01 of April	-	47,490	920	23,189	96,027	6,152	2,285	176,063	136,259
Charge for the year	-	17,622	790	4,127	27,917	2,064	2,713	55,233	41,624
Disposals	-	-	-	-	(451)	-	-	(451)	(1,820)
As at 31 March	-	65,112	1,710	27,316	123,493	8,216	4,998	230,845	176,063
Net book value as at 31 March	67,200	387,617	14,094	18,594	287,544	6,129	14,376	795,554	717,894
Capital work in progress (Note 11.7)	-	-		-	-	-	-	895	36,614
Carrying amount as at 31 March	67,200	387,617	14,094	18,594	287,544	6,129	14,376	796,449	754,508

11 .2 Company

	Freehold land	Freehold buildings	Furniture, fittings & office equipment	Machinery & stores equipment	Fixtures & fittings	Motor vehicles	Total 2023	Total 2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation								
As at 01 April	67,200	199,043	15,872	90,524	13,147	8,440	394,226	234,325
Revaluation of land	-	-	-	-	-	-	-	4,454
Additions	-	5,916	6,955	66,097	1,198	10,934	91,100	147,710
Transfer (Note 11.7)	-	841	-	-	-	-	841	12,581
Disposals	-	-	-	(10,897)	-	-	(10,897)	(4,844)
As at 31 March	67,200	205,800	22,827	145,724	14,345	19,374	475,270	394,226
Depreciation								
As at 01 of April	-	16,415	9,057	32,389	6,152	2,285	66,298	55,690
Charge for the year	-	4,041	2,131	9,514	2,064	2,713	20,463	12,428
Disposals	-	-	-	(451)	-	-	(451)	(1,820)
As at 31 March	-	20,456	11,188	41,452	8,216	4,998	86,310	66,298
Net book value as at 31 March	67,200	185,344	11,639	104,272	6,129	14,376	388,960	327,928
Capital work in progress (Note 11.7)	-	-	-	-	-	-	895	841
Carrying amount as at 31 March	67,200	185,344	11,639	104,272	6,129	14,376	389,855	328,769

11.3 Group/Company - Revaluation of Land

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

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

As at 31 March		Revaluation surplus	
		2023	2022
Company	Location	Rs. '000	Rs. '000
Hayleys Fibre PLC	Kuliyapitiya (Valuation date 31.03.2022)	30,894	30,894
	Bingiriya (Valuation date 31.03.2022)	2,060	2,060
		32,954	32,954

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

Type of Instrument	Location	Significant unobservable input	Fair value measurement sensitivity to unobservable input	Valuation technique	Extent (Perches)	Original cost (Rs. '000)	Fair value as at 31 March 2023 (Rs. '000)
Free hold land	Kuliyapitiya (Valuation date 31.03.2022)	Value per perch (Rs. 70,000)	Significant increase/ (decrease) in estimated price per perch in isolation would result in a significantly higher/ (lower) fair value	Open market basis	460	1,306	32,200
	Bingiriya (Valuation date 31.03.2022)	Value per perch (Rs. 31,250)			1,120	32,940	35,000
					1,580	34,246	67,200

Notes to the Financial Statements

11.5 Buildings owned by the Group/Company

Company	Location	Address	Buildings Sq.ft.	No of buildings at each locations	Carrying Value at cost - 31 March 2023 Rs. '000
Hayleys Fibre PLC	Kuliyapitiya	Biginhill Estate, Hettipola Road, Karagahagedara, Kuliyapitiya	47,389	15	42,112
Hayleys Fibre PLC	Bingiriya	Siri Sumangala Mawatha, Mahagama North, Chilaw	65,200	9	140,515
Creative Polymats (Pvt) Ltd	Dankotuwa	Industrial Estate, Bujjampola, Dankotuwa	65,767	11	202,275
			178,356	35	384,902

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

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

	Group		Company	
As at 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Freehold buildings	973	973	973	973
Machinery and stores equipment	30,598	30,498	13,416	13,416
Furniture, fittings and office equipment	16,638	16,600	6,713	6,675
Motor vehicles	323	323	323	323
	48,532	48,394	21,425	21,387

11.7 Capital Work In Progress

	Group		Company	
As at 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
As at 01 April	36,614	48,407	841	12,581
Additions during the year	895	1,767	895	841
Transferred to property, plant and equipment during the year	(36,614)	(13,560)	(841)	(12,581)
As at 31 March	895	36,614	895	841

12 INTANGIBLE ASSETS

			Group	
As at 31 March	ERP System	Development Cost	Total	Total
			2023	2022
Cost	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 01 April	14,604	41,325	55,929	55,929
Additions	1,780	-	1,780	-
As at 31 March	16,384	41,325	57,709	55,929
Amortisation				
As at 01 April	5,354	8,954	14,308	7,254
Amortisation during the year	3,068	4,132	7,200	7,054
As at 31 March	8,422	13,086	21,508	14,308
Net book value				
As at 31 March	7,962	28,239	36,201	41,621

Notes to the Financial Statements

As at 31 March	Company ERP System 2023 Rs. '000	 ERP System 2022 Rs. '000
Cost		
As at 01 April	14,604	14,604
Additions	1,780	-
As at 31 March	16,384	14,604
Amortisation		
As at 01 April	5,354	2,433
Amortisation during the year	3,068	2,921
As at 31 March	8,422	5,354
Net book value		
As at 31 March	7,962	9,250

12.1 There has been no impairment of intangible assets

13 RIGHT OF USE ASSETS / LEASES

Amounts recognised in the statement of financial position and income statement for the year ended 31 March 2023.

13.1 Right of Use Assets

	Group Land & Buildings		Company Land & Buildings	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
As at 01 April	16,802	19,531	15,777	18,444
Additions	1,135	-	-	-
Amortisation of right of use assets	(2,825)	(2,729)	(2,667)	(2,667)
As at 31 March	15,112	16,802	13,110	15,777

13.2 Lease Liabilities

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
As at 01 April	24,484	26,180	21,966	23,622
New leases obtained	1,134	-	-	-
As at 31 March	25,618	26,180	21,966	23,622
Interest cost	3,341	3,181	2,628	2,861
Payments	(4,743)	(4,877)	(4,743)	(4,517)
As at 31 March	24,216	24,484	19,851	21,966
Repayable within one year	2,758	2,160	2,645	2,114
Repayable after one year	21,458	22,324	17,206	19,852

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

Following are the amounts Recognised in the income statement for the year ended 31 March 2023.

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Amounts recognised in the income statement				
Amortisation of right of use assets	2,825	2,729	2,667	2,667
Interest expenses on lease liabilities	3,341	3,181	2,628	2,861
	6,166	5,910	5,295	5,528

Notes to the Financial Statements

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

Group	0-1 year Rs. '000	1 to 2 years Rs. '000	2 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
As at 31 March 2023	5,444	5,694	18,281	9,158	38,577
As at 31 March 2022	5,103	5,340	17,564	9,846	37,853

Company	0-1 year Rs. '000	1 to 2 years Rs. '000	2 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
As at 31 March 2023	4,979	5,229	16,781	-	26,989
As at 31 March 2022	4,743	4,979	16,484	5,526	31,732

14 INVESTMENT IN SUBSIDIARIES

	Holding %		No. of shares		Company	
As at 31 March	2023	2022	2023	2022	2023 Rs. '000	2022 Rs. '000
Unquoted						
Bonterra Ltd	50	50	803,400	803,400	8,034	8,034
Creative Polymats (Pvt) Ltd	74	74	22,500,000	22,500,000	225,000	225,000
			23,303,400	23,303,400	233,034	233,034

14.1 Summarised Financial Information of Subsidiaries

Summarised statement of profit or loss:

As at 31 March	Creative Polymats (Pvt) Ltd		Bonterra Ltd		Total	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Group share of :						
Revenue from contracts with customers	1,115,270	711,110	1,311,885	1,303,107	2,427,155	2,014,217
Cost of sales	(795,328)	(580,639)	(935,628)	(989,570)	(1,730,956)	(1,570,209)
Other income	2,859	2,163	-	18,437	2,859	20,600
Selling and distribution expenses	(105,038)	(48,860)	(27,914)	(4,459)	(132,952)	(53,319)
Administrative expenses	(29,173)	(12,934)	(100,001)	(81,363)	(129,174)	(94,297)
Net financial income/(expenses)	(107,254)	(49,012)	(56,163)	77,395	(163,417)	28,383
Profit before tax	81,336	21,828	192,179	323,547	273,515	345,375
Income tax	(22,379)	(6,548)	(50,596)	(48,718)	(72,975)	(55,266)
Profit for the year	58,957	15,280	141,583	274,829	200,540	290,109

Summarised statement of financial position:

As at 31 March	Creative Polymats (Pvt) Ltd		Bonterra Ltd		Total	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Group share of:						
Non-current assets	284,675	312,976	144,029	159,584	428,704	472,560
Current assets, including cash in hand and at bank	710,965	589,161	654,273	714,652	1,365,238	1,303,813
Total assets	995,640	902,137	798,302	874,236	1,793,942	1,776,373
Total Equity	347,740	288,788	287,099	364,988	634,839	653,776
Non-current liabilities	13,740	6,964	27,787	66,825	41,527	73,789
Current liabilities, including trade and other payable	634,160	606,385	483,416	442,423	1,117,576	1,048,808
Total liabilities	647,900	613,349	511,203	509,248	1,159,103	1,122,597
Total equity and liabilities	995,640	902,137	798,302	874,236	1,793,942	1,776,373

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

Summarised Statement of Cash Flows

For the year ended 31 March	Creative Polymats (Pvt) Ltd		Bonterra Ltd		Total	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Cash flows from operating activities	168,283	(161,453)	253,070	49,166	421,353	(112,287)
Cash flows from investing activities	(15,161)	(14,866)	(264)	(512)	(15,425)	(15,378)
Cash flows from financing activities	(7,429)	(39,579)	(269,567)	(99,336)	(276,996)	(138,915)

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

15 GROUP/COMPANY - OTHER NON CURRENT FINANCIAL ASSETS

As at 31 March	2023 Rs. '000	2022 Rs. '000
Equity instruments designated at fair value through OCI		
As at 01 April	120,987	109,368
Net gain	8,921	11,619
As at 31 March	129,908	120,987

Equity instruments designated at fair value through OCI (FVOCI) consist of Investment in Toyo Cushion Lanka (Pvt) Ltd and Rileys (Pvt) Ltd as at 31 March 2023. The Investment in Toyo Cushion Lanka (Pvt) Ltd and Rileys (Pvt) Ltd are valued using Cash Flow Models.

Notes to the Financial Statements

15.1 Rileys (Pvt) Ltd

As at 31 March	Company 2023 Rs. '000	 2022 Rs. '000
As at 01 April	61,185	57,759
Net gain	1,840	3,426
As at 31 March	63,025	61,185

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Equity securities	FVOCI investments in equity securities are valued by using the cash flow model.	* Forecast annual revenue growth rate (2023: 14%; 2022: 12%) * Forecast EBITDA margin (2023: 8%; 2022: 9%) * Discount rate (2023: 21%; 2022: 17.4%)	The estimate fair value would increase/(decrease) if: * The annual revenue growth rate were higher/(lower) * The EBITDA margin were higher/(lower) * The discount rete were lower/(higher)

15.2 Toyo Cushion Lanka (Pvt) Ltd

As at 31 March	Company 2023 Rs. '000	 2022 Rs. '000
As at 01 April	59,802	51,609
Net gain	7,081	8,193
As at 31 March	66,883	59,802

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Equity securities	FVOCI investments in equity securities are valued by using the cash flow model.	* Forecast annual revenue growth rate (2023: 10%; 2022: 16%) * Forecast EBITDA margin (2023: 14%; 2022: 9%) * Discount rate (2023: 19%; 2022: 14.2%)	The estimate fair value would increase/(decrease) if: * The annual revenue growth rate were higher/(lower) * The EBITDA margin were higher/(lower) * The discount rate were lower/(higher)

15.3 Sensitivity Analysis

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

Un-quoted Equity Instruments Designated at Fair Value through OCI

	2023		**2022**	
	Increase Rs. '000	Decrease Rs. '000	Increase Rs. '000	Decrease Rs. '000
Effect to the other comprehensive income				
Annual revenue growth rate (±0.5%)	3,597	(3,556)	19,982	(19,627)
EBITDA margin (±0.25%)	358	(358)	771	(771)
Discount rate (±0.25%)	7	(7)	(1,515)	1,559

16 FINANCIAL ASSETS & FINANCIAL LIABILITIES

16.1 Financial Assets

As at 31 March	**Group**		**Company**	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Equity instruments designated at fair value through OCI				
Rileys (Pvt) Ltd	63,025	61,185	63,025	61,185
Toyo Cushion Lanka (Pvt) Ltd	66,883	59,802	66,883	59,802
Total non-current financial assets	129,908	120,987	129,908	120,987
Loans and receivables				
Trade & other receivables	477,400	640,411	146,416	280,092
Amount due from other related companies	233,205	299,858	239,471	244,564
Short-term deposit	105,550	215,045	105,539	215,035
Cash in hand and at bank	46,246	162,870	23,269	116,376
Total current financial assets	862,401	1,318,184	514,695	856,067
Carrying value of financial assets	992,309	1,439,171	644,603	977,054
Fair value of financial assets	992,309	1,439,171	644,603	977,054

Notes to the Financial Statements

16.2 Financial Liabilities

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Financial liabilities measured at amortised cost				
Trade & other payables	420,663	329,700	189,524	153,763
Amount due to other related companies	96,553	290,790	68,744	260,517
Current portion of interest bearing borrowings	33,752	132,970	-	40,279
Bank overdrafts and short-term borrowings	655,801	818,458	105,417	154,729
Carrying value of financial liabilities	1,206,769	1,571,918	363,685	609,288
Fair value of financial liabilities	1,206,769	1,571,918	363,685	609,288

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

16.3 Fair Value Hierarchy

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

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

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

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

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

Assets Measured at Fair Value

As at 31 March	2023 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Freehold lands carried at fair value (Note 11)	67,200	-	-	67,200
Unquoted equity shares - financial assets designated at FVOCI (Note 15)	129,908	-	-	129,908

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

During the reporting period ended 31March 2023, there were no transfers between Level 1 and Level 2 fair value measurements.

17 INVENTORIES

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Raw materials and consumables*	832,476	689,970	256,717	229,503
Finished goods	60,340	78,387	22,109	50,626
Spares stocks	45,231	23,568	21,562	8,454
Working-in-progress	122,344	90,016	81,169	66,391
	1,060,391	881,941	381,557	354,974
Less: Provision for write down of inventories (Note 17.1)	(24,505)	(23,021)	(14,347)	(12,555)
	1,035,886	858,920	367,210	342,419

* Coir fibre inventory amounts to Rs. 258 million (8,992 tons in quantity). Inherent nature of the inventories, requires use of estimation techniques and judgments in ascertaining the physical quantities of inventories.

17.1 Movement in the Provision for Write Down of Inventories

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
As at 01 April	23,021	21,269	12,555	14,354
Provision made/(reversed) during the year	1,484	1,752	1,792	(1,799)
As at 31 March	24,505	23,021	14,347	12,555

18. TRADE AND OTHER RECEIVABLES

AS at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Trade receivables (Note 18.1)	473,079	639,474	142,521	277,252
Deposits and prepayments	20,738	12,108	9,557	4,871
Advance to suppliers	129,452	240,873	5,188	6,726
Other receivables	4,321	937	3,895	2,840
	627,590	893,392	161,161	291,689

Notes to the Financial Statements

18.1 Trade Receivables

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Gross trade receivables	505,833	689,887	154,882	317,132
Less: Provision for doubtful debts (Note 18.1 (a))	(32,754)	(50,413)	(12,361)	(39,880)
Net trade receivables	473,079	639,474	142,521	277,252

18.1 (a) Movement in the Provision for Doubtful Debts

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance as at 01 April	50,413	5,890	39,880	3,217
Provision made during the year	27,133	47,740	13,522	39,880
Provision reversed during the year	(44,792)	(3,217)	(41,041)	(3,217)
Balance as at 31 March	32,754	50,413	12,361	39,880

18.2 The Aging Analysis of Trade Receivables is as follows:

		Past due but not impaired						
Group	Neither past due nor impaired Rs. Mn	<60 Days Rs. Mn	61-120 Days Rs. Mn	121-180 Days Rs. Mn	>180 Days Rs. Mn	Total (Gross) Rs. Mn	Provisions Rs. Mn	Total (Net) Rs. Mn
As at 31 March 2023	235.20	194.03	33.00	10.00	33.60	505.83	(32.75)	473.08
As at 31 March 2022	339.61	220.51	119.74	2.31	7.71	689.88	(50.41)	639.47

		Past due but not impaired						
Company	Neither past due nor impaired Rs. Mn	<60 Days Rs. Mn	61-120 Days Rs. Mn	121-180 Days Rs. Mn	>180 Days Rs. Mn	Total (Gross) Rs. Mn	Provisions Rs. Mn	Total (Net) Rs. Mn
As at 31 March 2023	118.00	28.88	1.00	-	7.00	154.88	(12.36)	142.52
As at 31 March 2022	139.29	91.88	85.53	-	0.43	317.13	(39.88)	277.25

19. OTHER CURRENT ASSETS

As at 31 March	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
Other tax receivables	440	440	-	-
Withholding tax refunds	1,187	20	1,167	-
VAT receivables	6,839	31,638	4,152	4,037
	8,466	32,098	5,319	4,037

20. AMOUNTS DUE FROM OTHER RELATED COMPANIES

As at 31 March	Relationship	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
Quality Seeds Co.(Pvt) Ltd	Affiliate	3,029	1,037	3,029	1,037
Toyo Cushion Lanka (Pvt) Ltd	Affiliate	36,487	-	35,903	14,856
Chas P Hayley & Co.(Pvt) Ltd	Affiliate	-	6,763	1,895	7,491
Haymat (Pvt) Ltd	Affiliate	19,198	-	-	806
Rileys (Pvt) Ltd	Affiliate	47,586	437	-	-
Singer Sri Lanka PLC	Affiliate	126,905	79,533	-	-
Creative Polymats (Pvt) Ltd	Subsidiary	-	-	179,187	103
Haycarb USA, INC	Affiliate	-	212,088	34	212,088
Bonterra Ltd	Subsidiary	-	-	19,423	8,183
		233,205	299,858	239,471	244,564

21. CASH IN HAND AND AT BANK

As at 31 March	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
Cash in hand	526	546	246	246
Cash at bank	45,720	162,324	23,023	116,130
Cash in hand and at bank	46,246	162,870	23,269	116,376

Notes to the Financial Statements

22. STATED CAPITAL

As at 31 March	No.of Shares		Company	
	2023	2022	2023 Rs. '000	2022 Rs. '000
Fully paid ordinary shares	24,000,000	24,000,000	80,000	80,000

23. RESERVES

As at 31 March		Group		Company	
	Notes	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Other components of equity					
Cash flow hedge reserves		(6,718)	(20,675)	-	-
Revaluation reserves	23.1	22,881	28,341	22,881	28,341
Fair value reserves of financial assets designated at FVOCI		78,021	77,376	78,021	77,376
		94,184	85,042	100,902	105,717
Amalgamation reserves					
Amalgamation revenue reserves	23.3	36,625	36,625	36,625	36,625
Amalgamation capital reserves	23.3	14,000	14,000	14,000	14,000
		50,625	50,625	50,625	50,625
Retained earnings	23.2	1,183,633	1,000,285	992,786	799,991
		1,328,442	1,135,952	1,144,313	956,333

23.1 Revaluation Reserves

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
As at 01 April	28,341	24,511	28,341	24,511
Revaluation surplus during the year	-	4,454	-	4,454
Income tax effect on revaluation surplus	(5,460)	(624)	(5,460)	(624)
As at 31 March	22,881	28,341	22,881	28,341

23.2 Retained Earnings

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
As at 01 April	1,000,285	901,142	799,991	760,272
Impact on surcharge tax	(22,509)	-	(22,509)	-
Profit for the year	298,232	197,932	307,652	138,024
Re-measurement gain/(loss) on employee benefit obligations	(1,678)	(3,245)	(1,640)	(2,680)
Income tax on other comprehensive income	503	456	492	375
Dividends	(91,200)	(96,000)	(91,200)	(96,000)
As at 31 March	1,183,633	1,000,285	992,786	799,991

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

24. LONG-TERM INTEREST BEARING BORROWINGS

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
As at 01 April	330,286	158,842	206,943	23,611
New loan obtained	-	200,000	-	200,000
Repayments	(316,643)	(62,129)	(206,943)	(16,668)
Effect of movements in exchange rates	20,109	33,572	-	-
At the end of the year	33,752	330,285	-	206,943
Repayable within one year	33,752	132,970	-	40,279
Repayable after one year	-	197,315	-	166,664

Notes to the Financial Statements

24.1 Analysis of Long Term Borrowings by Year of Repayment

Group	1 to 2 years Rs. '000	2 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
As at 31 March 2023	-	-	-	-
As at 31 March 2022	80,655	116,660	-	197,315

Company	1 to 2 years Rs. '000	2 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
As at 31 March 2023	-	-	-	-
As at 31 March 2022	50,004	116,660	-	166,664

24.2 Long Term Borrowings Repayable After One Year

Company	Lender/Rate of Interest %	Repayment Terms	Security	2023 Rs. '000	2022 Rs. '000
Hayleys Fibre PLC	HNB PLC (AWPLR+0.25%)	48 Monthly installments commenced from August 2021	Letter of comfort of Hayleys PLC	-	166,664
Bonterra Ltd	HSBC (3 Months LIBOR+3.95%)	24 monthly installments commencing from September 2021	Primary mortgage over machinery	-	27,258
Creative Polymats (Pvt) Ltd	Seylan Bank PLC (AWPLR+1.5%)	18 monthly installments commencing from December 2020	None	-	3,393
				-	197,315

25. DEFERRED TAXATION

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Deferred tax assets	-	15,196	-	-
Deferred tax liabilities	39,477	54,900	16,697	33,788
As at 31 March	39,477	39,704	16,697	33,788

25.1 Net Deferred Tax Liabilities

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
As at 1 April	39,704	(6,101)	33,788	8,371
Deferred tax recognised in profit & loss	(13,451)	44,533	(30,335)	24,007
Deferred tax recognised in other comprehensive income	13,224	1,272	13,244	1,410
As at 31 March	39,477	39,704	16,697	33,788

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

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Deferred tax assets				
Employee benefit obligations	(9,707)	(4,737)	(7,553)	(4,232)
Amortisation of intangible assets for tax purposes	(809)		(1,842)	(545)
Effect of unrealised exchange gain	(25,382)	-	(15,197)	-
Effect of transition to SLFRS 16	(2,731)	-	(2,022)	-
Losses available for off-setting against future taxable income	(10,736)	(29,208)	-	-
	(49,365)	(33,945)	(26,614)	(4,777)
Deferred tax liabilities				
Accelerated depreciation for tax purposes	67,693	39,640	22,162	15,380
Amortisation of intangible assets for tax purposes	-	281	-	-
Effect of transition to SLFRS 16	-	5,284	-	5,284
Revaluation on freehold land	10,073	4,613	10,073	4,613
Revaluation of financial assets designated at FVOCI	11,076	2,800	11,076	2,800
Effect of unrealised exchange gain	-	21,031	-	10,488
	88,842	73,649	43,311	38,565
Net deferred tax liabilities	39,477	39,704	16,697	33,788

Notes to the Financial Statements

26 EMPLOYEE BENEFIT OBLIGATIONS

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
As at 01 April	34,938	26,640	30,235	24,198
Current service cost	3,149	2,759	1,449	1,421
Interest cost	4,295	2,122	3,590	1,936
Re-measurement (gain)/loss on employee benefit obligations	1,707	3,660	1,640	2,680
	44,089	35,181	36,914	30,235
Employee benefits paid	(11,739)	(243)	(11,739)	-
As at 31 March	32,350	34,938	25,175	30,235

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

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Current service cost	3,149	2,759	1,449	1,421
Interest cost	4,295	2,122	3,590	1,936
	7,444	4,881	5,039	3,357
Re-measurement (gain)/loss recongnised in other comprehensive income	1,707	3,660	1,640	2,680

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

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

Rate of discount	18% (2022 : 15%)
Rate of salary increase	16% (2022 : 13.5%)
Retirement age	55-60 years as specified by the Company (2022-55-60 Years)
Mortality	Based on A1967/70 mortality table.

Employee contribution plans - EPF/ETF

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The companies contribute the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

Employee defined benefit plan – Gratuity
The liability recognized in the statement of financial position is the present value of the defined benefit obligation as at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognized immediately in other comprehensive income. 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 obligation is not externally funded.

Accounting judgments, estimates and assumptions Employee benefit liability – Gratuity
The employee benefit liability of the Group is based on the actuarial valuation carried out by independent actuarial specialists. The actuarial valuations are involved with assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

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

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

26.3 Distribution of Employee Benefit Obligation over Future Working Lifetime

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Expected future working life				
Within the next twelve months	2,793	11,438	2,237	11,057
Between one to five years	14,363	8,633	11,715	6,955
Between five to ten years	2,856	5,208	1,701	4,407
More than ten years	12,338	9,659	9,522	7,816
As at 31 March	32,350	34,938	25,175	30,235

The Company's weighted average duration of the defined benefit plan obligation at the end of the reporting period is 7.7 years.

26.4 Sensitivity Analysis - Salary Escalation Rate and Discount Rate

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

Notes to the Financial Statements

As at 31 March	Group		Company	
Salary escalation rate	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
1% Increase	33,927	37,116	26,096	31,958
1% Decrease	29,268	32,965	22,672	28,661

As at 31 March	Group		Company	
Rate of discount	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
1% Increase	29,430	33,116	22,795	28,788
1% Decrease	33,777	36,978	25,981	31,841

27 SHORT-TERM INTEREST-BEARING BORROWINGS

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Bank overdrafts (Note 27.1)	142,744	194,298	38,028	82,329
Short term loans (Note 27.2)	513,057	624,160	67,389	72,400
	655,801	818,458	105,417	154,729

27.1 Bank Overdrafts

Company	Lender/ Rate of interest	Security	2023 Rs. '000	2022 Rs. '000
Hayleys Fibre PLC	HSBC (SLF+5.5%)	Unsecured	38,028	82,329
Bonterra Ltd	HNB PLC (AWPLR+0.25%)	Unsecured	11,082	16,822
	HSBC (SOFR+5%)	Unsecured	43,101	46,641
Creative Polymats (Pvt) Ltd	Sampath Bank PLC (AWPLR+0.5%)	Unsecured	19,881	20,727
	Seylan Bank PLC (AWPLR+1.5%)	Unsecured	30,652	27,779
			142,744	194,298

27.2 Short-term Loans

Company	Lender/ Rate of interest	Security	2023 Rs. '000	2022 Rs. '000
Hayleys Fibre PLC	HNB PLC (LIBOR+0.25%)	Export Orders	67,389	72,400
Bonterra Ltd	HNB PLC (AWPLR+0.25%)	-	165,668	126,760
Creative Polymats (Pvt) Ltd	Commercial Bank of Ceylon PLC (AWPLR+1%)	-	75,000	100,000
	Sampath Bank PLC (AWPLR+0.5%)	-	130,000	250,000
	Seylan Bank PLC (AWPLR+1.5%)	Stock & Debtors	75,000	75,000
			513,057	624,160

28. TRADE & OTHER PAYABLES

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Trade payables	68,354	43,080	28,617	19,227
Accruals and other payables	338,567	271,678	147,165	119,594
Dividend payable	-	4,215	-	4,215
Unclaimed dividends	13,742	10,727	13,742	10,727
	420,663	329,700	189,524	153,763

29. OTHER CURRENT LIABILITIES

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Advances (Contract liabilities)	39,058	20,721	6,080	10,605
Other tax payable	2,246	-	-	-
	41,304	20,721	6,080	10,605

Notes to the Financial Statements

30. AMOUNTS DUE TO OTHER RELATED COMPANIES

As at 31 March		Group		Company	
		2023	2022	2023	2022
	Relationship	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Hayleys PLC	Parent	14,193	32,435	7,556	26,512
Charles Fibres (Pvt) Ltd	Affiliate	52,017	220,576	52,017	220,576
Chas P Hayley & Co.Ltd	Affiliate	659	-	-	-
Haymat (Pvt) Ltd	Affiliate	-	13,694	302	-
Ravi Industries Ltd	Affiliate	186	1,191	186	1,314
Hayelys Agriculture Holdings Ltd	Affiliate	776	184	776	184
Hayleys Aventura (Pvt) Ltd	Affiliate	309	1,180	-	-
Logiwiz Ltd	Affiliate		1,476	-	1,476
Cosco Lanka (Pvt) Ltd	Affiliate	1,099	-	610	-
Ceva Logistics Lanka (Pvt) Ltd	Affiliate	359	-	359	-
Advantis Projects & Engineering (Pvt) Ltd	Affiliate	1,325	-	723	-
Hayleys Free Zone Ltd	Affiliate	2,356	2,130		-
Kelani Valley Plantations PLC	Affiliate	317	-	-	-
The Kingsbury PLC	Affiliate	587	-	587	-
Haycarb USA, INC	Affiliate	2,214	-	-	-
Haycarb PLC	Affiliate	367	-	256	-
Advantis Freight (Pvt) Ltd	Affiliate	5,981	3,944	422	522
Puritas (Pvt) Ltd	Affiliate	550	442	66	89
Toyo Cushion Lanka (Pvt) Ltd	Affiliate	-	5,953	-	-
Expelogix (Pvt) Ltd	Affiliate	471	-	471	-
Dipped Products PLC	Affiliate	-	460	-	460
Hayleys Business Solutions International (Pvt) Ltd	Affiliate	406	195	61	49
Volanka (Pvt) Ltd	Affiliate	12,381	6,930	2,406	1,602
Rileys (Pvt) Ltd	Affiliate	-	-	1,946	7,733
		96,553	290,790	68,744	260,517

31. INCOME TAX

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
As at 01 April	27,041	(1,157)	13,058	(1,409)
Taxation on current year`s profit	97,560	54,502	41,119	19,858
Irrecoverable Economic Service- Charge	-	215	-	-
Under provision in respect of previous years	(2,661)	-	(2,715)	-
Tax on dividend		-	-	-
Payments made during the year	(80,129)	(26,519)	(31,425)	(5,391)
As at 31 March	41,811	27,041	20,037	13,058

32 CAPITAL EXPENDITURE COMMITMENTS

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

33 CONTINGENT LIABILITIES

The Group/Company does not have significant contingent liabilities as at the reporting date. (2022: Nil)

34 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel compensation

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

Other transactions with key management personnel

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

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

35 EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the balance sheet date which required adjustment to or disclosure in the financial statements.

36 FINANCIAL RISK MANAGEMENT

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

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

Notes to the Financial Statements

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

Risk Management Framework
The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework as described in detailed in Risk Management Report on pages 32 to 35.

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

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

Credit Risk
Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

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

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

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

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

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

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

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

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Rupees	472,822	383,585	6,393	14,492
USD	88,160	451,694	88,160	230,428
GBP	-	3,138	-	-
EUR	66,608	54,975	66,608	46,769
	627,590	893,392	161,161	291,689

Investments

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

Cash in Hand and at Bank

The Group and Company held cash in Hand and at Bank of Rs. 152 million and Rs. 129 million respectively as at 31 March 2023 (2021/22 - Rs. 378 million and Rs. 331 million) which represents its maximum credit exposure on these assets.

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

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

Source - http://www.fitchratings.com

Notes to the Financial Statements

Liquidity Risk

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

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

Maturity Analysis

The table below summarises the maturity profile of the Group/Company financial liabilities as at 31 March 2023 based on contractual undiscounted payments.

As at 31 March 2023	On demand	Less than 3 Months	3 to 12 months	1 to 5 years	>5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group						
Interest-bearing loans and borrowings	-	409,553	280,000	-	-	689,553
Trade and other payables	-	373,294	21,326	26,043	-	420,663
Amount due to other related companies	-	89,987	1,665	4,901	-	96,553
	-	872,834	302,991	30,944	-	1,206,769
Company						
Interest-bearing loans and borrowings	-	105,417	-	-	-	105,417
Trade and other payables	-	158,410	7,077	22,217	1,820	189,524
Amount due to other related companies		68,744	-	-	-	68,744
	-	332,571	7,077	22,217	1,820	363,685

As at 31 March 2022	On demand	Less than 3 Months	3 to 12 months	1 to 5 years	>5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group						
Interest-bearing loans and borrowings	-	850,845	100,584	197,314	-	1,148,743
Trade and other payables	-	277,467	21,700	30,533	-	329,700
Amount due to other related companies	-	278,597	9,926	2,267	-	290,790
	-	1,406,909	132,210	230,114	-	1,769,233
Company						
Interest-bearing loans and borrowings	-	157,507	37,501	166,664	-	361,672
Trade and other payables	-	135,288	5,189	13,286	-	153,763
Amount due to other related companies		260,517	-	-	-	260,517
	-	553,312	42,690	179,950	-	775,952

Operational Risk

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

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

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

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

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

Notes to the Financial Statements

Market Risk

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

Interest Rate Risk

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

		Group	Company
	Increase in basis point	Effect on profit before tax	Effect on profit before tax
		Rs. '000	Rs. '000
2023	+150	66,122	5,155
	-150	(66,122)	(5,155)
2022	+150	37,545	3,433
	-150	(37,545)	(3,433)

Foreign Currency Risk

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

Foreign Currency Sensitivity

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

2023	Increase / (decrease) in Exchange Rate	Effect on Profit Before Tax Group Rs. '000	Company Rs. '000
USD	+5%	(16,161)	(2,057)
EUR	+5%	2,661	2,633
GBP	+5%	5	5
USD	-5%	16,161	2,057
EUR	-5%	(2,661)	(2,633)
GBP	-5%	(5)	(5)

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

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

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

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

Notes to the Financial Statements

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

	Group		Company	
As at 31 March	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Long-term Interest bearing borrowings	-	197,315	-	166,664
Current portion of interest bearing borrowings	33,752	132,970	-	40,279
Short-term interest bearing borrowings	655,801	818,458	105,417	154,729
	689,553	1,148,743	105,417	361,672
Equity	1,648,686	1,479,980	1,224,313	1,036,333
Equity and net debts	2,338,239	2,628,723	1,329,730	1,398,005
Gearing ratio	29%	44%	8%	26%

37 RELATED PARTY TRANSACTIONS

As at 31 March					2023	2022
Relationship with the Company	Settlement Rs. '000	Net funds transfer from / (to) related parties Rs. '000	Sales to related parties Rs. '000	Purchases / services from related parties Rs. '000	Amount due from / (due to) related parties Rs. '000	Amount due from / (due to) related parties Rs. '000
Parent :						
Hayleys PLC	105,981	-	-	(87,025)	(7,556)	(26,512)
Subsidiaries :						
Bonterra Ltd	(1,264)	(66,501)	14,628	64,377	19,423	8,183
Creative Polymats (Pvt) Ltd	55	175,112	-	3,917	179,187	103
Affiliate :						
Chas P Hayley & Co. (Pvt) Ltd	(21,050)	(395,280)	556,749	(146,015)	1,895	7,491
Volanka (Pvt) Ltd	12,896	-	-	(13,700)	(2,406)	(1,602)
Toyo Cushion Lanka (Pvt) Ltd	-	289	27,936	(7,178)	35,903	14,856
Ravi Industries Ltd	15,151	(479)	-	(13,544)	(186)	(1,314)
Rileys (Pvt) Ltd	39,712	-	3	(33,928)	(1,946)	(7,733)
Quality Seed (Pvt) Ltd	(6,147)	-	7,182	957	3,029	1,037
Haymat (Pvt) Ltd	-	-	-	(1,108)	(302)	806
Haycarb USA, INC	(817,936)	-	613,211	(7,329)	34	212,088
Haycarb PLC	-	-	-	(256)	(256)	-

As at 31 March					2023	2022
Relationship with the Company	Settlement	Net funds transfer from / (to) related parties	Sales to related parties	Purchases / services from related parties	Amount due from / (due to) related parties	Amount due from / (due to) related parties
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Hayleys Business Solutions International (Pvt) Ltd	384	-	-	(396)	(61)	(49)
Charles Fibres (Pvt) Ltd	738,354	-	-	(569,795)	(52,017)	(220,576)
Hayleys Agriculture Holdings Ltd	2,446	-	-	(3,038)	(776)	(184)
Hayleys Aventura (Pvt) Ltd	4,374	-	-	(4,374)	-	-
Logiwiz Ltd	6,772	-	-	(5,296)	-	(1,476)
Advantis Projects & Engineering (Pvt) Ltd	1,143	-	-	(1,866)	(723)	-
Puritas (Pvt) Ltd	221	-	-	(198)	(66)	(89)
Dipped Product PLC	587	-	-	(127)	-	(460)
Advantis Freight (Pvt) Ltd	1,713	-	-	(1,613)	(422)	(522)
Expelogix (Pvt) Ltd	-	-	-	(471)	(471)	-
Ceva Logistics Lanka (Pvt) Ltd	-	-	-	(359)	(359)	-
Cosco Lanka (Pvt) Ltd	-	-	-	(610)	(610)	-
The Kingsbury PLC	51	-	-	(638)	(587)	-

37.1 Terms and Conditions of Transactions with Related Parties

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

37.2 Listing rules applicable to the Related Party Transactions

37.2.1 Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the company as per 31 March 2022 audited financial statements, which required additional disclosures in the 2022/2023 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Notes to the Financial Statements

37.2.2 Recurrent related party transactions

There were some recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2022 audited financial Statements, which required additional disclosures in the 2022/2023 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act. Following Transaction were noted which the aggregate value of the recurrent related party transactions exceeds 10% of the gross revenue.

Following Transaction were noted which the aggregate value of the recurrent related party transactions exceeds 10% of the gross revenue

Company	Relationship	Nature of transaction	Aggregated value of related party transactions entered into during the financial year	Aggregated value of related party transactions as a % of net revenue.
Chas P Hayley & Co. (Pvt) Ltd	Affiliate	Sales to related parties	556,749	15%
Haycarb USA, INC	Affiliate	Sales to related parties	613,211	16%
Charles Fibres (Pvt) Ltd	Affiliate	Purchases / services from related parties	(569,795)	15%

38 SEGMENT ANALYSIS

A segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group has organized its business units into three reportable operating segments based on the nature of the businesses as follows:

	Coir fibre products		**Stitched blanket**		**PU Mattresses and related products**		**Inter segment**		**Total**	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue										
Total Segmental Revenue	1,977,544	1,695,787	1,311,885	1,303,107	1,115,270	711,110	(16,083)	(11,358)	4,388,616	3,698,646
Segment Results										
Result from operating activities	222,902	111,799	248,342	246,152	188,590	70,840	(124,905)	(90,045)	534,929	338,746
Net finance income/ (expense)	92,819	70,090	(56,163)	77,395	(107,254)	(49,012)	1,304	1,714	(69,294)	100,187
Profit before tax	315,721	181,889	192,179	323,547	81,336	21,828	(123,601)	(88,331)	465,635	438,933
Tax expenses	(8,068)	(43,865)	(50,596)	(48,718)	(22,379)	(6,548)	(405)	(119)	(81,448)	(99,250)
Depreciation on property, plant and equipment	20,463	12,428	9,662	9,399	25,108	19,797	-	-	55,233	41,624
Amortisation of intangible assets	3,068	2,921	-	-	4,132	4,133	-	-	7,200	7,054
Segmet Financial Position										
Total assets	1,675,838	1,921,937	798,302	874,236	995,640	902,137	(435,167)	(287,013)	3,034,613	3,411,297
Additions to property, plant and equipment	91,941	160,291	464	651	50,934	14,780	-	-	143,339	175,722
Additions to intangible assets	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	16,697	33,788	14,607	20,776	7,433	-	740	336	39,477	54,900
Employee benefit obligations	25,175	30,235	5,120	3,604	2,055	1,099	-	-	32,350	34,938
Trade and other payable	189,524	153,763	133,545	120,803	97,594	55,134	-	-	420,663	329,700
Segment Cash Flows										
Segment cash flows from operating activities	39,857	(259,339)	253,070	49,166	168,283	(161,453)	(4,272)	(45,360)	456,938	(416,986)
Segment cash flows from investing activities	107,641	(23,105)	(264)	(512)	(15,161)	(14,866)	(127,123)	(88,328)	(34,907)	(126,811)
Segment cash flows from financing activities	(305,800)	157,615	(269,567)	(99,336)	(7,429)	(39,579)	(13,800)	329,770	(596,596)	348,470

Ten Year Summary - Group

For the year ended 31 March	2023 Rs. '000	2022 Rs. '000	2021 Rs. '000	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000
Trading results										
Revenue	4,388,616	3,698,646	2,000,736	789,625	886,099	562,659	478,976	442,038	576,451	468,475
Profit/(loss) before taxation	465,635	438,933	258,785	177,322	185,475	120,342	278,765*	16,019	7,643	27,311
Tax expenses	(81,448)	(99,250)	(15,542)	(31,034)	(32,927)	(19,377)	(11,495)	366	(4,701)	(2,634)
Profit/(loss) after taxation	384,187	339,683	243,243	146,288	152,548	100,965	267,270*	16,385	2,942	24,677
Share capital & reserves										
Stated capital	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Other components of equity	94,184	85,042	87,541	84,318	75,500	73,151	74,778	240,787	240,083	233,654
Revenue reserves	1,183,633	1,000,285	901,142	768,501	695,507	595,914	531,945	106,510	91,779	88,118
Amalgamation reserves	50,625	50,625	50,625	50,625	50,625	50,625	50,625	50,625	50,625	50,625
Equity attributable to equity holders of the Company	1,408,442	1,215,952	1,119,308	983,444	901,632	799,690	737,348	477,922	462,487	452,397
Non-controlling interest	240,244	264,028	228,597	81,426	81,656	-	-	-	-	-
Total equity	1,648,686	1,479,980	1,347,905	1,064,870	983,288	799,690	737,348	477,922	462,487	452,397
Assets less liabilities										
Property, plant & equipment	796,449	754,508	630,773	484,051	233,933	72,290	64,838	255,293	255,877	247,148
Investments	129,908	120,987	109,368	232,099	176,316	161,704	142,610	146,823	131,835	130,244
Other non-current assets	51,313	73,619	89,690	84,632	16,956	-	-	-	954	1,602
Total non-current assets	977,670	949,114	829,831	800,782	427,205	233,994	207,448	402,116	388,666	378,994
Current assets	2,056,943	2,462,183	1,508,634	884,878	735,601	662,067	614,392	181,736	369,304	259,515
Current liabilities	(1,292,642)	(1,621,840)	(830,631)	(546,772)	(142,344)	(72,758)	(69,157)	(91,298)	(264,032)	(150,169)
Working capital	764,304	840,343	678,003	338,106	593,257	589,309	545,235	90,438	105,272	109,346
Non-current liabilities	(93,285)	(309,477)	(159,929)	(74,018)	(37,174)	(23,613)	(15,335)	(14,632)	(31,451)	(35,943)
Net assets	1,648,686	1,479,980	1,347,905	1,064,870	983,288	799,690	737,348	477,922	462,487	452,397
Ratios and Other Information										
Basic earnings per share (Rs.)	12.43	8.25	6.16	6.09	6.05	4.21	11.14	0.68	0.12	1.03
Net assets per share (Rs.)	58.69	50.66	46.64	40.98	37.26	33.32	30.72	19.91	19.27	18.85
Current ratio (times)	1.59	1.52	1.82	1.62	5.17	9.09	8.88	1.99	1.40	1.73
Dividend per share - paid (Rs.)	3.80	4.00	0.58	2.83	2.25	1.33	0.67	-	0.10	0.10
Dividend payout (%)	30.57	48.50	9.47	46.53	35.40	31.70	5.99	-	81.08	9.74
Price earning ratio (times)	4.04	6.68	7.73	14.30	14.17	16.85	5.32	55.66	323.86	26.06

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

GRI Content Index

Statement of use	Hayleys Fibre PLC has reported the information cited in this GRI content index for the period 01st April 2022 to 31st March 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-1 Organizational details	About the Report (Pg 2) & Review of Business Operations (Pg 36)
	2-2 Entities included in the organization's sustainability reporting	About the Report (Pg 2)
	2-3 Reporting period, frequency and contact point	About the Report (Pg 2)
	2-4 Restatements of information	About the Report (Pg 4)
	2-5 External assurance	About the Report (Pg 2)
	2-6 Activities, value chain and other business relationships	Supply Chain Management (Pg 61)
	2-7 Employees	HFP Group Employee Profile as at 31st March 2023 (Pg 66)
	2-8 Workers who are not employees	HFP Group Employee Profile as at 31st March 2023 (Pg 66)
	2-9 Governance structure and composition	Corporate Governance (Pg 92)
	2-10 Nomination and selection of the highest governance body	Corporate Governance (Pg 92)
	2-11 Chair of the highest governance body	Corporate Governance (Pg 92)
	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance (Pg 92)
	2-13 Delegation of responsibility for managing impacts	Corporate Governance (Pg 94)
	2-14 Role of the highest governance body in sustainability reporting	Management Approach (Pg 76)
	2-15 Conflicts of interest	Annual Report of the Board of Directors on the Affairs of the Company (Pg 104)
	2-16 Communication of critical concerns	Corporate Governance (Pg 93)
	2-17 Collective knowledge of the highest governance body	Corporate Governance (Pg 91)
	2-18 Evaluation of the performance of the highest governance body	Corporate Governance (Pg 92)
	2-19 Remuneration policies	Remuneration Committee Report (Pg 99) & Key priorities (Pg 67)
	2-20 Process to determine remuneration	Industry Competitive Remuneration and Benefits (Pg 69) & Key priorities (Pg 67)
	2-21 Annual total compensation ratio	Occupational health and safety (Pg 71)
	2-22 Statement on sustainable development strategy	Approach to Sustainability and Commitment to SDG's (Pg 26)

GRI Content Index

GRI STANDARD	DISCLOSURE	LOCATION
	2-23 Policy commitments	Strategic Recruitment (Pg 68)
	2-24 Embedding policy commitments	Strategic Recruitment (Pg 68)
	2-25 Processes to remediate negative impacts	Employee Relations (Pg 71)
	2-26 Mechanisms for seeking advice and raising concerns	Employee Relations (Pg 71)
	2-27 Compliance with laws and regulations	Corporate Governance (Pg 94)
	2-28 Membership associations	Team Expertise (Pg 54)
	2-29 Approach to stakeholder engagement	Stakeholder Engagement (Pg 20)
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Material topics (Pg 22)
	3-2 List of material topics	Material topics (Pg 22)
	3-3 Management of material topics	Material topics (Pg 22)
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Socio Economic Impact (Pg 9) & Statement of Value Added (Pg 10)
	201-2 Financial implications and other risks and opportunities due to climate change	Risk Management (Pg 32)
	201-3 Defined benefit plan obligations and other retirement plans	Notes to the Financial Statements note 26 (Pg 160)
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Industry Competitive Remuneration and Benefits (Pg 69)
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Community Welfare (Pg 62)
	203-2 Significant indirect economic impacts	Community Welfare (Pg 62)
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Socio Economic Impact (Pg 9)
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Key policies and procedures (Pg 68)
	205-2 Communication and training about anti-corruption policies and procedures	Key policies and procedures (Pg 68)
	205-3 Confirmed incidents of corruption and actions taken	Key policies and procedures (Pg 68)
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Compliance Track Record - FY 2022/23 (Pg 60)

GRI STANDARD	DISCLOSURE	LOCATION
GRI 207: Tax 2019	207-1 Approach to tax	Notes to the Financial Statements 8 (Pg 138-140)
	207-2 Tax governance, control, and risk management	Notes to the Financial Statements 8 (Pg 138-140)
	207-3 Stakeholder engagement and management of concerns related to tax	Notes to the Financial Statements 8 (Pg 138-140)
	207-4 Country-by-country reporting	Notes to the Financial Statements 8 (Pg 138-140)
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Materials used across the HFP's value chain (Pg 77)
	301-2 Recycled input materials used	Materials used across the HFP's value chain (Pg 77)
	301-3 Reclaimed products and their packaging materials	Materials used across the HFP's value chain (Pg 77)
GRI 302: Energy 2016	302-1 Energy consumption within the organization	HFP Group Energy Matrix (Pg 80)
	302-2 Energy consumption outside of the organization	HFP Group Energy Matrix (Pg 80)
	302-3 Energy intensity	HFP Group Energy Matrix (Pg 80)
	302-4 Reduction of energy consumption	HFP Group Energy Matrix (Pg 80)
	302-5 Reductions in energy requirements of products and services	HFP Group Energy Matrix (Pg 80)
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Managing Water Resources (Pg 80)
	303-2 Management of water discharge-related impacts	Managing Water Resources (Pg 80)
	303-3 Water withdrawal	Managing Water Resources (Pg 80)
	303-4 Water discharge	Managing Water Resources (Pg 80)
	303-5 Water consumption	Managing Water Resources (Pg 80)
	304-2 Significant impacts of activities, products and services on biodiversity	Environmental Projects (Pg 81)
	304-3 Habitats protected or restored	Environmental Projects (Pg 81)
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	HFP Group Emission Matrix (Pg 80)
	305-2 Energy indirect (Scope 2) GHG emissions	HFP Group Emission Matrix (Pg 80)
	305-3 Other indirect (Scope 3) GHG emissions	HFP Group Emission Matrix (Pg 80)
	305-4 GHG emissions intensity	HFP Group Emission Matrix (Pg 80)
	305-5 Reduction of GHG emissions	HFP Group Emission Matrix (Pg 80)
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Hayleys Group Waste Management Policy - Key Principles (Pg 78)
	306-2 Management of significant waste-related impacts	Hayleys Group Waste Management Policy - Key Principles (Pg 78)
	306-3 Waste generated	HFP Group Waste Matrix - FY 2022/23 (Pg 79)
	306-4 Waste diverted from disposal	HFP Group Waste Matrix - FY 2022/23 (Pg 79)
	306-5 Waste directed to disposal	HFP Group Waste Matrix - FY 2022/23 (Pg 79)

GRI Content Index

GRI STANDARD	DISCLOSURE	LOCATION
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	HFP Group Supplier Evaluation Criteria and Due Diligence Activities (Pg 61)
	308-2 Negative environmental impacts in the supply chain and actions taken	HFP Group Supplier Evaluation Criteria and Due Diligence Activities (Pg 61)
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Recruitment and Attrition FY 2022/23 (Pg 69)
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Industry Competitive Remuneration and Benefits (Pg 69)
	401-3 Parental leave	Parental leave Statistics FY 2022/23 (Pg 70)
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Employee Relations (Pg 71)
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Occupational Health and Safety (Pg 71)
	403-2 Hazard identification, risk assessment, and incident investigation	Employee Wellbeing (Pg 73)
	403-3 Occupational health services	Occupational Health and Safety (Pg 71)
	403-4 Worker participation, consultation, and communication on occupational health and safety	Employee Wellbeing (Pg 73)
	403-5 Worker training on occupational health and safety	Safety Training - FY 2022/23 (Pg 72)
	403-6 Promotion of worker health	Employee Wellbeing (Pg 73)
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Key Safety Hazards Associated with HFP Operations (Pg 72)
	403-8 Workers covered by an occupational health and safety management system	Occupational Health and Safety (Pg 71)
	403-9 Work-related injuries	HFP Injury Record (Pg 72)
	403-10 Work-related ill health	HFP Injury Record (Pg 72)
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Training Hours for FY 2022/23 (Pg 71)
	404-2 Programs for upgrading employee skills and transition assistance programs	Training and Development (Pg 70)
	404-3 Percentage of employees receiving regular performance and career development reviews	Performance Management (Pg 70)
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Employee Distribution Across the Group (Pg 66)
	405-2 Ratio of basic salary and remuneration of women to men	Industry Competitive Remuneration and Benefits (Pg 69)

GRI STANDARD	DISCLOSURE	LOCATION
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Compliance and Best Practices (Pg 67)
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Compliance and Best Practices (Pg 67)
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Compliance and Best Practices (Pg 67)
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	Community (Pg 62)
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Community (Pg 62)
	413-2 Operations with significant actual and potential negative impacts on local communities	Community (Pg 62)
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	HFP Group Supplier Evaluation Criteria and Due Diligence Activities (Pg 61)
	414-2 Negative social impacts in the supply chain and actions taken	HFP Group Supplier Evaluation Criteria and Due Diligence Activities (Pg 61)
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Customer Relationship Management (Pg 60)
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Compliance Track Record - FY 2022/23 (Pg 60)
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Customer Relationship Management (Pg 60)
	417-2 Incidents of non-compliance concerning product and service information and labeling	Compliance Track Record - FY 2022/23 (Pg 60)
	417-3 Incidents of non-compliance concerning marketing communications	Customer Relationship Management (Pg 60)
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Relationship Management (Pg 60)

Shareholder and Investor Information

Ordinary Shareholders as at 31 March 2023

No. of shares held	Residents			Non Residents			Total		
	No.of Shareholders	No.of Shares	%	No.of Shareholders	No.of Shares	%	No.of Shareholders	No.of Shares	%
1 - 1,000	4,467	1,779,407	7.42	17	8,359	0.03	4,484	1,787,766	7.45
1,001 - 10,000	680	2,188,353	9.12	9	28,610	0.12	689	2,216,963	9.24
10,001 - 100,000	98	2,362,583	9.84	3	121,628	0.51	101	2,484,211	10.35
100,001 - 1,000,000	10	1,911,060	7.96	-	-	0.00	10	1,911,060	7.96
OVER 1,000,000	1	15,600,000	65.00	-	-	0.00	1	15,600,000	65.00
	5,256	23,841,403	99.34	29	158,597	0.66	5,285	24,000,000	100.00
Category									
Individuals	5,119	7,198,850	30.00	27	98,928	0.41	5,146	7,297,778	30.41
Institutions	137	16,642,553	69.34	2	59,669	0.25	139	16,702,222	69.59
	5,256	23,841,403	99.34	29	158,597	0.66	5,285	24,000,000	100.00

Directors' Shareholdings as at 31 March 2023

Name of Directors	No.of Shares
Mr. A. M. Pandithage	960
Mr. H. S. R. Kariyawasan	Nil
Mr. M. M. A. R. P. Goonetileke	Nil
Dr. S. A. B. Ekanayake	Nil
Mr. S. C. Ganegoda	1,824
Mr. T. G. Thoradeniya	Nil
Dr. T. K. D. A. P. Samarasinghe	Nil
Mr. L. A. K. I. Kodytuwakku	Nil
Mr. D. K. De Silva Wijeyeratne	Nil
Mr. M. C. Sampath	Nil
Mr. W. A. K. Kumara	Nil
Mr. L. Uralagamage	Nil

Share Trading Information - Three Months Ended 31 March 2023

Highest price (Rs.) - 24.01.2023	Rs. 59.20
Lowest price (Rs.) - 31.03.2023	Rs. 50.00
Closing price (Rs.) - 31.03.2023	Rs. 50.10
Number of transactions	2,034
Number of shares traded	354,450
Value of shares traded (Rs.)	19,196,409

Share Trading Information - Year Ended 31 March 2023

Highest price (Rs.) - 12.08.2022	Rs. 84.90
Lowest price (Rs.) - 27.04.2022	Rs. 40.10
Closing price (Rs.) - 31.03.2023	Rs. 50.10
Number of transactions	11,180
Number of shares traded	6,825,852
Value of shares traded (Rs.)	459,410,188
Percentage of public holding as at 31.03.2023	34.99%
Total number of shareholders representing public holding	5,282
Float - adjusted market capitalization (Rs.)	420,719,760

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

Dividends

Final interim dividend 2021/2022 - Rs. 0.30/- per share paid on 14.07.2022.
First interim dividend 2022/2023 - Rs. 2/- per share paid on 21.10.2022.
Second interim dividend 2022/2023 - Rs. 1/- per share paid on 24.01.2023.
Third interim dividend 2022/2023 - Rs. 0.50/- per share paid on 12.04.2023.

Shareholder and Investor Information

First Twenty Shareholders

	Name of the Shareholder	No of Shares as at 31.03.2023	%	No of Shares as at 31.03.2022	%
1	Hayleys PLC No. 3 Share Investment A/C	15,600,000	65.00	15,600,000	65.00
2	Mrs. V. Saraswathi & Mr. S. Vasudevan	561,437	2.34	598,500	2.49
3	Mr. I. D. Bandarigodage	275,000	1.15	172,000	0.72
4	Dr. D. Jayanntha	170,700	0.71	170,700	0.71
5	Mr. S. Srikanthan & Mrs. S. Srikanthan	170,000	0.71	170,000	0.71
6	Mr. R. E. Rambukwella	159,737	0.67	157,637	0.66
7	Mr. A. R. Ibrahim	142,882	0.60	142,685	0.59
8	Hatton National Bank PLC - Arpico Ataraxia Equity Income Fund	112,744	0.47	98,000	0.41
9	Mr. R. Y. Alawatte & Mrs. G. T. N. De Silva	108,000	0.45	-	-
10	New Benson Trading (Pvt) Ltd	107,076	0.45	107,076	0.45
11	Acuity Partners (Pvt) Limited / Mr. S. Vasudevan	103,484	0.43	161,484	0.67
12	Merchant Bank of Sri Lanka & Finance PLC / U. D. Premakumara	90,472	0.38	173,548	0.72
13	Miss. P. Navaratnam	78,156	0.33	78,156	0.33
14	DFCC Bank PLC/ D. K. T. Pathirage	75,000	0.31	-	-
15	Mr. S.K. Thenabadu & Mrs. L.P. Thenabadu, Ms. C. S. Thenabadu	74,496	0.31	74,496	0.31
16	Mr T. D. De Jonk	61,959	0.26	61,959	0.26
17	Ms. M. A. R. Nasreen	56,126	0.23	56,126	0.23
18	Mrs. Sobika Rajeewan	51,500	0.21	-	-
19	Ms. S. N. Dias	48,423	0.20	48,423	0.20
20	Ms. S. Durga	48,015	0.20	48,015	0.20
	TOTAL	18,095,207	75.40	17,918,805	74.66

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT THE THIRTY SEVENTH ANNUAL GENERAL MEETING OF HAYLEYS FIBRE PLC, will be held on Wednesday, 28th June, 2023 at 3.30 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 Statements of Accounts for the year ended 31st March, 2023, with the Report of the Auditors thereon.

2) To re-elect as a Director Mr. L. A. K. I. Kodytuakku, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.

3) To re-elect as a Director Mr. D. K. De Silva Wijeyeratne, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.

4) To re-elect as a Director Mr. M. C. Sampath, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.

5) To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A.M. Pandithage, in terms of Section 211 of the Companies Act No.07 of 2007, who retires having attained the age of Seventy Two years.

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".

6) To authorise the Directors to determine donations and contributions to charities for the ensuing year.

7) To re-appoint Messrs Ernst & Young, Chartered Accountants the Auditors of the Company for the year 2023/24 and to authorise the Directors to determine their remuneration.

8) 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."

Notice of 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 FIBRE PLC
Hayleys Group Services (Private) Limited
Secretaries

Colombo
31st May 2023

Notes to shareholders:

1. The Annual Report of the Company for 2022/23 is available on the corporate website www.hayleysfibre.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 hand over the duly completed 'Request Form - Annexure A' to the office of the Secretaries.

Form of Proxy

I/We ....(full name of shareholder)

NIC No./Reg. No. of Shareholder ....of...
being a shareholder/shareholders of HAYLEYS FIBRE PLC hereby appoint,

1. ....(full name of proxyholder)

   NIC No. of Proxyholder..of...
   or failing him,

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our proxy to attend and vote as indicated hereunder for me/us and on my/our behalf at the Thirty Seventh Annual General Meeting of the Company to be held on Wednesday, 28th 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 Board of Directors and the Statements of Accounts for the year ended 31st March, 2023, with the Report of the Auditors thereon.	☐	☐
2	To re-elect as a Director Mr. L. A. K. I. Kodytuakku, as set out in the Notice.	☐	☐
3	To re-elect as a Director Mr. D. K. De Silva Wijeyeratne, as set out in the Notice.	☐	☐
4	To re-elect as a Director Mr. M. C. Sampath, as set out in the Notice.	☐	☐
5	To re-appoint Mr. A. M. Pandithage in terms of of Section 211 of the Companies Act No.07 of 2007.	☐	☐
6	To authorize the Directors to determine donations and contributions to charities for the ensuing year.	☐	☐
7	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.	☐	☐
8	To pass the Special Resolutions to amend the Articles of Association of the Company as set out in the Notice. Special Resolution (1)	☐	☐
	Special Resolution (2)	☐	☐
	Special Resolution (3)	☐	☐

Signed on this .... day of ....2023.

....
Signature of Shareholder

(Instructions are given overleaf)

Form of Proxy

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 Form 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 Proxy Form 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

Legal Form
A Public Limited Company Incorporated in Sri Lanka in 1987
Company Number PQ 21

The Stock Exchange Listing
The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka

Directors
A. M. Pandithage - Chairman
H. S. R. Kariyawasan - Deputy Chairman
M. M. A. R. P. Goonetileke - Managing Director
L. A. K. I. Kodytuakku - Deputy Managing Director
Dr. S. A. B. Ekanayake
S. C. Ganegoda
T. G. Thoradeniya
Dr. T. K. D. A. P. Samarasinghe
D. K. De Silva Wijeyeratne
M. C. Sampath
W. A. K. Kumara
L. Uralagamage

Registered Office
Hayleys Building
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Telephone : (94-11) 2627000
Fax : (94-11) 2627645

Office
131, Minuwangoda Road, Ekala, Sri Lanka
Telephone : (94-11)2232939
Fax : (94-11) 2232941
E-mail : info@hayleysfibre.com
Web Site : www.hayleysfibre.com

Bankers
Hatton National Bank PLC
Hongkong and Shanghai Banking Corporation Ltd
Standard Chartered Bank
Seylan Bank PLC
People's Bank
Cargills Bank
National Development Bank PLC
Sampath Bank PLC
Commercial Bank of Ceylon PLC

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

Legal Advisors
Corporate Legal Department
Julius & Creasy - Attorneys At Law

Secretaries
Hayleys Group Services (Private) Limited
No. 400, Deans Road, Colombo 10, Sri Lanka.
Telephone : (94-11) 2627650
Fascimile : (94-11) 2627645
E-mail : info.sec@hayleys.com

Please direct any queries about the administration of shareholding to the Company Secretaries.

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