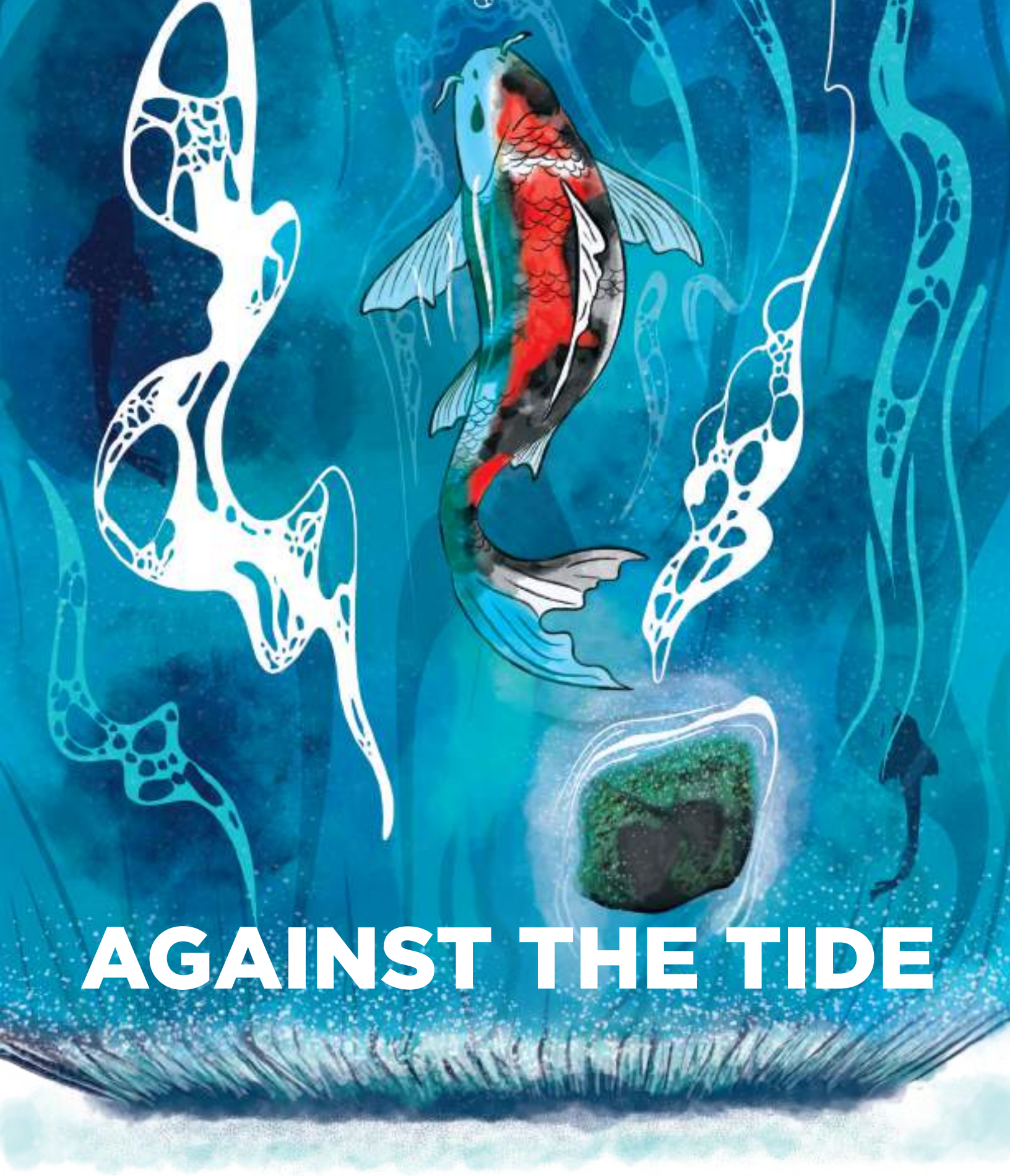

AGAINST THE TIDE

The World Of Hayleys Since 1878

Hayleys PLC
Annual Report 2022/23

AGAINST THE TIDE

Much like the ones preceding it, the year under review saw the world thrust into uncertainty and turbulence — yet Hayleys PLC continued to maintain its momentum, and advance against opposing forces to conquer a rapidly evolving environment.

We believe that our resourcefulness, diversity and farsighted strategies enable us to maintain a natural equilibrium; however, we also recognise that our purpose lies beyond being merely resolute and unflinching in the face of overwhelming odds. That's why, even as the tides raged against us, your Company continued to persevere and forge ahead in order to enable positive transformation across our sphere of impact.

Read on and discover the purpose that drives us, and the qualities that enabled us to overcome adversity and move steadily onwards, against the tide.

The World Of Hayleys
Since 1878

Read our integrated Annual Report Online
Visit: www.hayleys.com

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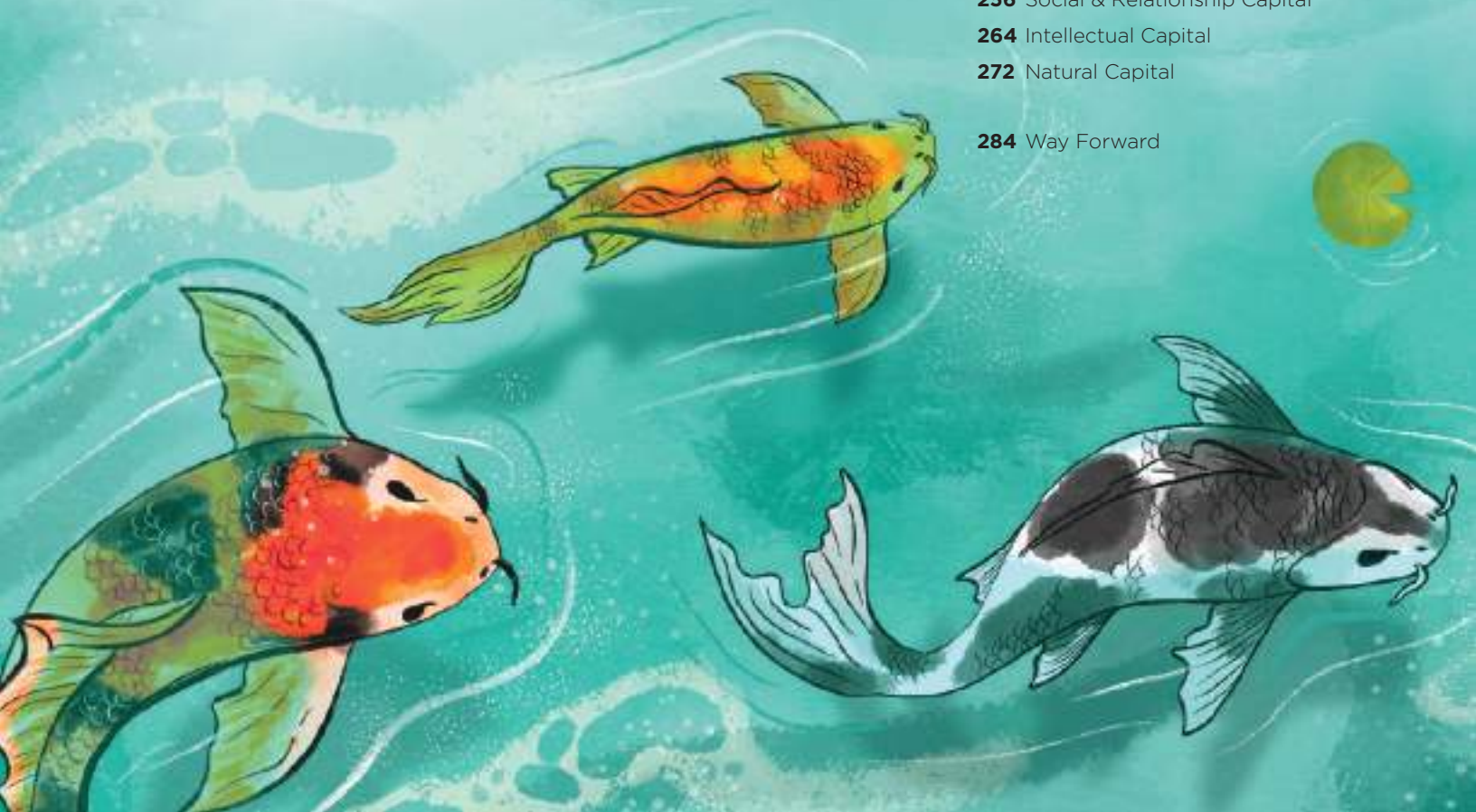

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Page **16** Purpose-led business

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Page **24** **HAYLEYS LIFECODE** Ambition to Action

Page **26** Sustaining value through economic headwinds

Page **117** Strategic ESG Integration

SASB INDUSTRY STANDARDS

- Household and personal products (**Pg 141**)
- Chemical standard (**Pg 151**)
- Apparel, accessories and footwear (**Pg 161**)
- Construction materials (**Pg 171**)
- Agricultural products (**Pg 191**)
- Multiline and speciality retailers and distributors (**Pg 201**)
- Wind technology and power generators (**Pg 219**)
- Air freight and logistics (**Pg 229**)

Over the years, koi have evolved to deliver varying characteristics that enable incredible versatility, diversity and resilience. Much like the Hayleys Group, they have earned a reputation for loyalty, partnership, unmatched value and excellence; inherent qualities that have garnered global recognition and a wide-ranging presence.

JAPANESE KOI, ALSO KNOWN AS NISHIKIGOI, ARE TYPICALLY CLASSIFIED INTO FOUR MAIN CLASSES:

Kohaku:

Kohaku koi have a white body with red markings. The quality and pattern of the red (hi) on the white (shiroji) are important factors in evaluating Kohaku.

Taisho Sanshoku (Sanke):

Sanke koi have a white body with red and black markings. The white (shiroji), red (hi), and black (sumi) colors are considered when assessing the quality of a Sanke.

Showa Sanshoku (Showa):

Showa koi exhibit a black body with red and white markings. Similar to Sanke, the quality of white (shiroji), red (hi), and black (sumi) are crucial in determining the grade of a Showa.

Shiro Utsuri:

Shiro Utsuri koi have a black body with white markings. The intensity, pattern, and clarity of the white (shiroji) against the black (sumi) are key aspects in judging Shiro Utsuri.

There are over 100 varieties of koi depending on context, color and scales. Each colouration represents different qualities and characteristics.

BASIC SCALE PATTERNS

Gin Rin

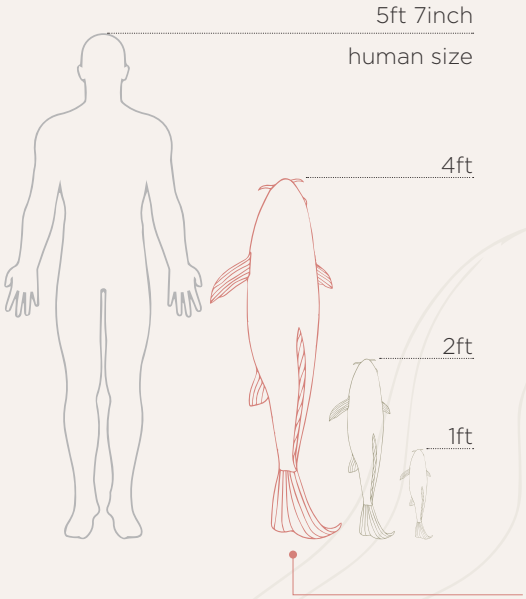
Sparkly scales that glitter in the sun. These are the most desired scales in a koi fish.

Wagoi

Regular 'C' shaped scales; the most common scale in koi fish

Doitsu

Scaleless; smooth skin and also known as 'leather" koi fish.



Under the right conditions, koi can often achieve substantial growth.

4feet

Largest recorded length yet. This impressive koi, known as "Big Girl". was a Kohaku variety koi and was well-known in the koi community for her immense size.

Longevity: Koi are known for their longevity. An average koi fish can live for decades and even centuries, under special care and optimal conditions.

Relationships and Bonds: Koi fish are highly social and possess the ability to recognise individual faces. With time and interaction, they can become quite docile and even be hand-fed by their caretakers.

Adaptive Nature: Koi are known for their adaptability to different environments and tolerance of a wide range of conditions. Their robust nature and resilience contribute to their longevity and growth.

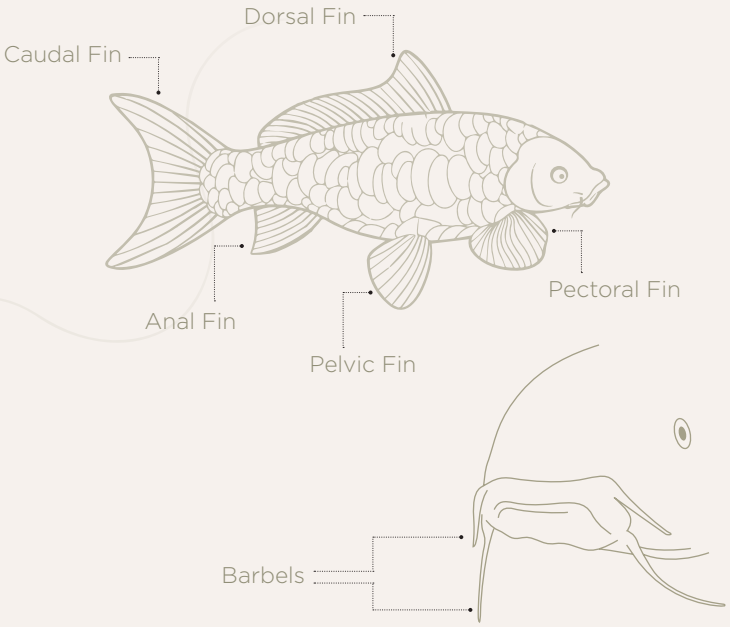
Strength and Perseverance:
Koi are capable of navigating through different water currents. They have muscular bodies and powerful tails that allow them to move through the water with agility.

Mouth / Barbels: Koi fish have four prominent sensory barbels located near their mouths. Their mouths themselves are equipped with special cells that support the senses of taste and touch. These structures help them locate anomalies in the environment, identify opportunities to feed, and navigate their surroundings.

Fins: Koi have several fins positioned throughout their body that aid in their movement and balance. Each provides its own unique strengths and contributions towards its journey onwards.

226 years
is the longest lifespan of a koi recorded to date.

The yin and yang symbolism:
The concept of harmony and balance in nature and life signifies the need for equilibrium between contrasting elements and the interconnectedness of opposing forces to achieve wholeness and harmony.



In many cultures, koi fish are associated with prosperity, protection and strength. They are often considered the perfect embodiment of harmony, balance and the power of interconnectedness.

Supported by a staunch, steadfast nature, these resilient creatures possess incredible diversity and character — and their ability to swim against the current enables the species to harness opportunities, surpass challenges and conquer the unknown.

Over the years, Hayleys has perfected the art of holistic growth — providing stability and consistent value to our stakeholders, while demonstrating agility and responsiveness in the face of change. This report outlines how we, too, have risen against the odds to overcome adversity, and deliver exceptional outcomes to every stakeholder we serve.

A Combined Strength

We thrive as a team, working together in harmony to support each other and achieve collective progress.

Koi are incredibly social creatures that thrive as a group, often forming strong bonds with those around them.

WELCOME TO OUR 10TH INTEGRATED REPORT

Our Integrated Annual Report seeks to demonstrate how the Hayleys Group's purpose-led strategy delivers value to all stakeholders in a sustainable and responsible manner. The Report brings together relevant and material information on our operating environment, strategy, performance and value creation, governance and future outlook, thereby articulating our value creation and preservation story in a holistic and succinct manner.

BASIS OF PREPARATION

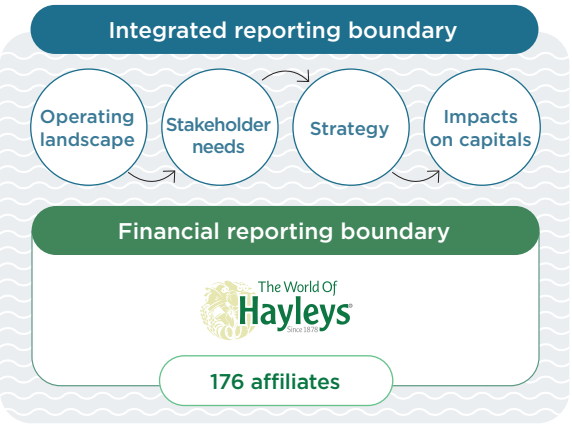
Reporting period: The Group adopts an annual reporting cycle and this Report covers the period from 1st April 2022 to 31st March 2023 (herein referred to as 2022/23). Any subsequent material events up to the Board approval date of 19th May 2023 is also included.

Scope and boundary: This Report covers the operations of Hayleys PLC and its 176 affiliates (collectively referred to as the "Group") based in Sri Lanka and overseas (refer to Note 1 of the Financial Statements on page 317).

Key changes to the Group's organisational structure/supply chain in 2022/23 were as follows:

- Establishment of DPL France as subsidiary of ICOGUANTI S.p.A in April 2022 to acquire the assets of a French trading company. With this acquisition, ROZENBAL POLSKA Sp. z.o.o in Poland was also added as a subsidiary of ICOGUANTI S.p.A.
- Acquisition of 51% of the shares of Horana Plantations PLC (HPL) by Hayleys subsidiary Hayleys Plantation Services (Pvt) Ltd. in March 2023. HPL's balance sheet has been consolidated under the Group's Plantation Sector.
- Acquisition of Colombo Cargo Express by Hayleys Advantis in December 2022.

The above entities have not been included in the Group's non-financial reporting boundary for this year and will be included in 2023/24.



12 Sectors | **177** Companies

143 Local companies

34 Overseas companies

STANDARDS AND FRAMEWORKS

FINANCIAL STATEMENTS	NARRATIVE REPORT	SUSTAINABILITY REPORTING	CORPORATE GOVERNANCE REPORT
• Sri Lanka Financial Reporting Standards • Companies Act No.7 of 2007 • Listing Requirements of the Colombo Stock Exchange • Sri Lanka Accounting Standards	• Integrated Reporting Framework • Guidelines for the presentation of Annual Reports issued by CA Sri Lanka	• GRI Standards (2021) of the Global Reporting Initiative • Sustainability Accounting Standards Board (SASB) Recommendations of the Task Force on Climate Related Financial Disclosures (TCFD) • Non-Financial Reporting Guidelines issued by CA Sri Lanka • Gender Parity Reporting Framework of CA Sri Lanka • Sustainable Development Goals (SDG) • IFC's Environmental and Social Performance Standards • 10 principles of the UN Global Compact • UNGC CEO's Water Mandate	• Listing Requirements of the Colombo Stock Exchange • Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017)

ESG metrics: Our Integrated Report extends beyond financial reporting to include key environmental, social and governance (ESG) performance metrics. Excluding 4 companies that were acquired/ incorporated during the financial year, the reporting boundary for financial and non-financial reporting remains consistent.

Double materiality and material themes: We have strengthened our approach to materiality this year, refining our process through adopting a double materiality, which considers both financial materiality as well as social and environmental impacts. In improving the clarity of our reporting, we have also grouped our material matters under 4 materiality themes as discussed on page 95 of this Report.

FORWARD LOOKING STATEMENTS

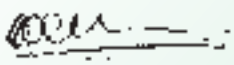
This Annual Report contains forward looking statements which are based on the Group's current expectations and forecasts of future events. Readers can identify these statements through words such as anticipate, expect, estimate, intend, project, believe and other terms of similar meaning. These statements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

FORWARD-LOOKING INFORMATION IS AVAILABLE IN				
Reflections from Chairman (Page 37)	Operating Environment (Page 90)	Performance against Strategy (Page 112)	Portfolio Review (Page 122)	Way Forward (Page 288)

BOARD RESPONSIBILITY STATEMENT

Hayleys PLC's Board of Directors hold ultimate responsibility for ensuring the integrity of this Report. We hereby confirm that the 2022/23 Report addresses all relevant material matters and fairly represents the Group's integrated performance. We also confirm that the Report has been prepared in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council. The Report is approved and authorised for publication.

Chairman & Chief Executive



Chairman of Audit Committee

Group Chief Financial Officer

FEEDBACK

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

info@cau.hayleys.com

Corporate Affairs Unit-Hayleys PLC

NAVIGATION ICONS

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

CAPITALS

- Financial
- Manufactured
- Human
- Intellectual
- Social & Relationship
- Natural

STRATEGIC PILLARS

- Shared prosperity through portfolio growth
- Customer centricity
- Inclusive business models
- Inspired teams
- Preserving and regenerating nature

STAKEHOLDERS

- Shareholders
- Employees
- Customers
- Suppliers
- Business Partners
- Communities
- Government

OUR APPROACH TO REPORTING

Our Integrated Report is the outcome of Groupwide integrated thinking, collaboration and robust reporting processes. This process is governed by the Board of Directors, Group Management Committee (GMC) and respective functions and assured through a combined assurance model.

INTEGRATED THINKING

1. Determining what is material to us

A systematic, Group-wide materiality assessment is in place to determine what information should be included in the Report. The assessment is based on the principle of double materiality which considers potential implications on the organisation as well as impacts on people and the environment.

2. Strategy formulation & resource allocation

Insights from the materiality assessment are a key input in formulating short, medium and long-term strategy as well as determining resource allocation through the six capitals

INTEGRATED REPORTING PROCESS

1. Reporting procedures

A cross-functional team, led by the Group CFO produces the content in the Annual Report which is sourced from interviews with Sector leadership teams and other subject matter experts across the Group. Oversight is provided by the GMC and the Board. The Board provides final approval of the Report with the Chairman of the Board and Chairman of the Audit Committee providing final sign-off for publication.

2. Alignment to international reporting frameworks and best practices on financial, corporate governance, sustainability and ESG reporting.

3. Ensuring integrity of the Report through combined assurance

	Internal assurance	External assurance
Financial information and relevant processes	Management Audit & Systems review Department Audit Committee	External assurance on financial information by Messrs. Ernst and Young (Page 302)
Integrated report and non-financial/ESG information	Group ESG Division	External assurance on the Group's Integrated Reporting has been provided by Messrs. KPMG (Page 459)

COMMUNICATION AND ACCESSIBILITY

The Group's Integrated Annual Report is made accessible to our shareholders and other stakeholders through,

- Circulation to all shareholders
- Release to the Colombo Stock Exchange
- Publication of the Report on the Hayleys website

Digital enablement of the Report

(1) When designing our Report, due consideration has been given to enhance the digital reading experience, supporting user-friendliness and readability on computer screens, laptops and mobile phones.

(2) Interactive web version of the Annual Report launched

(1) (2)

Ensuring accessibility and ease of use

Quick read digital synopsis of the annual report optimised for Mobile and digital devices

Chairman's statement available in all three languages

EVOLUTION OF OUR REPORT

Hayleys has consistently demonstrated its commitment to elevating the quality and readability of its Annual Report through embracing international best practice in corporate reporting. This has included driving improvements to reporting processes to enhance the accuracy and credibility of information as well as improving the relevance and quality of our disclosures.

	2018 /19	2019/20	2020/21	2021/22
Reporting processes	Comprehensive 7-part materiality test conducted across sectors	The Group produced a statutorily compliant report following the unprecedented uncertainty and challenging conditions that prevailed following the outbreak of the pandemic.		Automation of the budgeting process through SAP Business Planning and Consolidation
Transparency	Demonstrated connectivity between 'pre-financials' and financial performance		Demonstrated implications of COVID-19 on each Sector	Country-by-country reporting for social and environmental disclosures Statement of Governance introduced
Sustainability/ ESG reporting	Disclosure of Scope 3 GHG emissions		Adoption of revised GRI Standards on Water & Effluents and Health & Safety	Early adoption of new GRI Standards Adoption of 7 industry standards of SASB Initiated disclosures under the TCFD
Integrity	External assurance on GRI reporting		External assurance on Integrated Reporting practices	External assurance on Integrated Reporting practices

REPORTING IMPROVEMENTS 2022/23

MATERIALITY
Improved materiality assessment through adopting a double materiality approach

ESG REPORTING
Sector-level disclosures on ESG integration

Disclosures on performance against ESG targets

CORPORATE GOVERNANCE REPORTING
Increased disclosures on anti-corruption practices

Emphasis on Board contribution to value creation during the year

OTHER
Dedicated section on the impact of the economic crisis on the Group's operations, performance and outlook

Reporting frameworks adopted in 2022/23

- Improved disclosures under SASB Standards with the inclusion of the Chemicals industry standard, thereby complying with 8 industry standards of SASB
- Non-financial reporting guideline of CA Sri Lanka

Integrity of disclosures

- In line with the ongoing independent carbon footprint verification, the quantification of the GHG inventory has been improved and refined further in alignment with the requirements of ISO14,064: 2018 (refer to page 275 for further information)

Connectivity of information

- Showcased connectivity between sustainability/ESG metrics and financial performance (refer to Capital Management Reports on page 242)
- Connected performance drivers including relationship between profitability, social value creation and environmental performance (refer to Portfolio Reviews on page 122)

Digital enablement

- Having recognised the shift towards digital consumption of information, the Group published a quick-read, summarised version.
- Summarised interactive web version which allows download of individual sections

THE WORLD OF HAYLEYS

The Hayleys Group is Sri Lanka's leading diversified conglomerate, with extensive business interests across 12 industry sectors and globally leading market positions in several key verticals. As a Group with unparalleled relationships across Sri Lanka's supply chains, agricultural networks, distribution channels and customer segments, Hayleys is one of Sri Lanka's largest value creators and most socio-economically impactful organisations.

ECO SOLUTIONS
Sri Lanka's leading manufacturer and exporter of value-added coconut fibre products

R +37% P +50%

HAND PROTECTION
Manufacturer and exporter of household and industrial gloves, serving 5% of global demand

R +36% P +5%

PURIFICATION
Globally leading manufacturer of coconut-shell based activated carbon

R +84% P +78%

TEXTILES
Sri Lanka's largest fabric mill and supplier of fabric to leading global fashion brands

R +90% P -5%

CONSTRUCTION MATERIALS
Sri Lanka's leading manufacturer and exporter of aluminium extrusions to both residential and industrial segments

R +6% P -89%

PLANTATIONS
Three leading Regional Plantation Companies (RPC) which collectively generates 4.6% and 4.7% of the country's tea and rubber production

R +65% P +136%

AGRICULTURE
Industry pioneer in agricultural innovation, providing a wide range of agriculture-related solutions to the retail and export markets

R +37% P +118%

LEISURE
The five-star city hotel-The Kingsbury and owner, operator and manager of hotel properties in Sri Lanka and Maldives through the Amaya Resorts chain.

R +96% P +43%

INDUSTRY INPUTS, POWER & ENERGY
Supplier of inputs to diverse industries Renewable energy generator with an installed capacity of 50MW of hydro, solar and wind power plants

R +24% P +21%

CONSUMER & RETAIL
Sri Lanka's leading supplier of consumer durables, Singer (Sri Lanka) PLC and exclusive distributor for P&G products in Sri Lanka and Maldives. Distributor for selected products of Hayleys Agriculture and Mabroc Teas.

R -24% P -88%

TRANSPORTATION & LOGISTICS
The country's leading player in the transportation and logistics industry, offering the entire gamut of transportation-related services.

R +94% P +38%

OTHERS
Includes Hayleys Group Services, Fentons Ltd. - one of Sri Lanka's leading engineering solutions provider and Hayleys Business Solutions International (Pvt) Ltd- provider of BPO and shared services within the Group.

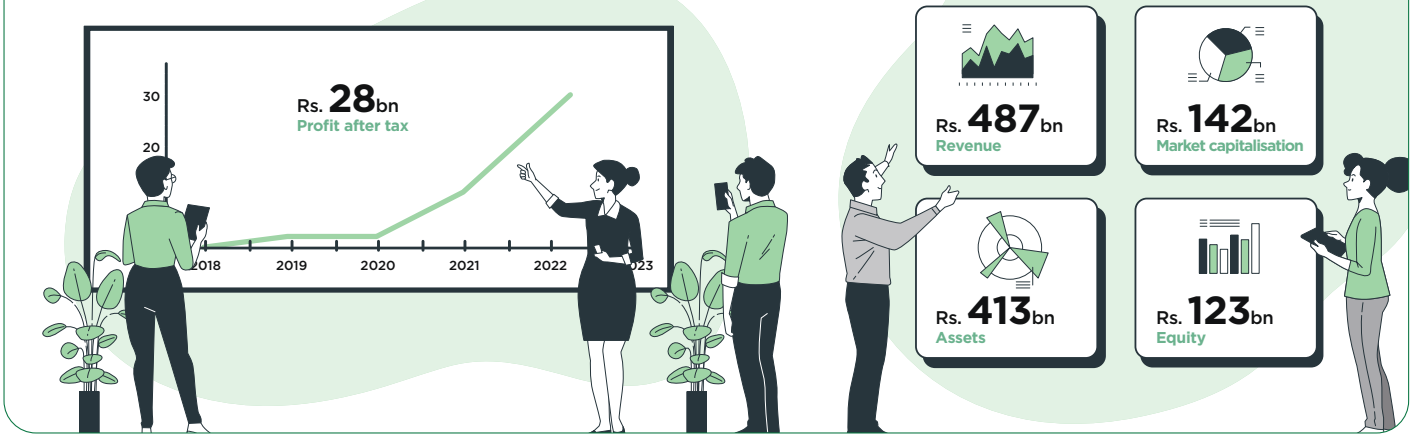
R +46% P -14%

R Revenue growth P PBT growth

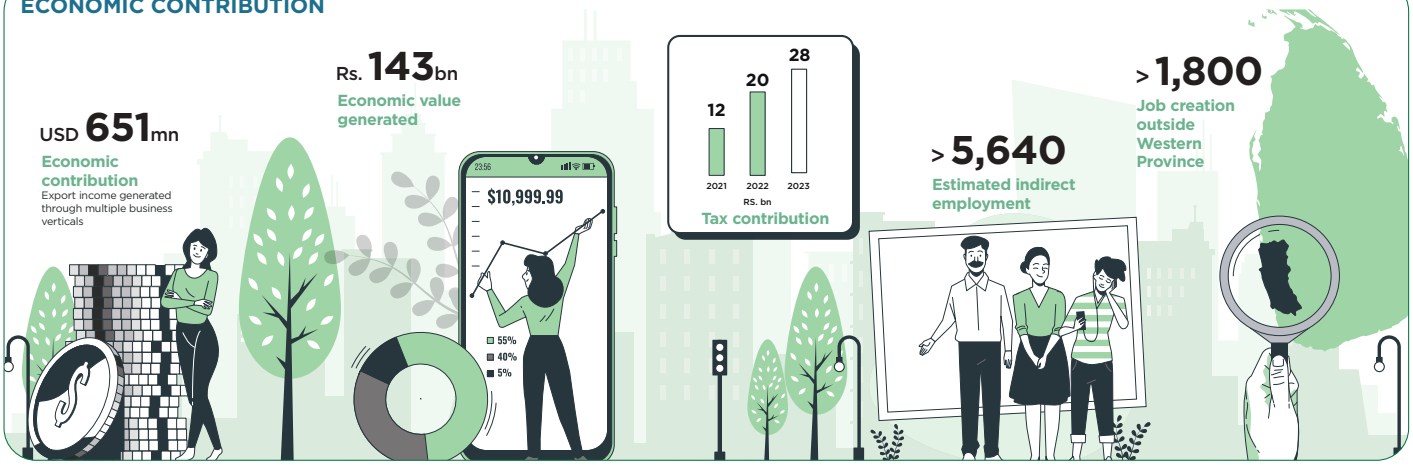
STRATEGIC DIFFERENTIATORS

Purpose-led business	Diverse businesses and geographical presence	Global reputation for innovation and superior quality	Extensive and solid partnerships

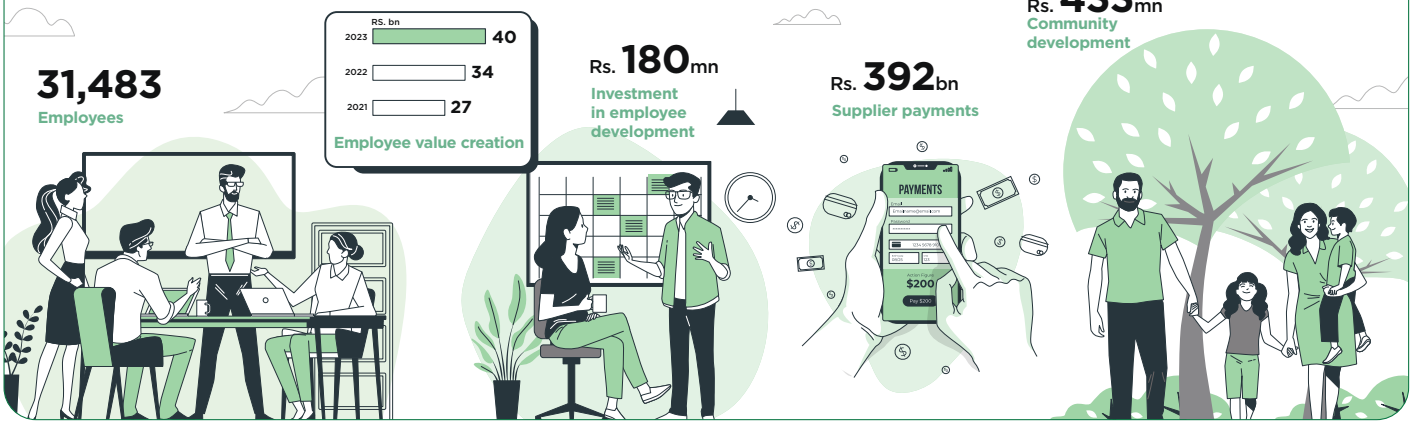
FINANCIAL PERFORMANCE AND STABILITY



ECONOMIC CONTRIBUTION



SHARED VALUE CREATION



Employee value proposition	Commitment to ESG and sustainable business	Robust corporate governance	Strong balance sheet

PORTFOLIO HIGHLIGHTS

CONTRIBUTION TO THE GROUP

Transportation and Logistics	Consumer & Retail	Purification	Textiles	Hand Protection	Agriculture
28% Revenue 1	**13%** Revenue 2	**12%** Revenue 3	**12%** Revenue 4	**11%** Revenue 5	**7%** Revenue 6
30% PBT	**1%** PBT	**17%** PBT	**6%** PBT	**11%** PBT	**10%** PBT
8% Employees	**10%** Employees	**6%** Employees	**10%** Employees	**7%** Employees	**4%** Employees
15% Carbon Footprint	**7%** Carbon Footprint	**14%** Carbon Footprint	**26%** Carbon Footprint	**18%** Carbon Footprint	**2%** Carbon Footprint

	Plantations	Others	Eco Solutions	Industry Inputs, Power & Energy	Construction Materials	Leisure
	6% Revenue 7	**3%** Revenue 8	**3%** Revenue 9	**2%** Revenue 10	**2%** Revenue 11	**1%** Revenue 12
	14% PBT	**8%** PBT	**5%** PBT	**3%** PBT	**0%** PBT	**-5%** PBT
	40% Employees	**4%** Employees	**3%** Employees	**1%** Employees	**2%** Employees	**5%** Employees
	5% Carbon Footprint	**1%** Carbon Footprint	**3%** Carbon Footprint	**0%** Carbon Footprint	**4%** Carbon Footprint	**5%** Carbon Footprint

Rankings are based on the Revenue contributed by each sector to the Group.

OUR CORPORATE PURPOSE

Hayleys PLC unveiled its corporate purpose during the year, embodying its aspirations to drive multi-stakeholder value and be a force for good in the broader economic social and environmental context. As the Company's intrinsic reason for being, the corporate purpose will emerge as the core driver of the Company's value creation and the cornerstone of its strategy.

Our leadership ignites progress and inspires others to join us to make a positive impact
By harnessing the power of our people and driving collaboration across partnerships and alliance, we seek to pioneer sustainable solutions and meaningful change that address society's most pressing challenges, thereby paving the way for a better future for all.

At the heart of our World- the World of Hayleys-is a deep commitment to inclusivity
We prioritise inclusive business models which support grassroot communities, thereby creating economic opportunities that benefit society and the nation as a whole. We are building bridges towards a more equitable and just world, where every individual has the chance to create value.

OUR PURPOSE

To **inspire** an **inclusive world** and a **thriving planet**

We are taking bold steps to create a thriving planet and a sustainable future for generations to come
We have not only publicly committed to achieving ambitious sustainability targets across our portfolio, but have taken tangible action on-ground to regenerate ecosystems, increase reliance on renewable energy, optimise the use of natural resources and drive circularity across our operations.

A PURPOSE LED BUSINESS

Achieving our purpose requires an agile business model, a responsive business strategy and the unification of stakeholders. This is supported by the Group's deeply-rooted, integrated approach to value creation which has been embedded in strategic decisions and operations.

To be Sri Lanka's corporate inspiration at all times

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

HAYLEYS & I

Honesty & Integrity Accountability, Yes, WE can, Love for humanity, Enduring customer value, Yes we WILL WIN, Social responsibility as a good corporate citizen and Innovation

The Group's ESG roadmap that strives to create thriving businesses and shape better futures

Strategic aspirations	Stakeholder outcomes	Commitment to SDGs
Our corporate purpose and integrated thinking are embedded in the business strategy and informed by our material topics. Shared prosperity through portfolio growth Customer centricity Inclusive business models Inspired teams Preserving and regenerating nature	Our value propositions to stakeholders aim to balance their often-conflicting views and sustain value to diverse stakeholders. **Shareholders:** Deliver sustainable returns commensurate with the risk undertaken and long-term growth **Employees:** Create an inclusive and dynamic work environment which values employee well-being and satisfaction **Customers:** Consistently deliver high-quality, innovative solutions with excellent customer service. **Business partners:** Create opportunities for long-term business growth and sustainable value creation **Community:** Address the social and environmental impacts of our operations through responsible business practices and drive meaningful change in communities	The delivery of broader social and environmental value through our business is strengthened through our Lifecode commitments, which are aligned to the UN SDGs. **Environmental pillar** **Social pillar** **Governance pillar**

A GLOBAL FOOTPRINT

17
countries

62%
of Group Revenue generated from exports

2,006
Employees in overseas locations

- Marketing offices
- Manufacturing locations
- Service operations

	Sri Lanka	Australia	Bangladesh	India	Indonesia	Italy	France
Revenue (Rs. mn)	388,546	4,112	6,899	859	9,798	12,611	3,029
Profit before tax (Rs. mn)	39,084	330	701	87	1,163	(192)	(711)
Tax (Rs. mn)	13,385	99	367	16	306	80	-
CAPEX (Rs. mn)	14,581	0	304	21	163	4	-
Total Assets (Rs. mn)	347,757	1,544	5,802	775	7,524	10,514	2,851
Total Borrowings (Rs. mn)	139,267	48	2,527	-	2,343	5,238	-
Employees (No.)	29,453	3	397	39	272	22	49
Carbon Footprint (tCO2e 000)	190	-	-	-	4	-	-

	Poland	Maldives	Myanmar	Singapore	Thailand	United Kingdom	USA	Japan	Netherlands	British Virgin Islands
	663	8,503	2,545	3,875	19,356	6,485	19,294	856	-	-
	(61)	(319)	85	157	1,693	131	565	20	19	(2)
	-	137	10	74	391	27	180	5	-	-
	-	488	88	-	2,072	7	1	-	-	-
	389	11,321	832	1,989	12,688	2,092	6,149	368	133	13
	10	8,364	170	-	-	36	1,568	124	-	2
	12	92	187	10	901	16	6	-	-	-
	-	2	-	-	13	-	-	-	-	-

PERFORMANCE HIGHLIGHTS

		2023	Change %	2022	2021
EARNINGS HIGHLIGHTS AND RATIOS					
Revenue	Rs. mn	**487,431**	44.21	338,010	241,276
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	Rs. mn	**71,088**	69.20	42,013	33,205
Results from operating activities (EBIT)	Rs. mn	**61,073**	81.80	33,594	25,954
Profit before tax	Rs. mn	**42,749**	19.69	35,717	19,234
Income tax	Rs. mn	**15,077**	97.91	7,618	5,188
Profit after tax	Rs. mn	**27,672**	(1.52)	28,099	14,046
Profit attributable to owners of the parent	Rs. mn	**16,352**	(10.43)	18,257	7,637
Dividends	Rs. mn	**4,013**	33.77	3,000	975
Gross profit Margin	%	**24.46**	6.86	22.89	25.35
Operating Profit Margin	%	**12.53**	26.07	9.94	10.76
Net Profit Margin	%	**5.68**	(31.71)	8.31	5.82
Earnings per share (basic)**	Rs.	**21.80**	(10.43)	24.34	10.18
Return on Assets (ROA)	%	**6.70**	(3.83)	6.97	5.03
Return on Capital Employed (ROCE)	%	**21.63**	78.46	12.12	13.68
Return on equity	%	**20.72**	(23.53)	27.09	16.04
Interest cover	No. of times	**2.15**	(36.18)	3.37	3.00
FINANCIAL POSITION HIGHLIGHTS AND RATIOS					
Total Assets	Rs. mn	**412,742**	2.40	403,076	279,383
Total Debt	Rs. mn	**159,696**	(7.12)	171,934	114,462
Equity attributable to equity holders of the parent	Rs. mn	**78,930**	17.12	67,390	47,618
Stated capital	Rs. mn	**1,575**	0.00	1,575	1,575
Revenue reserve	Rs. mn	**45,130**	28.85	35,026	20,620
Gearing	%	**56.55**	(8.82)	62.02	60.35
Debt/Equity	%	**130.14**	(20.30)	163.30	152.21
Equity Asset ratio	%	**29.73**	13.82	26.12	26.92
Net assets per share**	Rs.	**105.24**	17.12	89.85	63.49
Current ratio	No. of times	**1.22**	4.74	1.16	1.11
Quick asset ratio	No. of times	**0.77**	0.03	0.77	0.70
No. of Shares in issue**	No. mn	**750**	0.00	750	750
MARKET / SHAREHOLDER INFORMATION					
Market value per share	Rs.	**72.00**	(6.37)	76.90	60.80
Dividend per share	Rs.	**5.35**	33.77	4.00	1.30
Company market capitalisation	Rs. mn	**54,000**	(6.37)	57,675	45,600
Group market capitalisation	Rs. mn	**142,458**	(2.52)	146,134	148,317
Price earnings ratio	No. of times	**3.30**	4.39	3.16	5.97
Dividend yield ratio	%	**7.43**	42.87	5.20	2.14
Dividend payout ratio	%	**24.54**	49.35	16.43	12.77
Dividend Cover	No. of times	**4.07**	(33.04)	6.09	7.83
OTHERS					
Economic Value Generated	Rs. mn	**143,263**	38.97	103,092	68,534
Economic Value Distributed	Rs. mn	**123,413**	51.14	81,656	56,794
Government	Rs. mn	**28,308**	40.58	20,136	12,482
Employees	Rs. mn	**40,233**	19.05	33,794	26,877
Others	Rs. mn	**50,859**	83.44	27,725	16,461
Value Added per employee	Rs. mn	**4.55**	44.96	3.14	2.23
Group employment	Number	**31,483**	(4.13)	32,840	30,765
Average Revenue per employee	Rs. mn	**15.48**	50.42	10.29	7.84
Average operating income per employee	Rs. mn	**1.94**	89.63	1.02	0.84
Credit Ratings				AA- (lka)	A+ (lka)

CONSOLIDATED STATEMENT OF ESG PERFORMANCE

		2023	Change %	2022	2021
ENVIRONMENTAL PERFORMANCE					
Total Energy Consumption	GJ mn	**4.81**	(5.05)	5.06	4.03
1-Renewable energy consumption	GJ mn	**3.22**	(4.74)	3.38	2.60
2-Non-Renewable energy consumption	GJ mn	**1.58**	(5.69)	1.68	1.44
% Renewable energy consumption	%	**67**	0.00	67	64
Renewable energy generation	MWh	**169,471**	(8.83)	185,875	151,647
Renewable energy generation %					
1-Out of total energy consumed	%	**13**	0.00	13	14
2-Out of total electricity consumed	%	**109**	(4.39)	114	102
Total Carbon footprint (GHG Emission)	tCO2e	**209,874**	(8.77)	230,053	204,501
Scope 1 emission	tCO2e	**102,610**	(10.42)	114,551	91,187
Scope 2 emission	tCO2e	**89,526**	(4.88)	94,117	92,031
Scope 3 emission	tCO2e	**17,738**	(17.06)	21,385	21,283
Biogenic emission	tCO2e	**360,792**	(4.80)	378,973	291,054
Total water withdrawal	m3 mn	**6.79**	3.09	6.59	5.33
Rainwater harvested	m3	**2,167**	(90.00)	21,664	21,157
Recycled water usage	%	**9**	0.00	9	9
Solid waste	MT	**19,229**	(16.83)	23,120	16,521
Effluents discharged	m3 mn	**5.24**	3.45	5.07	3.92
Waste water treated through internal treatment plants	%	**49**	6.52	46	59
Energy intensity (energy per revenue)	MJ/Rs.mn	**9,863**	(34.16)	14,980	16,719
Emission intensity (emission per revenue)	KgCO2e/Rs. mn	**431**	(36.77)	681	848
Water intensity (water withdrawal per revenue)	L/Rs.mn	**13,937**	(28.51)	19,494	22,072
SOCIAL PERFORMANCE					
EMPLOYEES					
Employees on payroll	No.	**31,483**	(4.13)	32,840	30,765
Female Representation	%	**34**	(2.86)	35	37
New Recruits	No.	**4,891**	(14.78)	5,739	4,053
Payment to Employees	Rs. mn	**40,232**	19.05	33,794	27,148
Investments in training	Rs. mn	**180**	160.87	69	18
Training hours	Hours	**265,877**	6.93	248,649	161,989
Average training hours per employee	Hours	**8.45**	11.12	7.60	5.30
Retention Rate	%	**80**	(5.88)	85	86
Workplace Injuries	No.	**152**	(39.92)	253	149
Lost working days	No.	**1,076**	(49.03)	2,111	1,861
CUSTOMERS					
Customer acquired	No.	**935,928**	(47.68)	1,788,842	1,602,712
Revenue generated	Rs. mn	**487,431**	44.21	338,010	241,276
No. of new products developed	No.	**549**	(26.70)	749	349
No. of products in the pipeline	No.	**82**	(48.75)	160	107
Investment in R&D	Rs. mn	**323**	(24.77)	429	201
SUPPLIERS AND BUSINESS PARTNERS					
Total number of suppliers (as at end-March)	No.	**18,030**	17.14	15,392	18,699
SME suppliers	No.	**13,473**	27.99	10,527	10,711
Payments to suppliers	Rs.mn	**392,194**	65.00	237,690	145,497
Proportion of spending on local suppliers	%	**61**	38.64	44	47
Suppliers supported through development programs	No.	**2,168**	(10.49)	2,422	1,601
COMMUNITY ENGAGEMENT					
Investment in CSR	Rs.mn	**433**	39.09	311	292
CSR beneficiaries	No.	**997,089**	84.45	540,573	377,983

PERFORMANCE HIGHLIGHTS

		2023	Change %	2022	2021
GOVERNANCE AND ETHICS PERFORMANCE					
Boards of Directors (in the Group)	No.	**283**	3	293	296
Audit Committees (in the Group)	No.	**19**	6	18	18
HR & Remuneration Committees (in the Group)	No.	**9**	125	4	4
Related Party Transaction Review Committees (in the Group)	No.	**7**	133	3	2
No. of Board meetings held	No.	**130**	2	128	126
No. of Audit Committee meetings held	No.	**76**	6	72	72
Female representation on Boards	No.	**23**	(18)	28	25
Human rights violations	No.	**Nil**	-	Nil	Nil
Anti-corruption incidents	No.	**Nil**	-	Nil	Nil
Instances of socio-economic non-compliance	No.	**Nil**	-	Nil	Nil
Instances of environmental non-compliance	No.	**Nil**	-	Nil	Nil
ECONOMIC PERFORMANCE					
Foreign exchange income earned	USD mn	**651**	6	616	600
Indirect employment	No	**5,644**	(16)	6,729	5,960
Supplier reach	No	**15,884**	3	15,392	18,700
CAPACITY BUILDING					
Construction Material (Training programmes)	No	**124**	(18)	155	339
Agriculture (Farmers / outgrowers trained)	No	**7,200**	(66)	21,234	-
Job creation outside the Western Province	No	**1,883**	(22)	2,405	1,694
Tax paid	Rs. mn	**28,308**	+41	20,136	12,482
Innovations (total new product introduced)	No	**549**	(30)	749	349
Renewable energy generated	MWh	**169,471**	(8)	185,875	151,647

BASIS OF PREPARATION OF THE CONSOLIDATED STATEMENT OF ESG PERFORMANCE

Principles of consolidation: Environmental disclosures including energy consumption, emissions, water and waste covers all Group-wide manufacturing sites, plantations, corporate offices and other sites. Social and governance-related disclosures also relate to the Hayleys Group comprising all entities controlled by the Group.

Materiality: In assessing whether a disclosure is sufficiently material to be included in the Group's Statement of ESG Performance, the management considers its potential on the Group's ability to create value in the short, medium and long-term and the extent of its social and environmental impacts.

Policies: The methods of computation and information aggregation of the ESG disclosures are set out within the relevant capital reports and have been applied consistently in the preparation of the consolidated ESG Statement.

OUR PURPOSE

TO INSPIRE AN INCLUSIVE WORLD AND A THRIVING PLANET

VISION

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

MISSION

DELIVERING SUPERIOR SHAREHOLDER VALUE BY UNLEASHING THE FULL POTENTIAL OF OUR PEOPLE AND ACHIEVING LEADERSHIP IN ALL OUR DOMESTIC AND GLOBAL BUSINESSES.

VALUES

H - **Honesty and integrity** - ethical and transparent in all our dealings.

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

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

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

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

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

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

&

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

THE HAYLEYS LIFECODE: AMBITION TO ACTION

Having launched the Hayleys Lifecode last year, in 2022/23 the Group focused on implementing the principles and aspirations of the Lifecode at Sector level. The shift from ambition to execution has entailed inevitable challenges, including complexities in prioritising issues and measuring impact, driving the required mindset shift among cross-functional teams and aligning with business growth targets. Despite these challenges, significant progress was made in embedding ESG thinking into decision-making and ways of doing business as summarised below and detailed in subsequent sections of this Annual Report.

Established an ESG Steering Committee at Hayleys PLC with Board and GMC-level representation tasked with driving the Group's ESG aspirations

ENVIRONMENT

The Group has set itself the ambitious target of reducing its Scope 1 & 2 emissions by 30% by 2030. Key areas of progress include,

- Commencement of independent verification of the Group's GHG inventory in line with ISO 14064:2018
- Talawakelle Tea Estates PLC (TTE) and South Asia Textiles commit to the Science-Based-Targets Initiative (SBTI), with TTE emerging as the first Sri Lankan company to have its targets verified by SBTI
- Product and process innovations including launch of low-carbon aluminium, carbon-nano tube in industrial raw materials and use of natural dyes using waste material in the Textiles Sector
- Preserving ecosystems through the Group-wide Kirulu programme, Advantis blue carbon drive, partnerships with the Wildlife and Nature Protection Society and preserving eco-systems in identified biodiversity parks within our operations

9%
Reduction in carbon footprint

67%
Reliance on renewable energy

57%
Increase in sustainable water sourcing

3%
Increase in effluents

53,442
Trees planted

SOCIAL

The aspirations of the Lifecode's People pillar sets a strong foundation to enhance value creation to our Hayleys family, during a year in which the prevalent operating landscape presented numerous challenges to employees;

- Ensured financial security and well-being of all employees across the Group, thereby mitigating implications of the cost of living crisis;
  - Market adjustments to remuneration
  - Provision of transportation facilities at Head Office (14 routes) and other operating locations
  - Distribution of ration packs, vegetables and fresh fruits
  - Comprehensive medical benefits
- Training interventions in leadership development
- Supplier engagement and development through ongoing initiatives including Haycarb's Haritha Angara, DPL's Firstlight and the Agriculture sector's out-grower programme
- Numerous community development programmes focusing primarily on healthcare and education

GOVERNANCE

- Established an ESG Steering Committee at Hayleys PLC with Board and GMC-level representation tasked with driving the Group's ESG aspirations
- Launch of Hayleys PLC Corporate Purpose
- ESG culture-building through Group-wide training, forums and workshops
- Sector-level ESG Frameworks formulated in several key sectors with remuneration schemes aligned to ESG performance
- Collaborations and partnerships to achieve sustainability goals

19%
Increase in employee value creation

Rs.180 mn
Investment in training

Rs.433 mn
Investment in community development

More than **900,000**
CSR beneficiaries

SUSTAINING VALUE THROUGH ECONOMIC HEADWINDS

In 2022, Sri Lanka experienced the worst economic crisis in its post-independence history as long-standing structural economic imbalances converged with exogenous shocks to push the country into economic hardship. Unsustainable fiscal and current account deficits, exacerbated by pandemic-led disruptions and policy missteps led to a sovereign debt and balance-of-payment crisis. shortages in foreign currency reserves resulted in shortages in essential items, triggering an energy crisis that led to fuel shortages, prolonged power cuts and skyrocketing inflation. Severe hardships faced by households sparked widespread social unrest, triggering political instability and multiple changes of administration in 2022 (refer to page 90 for further information on the country's economic conditions)

Against this backdrop, the Government and the Central Bank was compelled to engage in coordinated policy interventions to stem further escalation of economic woes. An unprecedented tightening of monetary policy led to a sharp increase in interest rates while foreign currency was preserved through restrictions on imports and capital outflows. In March 2023, the IMF approved a 4-year, USD 2.9 bn Extended Fund Facility together with an economic adjustment programme.

IMPLICATIONS ON THE GROUP

The extent to which challenges stemming from the macro-economic landscape impacted the Group's sectors are summarised in the table below.

Sources of vulnerability and implication on Sectors

Sector	Acute shortage in foreign currency reserves	Volatility of exchange rate	Power cuts and fuel shortages	Import restrictions on selected items	Inflation and cost-of-living pressures	Increase in interest rates	Overall impact on Sector
Eco Solutions	Low	High	High	Low	Moderate	High	Moderate
Hand Protection	Moderate	High	High	Low	Moderate	High	Moderate
Purification	Moderate	High	High	Low	Moderate	High	Moderate
Textiles	High	High	High	Moderate	Moderate	High	Moderate
Construction Materials	High	High	High	Low	High	High	High
Plantations	Low	High	High	Low	High	High	Moderate
Agriculture	Moderate	High	Moderate	Moderate	High	High	Moderate
Consumer & Retail	High	High	High	High	High	High	High
Leisure	High	High	High	High	High	High	High
Industry Inputs, Power & Energy	High	High	Moderate	High	High	High	High
Transportation & Logistics	Low	High	Moderate	Low	Moderate	High	Moderate
Others	Moderate	High	Moderate	Moderate	Moderate	High	Moderate
Overall impact of factor on Group	**Moderate**	**High**	**High**	**Moderate**	**High**	**High**	**Moderate**

Please refer to the Sector Reviews from page 122 to 234 for further information on Sector level impacts

OUR RESPONSE

The Group's ability to predict emerging challenges and its strategic foresight in addressing these risks through smart decision-making and timely actions enabled strong resilience in the face of unprecedented challenges.

SHORT-TERM

- Ensuring continuity of business and uninterrupted operations
- Proactive working capital management to ensure maintenance of adequate inventory and fuel stocks
- Supporting financial security and well-being of all employees
- Supporting eco-system of channel partners and distributors to ensure business continuity

MEDIUM-TERM

- Increased focus on expanding regional presence and entering new markets across business verticals
- Reduce dependence on imports through import substitution in production processes
- Deep-dive analysis of costs to drive efficiency and productivity improvements
- Innovation targeted towards developing value-added products and services

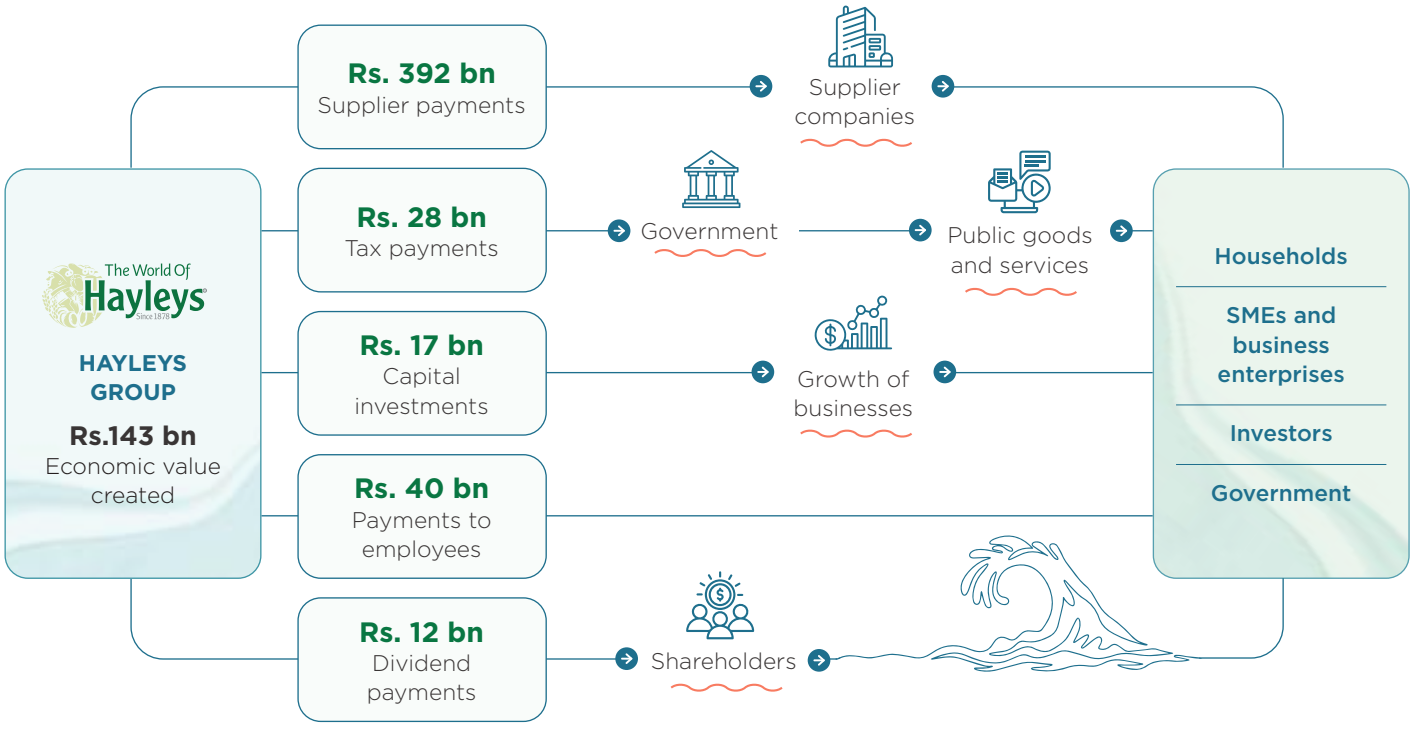
LONG-TERM

- Achieve net-exporter status through continued growth of export-oriented businesses

FOUNDATIONS OF OUR RESILIENCE

- Diversity in business and geographical profile
- Strong market positions across industry verticals
- Dynamic, agile and highly-skilled team
- Long-term, mutually beneficial relationships across ecosystems

OUR ECONOMIC VALUE FLOWS



MILESTONES

1878
Formation of Chas. P. Hayley & Co. in Galle

1913
Hayley & Kenny purchase 400, Deans Road premises

1954
Hayleys becomes a public company

1958
Shipping agency department formed (forerunner of Advantis)

1968
Haychem Ltd. formed to formulate agrochemicals

1973
Haycarb formed, pioneering manufacture of export and activated carbon

1976
Dipped Products Ltd. incorporated to manufacture rubber gloves

2011
Entry into the aluminium extrusions industry by acquiring Alumex Group

2017
Acquisition of majority stake in Singer (Sri Lanka) PLC and full acquisition of Sri Lanka Shipping Company Ltd.

2018
2018:Advantis unveils Sri Lanka's largest distribution hub-Advantis 3PL Logistics City, featuring a state-of-the-art 335,000 square feet warehousing capacity.

2021
Hayleys Fabric PLC acquires South Asia Textiles Ltd.

2022
Launch of Hayleys Lifecode

YEAR AT A GLANCE

APRIL 2022
DPL enters France and Poland through acquisitions by ICOGUANTI S.p.A

MAY 2022
South Asia Textiles commits to the Science-Based Targets Initiative (SBTI) for reducing GHG emissions

JUNE 2022
Hayleys Fentons, recently launched "Energynet", an off grid/hybrid solar PV system with battery backup combat the power outages experienced in Sri Lanka

AUGUST 2022
Hayleys Plantations holds the first-of-its-kind Management Symposium for estate teams

SEPTEMBER 2022
Alumex launches its low-carbon aluminium range 'Ozon' targeting export markets

OCTOBER 2022
Hayleys Solar crosses 125 MW rooftop solar power capacity

NOVEMBER 2022
Hayleys PLC ranked as Sri Lanka's No.1 Corporate by Business Today Top 40

DECEMBER 2022
Advantis acquires shares of Colombo Cargo Express (Pvt) Ltd.

JANUARY 2023
Haycarb launches 'Sisu Divi Pahana' a programme to provide nutritious mid-day meals for 700 students in 13 schools

FEBRUARY 2023
Hayleys Advantis installs a pre-fabricated research lab under Advantis Blue Carbon drive

MARCH 2023
Acqusition of the majority stake of Horana Plantations PLC

AWARDS

HAYLEYS PLC WAS ONCE AGAIN CROWNED AS SRI LANKA'S NO. 1 CORPORATE IN BUSINESS TODAY'S TOP 40 OUTSTANDING COMPANIES FOR 2022.

Hayleys PLC won the coveted Gold Award for 'Overall Excellence in Corporate Reporting' at the inaugural TAGS Awards organised by CA Sri Lanka. Hayleys PLC also won Gold awards in the 'Diversified holdings (Group turnover above Rs. 50 bn)' and 'Sustainability Reporting' categories.

OVERALL EXCELLENCE

CNCI Achiever Awards - 2022
National Gold Award and Top Ten Award - Alumex Group
Gold Award - National Level Extra-Large Service Category - Advantis Engineering

SLIM Kantar Peoples Awards
SLIM Kantar People's Durable Brand of the Year (2023) - Singer (Sri Lanka) PLC
SLIM Kantar People's Brand of the Year (2024) - Singer (Sri Lanka) PLC

LMD top 100 - 2021/22
No 1 Company in the Plantations Sector - Kelani Valley Plantations PLC

Business Leader of the Year – 2022
Best Innovation in Marketing Award - Haycarb PLC

CONTRIBUTION TO EXPORTS

National Chamber of Export Awards 2021/22
Gold Awards

Processed Food Products Sector, Extra Large Category - HJS Condiments Ltd

Machinery and Engineering Product Category - Alumex PLC

Coconut & Coconut Products Sector, Large Category - Toyo Cushion Lanka (Pvt) Ltd.

Rubber and Rubber Products Sector, Extra-Large Category 2022 – Dipped Products PLC

Tea & Tea Products, Extra-Large Category – Mabroc (Pvt) Ltd.

CORPORATE REPORTING

TAGS Awards 2022
Gold Awards

Diversified Holdings (Group Turnover Above 50 Bn) - Hayleys PLC

Trading Companies - Singer (Sri Lanka) PLC

Sustainability Reporting - Hayleys PLC

Manufacturing Sector (Group Turnover above LKR 10 Bn) - Dipped Products PLC

Manufacturing Sector (Group Turnover Upto LKR 10 Bn) - Alumex PLC

Plantations sector - Kelani Valley Plantations PLC

Service Sector - Hayleys Advantis Ltd

SAFA Awards 2021
Gold Awards

Best Presented Annual Report - Diversified Holdings - Hayleys PLC

Best Presented Annual Report - Agriculture - Kelani Valley Plantations PLC

Asia Integrated Reporting Awards 2022
Gold Awards

Asia's Best Integrated Report (CEO Message) - Talawakelle Tea Estates PLC

Asia's Best Integrated Report (Integrated Thinking) - Talawakelle Tea Estates PLC

Asia's Best Integrated Report (Value Creation) - Talawakelle Tea Estates PLC

ACCA Sri Lanka Sustainability Reporting Awards 2022

Winner Retail & Trading Category - Talawakelle Tea Estates PLC

SUSTAINABILITY

International Quality Awards 2022 (UK)
Winner Sustainability Impact Award Category - Hayleys Fabric PLC

International Business Magazine awards 2022 (Dubai)
Most Sustainable Textile Industry in Sri Lanka - Hayleys Fabric PLC

Best Textile Manufacturer in Sri Lanka - Hayleys Fabric PLC

Best Corporate Citizen Sustainability Awards 2022
Winner of the Best Sustainability Projects Award for THE MIDNIGHT - Eco Friendly fabric prints range produced by waste charcoal - South Asia Textiles Limited

HR PRACTICES

Great Place to Work Certifications

Asia's Best Workplaces
Kelani Valley Plantations PLC
Singer Finance (Lanka) PLC

Work – Life Harmony in Asia Award 2022
Winner - Community Business Category - Talawakelle Tea Estates PLC

South Asian Business Excellence Awards 2022
Winner - Most Innovative HR Practices Award - Kelani Valley Plantations PLC

Management Practices Company Awards 2022
Gold Award - Best Management Practices - Kelani Valley Plantations PLC

** Please refer page 452-456 for the full list of awards*

ADDRESSING GLOBAL AND LOCAL CHALLENGES

We have always believed that organisations such as ours should be a force for good in the world. This belief is deeply embedded across the Group, shaping our investment decisions, our stakeholder interactions and how we manage our business. As the world faces unprecedented social, environmental and economic challenges and Sri Lanka grapples with its own unique set of complexities, we have stepped up our efforts to address some of these critical issues, both in the normal course of business as well as part of our community engagement initiatives.

GENERATING FOREIGN EXCHANGE

Strategic investments in strengthening our export-oriented sectors not only enhanced business resilience during the year, but contributed towards the generation of valuable forex flows.

CONTEXT

Strengthening the country's forex generation capability through developing the export sector and attracting FDIs is critical to achieving long-term macro-economic stability and addressing long-standing structural imbalances.

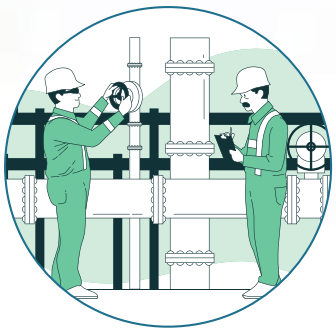
USD 651 mn
Forex income generated

One of Sri Lanka's largest value-added exporters

5.5%
of Sri Lanka's export income

Sri Lanka's largest exporter of processed fruits and vegetables

USD 743 mn
Foreign currency brought into the country



62%
of Revenue generated through exports

DRIVING ECONOMIC EMPOWERMENT

We have always opted for business models which are inclusive and are able to drive socio-economic empowerment across the country's most vulnerable segments.

CONTEXT

The country's economic crisis has led to severe hardships for many households, with job losses, soaring inflation and shortages in essential items pushing many people below the poverty line.

Over 11,000
Outgrowers supported through our agricultural networks

>2,000
suppliers developed through development programmes

Payments of **Rs. 40 bn** made to over **>31,400** employees

140,000
Estate workers and families supported through womb-to-tomb proposition

Rs.392bn
Payments to suppliers
80% small-scale suppliers

Rs.433mn
investment in CSR

ADDRESSING GLOBAL AND LOCAL CHALLENGES

TACKLING CLIMATE CHANGE

The Group made an ambitious commitment to reduce its Scope 1 & Scope 2 emissions by 30% and reduce energy intensity by 30% by 2030. This is to be achieved through Group-wide efforts to increase reliance on renewable energy, reduce energy consumption and reduce dependence on fossil fuels

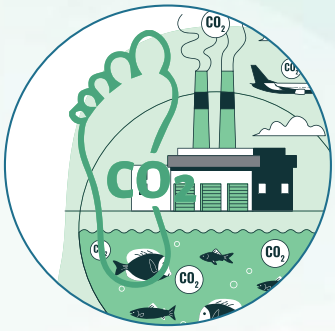
CONTEXT

The 2023 Synthesis Report on Climate Change by IPCC highlights that human induced global warming has led to unprecedented changes in the Earth's climate. Meanwhile failure to mitigate climate change continues to rank among the top 5 risks facing the world.

67%
reliance on renewable energy

60%
of the Group's carbon footprint offset through the Group's renewable energy generation

9%
reduction
in Group's
carbon footprint



Hayleys Solar is the **market leader in solar solutions** in Sri Lanka, having installed
125 MW
of solar solutions

5%
reduction
in Group's
energy consumption

50MW
installed capacity of renewable energy generation

A Heightened Awareness

We are always cognisant of our surroundings and continue to monitor and respond to changing dynamics to achieve success.

Koi possess a strong understanding of their surroundings, armed with the ability to sense vibrations, an acute sense of smell and a wide range of vision that enables them to remain alert to any subtle changes in the environment.

REFLECTIONS FROM THE CHAIRMAN & CHIEF EXECUTIVE

Mohan Pandithage

As converging challenges gained momentum, the Hayleys Family rallied together to ensure continuity of operations and enrich lives and livelihoods, emerging as a catalyst for positive socio-economic change amidst the country's hardships.

KEY MESSAGES

- Highest Revenue and Profit Before Tax in the Group's operating history
- Ranked Sri Lanka's No.1 Corporate by Business Today Top 40
- Catalyst for positive socio-economic change
- Unveiling of Corporate Purpose

Dear Stakeholder,

I write to you at the closure of what has been a year of remarkable resilience and strength for the Hayleys Group, as we delivered record Revenue and Profit Before Tax of Rs. 487.43 bn and Rs.42.75 bn respectively, the highest in the Group's operating history. Against a backdrop of extreme turbulence, uncertainty and a scale of volatility we haven't witnessed in decades, the Hayleys Group demonstrated its characteristic grit and agility, relying on the decisive leadership and unique mindset of our team to ensure continued value creation to our wide ecosystem of stakeholders. On behalf of the Board, it gives me great pleasure to present to you the 10th Integrated Annual Report and Audited Financial Statements of Hayleys PLC for the financial year ended 31st March 2023.

The year under review reinforced a great deal about the Group's values, spirit and resilience. As converging challenges gained momentum, the Hayleys Family rallied together to ensure continuity of operations and safeguard lives and livelihoods, emerging as a catalyst for positive socio-economic change amidst the country's hardships. I am also delighted to report that Hayleys PLC was once again recognised as Sri Lanka's No.1 Corporate by the Business Today Top 40, attesting to its sustained position as an innovative, dynamic and resilient business.

PURPOSE-DRIVEN

Corporate Purpose is a vital, unifying force in trying times. During the year, Hayleys PLC unveiled its Purpose 'To inspire an inclusive world and a thriving planet' which was formulated following a holistic and systematic process that included brainstorming, idea generation and debate across multiple layers of the organisation. The purpose embodies our aspirations to be a force for good in the broader economic, social and environmental context and will be a core driver of the Company's strategy and value creation over the long-term. All Sectors within the Group also formulated and unveiled their Purpose Statements during the year, thereby articulating the vision of how we want to operate and what we want to deliver to our stakeholders in the long-term.

RISKS, REALITIES AND HOPES

The year placed extraordinary demands on business leaders, necessitating both empathy and decisiveness given the scale and sheer unpredictability of challenges. Globally, the cumulative effects of three consecutive years of adverse shocks, including COVID-19 and geopolitical tensions manifested unforeseen disruptions including spikes in commodity prices, financial sector turmoil, lingering supply chain issues and surging inflation. Resultantly, global growth slowed in 2022, with both advanced economies and developing economies recording deceleration of growth compared to 2021.

At country level, Sri Lanka experienced unprecedented macro-economic challenges during the year, pushing households, businesses and the government into considerable hardship. The crisis stemmed from structural imbalances including twin deficits in the fiscal and current accounts which were exacerbated by exogenous shocks. This culminated in sovereign debt and balance-of-payment pressure resulting in Sri Lanka announcing a suspension of external debt servicing in April 2022. As rippling effects crippled economic activity across all sectors, the country's Gross Domestic Product (GDP) contracted by 7.8% in 2022. The multitude of hardships faced by the masses sparked protests and social unrest, triggering political instability and multiple changes of political leadership in 2022.

As the crisis deepened, business activity was undermined by disruptions to supply chains, import restrictions, scarcity in foreign exchange and challenges in opening letters of credit which affected supplies of imported raw materials and trading goods. Businesses also faced daily operational challenges from the added shocks of transport bottlenecks, port delays, fuel shortages and interruptions to power supply, which eroded already fragile consumer and business sentiments.

Against this backdrop, the Government and the Central Bank engaged in coordinated policy interventions to avert a further deepening of the crisis. An unprecedented tightening of monetary policy saw policy rates raised by a total of 1,050 basis points from January 2022 to March 2023. As a result, market interest rates increased rapidly, with the average weighted prime lending rate (AWPLR) increasing from 13.02% in April 2022 to peak at 28.25% in November 2022, before decelerating in ensuing months to reach 21.40% by March 2023. Inflation soared during the year with the Colombo Consumer Price Index (CCPI) peaking at 69.8% in September 2022, exerting pressure on operating costs and profitability margins. The surging inflation has also had a sharp impact on purchasing power, food security and living standards, with poverty levels nearly doubling.

REFLECTIONS FROM THE CHAIRMAN & CHIEF EXECUTIVE

As official foreign reserves declined and the pressure on exchange rate intensified, the Central Bank introduced greater flexibility in the determination of the exchange rate, eventually moving to a free float in March 2022. Overshooting by market participants, led to the sharp depreciation of the Rupee in subsequent weeks; however, the latter part of the year saw gradual recovery of the country's external sector following tighter monetary policy and other measures to curtail the outflow of foreign exchange which resulted in the Rupee strengthening towards the latter part of the financial year.

In line with its fiscal consolidation efforts, the Government announced several revenue mobilisation measures. This included increasing the standard corporate income tax rate, removal of certain concessions, raising the marginal personal income tax rate and raising the standard on value added tax (VAT) among others. While we understand that fiscal reforms are critical to achieving long-term macro-economic stability, we urge the government to consider the potentially adverse implications on export-oriented businesses; following the new tax rate of 30% these businesses are likely to face considerable constraints in re-investments, thereby potentially losing competitiveness vis-à-vis peers and impacting the ability to generate much needed foreign exchange earnings to the country.

REFLECTING ON OUR FINANCIAL PERFORMANCE 2022/23

The successive challenges faced by Sri Lankan businesses over the past three years had prompted the Group to reposition and optimise its businesses with the aim of building resilience. Fueled by the Group's deeply rooted 'can-do' attitude, our teams demonstrated strategic foresight and nimble execution to ensure continuity of operations across all locations, effectively plan inventory cycles, sustain customer confidence and manage liquidity. The Group delivered its' highest-ever Revenue of Rs.487.43 bn, representing a 44% y-o-y increase led by strong growth in our export-oriented sectors including Transportation & Logistics, Textiles, Purification and Hand Protection Sectors. With a share of 28% of Consolidated Revenue, Transportation & Logistics emerged as the largest contributor to Group Revenue.

Group Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) and Group Earnings Before Interest Tax (EBIT) increased by 69% and 82% respectively to reach record-highs of Rs.71.08 bn and Rs.61.07 bn during the year led by the Transportation & Logistics, Purification, Agriculture and Plantation Sectors. Performance was upheld by both favorable exchange rate dynamics and increased business activity. Finance Income increased by 23% to Rs.20.72 bn while Finance Cost more than doubled to Rs.39.54 bn in view of the high interest rate scenario that prevailed

The Group marked a major milestone during the year, delivering the highest Profit Before Tax (PBT) in its operating history. PBT, which is our main yardstick for financial performance grew by 20% to Rs.42.75 bn upheld by strong contributions from the Transportation & Logistics, Purification, Plantations, Agriculture and Hand Protection Sectors. Despite the many challenges that prevailed, eight out of twelve sectors recorded PBT growth during the year, attesting to their ability to effectively navigate external volatilities.

The Group's Tax Expense increased by 98% to Rs.15.08 bn during the year, with the broad-based increase in tax rates resulting in the Group's effective tax rate increasing from 21% to 36% during the year. Resultantly, Profit After Tax for the Group recorded a decline of 2% to Rs.27.67 bn during the year.

STRENGTH AND STABILITY

The Group's Total Assets increased by 2% to Rs.412.74 bn driven by the expansion in Property, Plant and Equipment; this represents investments in the Hand Protection Sector's new sports glove manufacturing facility, machinery upgrades in the Textile Sector and the Transportation & Logistics Sector's investments in a multi-user distribution centre. During the year, Hayleys (through Hayleys Plantation Services Pvt. Ltd) also acquired the majority shareholding in Horana Plantations PLC, a leading Regional Plantation Company with a diverse crop base spread across 14 estates covering nearly 6,519 hectares in the central hills and low country. The inherent synergies arising from this horizontal acquisition are expected to further solidify the Group's position in the country's plantation sector.

The Group's continued investments in expanding capacity, strengthening manufacturing infrastructure and improving product capabilities amidst the prevalent uncertainties represents our optimism in the country's economic recovery and long-term opportunities for value creation. These investments have also strengthened the Group's foreign exchange generation capabilities, which will further diversify the earnings profile and strengthen resilience to exchange rate volatility. Meanwhile, inventories grew by 6% during the year as the Group was compelled to increase raw material stocks and finished goods in view of supply chain disruptions and transport bottlenecks.

Total equity increased by 17% to Rs.122.71 bn during the year, supported by stronger profit generation and retention. The Group's financial profile strengthened with the paring down of interest-bearing borrowings, which reduced from Rs.171.93 bn to Rs.159.70 bn during the year. Resultantly the Group's Debt to Equity ratio reduced from 1.63 times to 1.30 times. The strength of the Group's financial profile

validates strategic interventions in recent years to strengthen business resilience through pursuing increased diversification of earnings, optimising working capital cycles and realigning the debt profile to mitigate exposure to fluctuations in interest and exchange rates.

ECONOMIC VALUE FLOWS

We are proud to be one of Sri Lanka's most socio-economically impactful organisations, having nurtured extensive relationships with customers, suppliers, business partners and communities across value chains. It also bears emphasizing that the vast majority of the positive socio-economic impacts we create is in the ordinary course of business. For example, the Group generated 5.5% of Sri Lanka's total export income during the year, translating to foreign exchange income of USD650.61 mn. The Group also paid Rs.24.33 bn in taxes within Sri Lanka, supported the employment of 29,453 employees in Sri Lanka, with 57% operating outside the Western Province. Injecting value through inclusive business models has always been part of our ethos and the Group connects over 11,000 rural outgrowers, suppliers and other business partners to global supply chains through diverse businesses. We are also a catalyst for capacity building and skill development across key industries, propagating knowledge and best practices through farmer extension services and structured training programmes delivered across the island.

RESPONSIVE AND RESPONSIBLE GOVERNANCE

In times of crisis, sound governance practices are more important than ever. Against a backdrop of significant volatility and uncertainty, the Board played an active oversight role in supporting the management team to navigate impacts of external forces and take decisive remedial measures. Our fit-for-purpose governance framework also supported strong alignment between the Board and the Group Management Committee (GMC) which was vital in an environment that required swift and effective decision-making. The GMC convened every week, and additionally at short notice which enabled timely and proactive responses. Meanwhile, multiple layers of review from sector level Executive Committees to the GMC, Board Sub-Committees and Board supports a high level of scrutiny and monitoring. I remain satisfied that the Board is appropriately balanced in terms of experience, skills and diversity of perspectives that are required to provide the necessary oversight of the Group's strategic aspirations and risk management.

A dedicated ESG Steering Committee was formed during the year, comprising several Executive Directors and members of the GMC. The Committee is tasked with providing oversight on the Group's ESG Framework, strategy, policies, risks and opportunities and external commitments. The Committee provides a forum for regular and in-depth discussion of ESG priorities, enabling more effective synthesis and streamlined reporting to the Board on ESG matters. The Group also strengthened its bribery and anti-corruption framework during the year, which clearly articulates our zero tolerance to corruption. Together with the Board of Directors, I remain committed to ensuring that the Company has the required internal controls in place to mitigate the risk of corruption. During the year, the Company was also fully compliant with to all relevant laws and regulations, including those pertaining to anti-corruption.

ACCELERATING CUSTOMER-CENTERED INNOVATION

The Group has always regarded innovation-led growth as critical, making it an explicit part of our strategic aspirations. Our businesses have sought to accelerate innovation in a customer-centered manner which has also facilitated a high level of adaptability to changing demand dynamics. In recent years, sustainability has assumed a greater relevance in our innovation drive, as we have explored new ways to optimise key resources such as energy, water and waste in products and processes. For example, the Textiles Sector launched 'Warna by Mahogany' a pioneering waste-to-fashion initiative which extracts dye through using waste material generated from the furniture manufacturing industry. Meanwhile, the Construction Materials Sector launched a revolutionary, low-carbon aluminium range under the brand of Ozon, which has a significantly lower environmental footprint due to its reliance on recycled materials. Other success stories include the Purification Sector's energy storage carbon and the Hand Protection Sector's premium sports glove range.

EMBEDDING ESG: AMBITION TO ACTION

The urgency, magnitude and intensification of global environmental, social and ethical challenges, from biodiversity loss, climate change and resource depletion to rising income inequality have resulted in businesses coming under increasing scrutiny of stakeholders. As a sustainability leader across several of our verticals, we have always been firm in our belief that sustainability is not just the right thing to do but good for business. In 2022 we formalised this commitment with the launch of the Hayleys Lifecode, a holistic ESG roadmap which provides a strong platform to integrate ESG considerations to our strategy, risk-management, decision making. The Group has committed to a 30% reduction in its Scope 1 & 2 GHG emissions by 2030, a target which we are pursuing aggressively through transitioning to renewable energy sources, reducing reliance on fossil fuel-based energy sources and other decarbonisation efforts across our operations. I am happy to note that

REFLECTIONS FROM THE CHAIRMAN & CHIEF EXECUTIVE

during the year, the Group's carbon footprint decreased by 9%, with 67% of our energy requirements met through renewable sources. We are also driving efforts to reduce the environmental impacts of our products through sustainable design, which minimises the use of natural resources as well as emissions of waste and pollutants over the lifecycle of the product. As a participant of the United Nations Global Compact (UNGC), Hayleys PLC has also committed to the Ten Principles of the UNGC. Hayleys has also been an endorser of the UNGC's CEO Water Mandate since 2008. The progress made against the Group's other environmental, social and governance targets are given on page 120 of this report.

ENRICHING LIVES, SAFEGUARDING LIVELIHOODS

Our resolve to be a force for social good is vital to our strategy and begins within our own operations. The country's economic crisis escalating inflation and social unrest resulted in daily challenges to our employees, which inevitably led to both financial and emotional stress. In this environment, all our sectors placed strategic emphasis on safeguarding people, introducing an array of measures to support financial well-being through market adjustments to salaries and special relief allowances. With supply chain disruptions and skyrocketing food inflation leading to increased food insecurity in the country, the Group ensured its employees were cared for through providing access to a continuous supply of essential foods, fruits and vegetables. We also deployed transportation facilities across many key commuting routes, thereby mitigating the implications of the fuel cost increase to employees. Despite the challenges that prevailed, we continued to invest in developing skills and building talent pipelines thereby ensuring that our team can have purposeful and fulfilling careers with us. We also focus on increasing diversity around decision-making tables, resulting in wider female representation in our executive and management committees, which has increased leadership depth and augmented organisational resilience.

I firmly believe that the role of an organisation as diverse and widespread as Hayleys is to drive inclusion in all its forms. Inclusion paves way for equitable economic growth and nurtures social stability while strengthening bonds and understanding between communities. Through our extensive out-grower models and island-wide network of smallholder suppliers we drive economic empowerment that supports grassroot communities. We are proud to be a business that connects the rural farmer to global opportunities, creating economic wealth that benefits the nation as a whole.

Outside our normal course of operations, our Sectors combined resources and efforts to address the critical shortage of medicines and essential consumables in the government healthcare sector. This entailed numerous donations to government hospitals across the country, supporting the continuity of the public healthcare sector which was crippled by funding constraints (please refer page 262 for further information)

REVIEW OF BUSINESS VERTICALS

Strong operational growth in export-oriented businesses together with better utilisation of resources resulted in the Group's earnings profile shifting more towards export income and other foreign exchange earnings, which accounted for 62% of Revenue during the year. Ongoing investments in enhancing capacity and capability of export-oriented Sectors reflect structural changes in the Group's investment direction as it seeks to increase contributions from foreign exchange.

The Group's Revenue in US Dollars amounted to USD 1.35 bn during the year while Earnings before Interest and

ECO SOLUTIONS

Strategic focus

Customer acquisition in new markets
Process efficiencies
Backward integration

Revenue	+37%
EBIT	+238%
PBT	+50%
Total Assets	+7%
Economic value creation	+96%
Carbon footprint	+6%

HAND PROTECTION

Strategic focus

Focus on value-added products
Efficiency and cost management drive
Integrating ESG

Revenue	+36%
EBIT	+41%
PBT	+5%
Total Assets	-1%
Economic value creation	+22%
Carbon footprint	-9%

PURIFICATION

Strategic focus

Innovation of value-added products
Efficiency and productivity
Supply chain effectiveness

Revenue	+84%
EBIT	+169%
PBT	+78%
Total Assets	+1%
Economic value creation	+90%
Carbon footprint	-1%

TEXTILES

Strategic focus

Brand centered strategy
Embedding sustainability
Expansion of INNO portfolio

Revenue	+90%
EBIT	+135%
PBT	-5%
Total Assets	+9%
Economic value creation	+22%
Carbon footprint	-5%

Tax increased by 6% to USD 169.57 mn. The improvement in core profitability in Dollar terms reflects volume growth in key export-oriented sectors. Overall profitability, was however, affected by higher finance costs and tax expenses, resulting in Profit Before Tax declining to USD 118.69 mn during the year.

The following section provides a high-level overview of the performance of the Group's business sectors. Please refer to page 122 for detailed Portfolio Reviews.

Transportation & Logistics

The Advantis Group delivered a year of remarkable growth, maintaining its position as the highest contributor to Group Profits with a share of 30% of Profit Before Tax of Rs.15.01 bn which represented a 38% increase over the previous year. Performance was upheld by strong contributions from International Freight Management, Marine & Energy and the Aviation sub-segments which delivered record profitability during the year.

As Sri Lanka's leading provider of integrated transportation and logistics services, Advantis continued to leverage its strong market positions to capture emerging opportunities while growing its international presence. The International Freight Management and Marine & Energy sub-sectors accounted for a lion's share of the Sector's profit; International Freight Management recorded commendable growth supported by buoyant freight rates for most of the year, although rates gradually decelerated towards the latter part of 2022/23. In Marine & Energy, the Sector sought timely entry into the distribution of bunker fuel to the domestic market, which enabled strong Revenue and Profit growth. Advantis also completed the construction of the nation's largest single roof multi-user distribution center in the Advantis Logistics City.

Despite short-term pressures arising from the anticipated slowdown in global economic activity and trade flows, the long-term outlook remains positive for Advantis given the gradual recovery of the Sri Lankan economy together with policy impetus towards strengthening port infrastructure. The Sector will pursue increased geographical and business diversification while leveraging on the strength of its brand and extensive relationships to drive customer acquisition across key verticals.

Purification

The Purification Sector delivered Revenue and Profit Before Tax growth of 84% and 78% respectively, with the latter amounting to Rs.8.25 bn. Performance was driven by continued growth in the USA, together with increased focus on high value-added products. The Sector also sustained its market position as a globally leading producer of coconut shell-based activated carbon.

Effective planning and timely procurement of raw material inventories and fuel stocks enabled the Sector to remain resilient to supply chain disruptions and logistical bottlenecks, which in turn ensured uninterrupted operations. Leveraging extensive supplier relationships enabled continued access to raw materials, despite disruptions that prevailed during the year. The Sector continued to make inroads in the development of value-added energy storage carbons and premium grade products, which supported the delivery of a richer product mix.

The Sector is positioned for strong upside potential, given favorable global demand dynamics for activated carbon with the increasing need for air and water purification solutions and stringency of environmental regulations. Recent investments made in strengthening the innovation pipeline and manufacturing capabilities together with focus on people and leadership development will enable Haycarb to capitalise on the growing demand for value-added products.

CONSTRUCTION MATERIALS

Strategic focus

Export market growth
Product innovation
Efficiency and cost management

Revenue	+6%
EBIT	-18%
PBT	-89%
Total Assets	-13%
Economic value creation	+37%
Carbon footprint	-30%

PLANTATIONS

Strategic focus

Resource optimisation
Regenerative agriculture
Commitment to quality

Revenue	+65%
EBIT	+125%
PBT	+136%
Total Assets	+57%
Economic value creation	+47%
Carbon footprint	-4%

AGRICULTURE

Strategic focus

Effective working capital management
Innovation
Managing principal relationships

Revenue	+37%
EBIT	+145%
PBT	+118%
Total Assets	+2%
Economic value creation	+60%
Carbon footprint	-2%

CONSUMER & RETAIL

Strategic focus

Proactive inventory management
Customer centricity
Manufacturing and supply chain excellence

Revenue	-24%
EBIT	-12%
PBT	-88%
Total Assets	-11%
Economic value creation	-5%
Carbon footprint	-4%

REFLECTIONS FROM THE CHAIRMAN & CHIEF EXECUTIVE

Plantations

The Group's Regional Plantation Companies (RPCs), Talawakelle Tea Estates PLC and Kelani Valley Plantations PLC maintained their position as the most profitable and quality-focused companies in the tea industry, sustaining their position as the leading price takers for Tea at the auctions. Despite prolonged effects of the ban on agro chemicals and sharp increase in input prices and fuel shortages, the Sector remained resilient, delivering a Revenue and Profit Before Tax growth of 65% and 136% respectively.

While buoyant tea prices supported the Sector's profitability, ongoing focus on revenue maximisation through productivity improvements and focus on precision agriculture techniques to optimise agricultural inputs played a key role in supporting profitability and quality. It is noteworthy that as challenges in the operating landscape escalated, the Sector adopted swift measures to increase inventories of fuel and input material, which enabled all estates to continue operations without disruption. In addition to an array of relief measures to safeguard workers and estate communities, the Sector also expanded its non-wage revenue share model and manual weeding programme which offered an additional source of income for estate workers. Mabroc Teas also recorded good top line growth, supported by its focus on bulk tea and increased penetration in high-margin markets. Profitability was however impacted by the appreciation of the Sri Lanka Rupee against the USD in the latter part of the financial year and intense price competition.

The country's tea production is expected to recover in 2023, although prevailing uncertainties and geopolitical tensions in major tea-buying markets could impact demand dynamics. Escalating cost of production also remains a serious challenge, which could potentially impact the country's competitiveness in global markets. Against this backdrop, the Group's Plantation Sector will continue explore sustainable solutions to support the longevity of this critical industry, leveraging on its strong brand name, sustainable practices and quality focus to drive long-term growth. The investments we have made in this Sector typically entail long-term returns and we look forward to the Government extending the lease periods granted to RPCs to ensure continuous investments in maintaining and expanding productive capacity which is paramount to remaining competitive in the global tea market.

Hand Protection

Despite the global slowdown in demand, the Hand Protection Sector delivered a Revenue growth of 36% during the year, reflecting strategic efforts to increase contributions from high-value added products. The Sector also continued to place relentless focus on process efficiencies and cost management, which supported profitability. Profit Before Tax amounted to Rs.5.25 bn, an increase of 5% compared to the previous year. The muted growth in profitability reflects negative earnings from the Sector's European operations, which was affected by the slowdown in demand and gradual decline in price over the past 2 years.

In a major milestone, the Sector entered the premium sports glove segment with the launch of 'DPL Sports', catering to a variety of applications such as American Football, Cycling, Yoga and Horseback riding. Launched in Europe in July, the initial response for the new range has been very promising and we are excited about the opportunities this new product proposition can offer. During the year, the Sector also widened its presence in Europe with the establishment of DPL France, which followed the acquisition of a trading company in France. With this acquisition the Sector also established a presence in Poland which

LEISURE

Strategic focus

Strengthen product offering
Optimising human capital
Revenue diversification

Revenue	+96%
Loss Before Interest & Tax	-12%
Loss Before Tax	+43%
Total Assets	+4%
Economic value creation	-1%
Carbon footprint	+26%

INDUSTRY INPUTS, POWER & ENERGY

Strategic focus

Focus on export-oriented business
Regional expansion
Sustainable innovation

Revenue	+24%
EBIT	+87%
PBT	+21%
Total Assets	+4%
Economic value creation	+69%
Carbon footprint	-14%

TRANSPORTATION & LOGISTICS

Strategic focus

Expand international presence
Enhance leadership capabilities
Strengthen Advantis product portfolio

Revenue	+94%
EBIT	+87%
PBT	+38%
Total Assets	+3%
Economic value creation	+58%
Carbon footprint	-26%

OTHERS

Strategic focus

Fentons: Growth in solar
HBSIL: New markets and services

Revenue	+46%
EBIT	+47%
PBT	-14%
Total Assets	+5%
Economic value creation	+34%
Carbon footprint	+26%

now operate as subsidiaries of our European arm ICOGUANTI S.p.A.

The global demand for gloves is expected to be subdued in the short-term reflecting the global slowdown in economic activity. Over the medium to-long-term however, our strategic interventions to diversify the product portfolio and pursue opportunities in value-added, specialised gloves have positioned the Sector in good stead to capture opportunities arising from the eventual recovery of major markets.

Agriculture

The Agriculture Sector delivered a year of exceptional growth, posting Revenue and Profit Before Tax growth of 37% and 118% respectively; Profit Before Tax amounted to Rs. 5.01 bn. Amidst considerable volatilities, the Sector's strategic foresight in inventory management, distribution planning and strengthening product capabilities enabled strong resilience. Despite industry dynamics and volatile demand conditions, the Sector sustained the strength of its brands and maintained trust and credibility with its international partners.

Performance was upheld by the Fertilizer segment which effectively managed its working capital cycles to ensure continued availability of stocks. Crop Protection also emerged as a key contributor to earnings, with the launch of two new rice herbicides proving extremely successful.
The Sector further cemented its competitive position in Bangladesh, supported by proactive efforts to improve product availability through strengthening distribution capabilities. In exports, both Horticulture and Food recorded growth supported by improved product propositions and new customer acquisition.

The country's Agriculture Sector is poised for recovery, driven by improving foreign exchange liquidity conditions, the gradual decline in global commodity prices and declining interest rates. While seeking further diversification across our verticals and driving increased penetration of our export business, Hayleys Agriculture will continue to work with its ecosystem of outgrowers and partners in supporting their economic empowerment and long-term sustainability of the industry.

Textiles

The Textiles Sector's brand-focused strategy paid rich dividends during the year with resilient demand resulting in a Revenue growth of 90% to Rs.60.01 bn. Core profitability was upheld by a richer product mix and ongoing focus on productivity and efficiency which enabled the Sector to widen its operating profit margins, a creditable achievement given the sharp escalation in energy and input costs during the year. Profit Before Tax, however, was affected by the sharp increase in interest rates during the year and normalisation of the previous year's foreign exchange gains which led to Profit Before Tax declining by 5% during the year.

Given the negative international publicity associated with the country's socio-economic challenges and political instability, the Sector was compelled to maintain proactive and close engagement with global brands to dispel negative perceptions and provide assurance on timely delivery. Innovation continued to be a key priority and the Sector made inroads in driving penetration of the INNO brand, while offering customised solutions and including a range of natural dyes and pigments with re-cycled yarns which have been recognised internationally with prestigious awards.

The outlook for the global apparels and textile industry remains subdued for 2023, as inflationary pressures and economic uncertainty have led to an inevitable slowdown in demand. In these conditions, the Textiles Sector will focus on building increased agility by adapting operating models, supply chains and marketing efforts to weather emerging challenges. The Sector will continue to focus on the brand-centered strategy it has adopted in recent years while exploring opportunities in shifting consumer patterns, sustainable manufacturing and product design and innovation.

Eco Solutions

The Eco Solutions Sector recorded Revenue and Profit Before Tax growth of 37% and 50% respectively during the year. Performance was driven by the successful entry into non-traditional markets, and strategic emphasis on process efficiencies. The Sector sought regular participation in exhibitions and trade fairs which enabled customer acquisition in new markets with increased penetration in North Africa and Eurasia. In terms of products, growing media and mattresses recorded commendable growth, while brush ware and floor covering was affected by volatile demand conditions.

The Sector also continued to strengthen its manufacturing capabilities with the investment of Rs.500 mn in expanding the manufacturing capacity of spring mattresses and grow bags. The Sector also continued to expand its backward integration, thereby strengthening the security of its raw material supplies.
We are optimistic that long-term demand dynamics in this sector will be favorable, particularly in product categories such as growing media, erosion control and horticulture.
The Sector will continue to pursue increased penetration in non-traditional markets while exploring market development in new product applications.

Industry Inputs, Power & Energy

The Sector performed commendably in a challenging year to deliver Revenue and Profit Before Tax growth of 24% and 21% respectively. Performance was driven by the industry Inputs sub-sector which saw continued regional expansion in Maldives and Bangladesh in several clusters including Industrial Raw Materials (IRM), Lifesciences

REFLECTIONS FROM THE CHAIRMAN & CHIEF EXECUTIVE

and Engineering. In IRM the Sector pursued expansion in export-oriented businesses, achieving new customer acquisition in the rubber and plastic industries. On the other hand, the Power & Energy Sector recorded a near 34% drop in Profit Before Tax to Rs. 539.30 mn mainly due to the downward revisions of the applicable tariff.

Given Sri Lanka's still recovering industrial activity, demand for Industrial Inputs is expected to be lackluster in the short-term, although a revival is expected over the medium term given the more favorable macro-economic outlook. The sub-sector will continue to drive regional expansion as a strategic imperative, while pursuing new applications across its product portfolio. In Power & Energy, the Government's aspirations to increase reliance on renewable energy presents significant opportunities for growth.

Consumer & Retail

It was a year of numerous and converging challenges for the Consumer & Retail Sector which saw unfavorable demand and supply side dynamics leading to a Revenue drop of 24%. The price of imported products spiked following the sharp depreciation of the Sri Lankan Rupee which together with the decline in customers' buying power had a significant impact on demand-particularly given the discretionary nature of these products. As the inventory cycle lengthened, the high interest rate scenario had a sharp impact on the Sector's borrowing costs, resulting in Profit Before Tax declining by 88% to Rs.690.81 mn during the year.

Singer maintained its position as the undisputed market leader in consumer durables, supported by its unmatched product range, extensive geographical footprint and strong brand. Singer continues to be recognised among the country's leading brands and received the prestigious Peoples Brand of the year for the 17th consecutive year at the SLIM-KANTAR People's Awards 2023.

The new tax regime and its implications on disposable income is likely to exert pressure on the country's consumer durables industry, particularly given the discretionary nature of products. We anticipate demand conditions to gradually improve towards the 2nd half of the year, in line with the anticipated recovery of macro-economic conditions. In the short-term Singer will focus on optimising the current inventory levels through aggressively driving sales; the mid-to-long term agenda centers on building a world-class brand through offering an unmatched customer experience across all its touch points.

Leisure

Sri Lanka's hospitality sector faced its 4th consecutive year of turmoil, with the country's economic crisis, social unrest and political instability resulting in a sharp downturn in tourist arrivals. The industry was also impacted by a significant loss of talent, as employees pursued overseas opportunities leading to a spike in talent migration. Against this backdrop the Group's five-star city hotel, The Kingsbury and the Amaya chain of resorts focused on strengthening its proposition to domestic travellers and enhancing its F&B proposition. Despite the conditions that prevailed, the Sector recorded a 96% increase in Revenue while relentless focus on managing costs and improving productivity resulted in an improvement in core performance. However, Loss Before Tax increased by 43% to Rs.2.43 bn in view of the sharp increase in interest rates, which led to a near doubling of finance costs.

In the last few years, both The Kingsbury and the Amaya Resort chain have focused on strengthening their product and service offering, thereby enhancing the customer experience, which in turn led to consistent improvements in customer satisfaction levels.

The last few months have seen an encouraging growth in tourist arrivals into the country, with the industry showing signs of strong recovery. The Group's Leisure Sector is well positioned to benefit from this anticipated recovery, reflecting recent efforts to strengthen its offering through investments in people and product capabilities. The Sector will also strive to maintain a healthy balance between domestic and foreign guests, thereby building a more resilient model.

Construction Materials

The country's construction industry recorded a sharp slowdown during the year, as high interest rates, inflation, shortages in the cost of input materials and resultant in increase building material costs led to deceleration in demand. Despite this downturn, Alumex recorded a 6% increase in Revenue to Rs.10.12 bn supported by further penetration in export markets. However, increased borrowings amid higher inventory levels resulted in an increase in finance costs which adversely affected profitability, resulting in the Profit Before Tax declining by 89% to Rs.153.54 mn during the year.

Efforts to pursue opportunities in export markets augured well for the Sector enabling it to somewhat cushion the sharp drop in domestic volumes. Despite the adverse industry conditions that prevailed, Alumex also made significant progress in enhancing its product capabilities with the launch of 'Ozon'. During the year, the Sector also successfully obtained the manufacturing-rights for Australia's largest proprietary system, thereby further widening its portfolio.

While construction sector activity is expected to remain subdued in the near term, we anticipate a gradual recovery by the 2nd half of the year, with the anticipated reduction in market interest rates and gradually improving sentiments. Having expanded its product and manufacturing capabilities Alumex is poised for strong growth upon the recovery of the construction sector. Strategic emphasis will also be placed

on increasing penetration in both domestic and export markets, while driving ongoing efforts to widen the product portfolio.

Others

The Group's Others Sector comprises the Fentons Group, Hayleys Business Solutions International Limited (HBSIL) and Group Services of Hayleys PLC. The Sector delivered a Revenue growth of 46% during the year, supported by the recovery of Fentons in the 2nd half of the year, strong growth of HBSIL and healthy dividend upstreaming to Hayleys PLC. Despite numerous challenges stemming from the operating landscape, the Fentons Group recorded commendable profit growth through swiftly catering to the sharp increase in demand for solar power and energy storage solutions amidst the country's extended power cuts. Fentons strengthened its position in this market space, emerging as the market leader in solar power solutions in the country. Meanwhile, HBSIL also recorded strong growth in Revenue and Profitability, driven by increased penetration of the BPO operations across key markets and expansion of the Digital Services portfolio. Meanwhile, Hayleys PLC recorded strong operating profitability supported by healthy dividend upstreaming from its Group companies during the year. The Others Sector's Profit After Tax, however recorded a decline of 19% to Rs.3.67 bn, mainly due to the sharp increase in tax payments during the year.

SHAREHOLDER VALUE

The Group continued to deliver on its shareholder commitments, with Earnings per share of Rs.21.80 during the year. We also declared an interim dividend of Rs.5.35 per share in March 2023 an increase of 34% compared to the previous year.

The Hayleys PLC share price increased from its opening of Rs.76.90 in April 2022 to reach a high of Rs.151.50. The share closed the year at Rs. 72.00 per share.

WINDS OF CHANGE AND OPPORTUNITY

I truly believe that this is a pivotal time for our country, offering a unique chance to reset our socio-economic development model towards more resilient, equitable and sustainable growth. Recent policy interventions to restore macro-economic stability have enabled the country to reach a working equilibrium, which together with the approval of Extended Fund Facility by the IMF have set the country's economy on a path to recovery. The need of the hour is to sustain this reform momentum through the will and resolve of the leadership, protecting the vulnerable from the current crisis and driving towards greater accountability and transparency. Collective sacrifices by the government, private sector and public is required to achieve this much-needed stability and long-term resilience, a commitment we, as an organisation are willing to make to support the country's economic revival and prosperity.

Global growth is expected to be subdued in 2023, leading to inevitable impacts across emerging markets and developing economies through weaker consumer sentiments, lower household spending and possible capital outflows. In Sri Lanka, however, macro-economic fundamentals are poised to record gradual improvement over the medium-to-long term. Inflationary pressures are anticipated to gradually ease in ensuing months, as external pressures moderate and supply-side dynamics normalise. Interest rates are also expected to record a gradual decline as evidenced by its downward trajectory in recent months, reflecting easing inflation and reduction in the high-risk premia attached to debt restructuring concerns. The Sri Lankan Rupee is also expected to gradually stabilise towards the latter part of 2023 driven by the anticipated improvement in external sector activity and restoration of macro-economic stability.

With every crisis comes an opportunity and while we are not naïve to the challenges that are inevitable in the short-term, we choose to be optimistic. We are firm in our belief that optimism is a prerequisite for resilient leadership and better outcomes and we are confident that the solid foundations we have put in place to strengthen our resources, capabilities, people and partnerships will stand us in good stead to withstand potential stresses. As we look to the future with renewed hope and optimism, key strategies for driving growth in the years ahead include innovation, market development, customer acquisition and operational excellence.

APPRECIATION

The outstanding performance set out in this Report is the result of the dedication and commitment of the Hayleys Family across our diverse sectors. The Board joins me in thanking this invaluable team for constantly raising the bar of excellence and making Hayleys the No.1 corporate entity in Sri Lanka. I take this opportunity to extend my deepest appreciation to Mr.Dhammika Perera, who functioned as Co-Chairman and resigned from the Board in June 2022; Mr.Perera's vision and valuable counsel have been key contributors to the Group's continued success in recent years and I wish him well in all his future endeavors. I also thank Ms.Kawshi Amarasinghe who resigned from the Board during the year under review.

I thank my colleagues on the Board for their foresight and vigilance in navigating a difficult year. I also appreciate the confidence and trust of our shareholders, customers, suppliers, and business partners who have partnered us in this journey.

Mohan Pandithage
Chairman & Chief Executive
19th May 2023

BOARD OF DIRECTORS

MR. MOHAN PANDITHAGE
Chairman

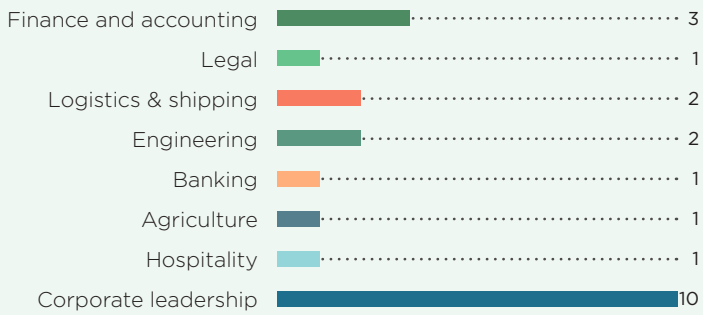
SARATH GANEGODA
Executive Director

RAJITHA KARIYAWASAN
Executive Director

HARSHA CABRAL, PC
Independent Non-Executive Director

RUWAN WAIDYARATNE
Executive Director

DIVERSITY OF EXPERTISE



HISHAM JAMALDEEN
Independent Non-Executive Director

ARAVINDA PERERA
Independent Non-Executive Director

JAYANTHI DHARMASENA
Executive Director

ROHAN KARR
Executive Director

GAMINI GUNARATNE
Independent Non-Executive Director

BOARD COMPOSITION

6 Executive Directors

4 Independent/ Non-Executive Directors

COMMITTEES

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Related Party Transaction Review Committee

MALE FEMALE RATIO

9 : 1

BOARD OF DIRECTORS

MOHAN PANDITHAGE
Chairman and Chief Executive
Appointed as Chairman and Chief Executive in July 2009

Skills and experience
An accomplished industry veteran and respected leader in transportation and logistics, Mr. Pandithage has been honoured with the prestigious 'Best Shipping Personality' Award by the Institute of Chartered Shipbrokers, in recognition of his outstanding contributions to the industry. He was also 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 '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.

Other appointments
Executive Chairman of Dipped Products PLC, Haycarb PLC, Hayleys Fibre PLC, Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC, Horana Plantations PLC, Alumex PLC, Hayleys Fabric PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC, Hayleys Leisure PLC and Unisyst Engineering PLC. He also serves on the Board of Diesel & Motor Engineering PLC.

SARATH GANEGODA
Executive Director
Appointed to the Board in September 2009

Skills and experience
An accomplished corporate leader counting over 30 years of multi-faceted experience across diverse industries, Mr. Ganegoda has held several senior leadership positions in large private sector organisations in Sri Lanka and overseas. Having served the Hayleys Group between 1987 and 2002, he rejoined in 2007 and was appointed to the Group Management Committee the same year. He is currently responsible for the Strategic Business Development Unit and Group Information Technology of Hayleys PLC.

Mr. Ganegoda holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. He is a Fellow Member of CA Sri Lanka and a Member of the Institute of Certified Management Accountants of Australia.

Other appointments
Deputy Chairman of Alumex PLC, Director of Unisyst Engineering PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC, Horana Plantations PLC, and Hayleys Leisure PLC.

RAJITHA KARIYAWASAN
Executive Director
Appointed to the Board in June 2010

Skills and experience
Mr. Kariyawasan counts extensive leadership experience in the manufacturing sector, which includes over 13 years in the Hayleys Group. He was appointed to the Group Management Committee in February 2010 and currently holds overall responsibility for the Purification Sector. Prior to joining Hayleys, Mr. Kariyawasan held the position of Director/ General Manager of Ansell Lanka (Pvt) Ltd. He has also served as the Chairman of the Manufacturing Association of the Export Processing Zone, Biyagama.

He holds a BSc. Eng. (Electronics and Telecommunications) from the University of Moratuwa, Sri Lanka and is a Fellow Member of the Chartered Institute of Management Accountants, UK. Further, he is also a Six Sigma (Continuous Improvement Methodology) Black Belt, certified by the Motorola University, Malaysia.

Other appointments
Deputy Chairman of Dipped Products PLC and the Hayleys Group's Eco Solutions Sector. He is also Lead Member of the Hayleys ESG Steering Committee

Serves on the Board of Sri Lanka Institute of Nanotechnology (SLINTEC) as the nominee Director of Hayleys PLC.

DR. HARSHA CABRAL, PC

Independent Non-Executive Director

Appointed to the Board in February 2011

Skills and experience

A President's Counsel of Sri Lanka and a renowned lawyer with an illustrious practice in the Commercial High Courts and the Supreme Courts of Sri Lanka, Dr. Cabral counts over thirty-five (35) years' experience in the field of Intellectual Property Law, Company Law, Commercial Law, Commercial Arbitration, Securities Laws and International Trade Law covering both civil and criminal aspects. He has been instrumental in drafting several key legislations including the Arbitration Act, No. 11 of 1995, the current Companies Act No.7 of 2007 and the Intellectual Property Law. He has served as a senior advisor to several ministries including the the Ministry of Sports and Ministry of Justice; in the latter he served as the Chairman of the new House of Justice Project and Intellectual Property Law Reform Project.

Dr. Cabral served as a sitting member of the International Chamber of Commerce (ICC) International Court of Arbitration in Paris for a period of six years till 2021. He is also a member of the Corporate Governance Faculty and the Corporate Governance Committee of the Institute of Chartered Accountants of Sri Lanka, and University Grants Commission (UGC) nominee on the Post Graduate Institute of Medicine (PGIM). He is a member of the Law Commission of Sri Lanka, and a Member of the Advisory Committee on Intellectual Property Law.

In addition to his extensive practice in courts, Dr.Cabral also plays an active role in nurturing the next generation of legal professionals through ongoing engagement as a senior visiting lecturer in several local and international universities. He has also published several books on corporate law, intellectual property law and corporate governance among others.

Dr. Cabral holds a Doctorate in Corporate Law from the University of Canberra, Australia. He is also a Fellow of the Institute of Chartered Governance Institute (UK & Ireland).

Other appointments

Chairman of the Tokyo Cement Group and Independent Non-Executive Director of several subsidiaries of the Tokyo Group, Chairman of National Savings Bank, Independent Non-Executive Director of DIMO PLC, Alumex PLC, Ceylinco Life Insurance Company, World Export Centre Limited, Chevron Lubricants Lanka PLC, Darley Property Holdings (Private) Limited, CCC-ICLP International ADR Centre (Guarantee) Limited, National Olympic Committee (NOC) Ethics Committee (Chairman) and Sri Lanka Institute of Information Technology (Guarantee) Limited (SLIIT), SLIIT International (Private) Limited, Nanadiriya (Guarantee) Limited (Chairman). Through these appointments he serves on several Audit Committees, Nomination Committees, Remuneration Committees, Recoveries Committees and the Related Party Transaction Committees, chairing most of them.

RUWAN WAIDYARATNE

Executive Director

Appointed to the Board in April 2013

Skills and experience

Mr. Waidyaratne counts nearly 35 years of experience in the transportation and logistics industry, primarily in the Hayleys Advantis Group in which has held several senior leadership positions. He was appointed to the Hayleys Group Management Committee and Managing Director of the Hayleys Advantis Group in 2011. He is a former Chairman of the Ceylon Association of Shipping Agents (CASA) and the Sri Lanka Logistics and Freight Forwarders' Association (SLFFA).

He holds an MBA from the Edith Cowan University of Western Australia and has undergone executive development programmes with the National University of Singapore, Indian School of Business and INSEAD. He is also a Chartered Member of the Chartered Institute of Logistics & Transport of Sri Lanka.

Other appointments

Deputy Chairman of Unisyst Engineering PLC, Vice President of the Sri Lanka- Japan Business Council, Council Member representing the Transport & Logistics Services Group at the Council of the Employers' Federation of Ceylon (EFC), Chairman of the EDB Advisory Committee on Logistics Sector

BOARD OF DIRECTORS

HISHAM JAMALDEEN
Independent Non-Executive Director
Appointed to the Board in February 2014

Skills and experience
Mr. Jamaldeen has extensive, multi-industry experience in accounting, corporate finance, acquisitions and disposals, business planning and restructuring and strategic business development among others. His expertise has been enriched by both local and global exposure, which includes stints as Finance Director of Newbridge Capital Investments Limited in London, Freeman & Partners Accountancy Practice (UK) and Barclays Capital, a British multinational investment bank.

Mr. Jamaldeen is the Founding Managing Director of Steradian Capital Investments, a boutique real estate advisory and consultancy firm. Serving both local and foreign clientele, his responsibilities include acquisitions, structuring debt financing and corporate structures. In 2020, Mr. Jamaldeen was recognised as a trailblazer and disruptor in the investments sector by Echelon for his contribution to the sector. He also formerly served as a Director of People's Bank.

He holds a Degree in Engineering and Business from the University of Warwick and is a Fellow of the Association of Certified Chartered Accountants, UK.

Other appointments
Executive Director of Lanka Realty Investments PLC, Managing Director of On'ally Holdings PLC, Non-Executive Director of Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, Regnis (Lanka) PLC, Haycarb PLC and Talawakelle Tea Estates PLC.

ARAVINDA PERERA
Independent Non-Executive Director
Appointed to the Board in February 2014

Skills and experience
A veteran banker with over 40 years of diverse experience in financial services, Mr. Perera functioned as the Managing Director of Sampath Bank PLC from January 2012 until his retirement in September 2016. He also formerly served as Chairman of Siyapatha Finance PLC, Director of Sampath Centre Ltd., Colombo Stock Exchange and Lanka Bangla Finance Limited in Bangladesh.

He has been the recipient of several local and international awards including the "CEO Leadership Achievement Award 2016" by the Asian Banker Magazine, "Platinum Honours-2014 Award" by the Postgraduate Institute of Management Alumni (PIMA) of Sri Jayewardenepura University and "Award for the Outstanding Contribution to the Banking Industry – 2015" by the Association of Professional Bankers. He was also awarded an Honorary Life Membership by the Association of Professional Bankers in October 2018.

Mr. Perera holds an MBA from the Postgraduate Institute of Management and Honours Degree in Mechanical Engineering from the University of Moratuwa. He is also a Member of the Institute of Engineers (Sri Lanka), a Chartered Engineer and a Fellow of the Institute of Bankers- Sri Lanka.

Other appointments
Chairman of Singer Finance Lanka PLC, Deputy Chairman of Pan Asia Banking Corporation PLC, Managing Director of Royal Ceramics Lanka PLC, Director of Rocell Bathware Ltd., SNAPS Residencies Pvt Ltd., & Kosgulana Hydro Company Ltd. In addition to chairing the Audit committees of Hayleys PLC Mr. Perera serves as the Audit Committee chairperson of Hayleys Aventura Private Ltd, Hayleys Advantis Ltd and Fentons Ltd.

JAYANTHI DHARMASENA
Executive Director
Appointed to the Board in April 2018

Skills and experience
Ms. Dharmasena joined the Hayleys Agriculture Sector as a Management Accountant in 1991, rising to the rank of Managing Director of Hayleys Agriculture Holdings and its subsidiary companies and to the Group Management Committee in 2018.

Ms. Dharmasena is a Fellow Member of the Chartered Institute of Management Accountants, UK. She has attended Leadership and Executive Management Programmes at the Indian School of Business Hyderabad and at the National University of Singapore

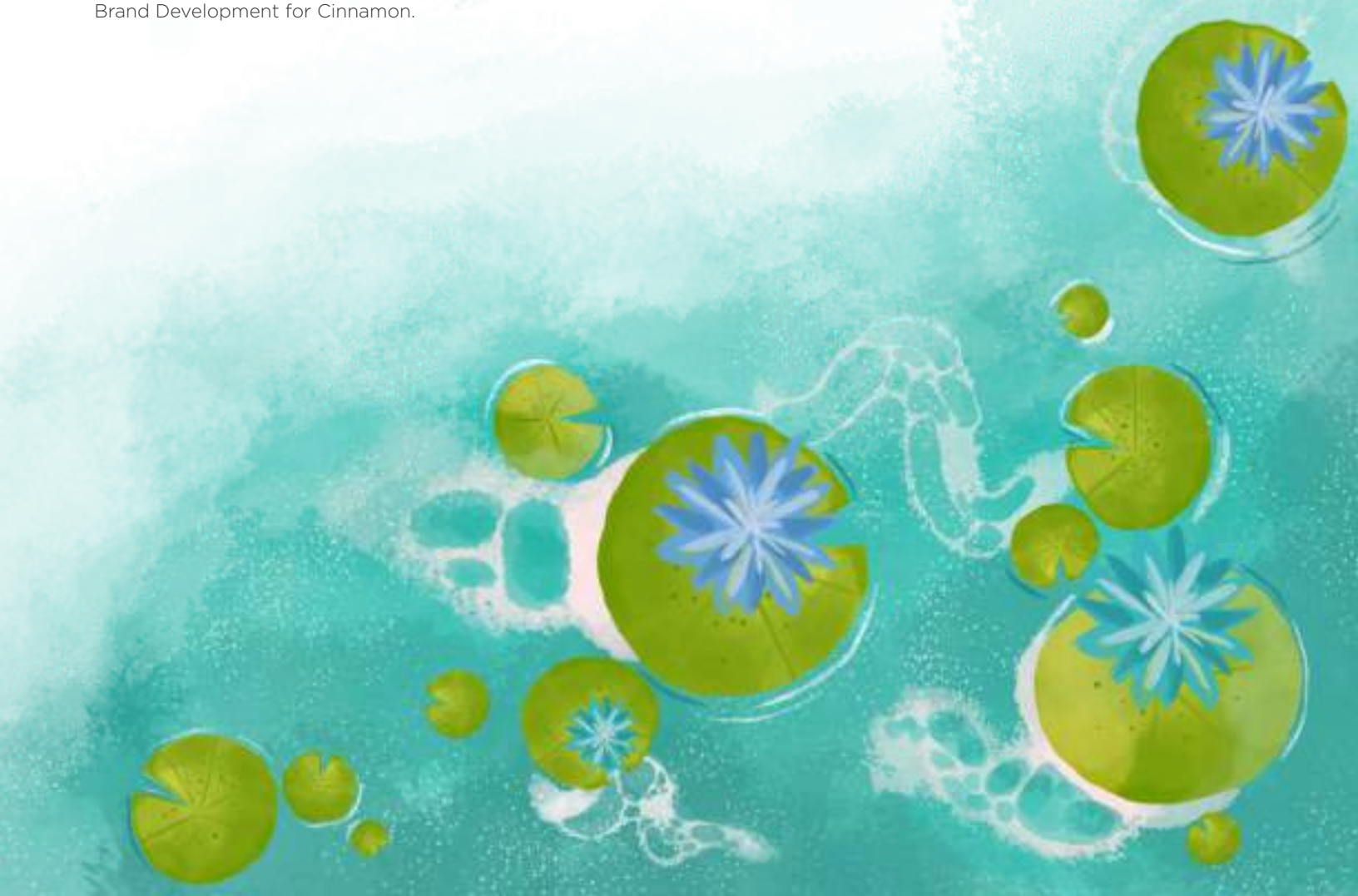
ROHAN KARR
Executive Director
Appointed to the Board in June 2019

Skills and experience
Mr. Karr is a veteran in the hospitality industry, counting over 40 years' experience including senior leadership positions at leading hotels in Sri Lanka and UK. He previously served as Regional Director - Revenue Management of Marriott Hotels for Whitbread Hotel Company – UK and General Manager of Bristol Marriott Hotel - UK and Marriott Marble Arch – London UK. He was instrumental in driving the local hospitality industry forward through revitalising standards and establishing international best practices during his stint as Executive Vice President of John Keells Holdings, overlooking the Cinnamon City Hotels and Resorts chain and as Head of Brand Development for Cinnamon.

GAMINI GUNARATNE
Independent Non-Executive Director
Appointed to the Board in October 2019

Skills and experience
Mr. Gunaratne has held diverse leadership positions in both private and state sector organisations. He previously served as the Vice Chairman of the National Water Supply and Drainage Board.

Other appointments
Chairman of Lanka Hotels and Residencies (Pvt) Ltd (Sheraton Colombo), Director of Swisstek Ceylon PLC, Regnis (Lanka) PLC, Dipped Products PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Lanka Ceramic PLC, Horana Plantations PLC and SLIIT International (Pvt) Ltd.



GROUP MANAGEMENT COMMITTEE

ROSHAN RAJADURAI
Managing Director – Hayleys Plantations

ROHAN GOONETILLEKE
Managing Director – Hayleys Fabric Group

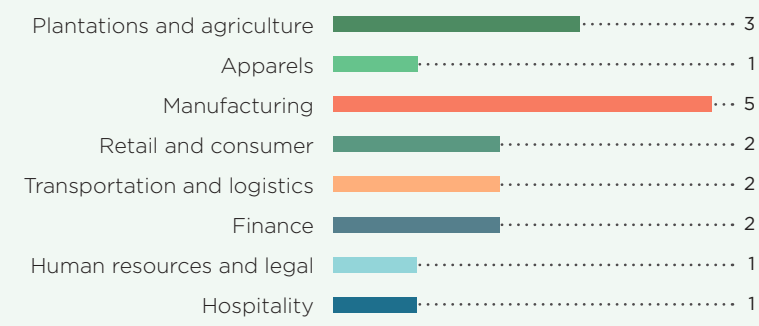
DARSHI TALPAHEWA
Head – Group Human Resources & Legal

PRAMUK DEDIWELA
Managing Director – Alumex Group

NIRAN RANATUNGA
Managing Director – Mabroc Group

HASITH PREMATILLAKE
Managing Director – Fentons Group

DIVERSITY OF EXPERTISE



MAHESH WIJEWARDENE
Managing Director – Singer Group

RAJEEVE GOONETILEKE
Managing Director – Eco Solutions Group

WASABA JAYASEKERA
Managing Director – Industrial Inputs, Power & Energy and Hayleys Consumer

PUSHPIKA JANADHEERA
Managing Director – Hand Protection Group

MILINDA HEWAGAMA
Group Chief Financial Officer

MALE FEMALE RATIO

15:2

GROUP MANAGEMENT COMMITTEE

DR.ROSHAN RAJDURAI

Appointed to the GMC in January 2013

Skills and experience

An industry veteran with nearly 30 years of experience in the plantations sector, Dr.Rajdurai currently serves as the Managing Director of Hayleys Plantation Sector comprising Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC and Horana Plantations PLC. He joined the Hayleys Group in 2013, prior to which he held senior leadership positions in several leading plantation companies. He was also formerly the Chairman of The Planters' Association of Ceylon, Board Member of the Sri Lanka Tea Board, Tea Research Institute, Rubber Research Board, Tea Small Holdings Development Authority and the Tea Council of Sri Lanka.

He holds a Ph.D in Management, B.Sc in Agriculture, MBA and M.Sc in Agriculture and Plantation Crops from the Postgraduate Institute of Agriculture and a M.Sc in Organisational Behaviour. He also holds a B.Sc Honors in Plantation Management.

Other appointments

Chairman of the Sustainability Working Group and Co-Chairman of the Sri Lanka Tea Road Map Strategy 2030.

Serves on the Standing Committee on Agriculture of the University Grants Commission

ROHAN GOONETILLEKE

Appointed to the GMC in March 2013

Skills and experience

Mr. Eranga Rohan Peiris Goonetilleke has served as Managing Director/CEO of Hayleys Fabric PLC from the 1st of March 2013. He also serves as Managing Director/CEO of South Asia Textiles Limited with effect from April 2021. Prior to joining Hayleys Fabric PLC, Mr. Goonetilleke served as Director of Brandix X'pressions (Pvt) Ltd, and was appointed to the Board of CLT Apparel (India) (Pvt) Ltd in January 2011, a fully owned subsidiary of Brandix Lanka Ltd. He also served as the Managing Director/CEO of Textured Jersey Lanka (Pvt) Ltd, Linea Clothing (Pvt) Ltd, a subsidiary of MAS Holdings (Pvt) Ltd and the CEO of Elpitiya Plantations Ltd.

He received his higher education in the United Kingdom, receiving a B.Sc in Engineering qualifying as a Graduate Engineer (B. Sc. Eng.).

DARSHI TALPAHEWA

Appointed to the GMC in November 2015

Skills and experience

A lawyer by profession, Ms. Talpahewa is responsible for the Human Resources and Legal Services of the Hayleys Group. Her diverse experience spans across government, non-government, academia, private and the corporate sector including the banking sector.

She holds a LL. B from the University of Colombo and Attorneys- At- Law with First class Honours from Sri Lanka Law College. She also holds Master's Degrees in Human Resource Management from the University of Northampton, Master's Degree in International Relations and a Master's Degree in Law from the University of Colombo.

Other appointments

Non-Executive Director Singer Finance (Lanka) PLC

PRAMUK DEDIWELA

Appointed to the GMC in July 2018

Skills and experience

Mr.Dediwela is the Managing Director of the Alumex Group, at which he commenced his career in 1989. He has over 34 years of diverse experience within the Alumex Group covering the areas of Marketing and Sales, Material and Logistics, Finance, Manufacturing and Administration and Human Resources.

A marketer and financial economist, Mr. Dediwela holds a Master's in Financial Economics from the University of Colombo, MBA from the University of Southern Queensland, Postgraduate Diploma in Business and Financial Administration (CA Sri Lanka/ Cranfield UK), Postgraduate Diploma in Marketing from the Chartered Institute of Marketing, UK and Diploma in Management from the Open University of Sri Lanka.

Other appointments

Member of the Advisory Committees on Light Engineering sector & Metal Sector under EDB/ Ministry of Industries

Member of the Sri Lanka Economic Association

Council Member of the Foundry Development & Services Institute of Sri Lanka.

NIRAN RANATUNGA

Appointed to the GMC in July 2018

Skills and experience

Mr. Ranatunga was appointed to the Group Management Committee in July 2018.

A founder of Mabroc Teas (Pvt) Ltd, Mr.Ranatunga held the position of Commercial Director with the responsibility for marketing bulk tea and branded teas in international markets, prior to his appointment as Managing Director in 2014. He commenced his career in tea tasting in 1980 serving as an auctioneer and tea broker at John Keells Ltd. He has received training in tea tasting and blending at UK's Lyons Tetley and R. Twinnings & Co. Ltd. He spearheaded the initiative to launch the world's first ethical tea brand at the United Nations Global Compact.

Other appointments

Director of Hayleys Plantation Services (Pvt) Ltd. and Kelani Valley Instant Tea (Pvt) Ltd. Member of the Committee of Management of the Tea Exporters Association of Sri Lanka.

HASITH PREMATILLAKE

Appointed to the GMC in October 2018

Skills and experience

Mr.Prematillake serves as the Managing Director of Fentons Limited and its subsidiaries. Prior to this, he was the Country Director and General Manager of Ansell Lanka (Pvt) Ltd and Chief Executive Officer of Phoenix Industries Ltd. He also held a managerial position at Chevron Lubricants Lanka.

He holds a Master of Business Administration Degree (Merit Pass) from the University of Colombo where he was awarded the prestigious Dr. Linus Silva Medal for Best Overall Performance. He also holds a B.Sc. Engineering Degree (Hon's.) from University of Moratuwa. He is a Fellow Member of the Chartered Institute of Management Accountants, Member of the Chartered Institute of Marketing, Passed Finalist of CA Sri Lanka and a Graduate of the British Computer Society. He is also a certified Lean Six Sigma Black Belt.

MAHESH WIJEWARDENE

Appointed to the GMC in November 2018

Skills and experience

Mr.Wijewardene serves as an Executive Director and Group Chief Executive Officer of Singer (Sri Lanka) PLC and its subsidiary companies. He counts for over 30 years of managerial experience in diverse disciplines. He is a former Chairman of Ceylon Chamber of Commerce – import section and Sri Lanka – China Business Council

Mr. Wijewardene holds a Master's Degree in Business Administration from the University of Southern Queensland and received the Dean's Award for Outstanding Academic Achievement. He also holds a Diploma in General Management from the Open University of Sri Lanka and has attended Executive Business Studies at Harvard Business School – Boston & National University of Singapore.

Other appointments

Serves in the Executive Council of Sri Lanka Retailers' Association

Member of the International Chamber of Commerce – Policy Committee.

Director of Singer Industries (Ceylon) PLC, Singer Finance (Lanka) PLC, Regnis (Lanka) PLC, Regnis Appliances (Private) Limited, Singer Business School (Private) Limited, Reality Lanka Limited, Domus Lanka (Private) Limited and Equity Investments Lanka Limited.

WASABA JAYASEKERA

Appointed to the GMC August 2021

Skills and experience

Mr. Jayasekera is the Managing Director of both Hayleys Aventura (Pvt) Ltd and Hayleys Consumer Products Limited. Mr. Jayasekera counts extensive international and domestic experience in the areas of Marketing and Sales, Trading, Finance and Controlling, Business Restructuring and Management Information Systems.

He holds a Master's Degree in Business Administration from the Postgraduate Institute of Management, University of Sri Jayewardenepura and a Bachelor's Degree in Physical Science, from the University of Kelaniya. He is a fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Life Member of the Sri Lanka Institute of Marketing. He also holds a Diploma in Computer Systems & Design from the National Institute of Business Management (NIBM).

RAJEEVE GOONETILEKE

Appointed to the GMC in September 2021

Skills and experience

Mr. Goonetileke serves as the Managing Director of the Eco Solutions Sector. Prior to joining the Group, he served Brandix as the CEO of Brandix Apparel Solutions – Deep Discounter and Supply Chain Director of Glaxo Smithkline – Sri Lanka. He also functioned as the Country Head/ General Manager of MAS Fashionline in Vietnam.

He holds a B.Sc Engineering (Mechanical) from University of Moratuwa and a M.Eng – Industrial Engineering from Asian Institute of Technology – Thailand.

PUSHPIKA JANADHEERA

Appointed to the GMC in January 2023

Skills and experience

Mr. Janadheera is the Managing Director of Dipped Products PLC (DPL). Prior to his appointment in January 2023, he functioned as the Deputy Managing Director of DPL. He has over 20 years' experience in the field of manufacturing of value-added rubber products and marketing of tyres, rubber gloves and other rubber related products, both locally and internationally. Mr.Janadheera holds an MBA and a B.Sc in Accountancy (Special) Degree from the University of Sri Jayewardenepura. He is a Fellow Member of the Institute of Chartered Accountants (CA) of Sri Lanka, Associate member of the Chartered Institute of Management Accountants (CIMA) of UK, Associate Member of Global Management Accountants (CGMA) of UK and Associate member of the National Institute of Accountants of Australia.

Other appointments

Member of the Institute of Directors

Advisor to the Export Development Board and Ministry of Industries on Rubber, Rubber Based Products and Plastic Products Sector.

Deputy Chairman of Sri Lanka Association of Manufactures and Exporters of Rubber Products.

MILINDA HEWAGAMA

Appointed to the GMC in January 2023

Skills and experience

Mr. Hewagama is a skilled finance professional with over 16 years of diverse experience in Financial Management, Financial Reporting, Budgeting, Financial Planning & Analysis. He joined the Corporate Affairs Unit of Hayleys in 2010. He holds an MBA and BBA (Special) in Finance from the University of Colombo, and is a Member of the Institute of Chartered Accountants of Sri Lanka.

Other appointments

Director of Hayleys Group Services (Pvt) Ltd, Volanka Insurance Brokers (Pvt) Ltd, and Dean Foster (Pvt) Ltd.

CORPORATE GOVERNANCE

The Hayleys Group's corporate governance philosophy is underpinned by purpose-driven leadership, high standards of integrity and an organisational culture which is founded on ethical conduct. This philosophy has served as an anchor through the Group's 145-year history, helping us to drive transformative change and enabling new leadership mindsets to thrive in disruptive and rapidly evolving environments.

Corporate Governance Highlights 2022/23

Board and Committee changes

Establishment of an ESG Steering Committee with Board and GMC representation

Bribery and Anti-Corruption

Strengthened the Group's Bribery and Anti-Corruption framework

Defining new Corporate Purpose

Which embodies Hayleys PLC's intrinsic reason for being and its role in the broader economic, social and environmental context

Board contribution to value creation

- Oversight on strategy and performance
- Stakeholder engagement
- Ensure an effective control environment
- Shaping organisational culture
- ESG integration

OUR APPROACH TO GOVERNANCE

The Group's corporate governance framework has been designed to facilitate effective entrepreneurial leadership, accountability, and judicious empowerment, while balancing the varying interests of our diverse stakeholders. The unprecedented external challenges over the last few years have tested the strength and rigor of our governance processes and the Group's agility in ensuring continued stakeholder value attests to the robustness of our governance approach.

In improving the quality and relevance of our governance reporting, we have sought to structure the narrative in a manner that showcases the Board's activities and contribution to value creation during the year. Compliance to statutory requirements are summarised in the narrative and discussed in detail in the compliance tables.

This report demonstrates our alignment to mandatory and voluntary requirements as well as emerging best practices in corporate governance. Disclosures are also guided by the IFC Toolkit for Disclosure & Transparency on Corporate Governance. This year, the Report has been structured to showcase how the Board provided leadership in navigating the extraordinary challenges that prevailed in 2022/23 and ensured continued value creation to all stakeholders.

The Report includes the following:

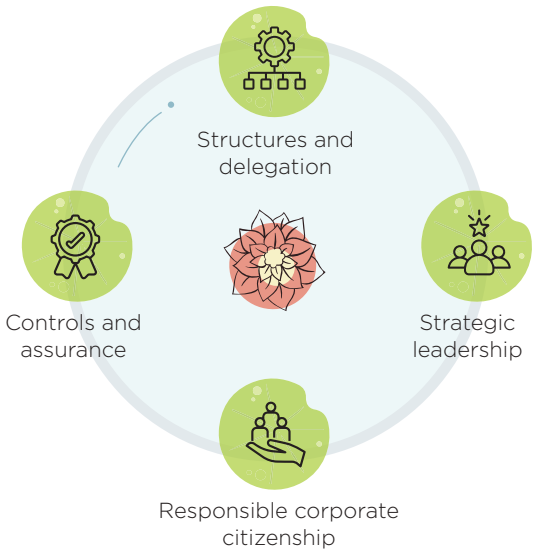
- Structures and delegation
- Governance in action 2022/23
- Ethics and organisational culture
- ESG integration
- Remuneration review

Compliance tables for the Continuing Listing Requirements of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka are given in page 73.

GOVERNANCE STANDARDS AND FRAMEWORKS

Regulatory frameworks	Voluntary standards, codes and frameworks	Internal mechanisms
• Companies Act No.7 of 2007, • Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 • Continued Listing Requirements of the Colombo Stock Exchange • Inland Revenue Act No. 10 of 2006 and amendments • Inland Revenue Act No. 24 of 2017 and amendments thereto • Customs Ordinance No. 17 of 1869 • Foreign Exchange Act No. 12 of 2017 • Industrial Disputes Act No. 43 of 1950 • The Shop and Office Employees Act No. 15 of 1954 • Factories Ordinance No. 45 of 1942 • Finance Business Act No.42 of 2011 and amendments thereto	• Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants 2017 • Integrated Reporting Framework • Global Reporting Initiative Standards • Sustainability Accounting Standards Board (SASB) Disclosures • Non-Financial Reporting Guideline of CA Sri Lanka • Requirements of Environmental & Social Certifications • Quality standard certifications obtained by companies	• Articles of Association • Board and Sub-Committee Charters • Hayleys Lifecode • The Hayleys Way

GOVERNANCE PRINCIPLES



GOVERNANCE TARGETS SET OUT IN HAYLEYS LIFECODE

Structure and oversight	100% compliance to relevant laws and regulations
Stakeholder engagement	Meaningful and impactful stakeholder relationships
Transparency and accurate reporting	Internal and external reporting on ESG factors
Enterprise risk management	Holistic process to identify, measure and mitigate ESG risks
Ethics and culture	Full compliance to the Hayleys Way

THE HAYLEYS WAY:
Ethical roadmap for all employees

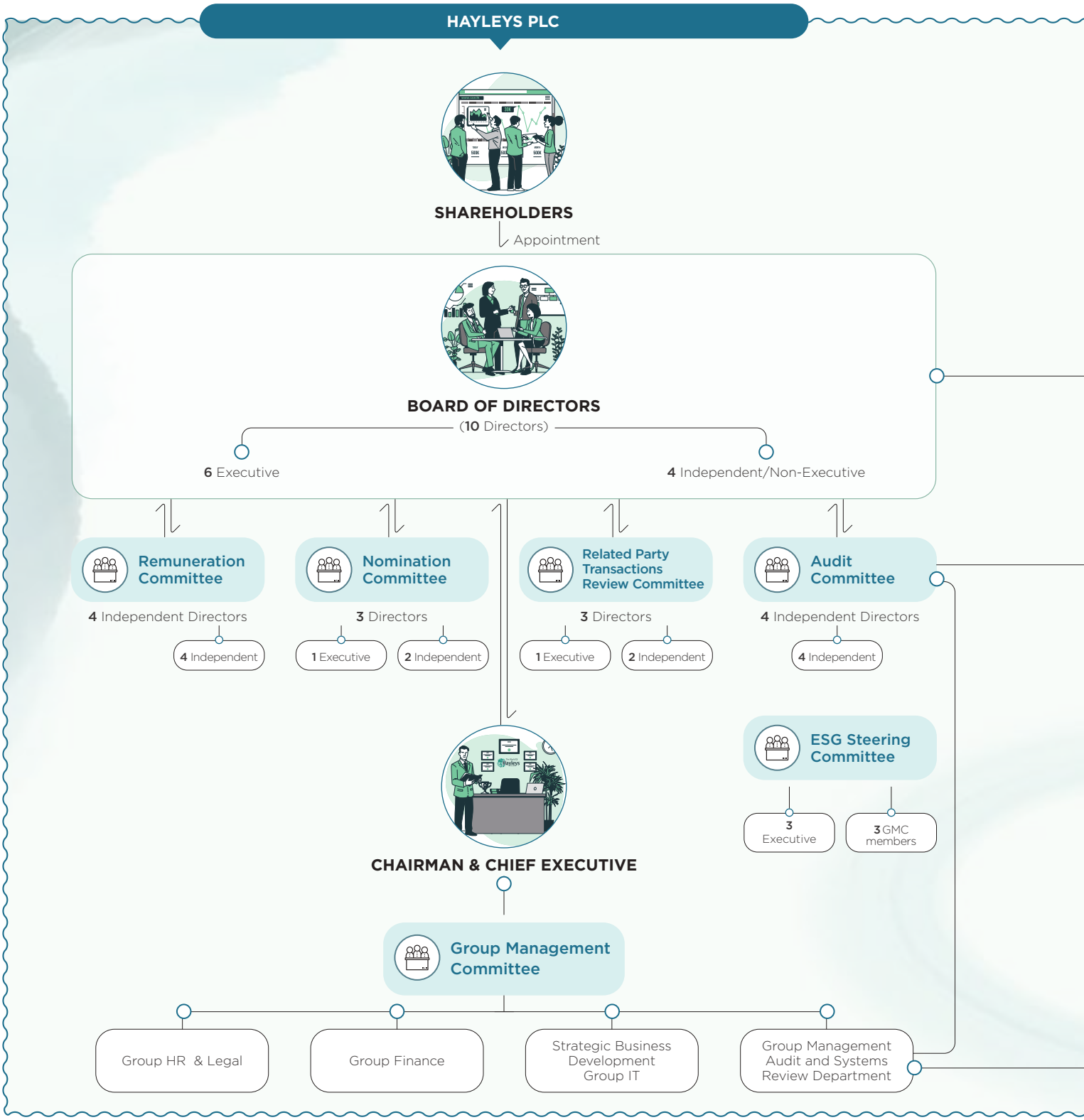
GOVERNANCE OUTCOMES AND CONTRIBUTION TO VALUE CREATION IN 2022/23

Oversight on strategy and performance **Page 64**
Effective control **Page 67**
Stakeholder relationships **Page 66**
Ethics and culture **Page 69**
ESG integration **Page 70**

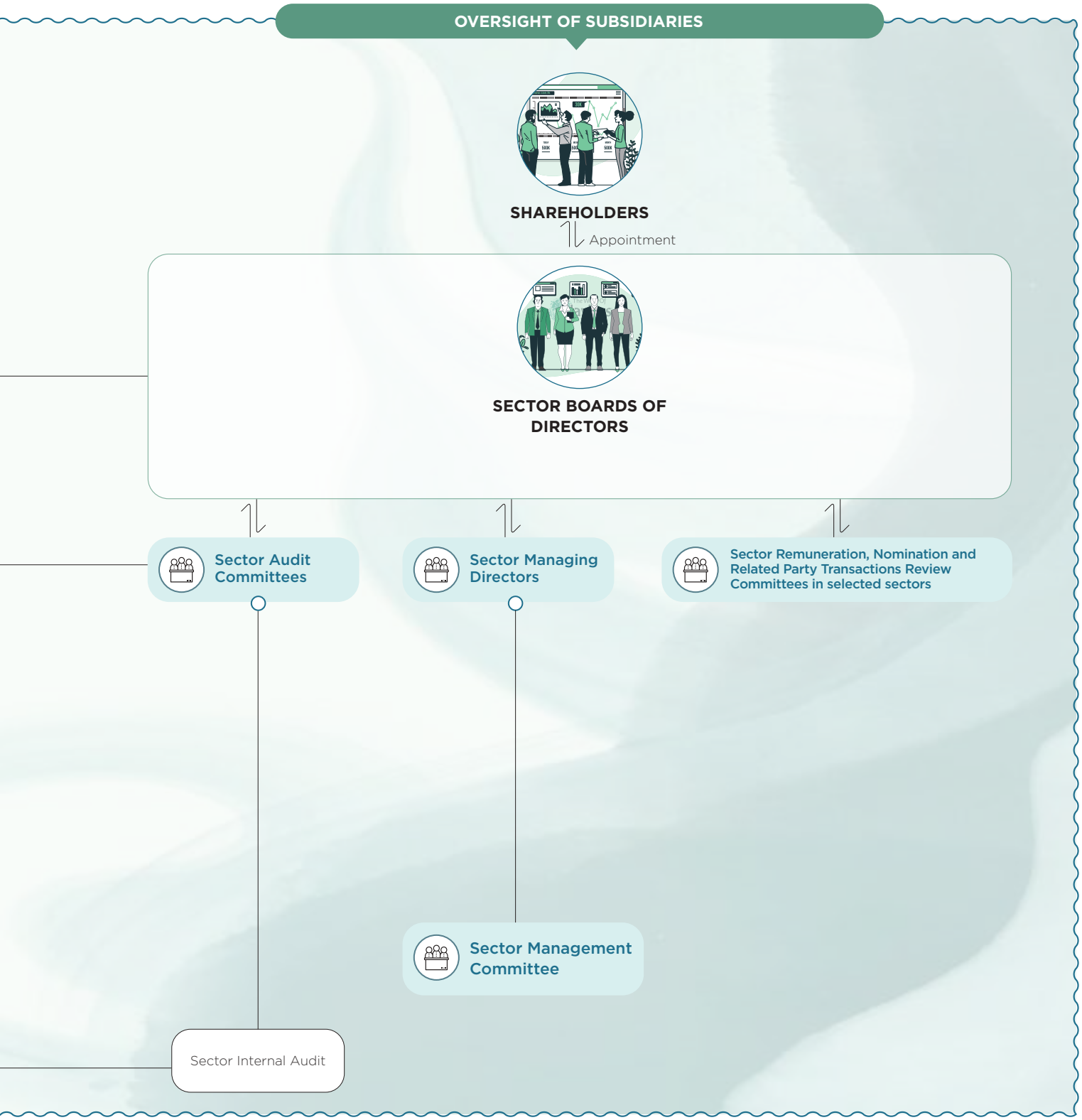
CORPORATE GOVERNANCE

STRUCTURES AND DELEGATION

The Group's governance structure has evolved over time to reflect the increasing diversity and depth of the Group's operations. As set out below, the Board of Hayleys PLC has line of sight to the Group sectorally and geographically



diverse businesses. Arrangements for delegation within the Board's structure assists in the effective discharge of duties while enabling balance of power and promoting independent judgement.



CORPORATE GOVERNANCE

BOARD SUB-COMMITTEES

The Board has delegated specific functions to several sub-committees to assist in the discharge of its duties. The mandate of each committee is articulated in formal Sub-Committee Charters. When determining committee composition, the Board considers relevant regulations, the skills and experience of its members and responsibilities of the Committee. Please refer to page 295 for further information on the activities of the Sub-Committees during the year.

Sub-Committee	Areas of oversight	Committee skills and composition	Relevance to value
AUDIT COMMITTEE (Report of the Committee on page 299)	• Evaluating the integrity of the financial statements and adequacy of internal controls • External audit • Internal audit	Accounting, finance and corporate finance Law and commercial arbitration Banking Corporate leadership	Financial Intellectual Manufactured
NOMINATIONS COMMITTEE (Report of the Committee on page 295)	• Appointment of Key Management Personnel • Succession planning • Code of Ethics • Effectiveness of the Board and its Sub-Committees	Corporate leadership Law and commercial arbitration Banking	Human Social & Relationship Intellectual
REMUNERATION COMMITTEE (Report of the Committee on page 296)	• Remuneration policy for Group with particular reference to Key Management Personnel • Organisation structure • HR Policy • Goals and targets for Key Management Personnel • Performance evaluation	Accounting, finance and corporate finance Law and commercial arbitration Banking Corporate leadership	Financial Human
RELATED PARTY TRANSACTION REVIEW COMMITTEE (Report of the Committee on page 298)	• Related party transaction policy • Disclosure of related party transactions	Law and commercial arbitration Banking	Financial Social & Relationship Intellectual
ESG STEERING COMMITTEE	• Oversight and monitor the execution of the Hayleys Lifecode • Review and provide guidance on ESG related policies and programmes • Review emerging trends and issues in the ESG areas	Corporate leadership Business sustainability Human resource management Accounting and finance	Social & Relationship Human Natural

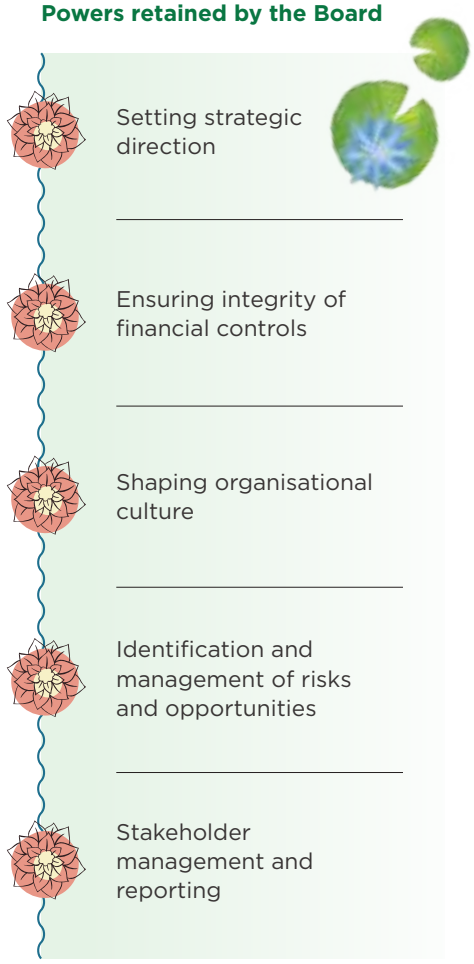
BALANCE OF POWER

The Board holds apex responsibility for governance across the Group, retaining effective control through clearly defined structures and Committee mandates. The Board is also ultimately responsible for the performance of the Group and accountable to the shareholders who receive the Annual Report. The functions of Chairman & Chief Executive are vested in one person due to the diversity and scale of operations of the Group and the Board is of the view that this is the most appropriate arrangement for Hayleys PLC. The Board has also appointed Dr. H. Cabral, PC , Non- Executive Director as Senior Independent Director to facilitate board balance and ensure effective engagement with Non-Executive Directors.

The roles and responsibilities of the Board are clearly set out in the Board Charter and is summarised below:

- Ensure formulation and implementation of business strategy
- Appointment of Chairman, Senior Independent Director and Board sub committees.
- Ensuring that Key Management Personnel have the required skills, experience and knowledge to implement strategy
- Succession planning
- Approval of budgets and major capital expenditure
- Ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management
- Ensuring compliance with all laws, regulations and ethical requirements
- Ensuring that key stakeholder interests are considered in corporate decisions
- Ensuring that businesses are developed in a sustainable manner and adoption of integrated reporting framework
- Ensuring adoption of appropriate accounting policies and fostering compliance with financial regulations
- Establishing a process for monitoring and evaluation of progress on implementation of strategy, budgets, plans and risks

Powers retained by the Board



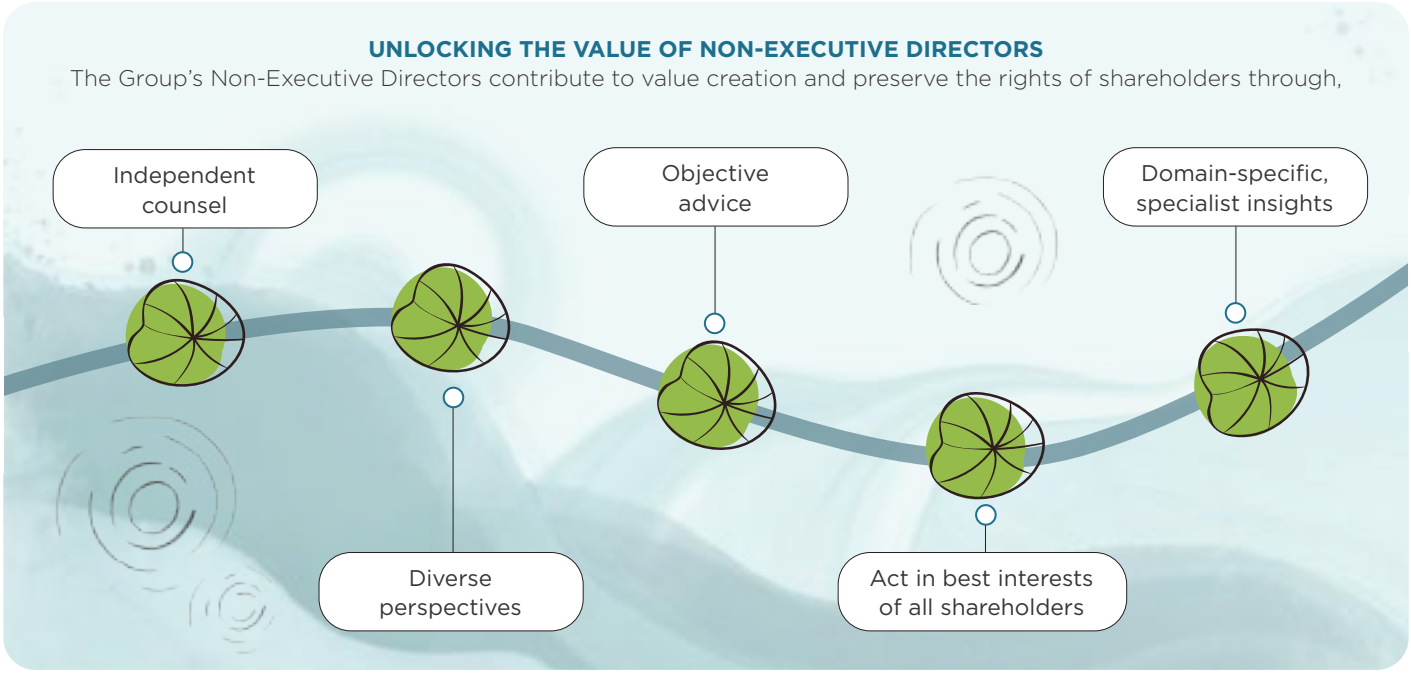
Role of Chairman

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

Role of Senior Independent Director

- Set corporate values facilitating an equitable balance between key stakeholder interests
- Uphold high standards of ethics, integrity and probity.
- Support executive leadership whilst monitoring their conduct
- Promote high standards of corporate governance and compliance
- Meet with NEDs at least twice a year and EDs at least once a year to facilitate discussion and communication of governance matters and communicate same to Chairman
- Be available to shareholders in case they have concerns which cannot, or should not, be addressed by the Chairman or Executive Directors
- Act on the results of any performance evaluation of the Chairman
- Maintain sufficient contact with major, significant and minority shareholders, assisting the Board to develop a balanced understanding of their issues

CORPORATE GOVERNANCE



Company Secretary

Company Secretarial services are provided by Hayleys Group Services (Private) Limited having qualified professional secretaries, headed by an Attorney -at-Law and registered with the Registrar of Companies. The role of the Company Secretary has been defined in line with the provisions set out in the Code and include the following:

- Facilitating the efficient conduct of Board meetings and ensuring that all proceedings of meetings are properly minuted
- Ensuring that all Board Committees are properly constituted and provided with clear terms of reference
- Ensuring that an Annual General Meeting is held in line with regulatory requirements and that all notices, forms and reports necessary for the meeting are disseminated with approval of the Board
- Maintaining the registers required by regulations and filing of all statutory returns and documents with the Registrar of Companies
- Advising Directors with respect to their duties and responsibilities in compliance with regulatory requirements
- Ensuring good relationships with shareholders
- Making necessary disclosures on related parties and related party transactions

STRATEGIC LEADERSHIP

The size and skill composition of the Board is influenced by the demands of our diverse and complex business landscapes. An appropriate mix of skills, knowledge and experience ensures that the Board is collectively equipped to drive the Group's strategy and value creation. Board balance and diversity are critical factors that are determined in consultation with the Board Nomination Committee who have oversight responsibility for assessing the number, expertise and other attributes required to provide leadership to Hayleys PLC and its subsidiaries (refer to page 46-51 for detailed profiles of Directors)

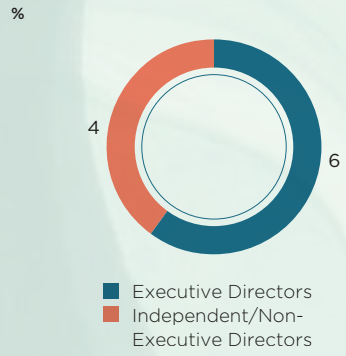
Changes to Board composition:

In June 2022, Mr.K.D.D. Perera, who functioned as Co-Chairman resigned from the Board, together with Ms.A.A.K. Amarasinghe who served as alternate director to Mr.K.D.D. Perera.

Board composition

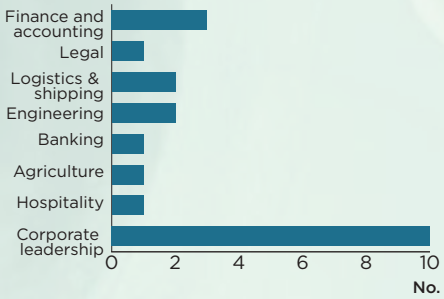
40% of the Board of Directors comprised Non-Executive Directors, who are deemed to be independent thereby enriching discussions and bringing objective judgement to Board decisions.

BOARD COMPOSITION



Skill composition

BOARD SKILL PROFILE



Diversity of age

60 years

Average age

With 20% of Directors below the age of 55, the Board is diverse in its age representation, thereby combining both experience and fresh perspective

Diversity of tenure

Years of service	Number of Directors
3-5	3
5-9	1
>9	6

Periodic introduction of new members bringing in new perspectives and skills, while continuity and valuable industry expertise is retained through long-standing Directors.

Gender diversity

9 males

1 females

Board appointment and refreshment

Board appointments are conducted in a formal and transparent manner, as determined by the Nominations Committee which assesses the Group's strategic demands as well as skills and competencies of the Board. Profiles of requirements are drawn up and potential candidates are screened by the Nominations Committee prior to recommendation to the Board. The Board considers the recommendations of the Nominations Committee and recommends suitable candidates for appointment or re-election by the shareholders at the Annual General Meeting under the advisement of the Nomination Committee. Following details of new Directors are disclosed on their appointment to the Colombo Stock Exchange and selected newspapers.

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

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

One third of the Directors in office retire at each Annual General Meeting by rotation with the directors who have served for the longest period since their appointment/re-appointment retiring first. Retiring Directors are eligible for re-election and maybe recommended for re-election by the Board. The profiles of directors who are eligible for re-election are provided to the shareholders to make an informed decision. Provisions of the Articles do not require the Chief Executive , whilst holding that office, to retire by rotation or be taken into account in determining the rotation of retirement of directors

Assessing Board effectiveness

Effectiveness of the leadership is assessed through Board and Sub-Committee evaluations which reveal the appropriateness of the Board composition, mix of skills and ability to deliver strategic aspirations. The Chairman and Remuneration Committee are responsible for evaluating the performance of the Executive Directors and Committees through an annual self-evaluation of its own performance. The results of the evaluation are assimilated and submitted to the Chairman for discussion at a Board Meeting.

CORPORATE GOVERNANCE

BOARD EVALUATION PROCESS

Assessment questionnaires

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

Review of responses

- Review of responses by the Chairman
- Report feedback to the Board of Directors

Formulation of response

- Implementation of remedial measures for improvement

Board training

Directors are kept abreast of emerging developments in the economic and industry landscapes along with changes to regulations, voluntary standards and other issues which could affect the Group and its operations. The areas in which Directors received updates during the year are set out alongside. Directors are also encouraged to attend sessions conducted by the Sri Lanka Institute of Directors. Many of the Directors also conform to the Continuing Professional Development requirements of the respective professional organisations. Knowledge building sessions attended by Directors during the year are set out alongside:

- Revisions to tax structures
- Monetary and fiscal policy developments
- Global developments in ESG

GOVERNANCE IN ACTION 2022/23

The Group's fit-for-purpose approach to governance played a vital role in driving continued value creation amidst the extraordinary challenges that prevailed during the year. Key governance action taken during the year are summarised below and detailed in subsequent sections of this Report.

Oversight on strategy and performance

Stakeholder relationships

Effective control environment

Ethics and organisational culture

ESG integration

Oversight on strategy and performance

In discharging its duties relating to directing strategy, the Board persistently monitors the emerging risks and opportunities and evaluates the robustness of its business model in effectively addressing these dynamics. The Group's 6 Executive Directors, representing key business verticals play a vital role in this process, contributing their domain specific knowledge and deep industry insights in formulating and driving strategy. Given the extremely volatile and challenging operating conditions that prevailed for most part of the year, the Board and Group Management Committee (GMC) increased the frequency of engagement, with GMC meetings now held on a weekly basis.

> Board and Group Management Committee (GMC) increased the frequency of engagement, with GMC meetings now held on a weekly basis

Key Board focus areas in 2022/23

The following areas received heightened focus during the year, reflecting external developments in the operating landscape. Discussion areas are summarised in the following table and described in further detail in the Portfolio Review (page 121 to 234) and Capital Management Reports (page 236 to 283) of this Report.

MONITORING IMPACTS OF EMERGING ECONOMIC DEVELOPMENTS

- Proactively identify and mitigate potential impacts of economic developments including upward trajectory of interest rates, foreign currency liquidity pressures, increase in commodity prices and regulatory changes among others
- Increased engagement and deeper deliberations of issues relating to more vulnerable Sectors
- Identifying and mitigating risks relating to the commercial sustainability of value chain partners including suppliers, distributors, dealers and other business partners

SAFEGUARDING EMPLOYEE FINANCIAL SECURITY AND WELL-BEING

- Deliberated on measures to support employees' financial security given the sharp escalation in cost of living
- Focus on employee mental and emotional well-being given increased anxiety and stress associated with the country's economic and political uncertainity

SUCCESSION PLANNING IN KEY ROLES

- Active succession planning in key leadership roles taking into account the skills required to drive the Group's strategic aspirations

RISK MANAGEMENT

- Strengthened fire detection and prevention mechanisms in Hayleys PLC
- Mitigating exposure to interest rate risk through proactive negotiations with banks
- Optimising foreign currency liquidity to ensure operational continuity

TECHNOLOGY AND IT INFRASTRUCTURE

- Proactively monitoring vulnerability to IT and cybersecurity threats and threatening defences through investments in advanced security infrastructure
- Increased focus on digitalisation and automation

ESG AND SUSTAINABILITY CONSIDERATIONS

- Dedicated ESG Steering Committee established with Board and GMC representation to drive the Group's ESG aspirations
- Increased focus on renewable energy to reduce dependence on fossil-fuels
- Oversight on sector-wise implementation of the Hayleys Lifecode

CORPORATE GOVERNANCE

Board Meetings

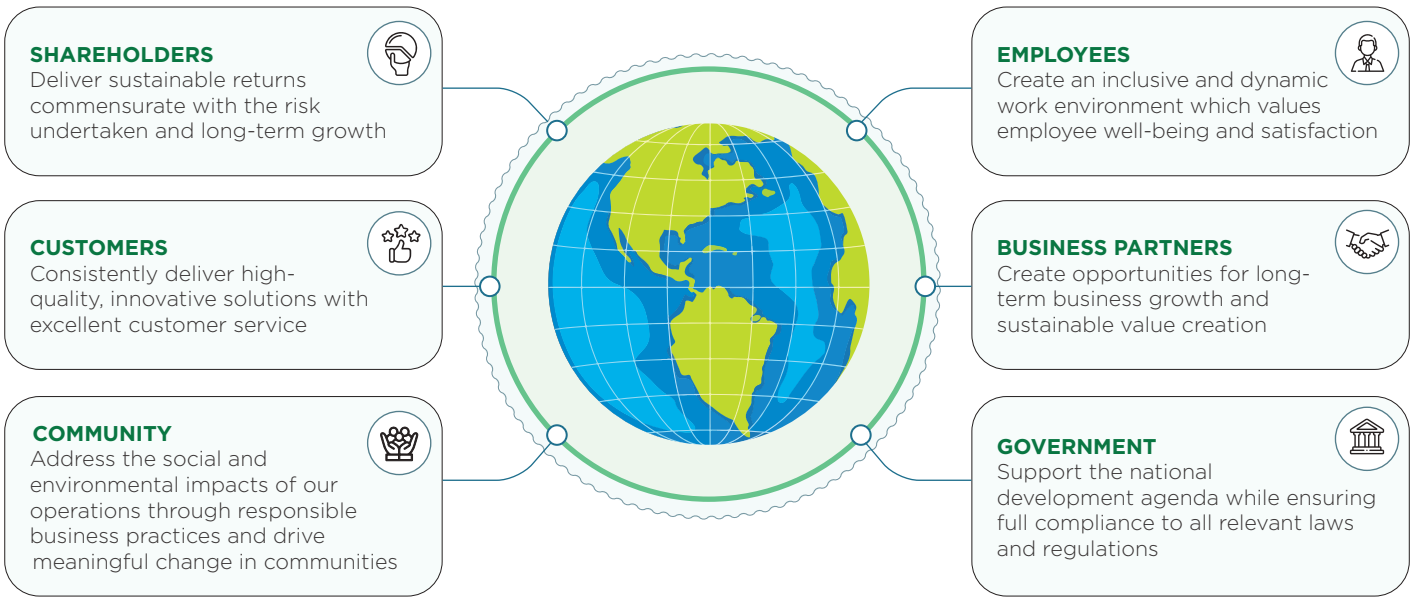
Board meetings are scheduled early and duly informed to the Directors at the beginning of each calendar year. The Board strengthened engagement given emerging stresses in the socio-economic landscape during the year; in addition to the 12 Board meetings 1 special meeting was also conducted during the year. Clear guidelines and processes are defined and communicated to ensure effectiveness of Board meetings.

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Related Party Transaction Review Committee
Mr. A. M. Pandithage	13/13	-	-	9/9	-
Mr. H.S. R.Kariyawasan	10/13	-	-	-	-
Mr. S. C. Ganegoda	13/13	-	-	-	4/4
Dr. H. Cabral PC	13/13	3/4	2/2	9/9	4/4
Mr. M. H.Jamaldeen	12/13	2/4	2/2	-	-
Mr. M. Y. A. Perera	11/13	4/4	2/2	-	4/4
Mr. L. R. V. Waidyaratne	13/13	-	-	-	-
Ms. J. Dharmasena	13/13	-	-	-	-
Mr. R. J. Karunarajah	11/13	-	-	-	-
Mr. K. D. G. Gunaratne	11/13	3/4	-	-	-
Mr. K. D. D. Perera (resigned w.e.f 10th June 2022)	2/4	-	1/1	1/2	-
Ms. A. A. K. Amarasinghe (Alternate Director to Mr.K.D.D.Perera)	4/4	-	-	1/2	-

Stakeholder Relationships

The depth and reach of the Group's operations necessitates engagement with a diverse and widespread network of internal and external stakeholders. In the execution of its governance responsibilities, the Board drives an inclusive approach that balances the often-conflicting interests of all stakeholders. We strive to nurture mutually-value adding, meaningful relationships with all stakeholders as described in further detail on page 86.

The value proposition for the Group's key stakeholders are set out below:



SHAREHOLDER ENGAGEMENT

The Group ensures that the rights of all shareholders are preserved and has established procedures to ensure the fair and equitable treatment of all shareholders. As described on page 86, an array of measures is also in place to ensure that shareholder views are identified and fully considered. Platforms driving shareholder communication are as follows:

- **Annual General Meeting:** The AGM is the main forum for engaging with shareholders and the Group has a history of well attended shareholder meetings
- **Quarterly results updates** with accompanying reviews and timely updates of price sensitive information to the Colombo Stock Exchange
- **The Annual Report:** A track record of setting benchmarks for corporate reporting affirms the Group's commitment to disclosure and transparency. Assurance on financial statements, sustainability information and compliance with the Integrated Reporting Framework supports the reliability of the information contained in the annual report which provides comprehensive information on relevant matters to the shareholders. The Reports and other information are available on the Company's website and price sensitive information is also available on the Colombo Stock Exchange website.
- **Interaction through Corporate Secretarial Division:** Shareholders have the opportunity to directly address concerns, suggestions or any other queries to the Corporate Secretarial Division of Hayleys PLC.

Preserving the rights of minority shareholders

Individual investors are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions. They are also encouraged to participate in General Meetings of companies and exercise their voting rights. Information is disseminated to all shareholders. Any information that the Board considered as price sensitive is disseminated to the shareholders by way of announcements to the CSE and press releases by either the Chairman & Chief Executive or the Company Secretaries as appropriate.

There are meetings with shareholders (based on their requests) on matters which are relevant and of concern to the general membership. Voting of the shareholders is critical in carrying out a resolution at the AGM.

Effective control environment

The Board holds ultimate responsibility for managing the Group's risk exposures in a way which facilitates an appropriate balance between risk-return dynamics. The control environment comprises a comprehensive framework of policies, enterprise-wide internal controls and risk management tools, processes and activities that collectively form an effective control environment.

The Group's policy architecture is set out below:

Policies set out in the Hayleys Lifecode		
Environment Material and waste management Energy and emissions management Water management Biodiversity conservation Chemical management	**Social HR policies** Industrial relations Disciplinary Grievance handling Recruitment Learning & development Talent management and succession planning Performance management Human rights Whistleblower Anti-sexual harassment Health and safety **Social and Relationships** Customer management Procurement Community relations	**Governance** Board Charter Board Committee Charters Stakeholder engagement Information disclosure Information technology policies Intellectual capital Information security Business data back-up

Risk Governance

Managing emerging risks emerged as a key priority during the year, reflecting increasing complexities of external headwinds and escalating macro-economic stress. The Board Audit Committee played a vital role in monitoring changes to the Group's risk landscape. Key areas of focus are summarised below while further details are provided in the Risk Management Review from page 98 to 109 of this Annual Report.

Measures taken to enhance risk oversight in 2022/23

- Appointment of a dedicated Head of Risk at Hayleys PLC
- Revision of risk assessments and risk templates to reflect emerging developments
- Strategic emphasis on optimising foreign exchange liquidity
- Increased frequency and scope of reporting of cyber security risks

CORPORATE GOVERNANCE

Function	Mandate and Activities
BOARD AUDIT COMMITTEE (Please refer to page 299 for the Composition, Scope and functions of the Audit Committee)	• Oversight responsibility on selecting and applying accounting policies and maintaining an appropriate relationship with the external auditors • Reviews internal control issues and risk management measures identified by MA & SRD and evaluate the adequacy and effectiveness of the risk management and internal control systems including financial reporting **Engagement with Sectors** - In addition to Audit Committees in listed subsidiaries, significant unlisted sectors have also established Audit Committees
INTERNAL AUDIT (MANAGEMENT AUDIT & SYSTEM REVIEW DEPARTMENT)	• Vital role in assessing the effectiveness of controls and strengthening them and establishing new controls where necessary • Direct channel between the Head of MA&SRD and the Chairman of the Audit Committee without the interference of any Directors or Executives. • Reports are made available to the Chairman & Chief Executive and the Chairman of the Audit Committee
EXTERNAL AUDIT AND AUDITOR INDEPENDENCE	• The Group's external auditors (for financial reporting) are Messrs. Ernst and Young and the principal does not engage in any services which are in the restricted category as stipulated by the CSE for external auditors • The Audit Committee reviews the independence, the skills and experience and the work of the external auditors annually and recommends appointment accordingly to the Board • The Audit Committee conducts an in-camera meeting with the external auditors on completion of the audit to identify any areas of concern • The Audit Committee also monitors non-audit work done by the external auditors to ensure their independence

Compliance

The Group's policy framework facilitates compliance with regulatory requirements and voluntarily adopted standards of best practice and which are verified by MA & SRD. The Group also has a whistle-blowing policy in place which is clearly communicated to all employees and the Audit Committee and Board receive information in this regard. During the year under review there were no significant instances of non-compliance with laws and regulations and/or monetary value of fines for non-compliance.

IT and Cybersecurity risk

The Board holds apex responsibility for governing technology and information in a manner which enables the Group to achieve its strategic objectives. Accordingly, the Group has implemented the necessary infrastructure, organisation structures, policies and processes for effective governance over its digital infrastructure, systems and information assets.

IT GOVERNANCE

1st line of Defence
Management controls
Internal control measures

2nd line of Defence
Financial control
Security
Security Risk Management
Quality
Inspection
Compliance

3rd line of Defence
Internal Audit

IT POLICY FRAMEWORK

- Hayleys IT Security policy
- Acceptable IT use policy
- Group Access policy

AREAS OF FOCUS

- Strategic alignment with businesses
- Value delivery
- Risk management
- Resource management

IMPROVEMENTS IN 2022/23

- Investments in scalable cutting-edge network infrastructure
- Cybersecurity awareness and culture building
- Continuous improvements on the effectiveness of current security measures

ETHICS AND ORGANISATIONAL CULTURE

Supporting delivery of the Corporate Purpose

As detailed on page 16, Hayleys PLC launched its Corporate Purpose during the year under review- clearly articulating the core drivers of our value creation and guiding all decisions and operations across our business. Sound corporate governance practices support the delivery of the purpose by ensuring all business functions embed the principles of the Hayleys Lifecode in ensuring inclusive value creation within planetary boundaries. Refer to page 17 for further details on the formulation of the Corporate Purpose.

The Hayleys Way- Code of Business Principles

The Hayleys Way functions as the Ethical Road Map for all employees of the Group including its key management personnel, clearly setting out the expectations of all Group employees. This code of conduct is reinforced through the orientation training which all employees joining the Group undertake, typically within one month of joining. It sets out explicit statements on anti-corruption and acceptable gifts

Key aspects of the Hayleys Way are summarised below:

BUSINESS INTEGRITY
Guidelines to eliminate all forms of bribery, fraud and corruption

COMPETITION
Commitment towards supporting appropriate competition laws and ethical communication on competitors' products

CORPORATE REPOSINSBILITY
Commitment to good corporate citizenship, preserving human rights and improving the quality of life of people and communities

CONFLICT OF INTEREST
Mitigating the risks of conflicts of interest in any business/personal association.

REGULATORY COMPLIANCE
Commitment to fully comply with all applicable laws and regulations in all territories they operate

ENVIRONMENT
Continuous improvements in the management of environmental impacts and contributing positively to the natural environment

CORPORATE GOVERNANCE

VALUES

The Group's Values are the internal beliefs which serve as guiding morals in all aspects of its operations and is articulated through Hayleys & I as described below;

H - Honesty and integrity
A - Accountability
Y - Yes, WE CAN
L - Love for humanity
E - Enduring customer value
Y - Yes, we WILL WIN
S - Social responsibility as a global corporate citizen
&
I - Innovation

Anti-Corruption

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. In addition, Hayleys PLC is also a participant of the UN Global Compact thereby pledging its commitment to Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Whistleblower Policy

The Group's Whistleblower Policy provides an effective mechanism for employees to raise concerns where the interest of the organisation is at risk. The Policy ensures confidentiality and anonymity and encourages the reporting of concerns such as fraud, improper conduct and breach of the Hayleys Way among others. Two-way communication is facilitated by providing the Whistleblower feedback on the actions taken if he/she so requests. Key elements of the policy are set out alongside:

Aspects of the Whistleblower Policy

- Guidelines on procedure to raise a concern
- Management responses and steps taken
- Details of the internal inquiry process including composition and quorum of the Internal Inquiring Committee
- Maintaining confidentiality

Preserving Human Rights

As a signatory to the United Nations Global Compact, Hayleys has committed to Principle 1 and 2 of the UNGC Principles of Human Rights. The Group has also implemented a Human Rights Policy which aims to foster an organisational culture that embraces internationally recognised guidelines on human rights while eliminating the risk of human rights abuse. Key aspects of the Policy include the following:

- **Fair treatment:** Quality of opportunity and treatment for the purposes of eliminating discrimination
- **Non-harassment:** Creating an environment free of all forms of workplace harassment
- **Abolishing child, forced and compulsory labour** in both our operations and along our value chain in working with subcontractors and suppliers
- **Freedom of Association and Collective Bargaining**
- **Promoting health and safety** by providing appropriate safety measures and precautions at all locations

Measures to promote ethical behaviour

The Group has implemented several practical mechanisms and processes to nurture a culture of ethics and drive ethical behaviour. These measures include the following:

- Performance appraisals:
- Management of consequences through the Disciplinary Policy
- Ongoing training and awareness programmes
- Clear communication of internal and external mechanisms for seeking advice

ESG INTEGRATION

The Hayleys Lifecode

The Group's commitment to ESG is codified in the Hayleys Lifecode, which clearly articulates our sustainability aspirations, strategies and action plans. The Lifecode includes a suite of social, environmental and governance policies which are applicable as a minimum standard across all Group companies; Sectors are also encouraged to develop their own ESG Roadmaps taking into consideration industry-specific dynamics and operating conditions. Please refer to page 118 for further information on the Group's ESG Framework.

Elements of the Hayleys Lifecode

Overview

ESG Roadmap and goals

Lifecode governance

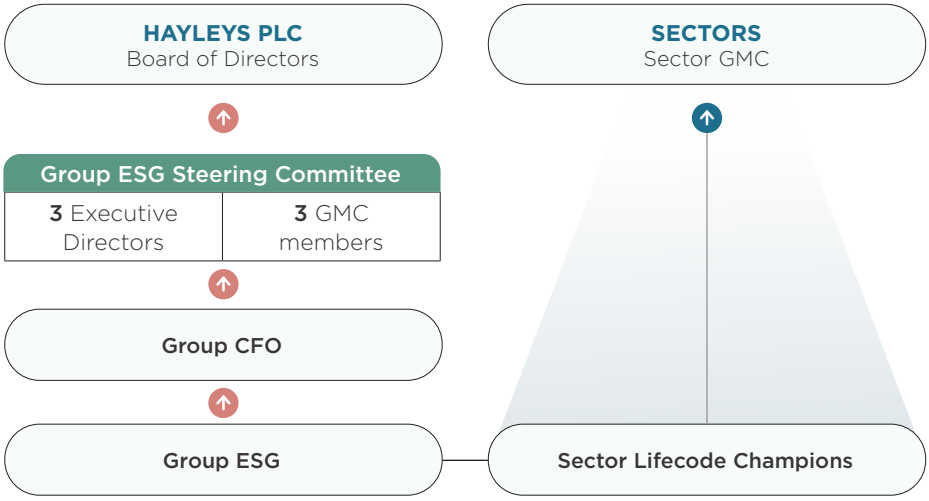
Environmental strategies, targets and KPIS

Social strategies, targets and KPIs

Scan QR code to access Hayleys Lifecode

ESG GOVERNANCE

The Lifecode governance structure is set out below; the Board holds overall responsibility of formulating the Group's aspirations, strategies and policies relating to ESG and sustainable development. During the year, an ESG Steering Committee was established at Board level to assist the Board in its ESG-related duties.



The responsibilities of the ESG Steering Committee are summarised below;

- Provide oversight and monitor the execution of the Group's ESG Framework-Hayleys Lifecode including progress against environmental, social and governance targets in the short, medium and long-term
- Identify ESG related risks, opportunities and impacts and recommend the implementation of appropriate measures to effectively address these dynamics.
- Review and provide guidance on ESG related policies and programmes required to drive the Group's ESG Framework and strategy.
- Review and approve the Group's stakeholder engagement strategy which allows management to identify, understand and respond to stakeholders' legitimate concerns.
- Review emerging trends and issues in the ESG areas and assess potential impact on the Group.

Group ESG Division: The Group ESG Division has day-to-day responsibility for implementing the ESG Framework and ensuring that the metrics required to assess progress are reliable. They are supported by Lifecode Champions in each sector who coordinates with the Centre and the Sector and serve as a contact point for the Group ESG Division. Regular meetings are conducted by Group ESG to ensure that there is clear understanding about the objectives and progress made.

Actions taken to support ESG oversight in 2022/23

- Appointment of ESG Steering Committee at Board/GMC level
- Drive implementation of Hayleys Lifecode at Sector level
- Director and GMC awareness sessions on emerging developments in ESG
- Inclusion of ESG initiatives in Sectors' annual budgeting process

ESG Culture building

During the year, several organisation-wide initiatives were carried out to raise awareness on ESG issues and nurture a culture of social and environmental consciousness across our business units. This included monthly engagements with sector-level Lifecode champions, knowledge sharing sessions, training programmes with external resources, e-mail communication campaigns and several tailor-made workshops to Sectors.

Sustainability/ESG Reporting

Non-financial Information required for ESG reporting is gathered through an inhouse developed system "The Cube" which collects comprehensive environmental, social and other information across all operations locations. Non-financial information is input by the different entities and can be extracted to provide information for each location, entity, sector, and the Group facilitating a drill down in case of need.

The non-financial information is fed in monthly or quarterly as preferred by the entity. The Group ESG reviews the information quarterly and discusses progress made with the relevant sectors. The information is presented to the ESG Steering Committee Group Management Committee and the Board on a quarterly basis and more frequently as maybe deemed necessary.

The Group has also embraced emerging developments and international best practices in corporate reporting and both Hayleys PLC and listed subsidiaries are frequently recognised at local and international corporate/sustainability reporting award programmes (refer to page 452 for full list of awards won during the year)

CORPORATE GOVERNANCE

Sustainability Reporting Frameworks adopted by Hayleys PLC

- International Integrated Reporting framework
- GRI Standards (2021)
- 8 industry standards of the Sustainability Accounting Standards Board
- Recommendations of the Task Force on Climate Related Disclosures (TCFD)

REMUNERATION REVIEW

The following discussion provides an overview of the Hayleys Group's remuneration philosophy, principles and policies in respect to all employees, Executive Directors and Non-Executive Directors. (NED)

Remuneration Governance

The Board Remuneration Committee provides oversight regarding remuneration-related matters within its mandate. The Committee thereby determines the remuneration of the Chairman & Chief Executive and the Executive Directors and sets guidelines for the remuneration of the management staff within the Group. The Report and summarised terms of reference the Remuneration Committee Report are set out on page 296. Additionally, some selected sector holding companies which are Groups in their own right, have also established their own remuneration committees to address the specific concerns within the industry in which it operates.

The Board as a whole determines the remuneration of the NED's who receive a fee for being a Director of the Board and additional fee for being a member of a Committee. They do not receive any performance related incentive payments. Remuneration Committee consults the Chairman about its proposal relating to the remuneration of other Executive Directors and have access to professional advice from within and outside Hayleys PLC, in discharging their responsibilities. No Director is involved in deciding his own remuneration.

Remuneration Philosophy

Hayleys' remuneration processes are designed to ensure alignment with the Group's strategic aspirations. The performance criteria are set at a level which drives high performance, but precludes excessive risk-taking behaviour. The Group's remuneration approach is targeted towards,

- Driving the achievement of the Group's strategic aspirations
- Attracting and retaining high-performing talent
- Promote internal equity through fair and transparent remuneration schemes
- Optimum allocation of resources in driving positive outcomes
- Nurture an ethical culture and responsive and responsible corporate citizenry

Level and make-up of remuneration

The Remuneration Committee determines the combination of remuneration needed to attract, retain and motivate Executive Directors of the quality required to achieve corporate goals. The Remuneration Committee ensures that the remuneration of executives of each level of management is competitive and in line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is competitive with those of comparative companies.

A performance-based incentive has been determined by the Remuneration Committee to ensure that the total earnings of the executives are aligned with the achievement of objectives and budgets of the Group companies. Presently the Group does not have an Executive Share Option Schemes. The Remuneration Committee follows the provisions set out in Schedule D of the Code as required. No special early termination clauses are included in the contract of employment contract of Executive Directors that would entitle them to extra compensation. However, any such compensation would be determined by the Board of Directors.

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

The Report of the Remuneration Committee is set out on page 296 which includes a statement on Remuneration Policy. Please refer page 287 for the total Directors' Remuneration.

Aligning strategy to remuneration

Remuneration structures are designed to assist us in measuring our performance against our strategic objectives using relevant performance indicators

Remuneration in 2022/23

Employee remuneration consists of salaries and bonus, defined benefit charges and other related expenses. Given the conditions that prevailed during the year, the Group engaged in a market adjustment of salaries, ensuring continued financial security to all employees. Further details of this are available on note no. 10 on page 345.

Rs.mn	2023	2022
Directors' emoluments	**3,561**	2,802
Personnel expenses		
Defined contribution plan cost	**3,046**	2,926
Employee benefit plan cost	**2,215**	1,514
Other staff cost	**34,847**	29,353

COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Code Ref.	Compliance and Implementation	Compliance
A. DIRECTORS A.1 An effective Board should direct, lead and control the Company A.1.1 Regular meetings, structure and process of submitting information	The Board meets on a monthly basis and attendance at meetings is given on page 66. Board packs are circulated one week prior to the Board meeting and typically include the following information: • Financial and operational information including progress on agreed Key Performance Indicators and information on the external operating environment; • Financial statements for the relevant quarter and year to date together with comparatives for the corresponding period of the previous financial year and budgets; • Forecast performance for the financial year • A description of key risks including an assessment of their impact and likelihood of occurrence, assessment of the previous quarter, how the risks are managed and those accountable for monitoring or managing risk; • Operational and financial compliance statements confirming regulatory compliance and other matters considered necessary in accordance with policies of the Group and Board. • Updates of group companies (if any) which falls under section 219 and 220 of the Companies Act No 07 of 2007. • These statements include information regarding breaches of internal controls or fraud detected during the period together with any action taken or confirm the absence thereof; • Report on number of calls to whistle blowing line or a confirmation that there were no calls recorded • Information on human resources, including appointments and resignations of Directors and KMPs of all Group companies. • Information on capital expenditure in the group • Share trading of the Company and related party transactions by key management personnel • Documents to which the Company seal has been affixed to • Resolutions on other matters referred to the Board	✓
A.1.2 Role & Responsibilities of the Board	The Role and Responsibilities of the Board are inset on page 61 and encompass those set out in the Code.	✓
A.1.3 Act in Accordance with laws	The Board has set in place a framework of policies set out on pages 98 to 101, procedures and a risk management framework to ensure compliance with relevant laws, and international best practices with regards to the operations of the Group.	✓

CORPORATE GOVERNANCE

Code Ref.	Compliance and Implementation	Compliance
A.1.4 Access to advise and services of Company Secretary	All Directors have access to the advice and services of the Company Secretarial function provided by Hayleys Group Service (Pvt) Ltd which is responsible for ensuring follow up of Board procedures, compliance with rules and regulations, directions and statutes, keeping and maintaining minutes and relevant mandatory records of the Group. Hayleys PLC has obtained insurance cover for the Board of Directors and key management personnel.	✓
A.1.5 Independent judgement	Directors bring independent judgment to bearing on decisions taken by the Board on issues of strategy, performance, resources and business conduct. Composition of the Board ensures that there is a sufficient balance of power and contribution by all Directors. Many of the Board members are professionals who are required to conform to professional codes of conduct which require the exercise of independent judgement in discharge of their duties.	✓
A.1.6 Dedicate adequate time and effort to matters of the Board and the Company	Dates of regular Board meetings and Board Sub-Committee meetings are scheduled well in advance and the relevant papers are circulated a week prior to the meeting giving sufficient time for review. There is provision to circulate papers closer to the meeting on an exceptional basis. It is estimated that Non-Executive Directors dedicate not less than 12 days per annum for the affairs of the Group and those Directors who are also on Audit Committee dedicate a further 4 days for the affairs of the Group. In addition, they are available for any adhoc meetings or discussions at any time.	✓
A.1.7 Calls for resolutions	Any Director can call for a resolution to be presented to the Board if deemed necessary.	✓
A.1.8 Board induction and Training	Directors recognise the need for continuous training and expansion of their knowledge and skills to effectively discharge their duties and are encouraged to attend sessions of the Sri Lanka Institute of Directors and other corporate forums on relevant matters. As independent professionals, many of the Directors also conform to Continuing Professional Development requirements of their respective professional organisations. Board members are also given insights in to regulatory changes that may impact the industry at Board meetings.	✓
	Audit Committee members receive updates on regulatory changes relating to matters entrusted to the Committee on a semi-annual basis to ensure that they are updated on regulatory requirements impacting reporting and risk management processes. They are also given insights in to organisation wide initiatives to strengthen internal controls, risk management and financial reporting processes at the same meetings.	✓
A.2 Chairman & Chief Executive Officer	Functions of Chairman & Chief Executive are vested in one person as the Board is of the opinion that it is the most appropriate arrangement for Hayleys PLC considering the diversity and size of the Group. Dr H. Cabral, PC, who is a Non-Executive Director functions as Senior Independent Director to facilitate Board balance.	✓
A.3. Chairman's role in preserving good corporate governance	See Role of Chairman in Corporate Governance Report.	✓

Code Ref.	Compliance and Implementation	Compliance
A.3.1 Conduct of Board Meetings	The Chairman ensure the following: a. Development of an appropriate agenda for Board meetings with the Company Secretaries taking in to consideration recommendations of the Directors, Best Practices in Corporate Governance, regulatory and other compliance requirements, and business needs of the company including performance review, resource allocation and risk management b. Sufficiency of information in Board packs and timely availability of the same c. Induction programmes for newly appointed Directors to acquaint them with their duties and responsibilities and Corporate Governance structure of the Group d. Effective participation of Executive and Non-Executive Directors, e. Directors are encouraged to seek additional information necessary to engage in discussion of agenda items and to request inclusion of matters of concern on the agenda f. Sufficient balance of power between Executive and Non-Executive Directors g. Views of Directors are obtained and the minutes reflect the deliberations of the Board h. Board's control of the affairs of the company and its obligations to shareholders and stakeholders	✓
A.4 Availability of financial acumen	Refer Principle A.4. in Corporate Governance Report.	✓
A.5 Board Balance	There are only four Non-Executive Directors and hence, Executive Directors form the majority of the Board. The Board is reviewing this new requirement at present with a view to compliance with the same.	✓
A.5.1 Majority of Non-Executive Directors	All four Non-Executive Directors are independent of any material business relationships subject to the disclosure made on page 110.	The specialist skills required for managing the diverse interests of the Group requires a sufficient number of Executive Directors
A.5.2 If only 3 NEDs, they should be independent	Independent Directors are independent of management and free of business dealings that may be perceived to materially interfere with the exercise of their unfettered and independent judgement. The Chairman holds a meeting at least once a year with only the NEDs without the presence of the Executive Directors. Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes.	✓
A.5.3 Independence of Directors	The Board determines the independence of Directors on an annual basis based on annual declarations submitted by the Directors and other information based on the requirements of the Code as set out in A.5.5.	✓

CORPORATE GOVERNANCE

Code Ref.	Compliance and Implementation	Compliance
A.5.4 Annual declaration by Directors	The Board determines the independence of Directors on an annual basis based on annual declarations submitted by the Directors and other information based on the requirements of the Code as set out in A.5.5	✓
A.5.5 Annual determination of independence		✓
A.5.6 Alternate Directors	Ms. A.A.K. Amarasinghe acted as an alternate Director to Mr.K. D. D. Perera in line with the Articles of Association of the Company and the CSE listing rules, until his resignation from the Board	✓
A.5.7 & A.5.8 Senior Independent Directors	Dr. H. Cabral PC has been appointed as Senior Independent Director as disclosed in A.2. in the Corporate Governance Report. The role has been expanded to 2 meetings, a year with NEDs and 1 meeting with Executive Directors on governance matters and communicating matters discussed to the Chairman.	✓
A.5.9 Annual In camera meeting with NED	The Chairman holds a meeting with only Non-Executive Directors at least once a year.	✓
A.5.10 Recording of dissent in minutes	Directors' concerns on matters which have not been resolved unanimously are recorded in the Board minutes and Directors have the opportunity to review minutes	✓
A.6. Supply of Information	The Chairman ensures that all Directors are briefed on issues arising at Board Meetings by requiring management to provide comprehensive information including both quantitative and qualitative information for the monthly Board meetings 7 days prior to the Board/Sub-Committee meetings. The Directors have free and open access to Management at all levels to obtain further information or clarify any concerns they may have. They also have the right to seek independent professional advice at the Company's expense and copies of advice obtained in this manner are circulated to other Directors who request it. Any Director who does not attend a meeting is updated on proceedings prior to the next meeting through: • Directors who are unable to attend meetings physically have the opportunity to participate through digital platforms. • Formally documented minutes of discussions. • By clarifying matters from the Board Secretary. • Separate discussions at start of meeting regarding matters arising for the previous meeting. • Archived minutes and Board papers accessible electronically at the convenience of the Directors. Directors also have an open invitation to attend the meetings of the Management Committees and can interact with Senior Management after Board meetings. Directors are provided with monthly reports on performance, minutes of review meetings and such other reports and documents as necessary. Minutes of meetings are circulated with the Board packs for the next monthly meeting within the agreed time.	✓
A.7. Appointments to the Board & re-election	Refer Nomination, Appointment & Succession in Corporate Governance Report on page 295	✓
A.8 Directors to submit themselves for re-election		✓

<table>
<tr><th>Code Ref.</th><th>Compliance and Implementation</th><th>Compliance</th></tr>
<tr><td>A.9 Appraisal of Board & Committee Performance</td><td>The Chairman and Remuneration Committee are responsible for evaluating the performance of the Executive Directors and Committees through an annual self-evaluation of its own performance. The responses are submitted to the Chairman for discussion at a Board Meeting. Board evaluation criteria are given in the adjacent box.</td><td>✓</td></tr>
<tr><td>A.10 Annual Report to disclose specified information regarding directors</td><td><table><tr><th></th><th>Page Reference</th></tr><tr><td>Profiles of Board members</td><td>46</td></tr><tr><td>Membership of sub-committees and attendance at Board and Subcommittee meetings</td><td>66</td></tr><tr><td>Remuneration paid to directors</td><td>287</td></tr><tr><td>Related party transaction and other business interests</td><td>410</td></tr><tr><td>Names of listed companies in Sri Lanka in which they serve as directors</td><td>48</td></tr></table></td><td>✓</td></tr>
<tr><td>A.11 Appraisal of the CEO</td><td>Prior to the commencement of each financial year, the Board in consultation with the Chairman & Chief Executive, set reasonable financial and non-financial targets which are in line with short, medium and long-term objectives of Hayleys, achievement of which should be ensured by the Chairman & Chief Executive. A monthly performance evaluation is performed at which actual performance is compared to the budget. The Chairman & Chief Executive is responsible to provide the Board with explanations for any adverse variances together with actions to be taken.</td><td>✓</td></tr>
<tr><td colspan="3">Directors' Remuneration</td></tr>
<tr><td>B.1. Establish process for developing policy on executive and director remuneration.</td><td>Refer Remuneration on page 296</td><td>✓</td></tr>
<tr><td>B.2. Level & Make Up of Remuneration</td><td>Refer Level & Make Up of Remuneration on page 296</td><td>✓</td></tr>
<tr><td>B.3 Disclosure of remuneration</td><td>The Report of the Remuneration Committee on page 296 provides a statement on Remuneration Policy. The total for Directors' Remuneration is given on page 287</td><td>✓</td></tr>
<tr><td colspan="3">Relations with Shareholders</td></tr>
<tr><td>C.1. Constructive use of the AGM & Other General Meetings</td><td rowspan="2">Refer Upholding rights of shareholders on page 86</td><td>✓</td></tr>
<tr><td>C.2. Communication with shareholders</td><td></td></tr>
<tr><td>C.3. Disclosure of major transactions</td><td>Transactions, if any, which materially affect the net asset base of Hayleys PLC, will be disclosed in the Quarterly/ Annual Financial Statements.

During the year, there were no major transactions as defined by Section 185 of the Companies Act No 07 of 2007 which materially affect the asset base of Hayleys PLC or consolidated Group asset base.</td><td>✓</td></tr>
</table>

CORPORATE GOVERNANCE

Code Ref.	Compliance and Implementation	Compliance
Accountability & Audit		
D.1 Accountability & audit	The Board recognises its responsibility to present a balanced and understandable assessment of the Group's financial position, performance and prospects in accordance with the requirements of the Companies Act No 07 of 2007. The Financial Statements included in this Annual Report are prepared and presented in accordance with Sri Lanka Accounting Standards. The Annual Report also conforms to the GRI Standards published by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council. Hayleys PLC has complied with the reporting requirements prescribed by the Colombo Stock Exchange. The following specialised information requirements are also included in this Annual Report: • The Business model – on pages 82 to 85. • Operating environment – on pages 90 to 93. • Opportunities & Threats – on pages 98 to 109. • Risk Management – on pages 98 to 109. • Stakeholder relationships on pages 86 to 89. • The Capitals Report on pages 236 to 283. • The Annual Report of the Board of Directors on the Affairs of the Company given on pages 286 to 292 cover all areas of this section. • The "Statement of Directors' Responsibilities" is given on page 297. • The Directors' Statement on Internal Controls is given on page 294. • The "Independent Auditors' Report "on pages 302 to 305 For the Auditor's responsibility. • The Financial Capital Review, the Value Creation Report on pages 236 to 241 and 236 to 283. There has been no serious loss of capital to convene an EGM in terms of the Companies Act.	✓
D.2. Risk Management & Internal Control	Refer Control Environment on page 98 to 109	✓
D.3. Audit Committee	Refer Audit Committee on pages 299 to 300	✓
D.4 Related Party Transactions Review Committee	Refer Related Party Transactions on page 298	✓
D.5. Code of Ethics	Refer the Hayleys Way on page 69	✓
D.6 Corporate Governance Disclosures	The Corporate Governance Report from pages 56 to 80 and this Compliance with the Code of Best Practice on Corporate Governance complies with the requirement to disclose the extent of compliance with the Code of Best Practice on Corporate Governance as specified in Principle D5.	✓
E. Institutional Investors and Other Investors	Please refer Investor Relations on page 240	✓

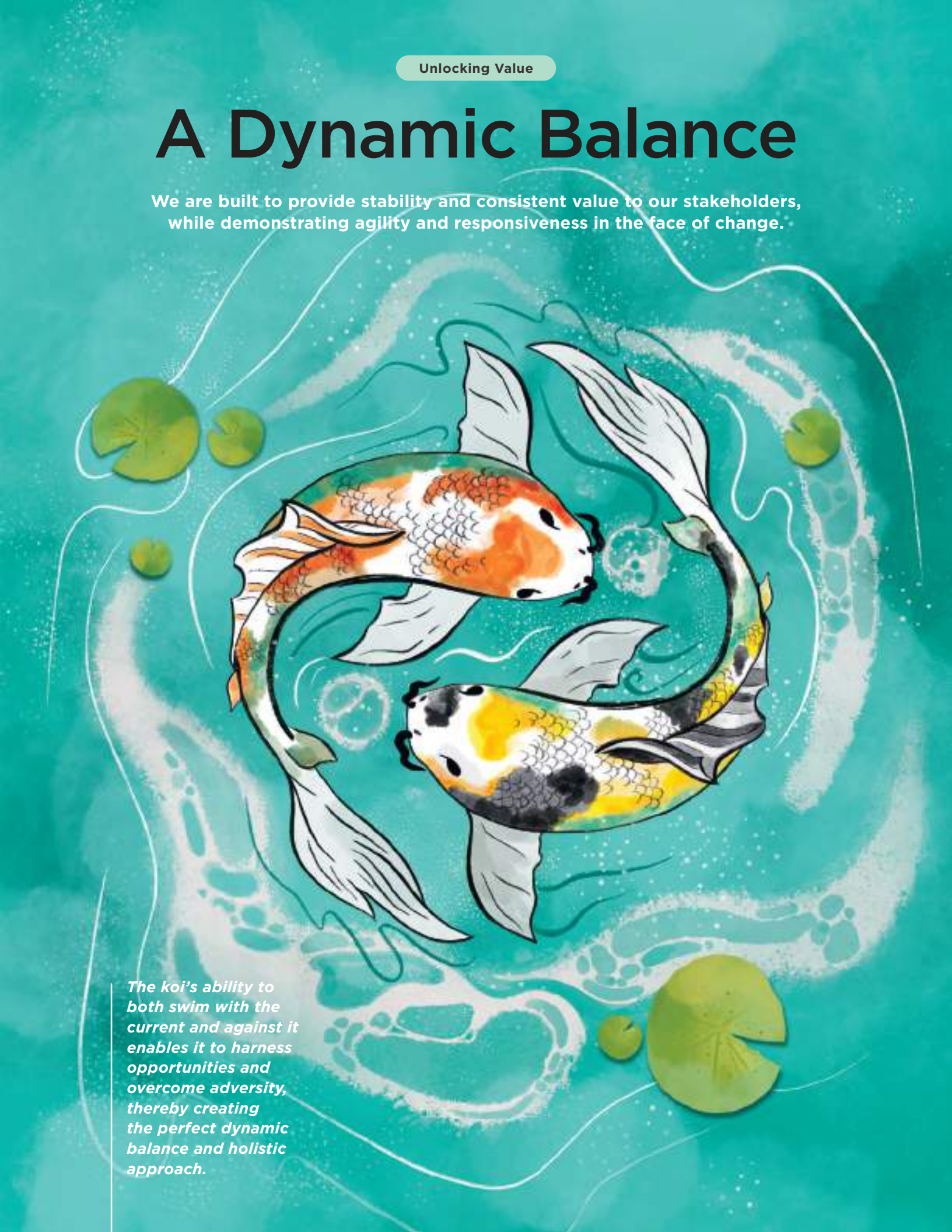
Code Ref.	Compliance and Implementation	Compliance
E.1 & F Encourage voting at AGM	Shareholders are encouraged to participate at the AGM and vote on matters set before them and Hayleys PLC has a track record of a high level of participation at its Annual General Meetings. All shareholders are encouraged to participate and vote at the same.	✓
E.2 Evaluation of Governance Disclosures	All shareholders are provided sufficient information to facilitate and encourage effective shareholder participation including governance matters.	✓
Internet of Things & Cybersecurity		
G.1 Identify connectivity and related cyber risks	This function was complied with by the Group Head of IT for the year under review.	✓
G.2 Appoint a CISO and allocate budget to implement a cybersecurity policy	A Group Information Security Deputy General Manager was recruited	✓
G.3 Include cyber security in Board agenda	Included in the agenda as and when required	✓
G.4 Obtain periodic assurance to review effectiveness of cybersecurity risk management	A firm of external consultants were engaged to review the effectiveness of the Group's cybersecurity risk management during the year.	✓
G.5 Disclosures in Annual Report	Please refer Internet of Things & Cybersecurity on page 68	✓
Environment, Society & Governance		
H Sustainability Reporting	Sustainability principles are embedded in our business operations and considered in formulating our business strategy and reported in a holistic manner throughout this report. Information required by the Code is located as follows: • Principle 1 - Reporting of Economic Sustainability on page 22 • Principle 2 - Reporting on the Environment on pages 272 to 282 of the Capital Management Report • Principle 3 - Reporting on Labour Practices on pages 251 to 252 of the Capital Management Report. • Principle 4 - Reporting on Society on pages 260 to 263 of the Capital Management Report. • Principle 5 - Reporting on Product Responsibility on page 258 of the Capital Management Report. • Principle 6 - Reporting on Stakeholder identification, engagement and effective communication on pages 86 to 89. • Principle 7 - Sustainable reporting on page 117.	✓

CORPORATE GOVERNANCE

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys' Extent of Adoption
7.10.1(a)	Non-Executive Directors	Compliant	Four out of ten Directors are NEDs
7.10.2(a)	Independent Directors	Compliant	All four Non-Executive Directors are Independent
7.10.2(b)	Independent Directors	Compliant	All NEDs have submitted their confirmations on Independence as per the criteria set by Hayleys PLC, which is in line with the regulatory requirements.
7.10.3(a)	Disclosure relating to Directors	Compliant	The Board assessed the independence declared by the Directors and determined the Directors who are independent
7.10.3(b)	Disclosure relating to Directors	Compliant	Dr. H. Cabral and Mr. H. Jamaldeen have served as Independent directors for over 9 years and the Board has determined that since they do not exert control over the Company and are able to make unfettered judgments and act impartially, they are nevertheless independent. The Board determined that all Non-Executive Directors satisfy the criteria for "independence" set out in the Listing Rules.
7.10.3(c)	Disclosure relating to Directors	Compliant	Please refer pages 46 to 51 for the brief resume of each Director.
7.10.3(d)	Disclosure relating to Directors	Compliant	Appointments of all new Directors are immediately informed to the Colombo Stock Exchange to be disclosed to the public. Brief resumes of the Directors appointed during the year are provided to the Colombo Stock Exchange.
7.10.5 (a)	Composition of Remuneration Committee	Compliant	Please refer the Remuneration Committee Report on page 296 and Principles B1 to B3 on page 72 of this Corporate Governance Report.
7.10.5(b)	Functions of Remuneration Committee	Compliant	The remuneration paid to Directors is given in note 10 to the financial statements on page 345.
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	Compliant	
7.10.6(a)	Composition of Audit Committee	Compliant	Refer Audit Committee Report on pages 299 to 300.
7.10.6(b)	Audit Committee Functions	Compliant	
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	Compliant	
9.2.1& 9.2.3	Related Party Transactions Review Committee	Compliant	The Functions of the Committee are stated in the Report of the Related Party Transaction Review Committee in page 298
9.2.2	Composition	Compliant	Please refer the Report of the Related Party Transaction Review Committee in page 298.
9.2.4	Related Party Transactions Review Committee Meetings	Compliant	The Committee met 04 times during the Financial year 2022/23.
9.3.1	Immediate Disclosures	Compliant	Please refer Note 38 of the Notes to the Accounts on pages 410 to 413
9.3.2(a) & (b)	Disclosure of Non-Recurrent and Recurrent Related Party Transactions	Compliant	Please refer Note 38 of the Notes to the Accounts on page 413
9.3.2(C)	The Report by the Related Party Transaction Review Committee	Compliant	Please refer the Report of the Related Party Transaction Review Committee on page 298
9.3.2(d)	A Declaration by the Board of Directors	Compliant	Please refer the Annual Report of Board of Directors for an affirmative statement of compliance of the Board on pages 286 to 292

A Dynamic Balance

We are built to provide stability and consistent value to our stakeholders, while demonstrating agility and responsiveness in the face of change.



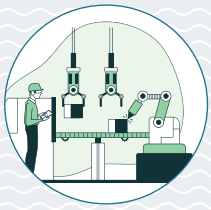
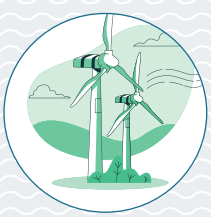
The koi's ability to both swim with the current and against it enables it to harness opportunities and overcome adversity, thereby creating the perfect dynamic balance and holistic approach.

OUR VALUE STORY

VALUE CREATION MODEL

The Group relies on its resources and relationships (classified into six capitals by the <IR> Framework) to create and preserve value through its diverse business activities. The transformation of these capitals enables the delivery of the Group's strategy, its ESG aspirations while contributing towards advancing the UN Sustainable Development Goals.

INPUTS

Our resources and relationships		Availability and quality of capital
	Financial Capital **Rs. 122.71 bn** Shareholders' funds **Rs. 159.70 bn** Debt Page 236	Accessing financial capital remains costly given the prevalent high-interest scenario, underscoring the importance of prudent financial management.
	Manufactured Capital **Rs. 126 bn** Property, plant and equipment including buildings, machinery & equipment Manufacturing plants in 5 countries Page 242	Rapid advances in technology and increasing focus on sustainable manufacturing necessitates continuous upgrading in physical infrastructure.
	Human Capital **31,483** employees Skills, value and industry insights Strong leadership team Organisational culture- Hayleys Way Page 246	The competition for skills is intensifying, requiring emphasis on growing talent from within and retaining our high-performing employees.
	Social & Relationship Capital Partnerships with customers, suppliers and industry stakeholders Relationships with communities and civil society Page 256	Maintaining our social license to operate is critical in the current environment, underpinned by ethical and responsible behaviour that earns stakeholder trust.
	**Intellectual Capital** Strong brands Innovation capabilities Systems, processes and standards Organisational capital Page 264	Building domain-specific, organisational knowledge through retaining talent, nurturing a culture of learning and enhancing agility of our team is critical to long-term success
	**Natural Capital** **431.47 acres** Land extent **4.81 mn GJ** Energy consumption **6.79 m3 mn** Water use Page 272	The country's recent energy shortages as well as increasing water stress and degradation of land continues to drive the business case for preserving and enriching our natural resources

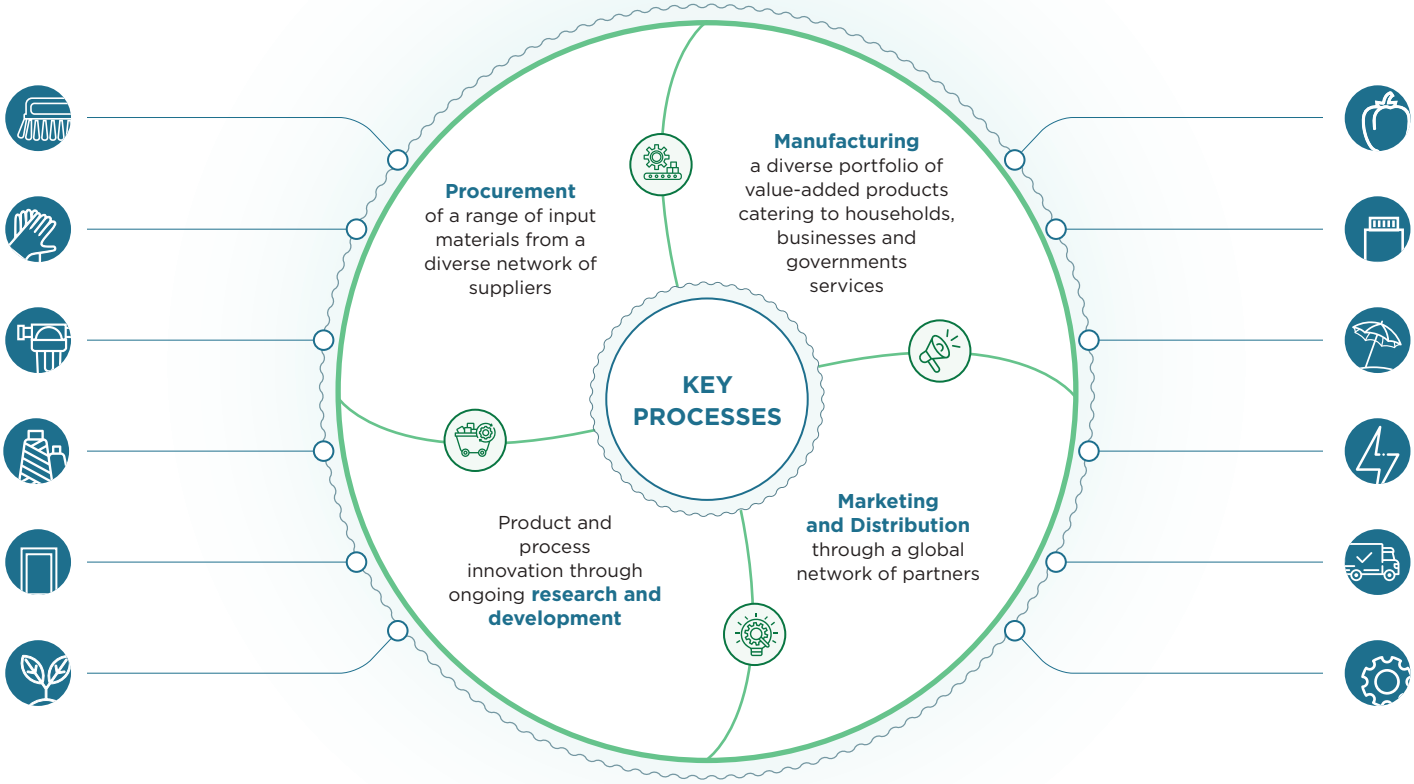
VALUE CREATING PROCESSES

OUR PURPOSE

To inspire an inclusive world and a thriving planet

OUR BUSINESS ACTIVITIES

Through our business verticals we engage in diverse activities and resource transformations to generate value that delivers sustainable and responsible value to all stakeholders



STRATEGIC PRIORITIES

Shared Prosperity through Portfolio Growth, Customer Centricity, Inclusive Business Models, Inspired Teams, Preserving and Regenerating Nature

ISSUES IMPACTING VALUE (Page 110)

Macro-economic vulnerabilities	Commodity market fluctuations	Geopolitical tensions	Technology and automation
Talent migration	Access to fuel and energy	Competition	Environmental issues

OUR VALUE STORY

OUTPUTS

Products & Services

Fibre-based products

Protective hand-ware

Activated carbon

Fabrics

Aluminium profiles

Tea, rubber and value-added tea

Agricultural products

Consumer durables

Industrial raw materials

Hotels and resorts

Transportation and logistics services

MEP, Solar, BPO and shared services

Waste and Emissions

Total GHG emissions:
209,874 tCO2e

Biogenic emissions:
360,792 tCO2e

Total waste:
19,229 MT

Hazardous waste:
4,253 MT

Non-hazardous waste:
14,976 MT

Capital Outcomes

Financial Capital

Rs. 61.07 bn (+82%)
Profit Before Interest and Tax

Rs. 27.67 bn (-2%)
Profit After Tax

Rs. 11.77 bn (+1%)
Dividends

Page 236

Manufactured Capital

Rs. 17.13 bn (+22%)
Capital expenditure

Rs. 16%
PPE/Turnover ratio

Rs. 10.01 bn (+19%)
Depreciation and amortisation

Page 242

Human Capital

Rs. 40.23 bn (+19%)
Payments to employees

Rs. 180 mn (+161%)
Training investment

20%
Turnover

Page 246

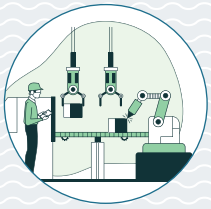
Social & Relationship Capital

Rs. 28.31 bn (+41%)
Taxes paid

Rs. 433 mn (+39%)
Investment in CSR

Rs. 392 bn (+65%)
Supplier payments

Page 256



Intellectual Capital

Rs. 323 mn (-25%)
Investment in R&D

549
New products developed

82
Products in the pipeline

Page 264

Natural Capital

619,959 m3
Waste water recycled

169,471 MwH
Renewable energy generated

53,442
Trees planted

Page 272

OUTCOMES

Actions to Sustain Value

- Measures to ensure continuity of operations amidst economic crisis
- Pursue growth in new markets
- Effective working capital management
- Group-wide efficiency and process improvement drive
- Increased diversification of businesses
- Optimisation of underutilised assets

- Capacity expansion in value-added manufacturing capabilities in selected verticals
- Maintenance and upgrade of machinery
- Ongoing investment in technology and automation

- Measures to ensure financial security and well-being of all employees given prevalent economic challenges
- Focus on skill and career development with emphasis on leadership capabilities
- Strengthened performance management systems

- Continued focus on advancing our product offering through leveraging in-house research capabilities and collaborations
- Nurturing a culture of learning through knowledge sharing and mentoring

- Investing in initiatives that strengthen engagement, development and relationships with suppliers
- Supporting communities through meaningful and impactful CSR programmes
- Collaborations to drive sustainable development through addressing critical social and environmental issues

- Group-wide GHG inventory verification
- Formulation of emission reduction roadmaps in several key sectors
- Pursuing opportunities in renewable energy
- Multiple biodiversity preservation initiatives

Stakeholder Value & SDGs

Shareholders

We seek to provide sustained, risk-adjusted returns through capital appreciation and dividends

Customers

Deliver customer satisfaction through superior products and service propositions.

Business partners

Create opportunities for mutual growth

Employees

Focus on retaining employees, ensuring wellbeing, ongoing development and creating an environment in which all employees can thrive.

Communities

Build healthy and meaningful community relationships through supporting community programmes and development

Government

Contribute towards the achievement of national economic priorities

Customers

Strengthen value proposition through customer-centric innovation

Employees

Nurture a unique base of organisational capital

Communities

Preserve and enrich the natural environment for future generations

STAKEHOLDER RELATIONSHIPS

The value we create for our diverse stakeholders is not just critical to our social license to operate but also is at the core of our purpose. Stakeholder engagement is therefore integrated into every step of our value-creation process and actioned at both Group-level and operational level (sites, factories and across value chain)

GOVERNANCE OF STAKEHOLDER ENGAGEMENT

Stakeholder Engagement is a key element within the Governance (G) pillar of the Hayleys Lifecode, which articulates the Group's value proposition to stakeholders and includes specific policies for employees, suppliers and communities that offer guidelines on the approach to stakeholder engagement. The Lifecode also sets out the engagement measures adopted under each selected approach as set out below;

Consult/ Collaborate	Satisfaction surveys Meetings/workshops Stakeholder forums Projects/ development programmes
Message	Corporate reporting Press releases Corporate website/ social media platforms Marketing campaigns Newsletter/mass e-mail
Monitor	Online/social media monitoring Tracking relevant research/news reports

ADDRESSING BARRIERS TO STAKEHOLDER ENGAGEMENT

The breadth and depth of the Group's relationships makes its stakeholder universe widely diverse, which in turn necessitates differentiated approaches in conducting stakeholder engagement. This diversity includes language, cultural differences, general differences, gender imbalances and divisions within communities. The Group adopts the following measures to address these barriers;

- Trilingual communication wherever possible
- Tailor-made engagement initiatives for selected groups
- Use of independent parties to conduct engagement

Results of the Group's stakeholder engagement during 2022/23 is set out below:

SHAREHOLDERS: 823 institutional shareholders and 15,569 retail shareholders

Strength of relationship: Strong
Shareholder queries addressed within 2 weeks

METHODS OF ENGAGEMENT (TWO-WAY COMMUNICATION)

Providing feedback

- Quarterly financial results released to the CSE
- Press releases through the CSE (ongoing)
- Ongoing engagement with investment analysts and stockbrokers and media
- Corporate website and social media

Receiving feedback

- Annual General Meeting
- Communication through Company Secretarial Division
- Investor road shows

Integrating feedback to decision-making

Shareholders concerns (including those of minority shareholders) are brought to the attention of the Board of Directors and GMC members through the Corporate Affairs Unit, Company Secretary and Strategic Business Development Unit which serve as points of contact for all shareholders.

KEY ISSUES RAISED IN 2022/23

Implications of macro-economic stress on performance	Continuity of business and minimising operational disruptions	Strength of corporate governance and risk management practices	Delivering on ESG commitments

OUR RESPONSE (Refer Portfolio Reviews on page 122 and Financial capital on page 236)

Ensuring business continuity through effective planning and timely decision-making	Exploring opportunities in new markets	Value delivered	**25%** Dividend pay out **Rs.11.77 bn** Dividends **21%** ROE	Link to capitals
Address near term risks through smart working capital management	Driving Sector-wise implementation of Hayleys Lifecode			

EMPLOYEES:
31,483 employees in 17 countries

Strength of relationship: Strong
80% retention

METHODS OF ENGAGEMENT (TWO-WAY COMMUNICATION)

Providing feedback
- Regular multi-level staff meetings
- Performance appraisals
- Year-round event calendar including work life balance initiatives, sports activities and cultural activities
- Digital engagement

Receiving feedback
- Performance appraisals
- Periodic satisfaction surveys (Sector-level)
- Open-door policy and grievance mechanisms

Integrating feedback to decision-making
Identified employee concerns are escalated to relevant GMC and Group HR Division which formulates the Group's overarching HR strategy for the year

KEY ISSUES RAISED IN 2022/23

Job and financial security given prevalent crisis	Adequacy of remuneration given escalating inflation	Well-being and work-life balance	Opportunities for career and skill development

OUR RESPONSE (Refer Human capital on page 246)

Ensure financial security through market adjustments of salaries and special relief allowances	Increased focus on leadership development	Value delivered	**24%** Increase in value created/ employee; **8 hr** Average training hours; **647** Promotions	Link to capitals
Support food security through distribution of ration packs and essentials	Resumption of many engagement activities (such as Chairman's Awards, Sports Awards)			

CUSTOMERS: Individuals, SMES and corporates in Sri Lanka and across the world

Strength of relationship: Strong
97% Customer complaints resolved

METHODS OF ENGAGEMENT (TWO-WAY COMMUNICATION)

Providing feedback
- Customer interaction at contact points
- Print and electronic media publications as and when required
- Social media interaction

Receiving feedback
- Engagement through marketing teams
- Periodic customer satisfaction surveys in certain sectors

Integrating feedback to decision-making
Customer feedback is a key input in determining product development, marketing and sales strategy and pursuing opportunities in new markets

KEY ISSUES RAISED IN 2022/23

Continued ability to serve customer needs given prevalent challenges	Concerns on affordability given escalating inflation	Responsible and sustainable business practices	Continued ability to serve customer needs given prevalent challenges

OUR RESPONSE (Refer Social & Relationship capital on page 256)

Proactive engagement to provide assurance to customers on continued ability to service their needs	Passing on benefits of cost efficiencies to customers through competitive pricing	Value delivered	Timely delivery; **549** New products launched	Link to capitals
Ongoing investments in innovation and value addition	Embedding sustainable practices into processes and decision making			

STAKEHOLDER RELATIONSHIPS

SUPPLIERS AND BUSINESS PARTNERS: Extensive network of suppliers and business partners across industries and geographies

Strength of relationship: Good
65% increase in supplier payments

METHODS OF ENGAGEMENT (TWO-WAY COMMUNICATION)

Providing feedback
- Periodic supplier reviews and assessments
- Supplier development initiatives

Receiving feedback
- Periodic supplier reviews and assessments
- Community engagement initiatives
- Supplier conventions

Integrating feedback to decision-making
Identified concerns are communicated by relevant procurement departments to the respective leadership teams who provide due consideration when determining working capital management and procurement-related decisions.

KEY ISSUES RAISED IN 2022/23

Sustainability of demand given uncertain conditions	Fair and transparent pricing and timely payments	Shortage in dollars and resultant difficulties in obtaining information	Supplier development and transfer of technical knowledge

OUR RESPONSE (Refer Social & Relationship capital on page 256)

Provided assurance on continuity of demand	Facilitating required fuel stocks during periods of shortage	Value delivered	Link to capitals
Ongoing investments in supplier development and capacity building	Timely payment of all dues to ensure continuity of supplier operations		

+65% Local supplier payments

335 New suppliers added

GOVERNMENT: Multiple regulators through our diverse sectors

Strength of relationship: Good

METHODS OF ENGAGEMENT (TWO-WAY COMMUNICATION)

Providing feedback
- Ongoing regulatory reporting in certain sectors
- Consultations and meetings when required
- Announcements to the CSE when required

Receiving feedback
- Consultations and meetings when required

Integrating feedback to decision-making
Regulatory developments are consistently monitored by the Sectors to which they are relevant and compliance is ensured through the Compliance/Internal Audit functions

KEY ISSUES RAISED IN 2022/23

Generation of foreign currency	Support the achievement of national economic objectives	Compliance to all relevant regulations, directions and guidelines	Contribute positively to the society and environment

OUR RESPONSE (Refer Social & Relationship capital on page 256)

Full and timely payment of tax obligations	Maintaining close and transparent relationships with all relevant regulators	Value delivered	Link to capitals
Compliance to all relevant laws and regulations	Employment generation and community development		

USD 743 mn Forex generation

Rs. 28 bn Tax payments added

COMMUNITIES: Relationships with communities in localities we operate in	**Strength of relationship: Good**
METHODS OF ENGAGEMENT (TWO-WAY COMMUNICATION) **Providing feedback** • Press releases and other publications • Meetings with community representatives **Receiving feedback** • Meetings with beneficiaries of CSR initiatives and capacity building programmes • Grievance mechanisms	**Integrating feedback to decision-making** Identified community issues are swiftly addressed at operational site level or escalated to Sector Head Office/ Group level if required

KEY ISSUES RAISED IN 2022/23		
Generating employment and economic activity within communities	CSR initiatives and capacity building programmes to address community issues	Environmental preservation and minimising environmental impacts

OUR RESPONSE (Refer Social & Relationship capital on page 256)

Ongoing investments in strategic CSR initiatives Actively recruiting from local communities	Monitoring and measuring environmental KPIs to minimise adverse impacts	Value delivered	**+39%** CSR investment **+15%** Employment generated	Link to capitals

THE OPERATING ENVIRONMENT

The convergence of diverse, rapidly evolving challenges rendered the year under review one of the toughest years in our operating history. As operating landscapes continued to shift, the Group placed emphasis on consistently monitoring these dynamics to manage emerging risks and leverage opportunities. Key factors shaping the environment during the year are discussed through a PESTEL analysis given below; trends related to the specific industry sectors are discussed in the Portfolio Review from pages 122 to 234 of this Report;

POLITICAL

POLITICAL UNCERTAINTY

The domestic political climate has a direct impact on the Group's local operations while global geo-political developments have a bearing on demand dynamics in our export markets.

IMPACT ON THE GROUP

- Domestic operations affected through supply chain disruptions, restricted mobility of employees, downturn in demand and sharp escalation of costs
- Exchange rate volatilities
- The increase in global commodity prices adversely affected our manufacturing sector entities relying on imported input materials
- Slowdown in demand from the European region

LINK TO MATERIAL THEMES

Economic and geopolitical headwinds

LINK TO KEY RISKS

Geopolitical risk
Subdued demand
Business interruption

Political instability within Sri Lanka

- Severe economic hardships faced by the public including soaring inflation, power outages and shortages in essential items led to a wave of anti-government protests from early 2022. The mass protests led to widespread social unrest, triggering political instability, the resignation of the President and multiple change of administration in 2022.

Global geo political dynamics

As a Group catering to global markets, geopolitical dynamics have a significant impact on operations, growth and the risk landscapes. Relevant developments during the year included,

- The geopolitical tensions which led to a sharp increase in commodity and energy prices, trade disruptions and associated economic sanctions driving global inflation
- Fragmentation into geopolitical blocs and resultant retreat from cross-border economic integration
- The gradual reopening of China from early 2023, following a resurgence of COVID-19 infections and resultant restrictions in 2022

Our response

- Ongoing engagement with global customers to provide assurance on ability to consistently serve their requirements
- Diversification of markets
- Focus on value-added product propositions

(Refer Performance against strategy on page 112 for further information)

ECONOMIC

KEY ECONOMIC INDICATORS

	2022	2021
Real GDP growth (%)	-7.8%	-3.5%
- Agriculture	-4.6%	0.9%
- Industry	-16%	5.7%
- Services	-2%	3.5%
Per capita GDP (USD)	3,474	3,997
Rs/USD (average)	324.55	198.88
AWLR (%)	18.70	9.87
Treasury bill yield-364 days	29.27	8.24
NCPI(Average)	50.4	7.0
Producer Price Index (Average)	74.0	10.9
Fiscal deficit (% of GDP)	10.2	11.7
External debt (% of GDP)	64.5	58.5

Source: Central Bank of Sri Lanka

- Long-standing structural impediments, weak economic management and exogenous shocks plunged Sri Lanka into an acute and unprecedented economic crisis in 2022. The resultant spill-over effects of fuel and power shortages, shortages in imported materials and surge in cost of production reverberated across the economy resulting in a contraction of 7.8% in 2022.
- Persistent twin deficits in the fiscal and current account had led to unsustainable public debt and successive downgrades in the credit rating, restricting access to international markets. A sharp fall in tourism and remittance income resulting from the pandemic, together with continued external debt servicing resulted in the gradual depletion of forex reserves, culminating in the government failing to meet its international debt obligations in April 2022.
- As official reserves fell to record lows, the Government imposed restrictions on non-essential imports and implemented measures to limit the outflow of foreign exchange. The de factor exchange rate peg maintained from April 2021 was abandoned in early March 2022, resulting in the Sri Lankan Rupee recording sharp depreciation in subsequent weeks, falling by 63% (annual average) in 2022.

ECONOMIC

IMPACT ON THE GROUP

- Operational disruptions stemming from shortage in fuel and power interruptions
- Sharp escalation in the cost of input materials
- Increase in borrowing costs
- Adverse implications on employee well-being
- Slowdown in domestic demand

LINK TO MATERIAL THEMES

Economic and geopolitical headwinds

LINK TO KEY RISKS

Economic risk

Subdued demand

Interest rate risk

Business interruption risk

- Volatility has remained high, with the exchange rate appreciating by 9.87% in the first quarter of calendar year 2023.
- The Central Bank engaged in unprecedented monetary policy tightening, with several adjustments to policy rates resulting in the sharp escalation of market interest rates in 2022.
- Inflation soared to record highs during the year due to shortages in essential items, depreciation of the Rupee, supply side disruptions and long-overdue adjustments to administrative prices. Food inflation averaged 64% in 2022 resulting in severe hardships to the masses.
- The GoSL approached the IMF for relief and a USD 2.9 billion EFF was approved in March 2023. While will and political commitment to implement much-needed reforms is critical, the programme will provide an opportunity for the country to effect structural adjustments and regain confidence of the international community, thereby paving way for long-term prosperity.

Our response

- Ensured continuity of operations through swift action including effective inventory management, provision of transport facilities and sourcing requires fuel inventories
- Measures to safeguard employees and ensure their financial security
- Leverage group synergies to effectively manage foreign currency shortages

SOCIAL

IMPACT ON THE GROUP

- Challenges in employee retention
- Need to adapt new work models offering increased agility and flexibility
- Critical importance of embedding ESG consideration to strategy and decision-making

LINK TO MATERIAL THEMES

Economic and geopolitical headwinds

Adapting and refining business models

LINK TO KEY RISKS

People-related risks

Operational risks

Talent migration and brain drain

- Talent retention has emerged as a key challenge for organisations, with the country's economic woes prompting an exodus of young professionals from the country.

Changing human capital dynamics

- Disruptions stemming from the pandemic completely reshaped the world of work with organisations entering a more permanent era of hybrid work models. Organisations are now under increasing pressure to build more agile and adaptable operating models.
- Generational differences are now more pronounced with younger generations increasingly opting for 'gig economy' models rather than working full-time over the long-term for a single organisation.
- Importance of diversity and inclusion in earning trust and commitment from employees and creating a more conducive work environment

Increase in poverty levels

- The country's economic challenges have disproportionately impacted vulnerable communities with food inflation, livelihood losses, weaker agricultural production and drop in remittances resulting in the estimated poverty headcount ratio increasing to 11.7% in 2022 from 10% in 2019 (World Bank)

THE OPERATING ENVIRONMENT

SOCIAL

Sustainability related challenges and opportunities

- Organisations are under increasing pressure to contribute towards addressing critical issues facing the world today, particularly in relation to social disparities and environmental challenges.
- Businesses are thereby being called upon to deliver on their ESG initiatives through committing to emission reduction strategies, nature-positive developments and contributing to community empowerment and well-being among others.

OUR RESPONSE

- Driving meaningful community development through building inclusive models including out-grower programmes and capacity building initiatives
- Sector-level implementation of the Hayleys Lifecode

(Refer Performance against strategy on page 116 for further information)

TECHNOLOGY

IMPACT ON THE GROUP

+ Opportunities in enhancing the efficiency of manufacturing operations through automating processes
+ Transforming engagement with both internal and external customers
+ Opportunity in embracing new ways of working

LINK TO MATERIAL THEMES

Adapting and refining business models

LINK TO KEY RISKS

People-related risks
IT risks

Technological advances

- Advances in technology and emergence of new capabilities such as data analytics, robotics, blockchain technology and artificial intelligence offer considerable opportunities for organisations to drive efficiencies while adopting new ways of working
- The ubiquity of technology has led to increased vulnerabilities to cyber attacks and loss of data, requiring organisations to invest in security systems and infrastructure.

Our response

- Leverage latest advances in technology to improve manufacturing efficiencies and enable new product capabilities
- Increase employee productivity through automation and digitalisation
- Enhance the Group's online visibility

ENVIRONMENTAL

Environmental risks continue to rank among the top global risks affecting the world over the next decade (World Economic Forum, Global Risk Report 2023)

Failure to mitigate climate change

Failure of climate-change adaptation

Natural disasters and extreme weather events

Biodiversity loss and eco system collapse

IMPACT ON THE GROUP

- Direct implications on the Agriculture and Plantations Sector through impacting crop quality, production volumes and yields
- Impacts on Sectors such as Hand Protection, Purification and Eco Solutions which rely on agricultural supply chains

LINK TO MATERIAL THEMES

Embedding ESG
Link to key risks
Climate-related risks
Operational risk

Physical risks of climate change

- Implications of climate change including erratic weather conditions and natural disasters are becoming increasingly frequent across the world.
- These dynamics have a direct bearing on value chains, agricultural outputs, communities and businesses.

Transition risks

- Transition risks are risks associated with transitioning to a low carbon economy including increasing reliance on renewable energy and customers' increasingly prevalence for sustainably designed and manufactured products

Biodiversity loss

- The rate of biodiversity loss has accelerated and is considered one of the key environmental risks facing the world. Biodiversity loss has a direct impact on businesses through affecting raw material availability and driving increases in commodity prices

Our response

- Sector-level efforts to implement the Hayleys Lifecode through targets, policies and action plans
- Group-wide focus on renewable energy
- Numerous environmental initiatives conducted by sectors

(Refer Natural Capital on page 272 for further information)

LEGAL

IMPACT ON THE GROUP

- The increase in interest rates and resultant impact on borrowing costs
- Challenges in the importation of selected input materials required for manufacturing
- Import restrictions on consumer durables and consumer electronics have had a sharply adverse impact on Singer

LINK TO MATERIAL THEMES

Economic and geopolitical headwinds

LINK TO KEY RISKS

Government policy
Exchange rate risk
Interest rate risk

Regulatory and policy developments

The regulatory landscape evolved at a rapid pace during the year, reflecting policymakers' efforts to navigate the complexities arising from the economic crisis. Key developments included,

- Unprecedented tightening of monetary policy with multiple upward revisions of the policy rate
- Restrictions on foreign exchange outflows
- Import restrictions on selected non-essential items
- Lingering impacts of the ban on imported chemical fertilizer

Our response

- Proactive and effective working capital and inventory management
- Leveraging group synergies to optimise the Group's foreign exchange liquidity
- Propagation of sustainable agriculture practices in the Plantation and Agriculture sectors
- Ongoing negotiations with banks

(Refer Performance against strategy on page 112 for further information)

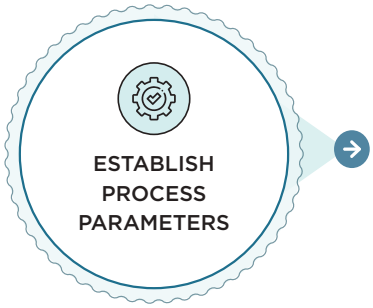
DETERMINING MATERIAL MATTERS

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

The Reporting boundary remains unchanged over the previous year.

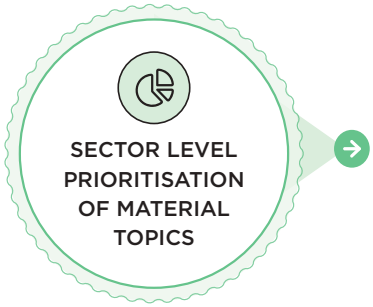
IMPROVEMENTS TO THE MATERIALITY ASSESSMENT PROCESS

- **Double materiality:** We have adopted a 'double lens' to materiality this year, considering the impact on the organisation as well as on economic, social and environmental impacts. The materiality filters have been revised accordingly.
- **Materiality themes:** For better clarity, this year we have grouped the identified material topics into four themes



A list of possible material issues has been selected as process parameters and a reference point in conducting the materiality assessment. These are determined by the Group ESG Division based on,

1. Discussions with Sector leadership teams
2. Evaluation of the Group's business model and strategic aspirations
3. Guidelines recommended by local and international corporate reporting frameworks including IR Framework and GRI Standards



The issues are prioritised at Sector level using the following filters to assess the relative importance of the topics to stakeholders and the importance to the organisation.

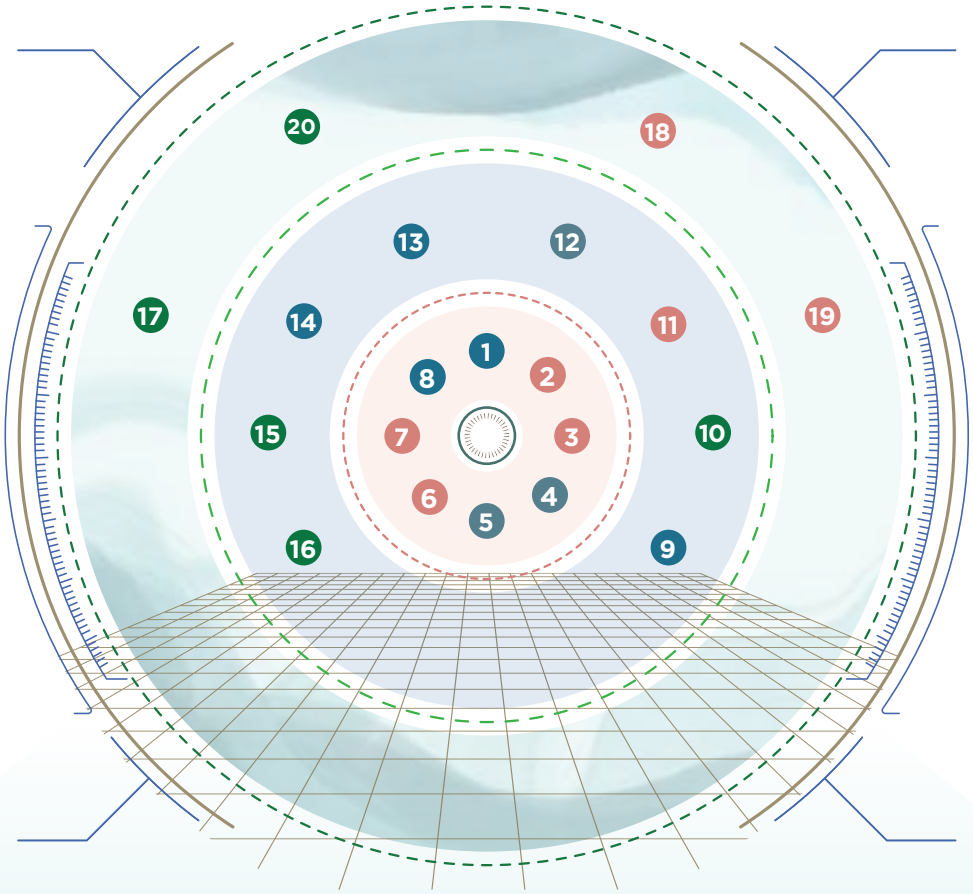
FILTERING TESTS

Organisational materiality	Impact materiality
Financial impact	Customers
Innovation opportunity	Employees
Reputation	Shareholders
Externalities	Suppliers
Strategic link	Business Partners
Risk	Government
	Communities
	Environment

Sector level materiality matrices are aggregated at Hayleys PLC level; in doing so, each material topic is weighted using a suitable metric based on the importance of the Sector to the Group. The following metrics are used in attaching weights to sector level material topics.

- **Economic topics:** Sector revenue contribution to the Group
- **Social factors:** Headcount of the Sector relative to the Group
- **Environmental factors:** Weighted based on relative impact to the Group's carbon footprint, water consumption and land usage

MATERIALITY RADAR

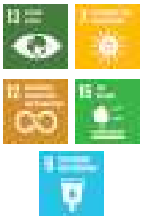


MATERIALITY THEMES

Geopolitical and economic factors	Sustainability and ESG integration
2. Macro-economic vulnerabilities 3. Availability of foreign exchange 6. Energy cost 7. Access to uninterrupted energy 11. Brain drain 18. Government policy including import restrictions 19. Tax	10. Best practices along supply chains 15. Principal Relationships 16. Customer Health and Safety 17. Managing Environmental Impacts 20. Local communities
Adapting business models	**Addressing stakeholder demands**
5. Innovation 12. Manufacturing capabilities and operational efficiency 4. Product quality and responsibility	1. Customer satisfaction 8. People Proposition 9. Employee well-being 13. Economic impacts & livelihood development 14. Compliance

DETERMINING MATERIAL MATTERS

Material topic	Corresponding GRI	Materiality compared to 2021/22	Link to UN SDG	Reporting boundary
1. **Customer satisfaction**		-	-	The Group's customers across its business sectors
2. **Macro-economic vulnerabilities**		↑	-	The Group's operations in Sri Lanka
3. **Availability of foreign exchange**		↑		The Group's operations in Sri Lanka
4. **Product quality and responsibility**	GRI417-Marketing and labelling	-	-	The products and services manufactured and/or distributed by the Group
5. **Innovation**		New topic		Relates to the Group's product and process innovations
6. **Energy cost**		New topic	-	The Group's operations in Sri Lanka
7. **Access to interrupted energy**		-	-	The Group's operations in Sri Lanka
8. **People Proposition**	GRI 401-Employment GRI 402-Labour management relations GRI 404-Training and education	-		Refers to the Group's direct employees across its operating locations
9. **Employee well-being**	GRI 403-Occupational Health and safety	↑		Reporting boundary relates to the Group's employees
10. **Best practices along supply chains**	GRI 204: Procurement practices	-	-	Relates to the Group's key supply chains, primarily in Sri Lanka
11. **Brain drain**		New topic	-	Relates to the Group's operations in Sri Lanka
12. **Manufacturing capabilities and operational efficiency**		-	-	The Group's manufacturing operations in Sri Lanka and overseas
13. **Economic impacts & livelihood development**	GRI 201-Economic Performance GRI 203-Indirect economic impacts	-		The Group's broader impacts and communities
14. **Compliance**		-	-	Relates to the compliance of all entities within the Group

Material topic		Corresponding GRI	Materiality compared to 2021/22	Link to UN SDG	Reporting boundary
15.	**Principal Relationships**		-	-	Our local and international principals across key business sectors
16.	**Customer Health and Safety**	GRI 416: Customer Health and Safety	-	-	The Group's customers across its business sectors
17.	**Managing Environmental Impacts**	GRI 301-Materials GRI 302-Energy GRI 303-Water GRI 304-Bio-diversity GRI 305-Emissions GRI 306-Waste & Effluents	-		The reporting boundary includes the Group's direct environmental impacts
18.	**Government policy including import restrictions**		-	-	The Group's operations in Sri Lanka
19.	**Tax**	GRI 219-Tax	-	-	All operations
20.	**Local communities**	GRI 413-Local communities	-		Relates to the communities with whom the Group engages and broader communities in operating areas

↑ Increase in materiality

RISKS & OPPORTUNITIES

The Group's risk and opportunities landscape shifted significantly during the year, impacted by rising macro-economic vulnerabilities, supply chain disruptions, political unrest and severe hardships to citizens. As the country was plunged into an unprecedented economic crisis and fault lines widened, ripple effects were felt across all industry sectors. The policy environment evolved rapidly as challenges deepened and proved to be challenging given the accelerated pace of change. Inflation surged in view of the depreciation of the Sri Lankan Rupee, the increase in global commodity prices and supply chain disruptions.

The main issues are graphically depicted below.

MACRO-ECONOMIC STRESS

For many Sri Lankan businesses this remained the key challenge during the year. However, coordinated policy interventions in the last 12 months have enabled the country to return to a working equilibrium, setting the economy on a tepid path to recovery.

GEOPOLITICS

geopolitical tension has dampened global growth forecasts and added to inflationary pressures due to the anticipated fuel and food shortages. Sanctions in place also have a direct impact on some businesses.

CYBERSECURITY

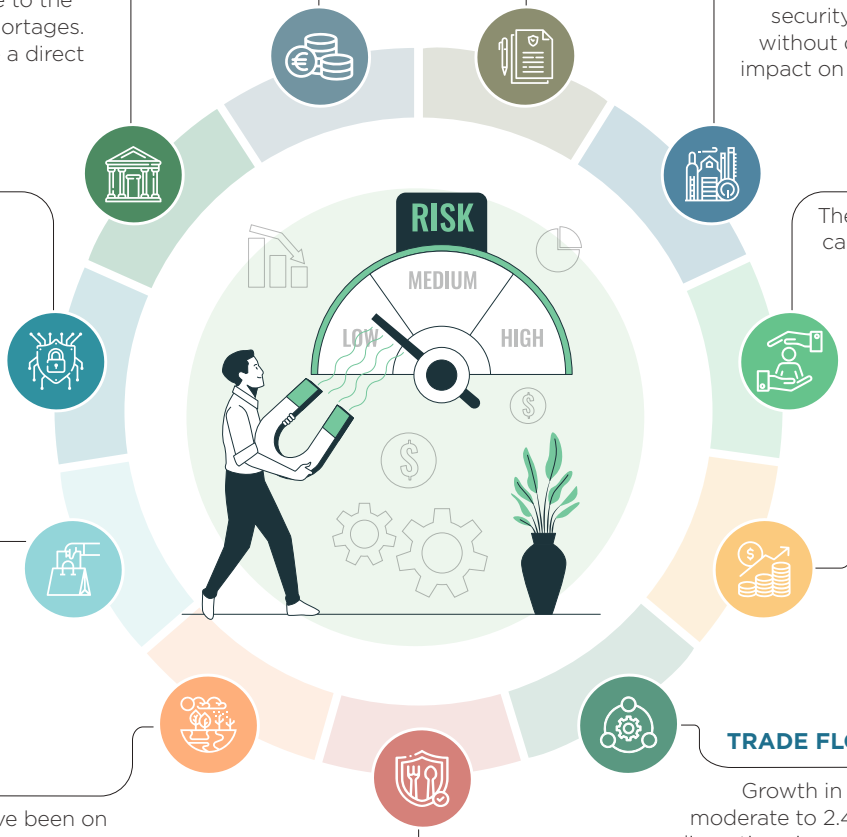
Cybersecurity continues to remain as a key risk due to the increased threat levels and dependency on information technology

CONSUMER DEMAND & BEHAVIOUR

All these factors will combine to change consumer behaviour throughout the world and predicting trends will be key to managing finite resources.

CLIMATE CHANGE

Extreme weather events have been on the rise varying from floods to droughts. Any extreme weather event can push the country further into crisis.



GOVERNMENT POLICY

Government policy is key to how we do business. Policy direction is critical to managing risk. Given the current level of economic stress, policy plays a key roles in shaping outcomes, not just for the year ahead but in the medium term as well.

RELIABLE ACCESS TO ENERGY

The crisis brought to light issues relating to the country's energy security. This needs to be secured without delay as it has a significant impact on the country's productivity.

TALENT RETENTION

The extreme economic stress can motivate skilled talent to migrate for employment causing a brain drain

INFLATION & WAGE PRESSURES

Soaring inflation will increase pressure on wages, increasing economic hardship for the people

TRADE FLOWS & SUPPLY CHAINS

Growth in world trade is expected to moderate to 2.4% in 2023 as supply chain disruptions increase due to the geopolitical tensions. Freight costs and capacity are expected to remain a key concern during this year as well.

FOOD SECURITY

The agriculture policies have resulted in poor yields, threatening the food security of the country which also has no means to secure imports. This is happening against a backdrop of world shortages of wheat and other food items leaving little headroom for securing additional supplies.

A STRUCTURED APPROACH

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

1

1ST LINE

- Individual Businesses
- Risk Identification, Acceptance & Mitigation

2

2ND LINE

- Sector Level Boards & Audit Committees
- Risk Monitoring & Management

3

3RD LINE

- Hayleys PLC Board & Audit Committee
- Assurance & Policy Formulation
- Group Management Committee

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

Determining Material Aspects for Each Sector → **Determining Materials Aspects for Group** → **Identifying risk indicators** → **Monitoring risk** → **Mitigating/ Managing Risk**

RISK GOVERNANCE

The Board has ultimate responsibility for management of risk and are assisted by the Audit Committee in discharge of this duty. The diverse business sectors of the Group have high levels of autonomy in driving their businesses with Group governance structures playing a key role in harmonising policies, sharing best practice, guiding strategic direction, managing risks and optimising resource allocation across the Group as depicted below. During the year under review, the Group appointed a Chief Risk Officer to drive the Board's risk management agenda in a more structured and holistic manner across the Group.

RISKS & OPPORTUNITIES

INTEGRATED THINKING & EFFICIENT RESOURCE ALLOCATION

Different Group functions monitor external developments and a variety of internal factors for early warning signs of threats and opportunities to align plans and ploys accordingly. The following functions come together at Group level to identify risks and opportunities and to mitigate them and manage them. The Group Management Committee plays a critical role as well, providing insights in to diverse areas of expertise, enabling early identification of potential risks, sometimes when it's just a whisper. The diagram below sets out the effective risk management structure of Hayleys Group, reflecting the evolving nature of this increasingly important function.

Department & Area of Focus

MANAGEMENT SYSTEM AUDIT & REVIEW DEPARTMENT (MSA&RD)

Manage risks at a strategic level whereas MSA&RD approach it primarily from a risk mitigation and management perspective

Responsible for collating risk registers, constructively challenging them and presenting to Group Management Committee, Audit Committee and Board

STRATEGIC BUSINESS DEVELOPMENT UNIT

- Monitoring the PESTEL factors to identify new opportunities as well as assess risks related to the opportunities
- Review risk from a portfolio perspective

PESTEL ANALYSIS

Political
Economic
Social
Technological
Environmental
Legal

GROUP FINANCE & ESG

- Manages Group financial performance and resilience
- Review and monitor non-financial indicators to identify areas of concern and opportunities to optimise resource allocation

GROUP TREASURY

- Management of Group liquidity including foreign exchange liquidity
- Managing Group funding including costs of funding

GROUP SOURCING

- Leveraging group synergies to optimise pricing
- Ensure that finished goods are shipped out on time

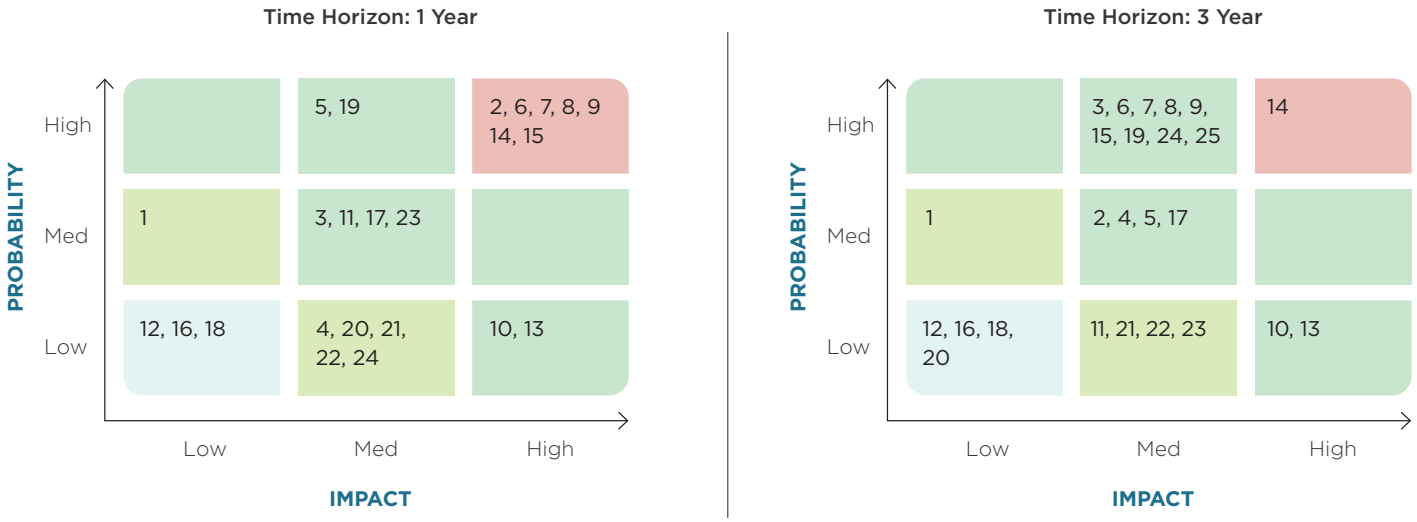
GROUP IT

- Responsible for safeguarding the digital infrastructure and information assets of the Group
- Surveillance to assess cyber threats
- Cybersecurity

The dynamic risk landscape has seen risk move to the top of the GMC, Audit Committee and Board agendas throughout the Group. The Chairman himself spends a significant amount of time with the heads of the Corporate functions to determine potential risk areas and prioritise them. The experience of the past two years have proved valuable in maintaining a disciplined approach towards risk management. It taught us to tide over the short term and drive growth in our businesses with the support of willing teams across the Group. This approach of understanding the risks, opportunities, impacts and outcomes to drive optimal resource allocation across all our businesses is firmly entrenched in our businesses and epitomises the integrated thinking of the Board, the Group Management Committee and the leadership teams across all our sectors.

OUR TOP RISKS IN 2022/23

The matrix below is used to assess prevalent risks and a score is obtained for each type of risk, facilitating identification of common risks, aggregation and prioritisation. These are presented to the Group Management Committee, Audit Committee and the Board and used for decision making including the strategic direction of growth and resource allocation. Risks are presented in two time horizons, based on the assumption that the country will gradually emerged from the present economic crisis.



	Where we used to be	Where we are now
Compliance	Standard compliance management in place	Regular monitoring of compliance through the Group MASRD.
Embedding risk management	Largely siloed approach to risk and compliance as the second life of defense	Embedding risk and compliance with strategy and other operational activities

RISKS & OPPORTUNITIES

			One Year Time Horizon			
No.	Risk Exposure	Description of Risks & Potential Impact	Severity Impact on Business	Probability of Occurrence	Risk (Probability x Likelihood)	
1	**Geo Political Risk**	• 62% of group turnover is derived from exports • As an investment company, it depends on dividends from subsidiaries • Potential implications from geopolitical tensions, possible trade sanctions, supply chain disruptions and rate volatility.	1	2	2	
2	**Local Political Risk**	• 38% of group turnover is derived locally • Manufacturing facilities are located throughout the island • Majority of the workforce are local • Unstable political environment can have a significant impact on continuity of operations and negatively impact dividend income	3	3	9	
3	**Environment Risk**	• The Group owns biological assets in the plantation sector which are heavily dependent on favourable weather patterns. • Additionally, the agriculture sector is directly impacted by weather patterns. • A number of other sectors are also directly or indirectly impacted by climate change in varying degrees. • Increased calls for tighter environmental regulation by climate change champions.	2	2	4	
4	**Increased Competition**	• Players in the Asian region have ramped up production with production growth outplacing the uptick in demand resulting in intense price competition. This will likely impact both export market and the domestic market exerting pressure on both top and bottom lines	2	1	2	
5	**Subdued Demand**	• Demand for products may weaken in markets due to the reduced disposable incomes stemming from the tax hike, purchasing power implications of high inflation and buildup of inventory during the year, impacting top line growth. • Declining growth in global economy, recession fears and a downturn in global demand and consumption will impact export revenue in key international markets (North America, UK, Euro Area, Japan).	2	3	6	

		5 Year Time Horizon			
	Action Plan/Mitigating Activities	Severity Impact on Business	Probability of Occurrence	Risk	Rationale for Change
	• Diversified export markets • Focused growth in selected markets • Increased penetration in stable markets	1	2	2	*Maintained at the same rate due to increasing prevalence of global geopolitical tensions*
	• Revenue diversification in export and local operations	2	2	4	*Cautiously optimistic that a bailout from the IMF and other multilateral agencies will set the country on the right path to recovery*
	• Coordinated response on environmental risks by Group sustainability and sector sustainability champions • Setting environmental targets to be achieved by 2030 • Group environmental policies revised and implemented • Investment in reducing the Group' s carbon and water footprint with improved access to market • Increase environmental certifications • Strengthen environmental management system • Drive responsible consumption practices throughout the Group • Increase employee environmental consciousness through training and other initiatives.	2	3	6	*We expect this to be a relatively low priority for policymakers as they strive to get the economy on track, deferring a coordinated response to the environmental threats*
	• Aggressive client acquisition in export markets • Increased focus on strengthening presence in export markets • Diversification of export markets • Differentiated customer value proposition in domestic market • ESG compliance and certification to gain access to markets and also drive strategic differentiation	2	2	4	*We expect regional competition to intensify as we grow and level up in global markets*
	• Diversification across market and product categories • Forward contracts with key buyers • Focus on new customer acquisition • Explore feasibility of establishing distribution presence in key export market	2	2	4	*Consumer demand will have moderate growth and flexible strategies will align our own growth to cater to the new norms*

RISKS & OPPORTUNITIES

			One Year Time Horizon			
No.	Risk Exposure	Description of Risks & Potential Impact	Severity Impact on Business	Probability of Occurrence	Risk (Probability x Likelihood)	
6	**Economic Risk**	• Economic instability due to higher budget deficit, higher current account deficit, high unemployment, higher inflation and balance of payment deficits may lead to possible downgrading of country's sovereign credit rating. this can have an adverse impact to companies business operations and its cross-border transactions and international trade businesses	3	3	9	
7	**Liquidity and financial stability**	• Financial stress and impaired ability to meet future debt obligations. Liquidity shortage in the Banking System and the Money Market (both Rupees and Forex). Banks and Financial Institutions have curtailed new lending to their clients (corporates, SMEs, individuals). • This might result in slow moving inventories and escalated debtor balances. There is a tendency for elevated interest rates to continue in the near future due to this liquidity shortage in the banking system.	3	3	9	
8	**Interest Rate Risk**	• A 1% increase in cost of debt will increase finance cost by LKR 1.6 bn p.a. at the current debt levels, directly impacting bottom line. This could lead to shifts in the credit ratings.	3	3	9	
9	**Foreign Currency and Exchange Rate Risk**	• 62% of Group turnover is derived from exports • Raw material imports will be negatively impacted from LKR depreciation • Therefore, exchange risk fluctuation can have both positive and negative impact on dividend income • Challenges in entering forward exchange contracts due to poor forex liquidity in the banking system • Due to high dollar shortage difficulty of remitting the principal balances both in Airlines and shipping lines	3	3	9	
CREDIT RISK						
10	**Counterparty Risk**	• Company has provided corporate guarantees to subsidiaries of the Company • A default by any of these subsidiaries can result in liability exposure	3	1	3	

		5 Year Time Horizon			
	Action Plan/Mitigating Activities	Severity Impact on Business	Probability of Occurrence	Risk	Rationale for Change
	• Diversification of the affected sectors to operate in environments beyond Sri Lanka to reduce the over dependency on the local economy • Group maintains strong relationships with relevant stakeholders, lobby groups and banking partners which plays a vital role in influencing progress towards economic stability within the country.	2	3	6	*We expect the Group to build resilience to economic cycles to weather the low to moderate growth forecasts for the global economy*
	• Increase oversight on liquidity by Board and GMC • Management of liquidity by Group Treasury • Strong cashflow generation during the year • Strengthened financial stability	2	3	6	*Group efforts to build financial resilience to weather potential shocks is expected to reduce the liquidity risk*
	• Debt repayment utilising divestment of low yielding investments • Use of both fixed and floating rate instruments when debt funding is structured • Refinancing of long-term loans at low interest rates • Maintain an appropriate mix of floating rate and fixed rate debt structure • Use of interest rate swaps in maintaining a proper mix of floating rate debt Vs fixed rate debt • Close monitoring of interest rate movement with an intention of restructuring the debt mix (fixed Vs floating and LTL Vs STL)	2	3	6	*Stabilisation of interest rates and our own resilience is expected to moderate the risk*
	• Growth in export revenue • Matching of forex receivables with forex payables • Use of synthetic forward foreign exchange contracts within Group Companies in hedging payables and receivables when there is a mis-match • Use of currency swaps in managing the forex risk associated with forex debt • Close monitoring of forex movements with an intention of adopting appropriate hedging mechanisms • Monthly evaluation of net open exposure for forex	2	3	6	*The Group plans to grow its export businesses to restore its former position as a net exporter*
	• Corporate governance and regular monitoring of performance of these subsidiaries	3	1	3	*We do not expect a change in the level of risk as these guarantees maybe replaced by others in the course of business*

RISKS & OPPORTUNITIES

No.	Risk Exposure	Description of Risks & Potential Impact	One Year Time Horizon			
			Severity Impact on Business	Probability of Occurrence	Risk (Probability x Likelihood)	
11	**Credit Risk**	• Increasing working capital cycle stressing cashflow management • Potential losses due to impairment of receivables • Inability of banks to honour fair USD and LKR deposits honour timely manner	2	2	4	
OPERATIONAL RISK						
12	**Reputational Risk**	• Company is considered as a leading conglomerate in Sri Lanka and overseas • Negative PR due to foreseen or any unforeseen event can have a significant impact on Company	1	1	1	
13	**Business Interruption Risk**	• Subsidiary business interruption mainly due to COVID 19 outbreak • Health and safety of employees • Business interruption will have a negative impact on subsidiary performance and will impact dividend payout	3	1	3	
14	**Increasing raw material prices and discontinuation of key supply chains**	• Commodity prices rose rapidly as a result of supply side shocks (geopolitical conflict, post-pandemic strains) and pent-up demand. While unwinding, there is continued volatility, sharp increases are possible if there is an escalation of geopolitical tensions. • This will exert pressure on margins, as headroom for passing on price increases is limited in the current economic environment. • Due to dollar shortages and on-time payment issues, key suppliers may deviate from supplying products.	3	3	9	
15	**High petroleum prices and increase of electricity cost**	• Due to the dollar/forex shortage of the country there is a threat to the continuous supply of all types of fuel. Electricity tariff was also increased, • This leads to major negative impacts to Group companies affecting overall transport costs, as well as an inability for staff to report to work due to shortages in fuel and modes of transport.	3	3	9	
16	**Employee Health and Safety including Occupational Health**	• Loss of working hours, loss of lives, increase in costs	1	1	1	
17	**High staff turnover and Employee Relations**	• Loss of skilled employees through high staff turnover across the Group due to the economic status of the country. Migration is a significant contributing factor • Disputes may result in trade union actions	2	2	4	

	Action Plan/Mitigating Activities	5 Year Time Horizon			Rationale for Change
		Severity Impact on Business	Probability of Occurrence	Risk	
	• Implement Group Credit Risk Management Policy • Oversight of sector liquidity by Group Treasury • Increased rigour over receivables by all Audit Committees and sectors • Strengthened credit processes across businesses sectors	2	1	2	*We will strengthen credit controls to manage this risk which is expected to increase.*
	• Focused PR management • Integrating ESG Framework throughout all businesses • Upward movement in credit rating	1	1	1	*This is non-negotiable in setting the risk appetite*
	• Business diversification • Employee vaccination • Remote working and work form home to maintain social distancing • Internal COVID task force have been appointed to manage risk	3	1	3	*Pandemic will remain on our risk radar even though we expect the COVID-19 pandemic to reach endemicity this year*
	• Daily monitoring of raw material prices • Forward booking where possible • Build up of sufficient inventory while balancing liquidity and other constraints such as potential for price volatility due to new waves of pandemic and order pipelines • Expanding upstream supply chains	3	3	9	*As the world goes into ecological overshoot, supply issues are likely to remain a key concern*
	• Daily monitoring of fuel quantities and it's prices • Storage capacities for fuel have been increased • Build-up of sufficient inventory levels at all companies/ factories	2	3	6	*While the issue of fuel shortages have been addressed to a large extent, costs of fossil fuels are expected to increase with the gradual withdrawal of fuel subsidies*
	• Comprehensive safety protocols in place to manage the COVID-19 pandemic • Occupational health and safety certifications throughout the Group facilitate prevention of serious injuries • High levels of health and safety awareness nurtured as part of the Group culture	1	1	1	*Employee health and safety is critical to us and necessary actions are taken to minimise risks to them*
	• Progressive HR policies • Maintaining cordial relationships with employees across all employee categories	2	2	4	*We expect the brain drain to abate with economic recovery*

RISKS & OPPORTUNITIES

			One Year Time Horizon			
No.	Risk Exposure	Description of Risks & Potential Impact	Severity Impact on Business	Probability of Occurrence	Risk (Probability x Likelihood)	
18	**Legal Risk**	Possible legal fees, fines, penalties and payouts	1	1	1	
19	**Compliance Risk**	• The operations of the Company should be compliant based on local regulations and laws • Currently each division is responsible for meeting compliance requirements (e.g. CAU regarding accounting, treasury dept. regarding credit facilities, IT for software registration) • There is no compliance officer overlooking overall compliance for the Company	2	3	6	
20	**Data Protection Risk and IT Governance**	• Data risk is the potential loss related to data • An Information Protection Policy is in place • Current challenges faced by us obtaining timely licenses due to some partners not having USD to pay for licenses.	2	1	2	
21	**Information System Availability Risk**	• Use of cloud base applications and platforms. Services can be affected due to global geopolitical situation. • Availability of the Infrastructure. Services can be affected due to Infrastructure failure. • Current shortage of technology equipment as well as shipment delays resulting non-availability of certain critical technology components.	2	1	2	
22	**Cyber Security Risk**	• Cyber attacks or ransomware attacks. Group Web sites can be effected due to cyber attack. Image of the group cant be damaged	2	1	2	
INVESTMENT RISK						
23	**Investment Risk**	• The probability or uncertainty of losses rather than expected profit from investment • Hayleys PLC's primary investment is in shares of subsidiary companies and associates. Expected return is dividends. • Geo political, economic, sector specific or company specific issues which can have a negative impact on subsidiary performance, thus impacting expected returns for Hayleys PLC	2	2	4	
ENVIRONMENT RISKS						
24	**Natural hazards**	Damages to property and loss of lives	2	1	2	

	Action Plan/Mitigating Activities	5 Year Time Horizon			Rationale for Change
		Severity Impact on Business	Probability of Occurrence	Risk	
	• Timely action and follow up	1	1	1	*We expect this to remain manageable due to our compliance culture*
	• Regular training • Comprehensive policy framework • Certifications • Internal audits	2	3	6	*We expect this to remain manageable due to our compliance culture*
	• Data Protection Policy • Have a Insurance Policy • Negotiating with relevant Partners to pay on time.	2	1	2	*Efforts will be made to maintain these risks within manageable levels*
	• Mitigation activities in place. • Obtain a Cyber Security Insurance Policy • Hiring of certain IT equipment	2	1	2	*Efforts will be made to maintain these risks within manageable levels*
	• Have appropriate tools and teams to mitigate the risk. • Insurance policies are in place for computer hardware • Business continuity plans	2	1	2	*Efforts will be made to maintain cyber threats at this level*
	• Hayleys PLC investments are diversified • Review of budgets, performance of each sector on a regular basis	2	1	2	*Investment risk is maintained at a manageable level through diversification*
	• Regular safety review meetings • Monitoring sustainability report for H&S incidents and identifying increasing trends • Annual check of effectiveness of fire extinguishers • Adequate insurance arrangements	2	3	6	*We expect climate change to be a key concern as extreme weather event become more frequent*

STRATEGIC ASPIRATIONS

STRATEGIC OVERVIEW

Five Group-wide strategic pillars guide our strategic execution in the short-to-medium term. While Sectors adopt unique strategies which reflect the risks, opportunities and core competencies of each business the overall strategic direction is underpinned these strategic pillars which are formulated by the Strategic Business Development Unit (SBDU) at Hayleys PLC and cascaded to the Sectors under the leadership of the Group Management Committee. During the year under review, the strategic pillars were refined to align with Hayleys' new Corporate Purpose, setting out our roadmap to explore value accretive opportunities that leverage the Group's resources, capabilities and relationships.

FACTORS INFORMING OUR STRATEGY

OPERATING LANDSCAPE
Key trends showcase opportunities for growth while revealing risks for which we need to adapt, mitigate and embrace change

(Page 90)

STAKEHOLDER FEEDBACK
Open and ongoing engagement with stakeholders enable identification of material topics and provide insights that shape our strategy

(Page 86)

RESOURCES AND RELATIONSHIPS
The Group's inherent strengths and capabilities which can be leveraged to drive value creation

(Page 82)

OUR PURPOSE

To **inspire** an **inclusive world** and a **thriving planet**

OUR STRATEGIC PRIORITIES

Shared prosperity through portfolio growth
Drive sustainable growth in stakeholder value through building a balanced and resilient portfolio of businesses

Customer centricity
Deliver innovative, cost-effective and sustainable solutions with excellent customer care to enhance the experience of every customer

Nurturing inspired teams
Building a dynamic, diverse and high-performing team which drives the Group's value creation aspirations

Inclusive business models
Creating secure, sustainable and efficient ecosystems which uplift livelihoods and empowers communities

Preserving and regenerating nature
Protect, enhance and sustain the wider ecological system we operate in to address critical environmental challenges facing the world

STRATEGIC ENABLERS

GOVERNANCE AND REMUNERATION PRACTICES SUPPORTING STRATEGY

The Group's effective governance practices are key to unlocking synergies and delivering strategy. Multiple layers of performance review from sector level Executive Committees to the Group Management Committee, Board Committees and the Board ensures a high level of monitoring and scrutiny. The GMC meets weekly and additional meetings may be called at short notice whenever the need arises. Monthly and quarterly performance is monitored against defined targets, with active debate encouraging the exploration of new ideas and diverse perspectives. The remuneration of GMC members and Sector heads are linked to relevant strategies and KPIs, which are cascaded across relevant functions thereby driving goal congruence across the organisation.

RESOURCE ALLOCATION

The Group's decisions on allocating resources- which includes funding, expertise, people and natural resources is determined through the guidelines set out below:

Alignment to Purpose and Vision	Capabilities and competencies	Financial aspirations	Risks and vulnerabilities	Progress against targets
We invest in opportunities that pave way to fulfil our aspirations of being a force for good in the broader economic, social and environmental context	Adequacy of current resources and capabilities in success	The weighted average cost of capital adjusted to the risk premium attached to the relevant sector and business	We invest in opportunities that pave way to fulfil our aspirations of being a force for good in the broader economic, social and environmental context	We invest in opportunities that pave way to fulfil our aspirations of being a force for good in the broader economic, social and environmental context

We invest financial capital where we believe the best opportunities lie across our businesses. This strategic financial allocation enables new income streams and increased diversity of the earnings profile. We deploy human capital to drive our strategy, as well as deepen stakeholder relationships and form sustainable business partnerships. Our manufacturing infrastructure and capabilities are utilised to offer consistently high-quality products to our customers across the world

PERFORMANCE AGAINST STRATEGY

STRATEGIC DRIVERS AND INITIATIVES IN 2022/23

Effective planning and swift decision-making to ensure minimal disruptions to operations

Inorganic growth through acquisitions

- Acquisition of Horana Plantations PLC
- Expansion of DPL's operations in Europe
- Purchase of a coconut-milk manufacturing facility by the Agriculture Sector

Organic growth and capacity expansions

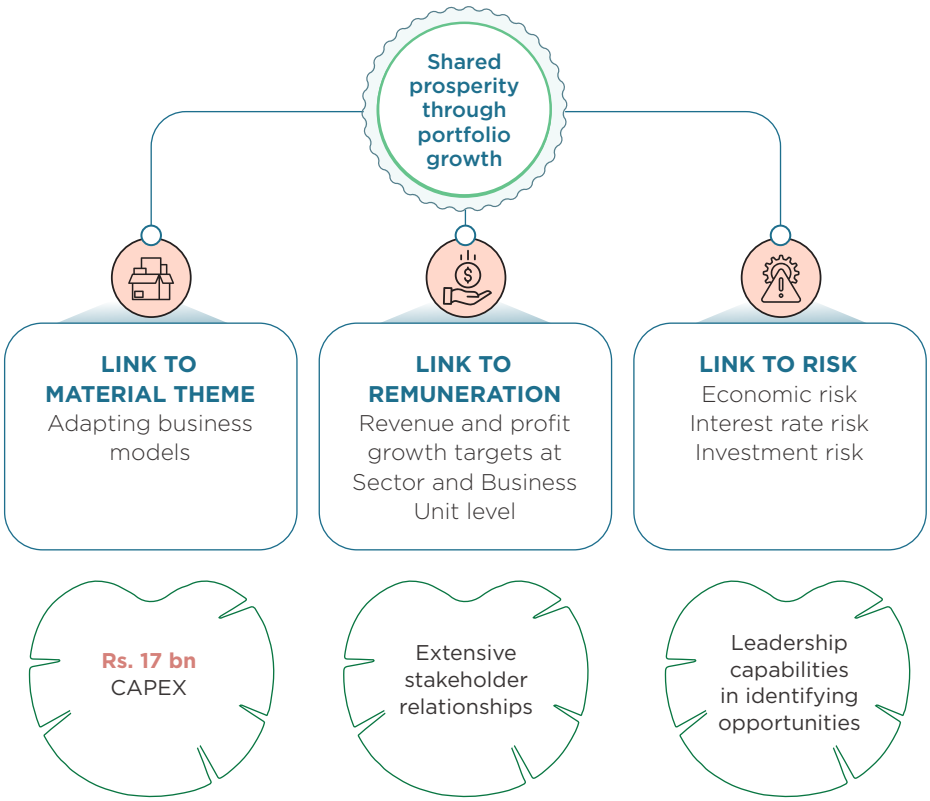
- Launch of new sports glove manufacturing facility by Hand Protection Sector
- New melting facility and aluminium recycling plant for the low-carbon range
- Capacity expansion and product capability improvement at Hayleys Aventura
- Investment in new factory in the Plantation Sector

Penetration of new markets and deeper relationships in existing markets

KEY TRADE-OFFS

Allocating capital to higher-growth export markets can drive performance, but also gives rise to higher risk

Investments in the current climate entail relatively high funding costs, necessitating an appropriate trade-off between risk-return dynamics



HOW WE MEASURE SUCCESS

	22/23	21/22
Revenue Growth (%)	**44**	40
EBIT Growth (%)	**82**	29
Growth In Economic Value Generated (%)	**35**	50
Increase In Employee Value Creation (%)	**1.28**	1.02

OUTCOMES GENERATED

FC	21% return to shareholders
	Increased diversification of markets and business lines
SRC	Strengthen social license to operate through shared value creation

WAY FORWARD

SHORT-TERM

- Preservation of liquidity to mitigate potential impacts of disruptions caused by current economic conditions

MEDIUM-TO-LONG TERM

- Expand regional presence and pursue growth opportunities in export markets
- Inorganic growth

STRATEGIC DRIVERS AND INITIATIVES IN 2022/23

Group-wide focus on innovation and value addition

- Leveraging R&D capabilities to develop value-added solutions, which offer access to new customer segments and wider profitability margins

Expansion of customer base with entry into new markets and segments

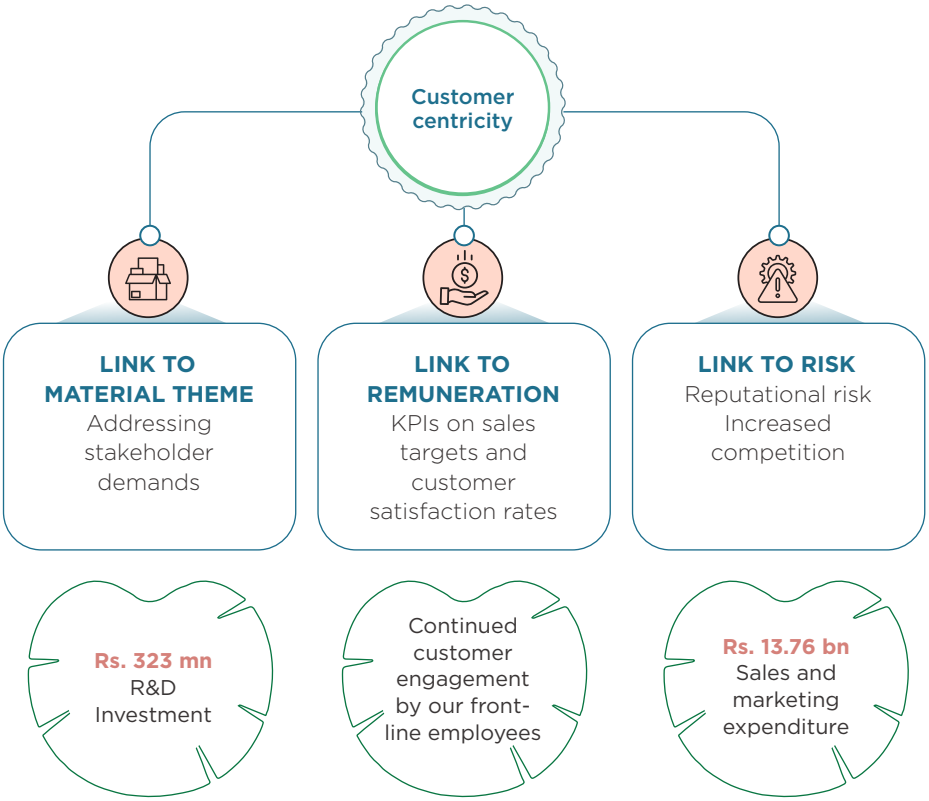
Ongoing customer engagement

- Given the conditions that prevailed, Sectors were required to maintain ongoing engagement with customers to provide assurance on the ability to consistently fulfil their requirements

Catering to customers' increased emphasis on social and environmental considerations

- Prioritising sustainable innovation with focus on the use of renewable input materials, circularity and responsible packaging.

Emphasis on strengthening after-sales service



HOW WE MEASURE SUCCESS

	22/23	21/22
New Customers (mn)	**0.94**	1.60
Complaints Resolved (%)	**97**	99
New Products Launched	**549**	749
Products In Pipeline	**82**	160

OUTCOMES GENERATED

FC	Offer an enhanced value proposition to customers, enabling higher retention levels and long-term customer relationships
IR	Nurture a strong base of organisational capital by leveraging R&D capabilities

KEY TRADE-OFFS

Investments in innovation drive increased client satisfaction and retention, but requires significant capital outlay during initial stage

Investment will be required to develop new skill sets among employees to drive better customer experiences.

WAY FORWARD

SHORT-TERM

- Drive customer acquisition in new and existing markets
- Strengthen the Group's online and social media presence

MEDIUM-TO-LONG TERM

- Widen portfolio of sustainable solutions
- Improve customer loyalty schemes across Sectors

PERFORMANCE AGAINST STRATEGY

STRATEGIC DRIVERS AND INITIATIVES IN 2022/23

Leadership development

Executive, middle-management and senior leadership programmes in selected sectors to strengthen leadership capabilities and build talent pipelines.

Care and well-being

Ensuring the financial and emotional well-being of all employees by providing an array of relief measures, allowances and benefits

Employee engagement

Ongoing engagement through numerous formal and informal platforms and regular communications to manage potential build up of tension given developments in the country.

Succession planning

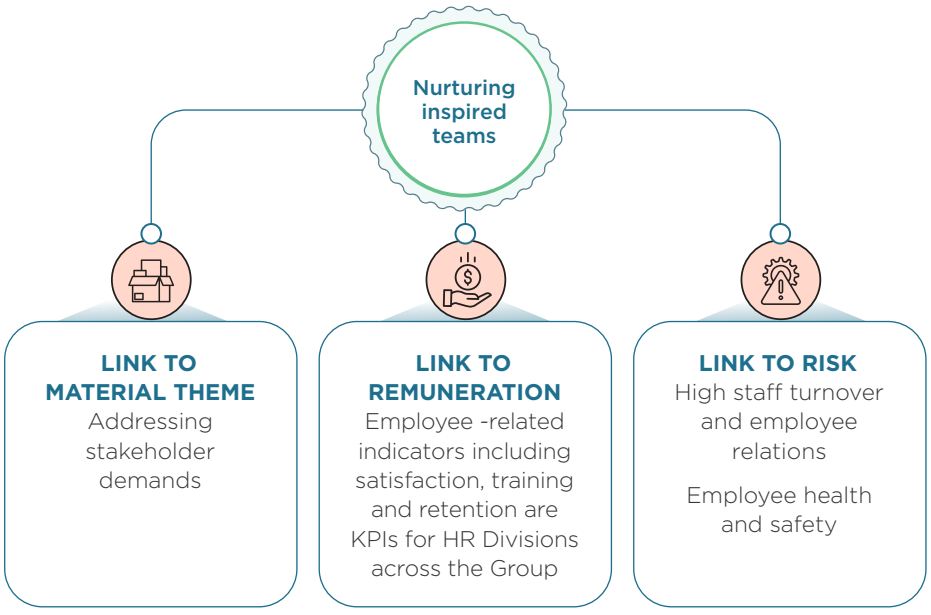
Group-wide efforts to identify high-performers and groom the next generation of leaders.

KEY TRADE-OFFS

Prioritising employee well-being and financial security entailed a significant financial outflow, but is expected to benefit the Group in the medium-to-long term through increased loyalty and retention.

OUTCOMES GENERATED

IC	Harness organisational knowledge by nurturing a culture of learning and knowledge sharing
HC	Strengthen the Group's human capital capabilities by creating a conducive, performance-driven culture



HOW WE MEASURE SUCCESS

	22/23	21/22
Retention Rate (%)	**80**	85
Avg.training Hours /Employee	**8.45**	7.60
Female Representation (%)	**34**	35
Injuries	**152**	253
Value Added Per Employee (Rs.mn)	**1.28**	1.02

WAY FORWARD

SHORT-TERM

- Focus on retaining talent through strengthening engagement and offering an enhanced value proposition.
- Interventions to strengthen organisational diversity, inclusion and a culture of non-discrimination

MEDIUM-TO-LONG TERM

- Development of leadership tiers and succession planning of critical positions

STRATEGIC DRIVERS AND INITIATIVES IN 2022/23

Expansion of local supply chains

Drive increased reliance on local supply chains, creating opportunities for value injection across rural and agricultural value chains.

Building supply chain security and resilience

Supporting supply chain partners through visibility in demand, transparent pricing and timely payments

Ongoing investment in supplier development to build capacity and propagate sustainable practices

Continued investments in strategic and meaningful community engagement projects

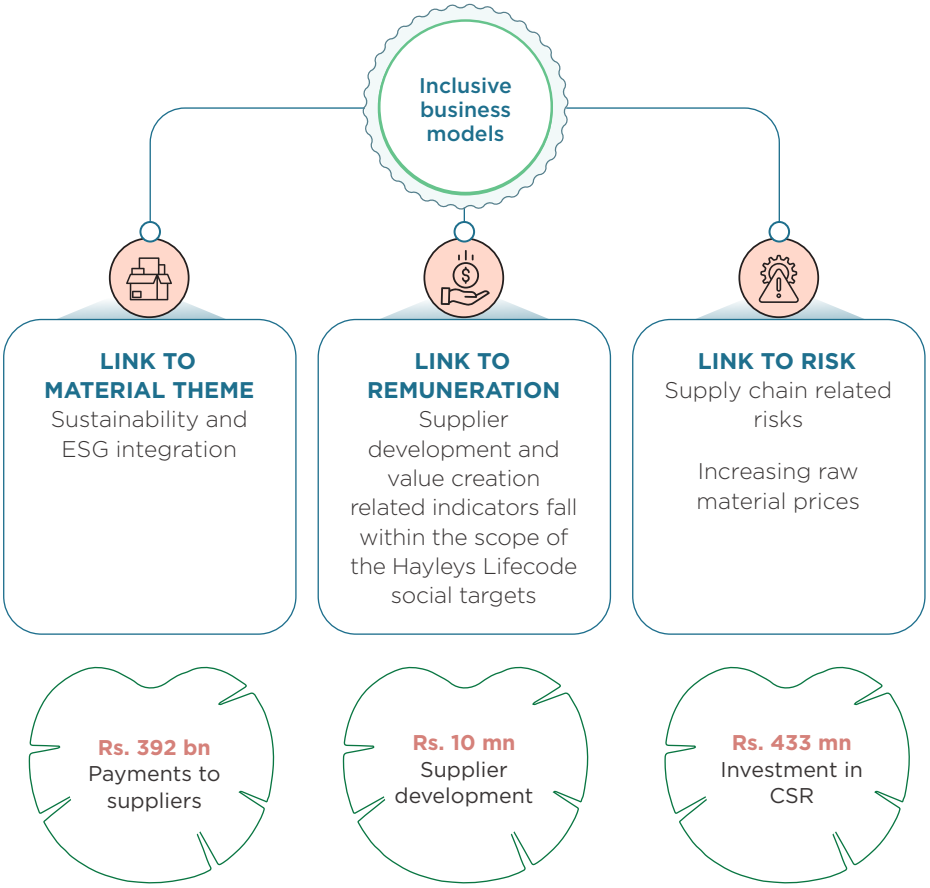
In addition to long-term projects, the Group directed CSR investments towards supporting the requirements of government healthcare facilities, given shortages in medicine and other essentials

KEY TRADE-OFFS

Inclusive business models support the creation of shared wealth and prosperity

OUTCOMES GENERATED

IC	Supply chain security to ensure minimal disruptions to continuity of operations
SRC	Strengthen social license to operate through meaningful relationships with communities



HOW WE MEASURE SUCCESS

	22/23	21/22
Total Suppliers	**18,231**	15,392
Increase in Supplier Payments (YOy%)	**65**	63
Local Procurement (%)	**61**	44
CSR Beneficiaries	**>997,000**	>540,000

WAY FORWARD

SHORT-TERM

- Build local supply chains to reduce import dependency and preserve valuable foreign currency

MEDIUM-TO-LONG TERM

- Propagating good social and environmental practices across our supply chains in line with the aspirations of the Hayleys Lifecode

PERFORMANCE AGAINST STRATEGY

STRATEGIC DRIVERS AND INITIATIVES IN 2022/23

Formulation of sector-specific ESG roadmaps

Several sectors launched sector-specific ESG roadmaps aligned to the Hayleys Lifecode- thereby hardcoding their commitment to embedding environmental sustainability into their operations.

Decarbonisation

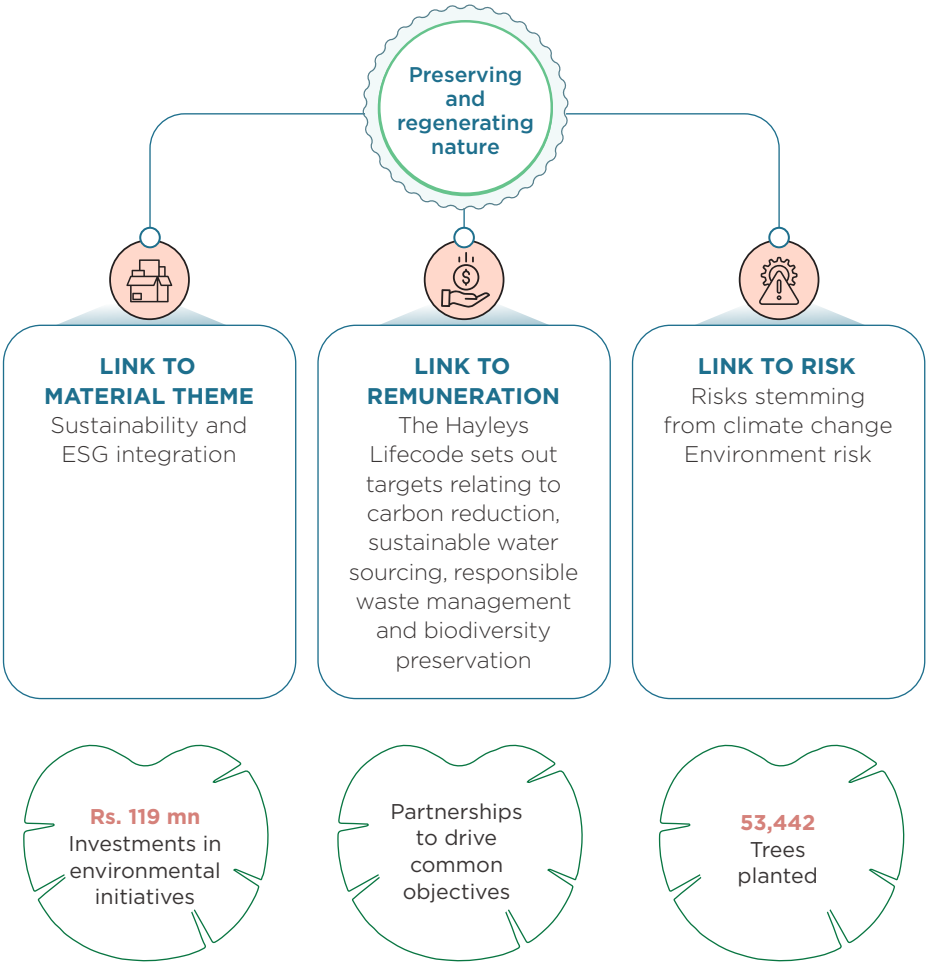
Drive towards Group-wide goal of achieving 30% reduction in the carbon footprint through investments in renewable energy, energy-efficiency initiatives and process re-engineering

Biodiversity preservation

Tree planting, wetland and mangrove preservation and other bio-diversity programmes driven at both Group and Sector-level

Sustainable innovation

Reducing the environmental footprint across the lifecycle of our products through sustainable design.



KEY TRADE-OFFS

- Balancing the mitigation of environmental impacts with business growth objectives
- Investments in renewable energy typically requires significant capital outlay at the outset, although this can be offset by savings generated

FC	Build business resilience through mitigating environmental risks
SRC	Access new markets and customer segments
NC	Optimise use of natural resources and mitigate adverse environmental impacts

HOW WE MEASURE SUCCESS

	22/23	21/22
Energy Intensity	**-34%**	-10%
Water Intensity	**-28%**	-12%
Emission Intensity	**-36%**	-20%
Reliance on Renewable Energy	**67%**	67%
Sustainable Water Sourcing (YoY Increase)	**57%**	53%

WAY FORWARD

SHORT-TERM

- Accelerate climate ambitions through increased investments in renewable energy
- Nurturing a culture of social and environmental consciousness

MEDIUM-TO-LONG TERM

- Sustainable innovation to drive increased circularity of operations

STRATEGIC ESG INTEGRATION

Global sustainability challenges including degradation of ecosystems, resources depletion, rising inequality and escalating implications of climate change present new systemic risks to organisations, which have led to significant shifts in risk landscapes. For a Group as diverse and widespread as Hayleys with significant economic, social and environmental impacts across value chains and communities, understanding the disruptive forces that are shaping the sustainability context is critical to effective risk management and long-term resilience.

GLOBAL SUSTAINABILITY CHALLENGES AND POTENTIAL IMPACTS ON OUR BUSINESS

ACQUISITIONS

Escalating implications of climate change have led to increased vulnerabilities to physical risks (such as operational impacts of natural disasters and impacts on agricultural produce among others)

WIDENING INEQUALITIES

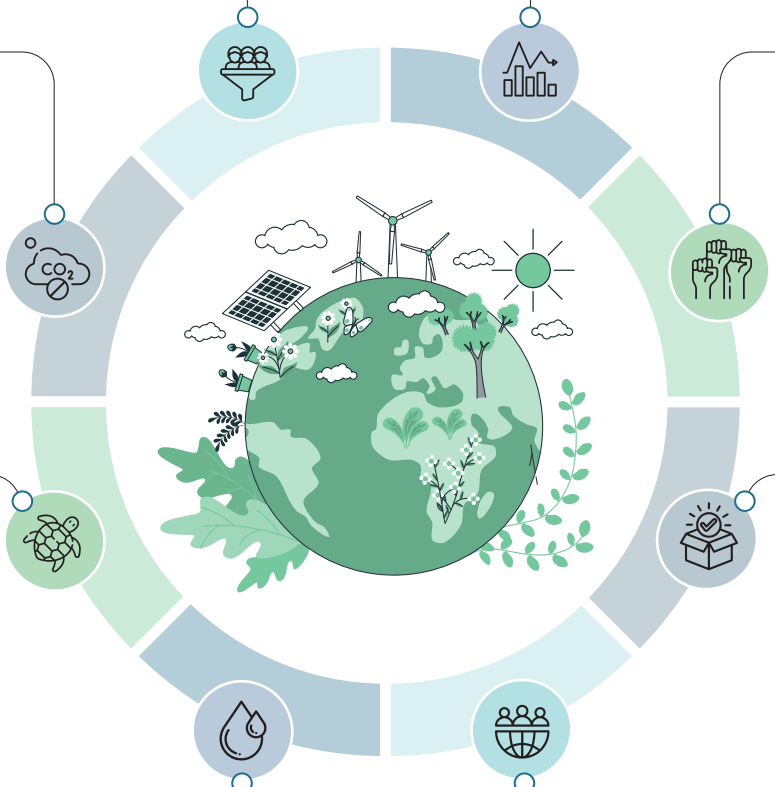
Widening economic and social inequalities can constrain consumer spending and growth, disruption supply chains and affect businesses' social license to operate

TRANSITION TO A LOW CARBON ECONOMY

Transition risks arising from society's response to climate change including technological changes, regulations and viability of existing products and services

HUMAN RIGHTS

Increasing focus on preserving workplace rights including discrimination, privacy and security as well as safeguarding human rights across supply chains



LOSS OF BIODIVERSITY

The accelerated destruction of ecosystems and species impacts supply chains and can drive higher volatility of raw material costs

IMPACTS OF PRODUCTS AND SERVICES

Following the 'eco-awakening' of customers, social and environmental impacts of products are emerging as key considerations in the purchasing decision

WATER STRESS

Sri Lanka is reaching critical levels of water stress, with the FAO estimating water stress to be 90.8%. Further stress could lead to considerable impacts on agricultural value chains and water-intensive sectors

DIVERSITY AND EQUITY

The growing recognition that a diverse and inclusive workforce can strengthen decision-making, improve engagement and attract and retain talent

STRATEGIC ESG INTEGRATION

HAYLEYS LIFECODE

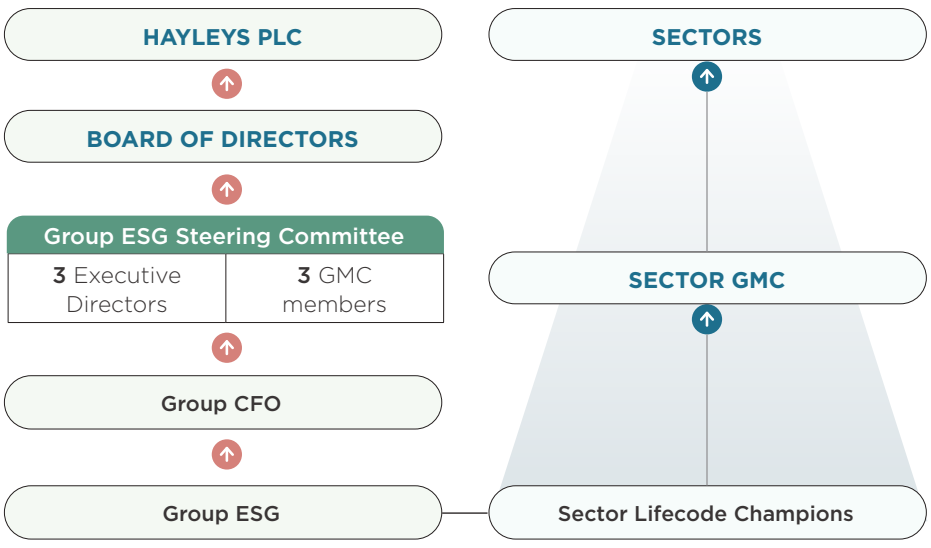
The Hayleys Lifecode was launched in January 2022 and represents a holistic framework that harmonises ESG integration by codifying ESG practices and processes that evolved over the years. In addition to governance structures and policy frameworks in managing ESG issues, the Lifecode sets out the Group's 2030 environmental, social and governance aspirations, roadmap and action plan.

ESG Governance

The Board of Hayleys PLC is the highest decision-making authority in the Group and has overall responsibility for formulating the Group's sustainability-related policies and goals and implementing the Group's ESG Framework. During the year, the Board appointed an ESG Steering Committee to provide oversight on sustainability and ESG related matters.

Our Purpose
Thriving businesses that shape better futures

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Minimise our footprint while seizing opportunities to shape a greener future	Striving and thriving together for a better tomorrow	Responsible and Responsive Corporate Citizenry



Appointment of a Group ESG Steering Committee and Sector-specific committees in 4 Sectors (Plantations, Hand Protection, Purification and Transportation & Logistics

MANDATE OF ESG STEERING COMMITTEE

- Provide oversight and monitor the execution of the Group's ESG Framework-Hayleys Lifecode
- Identify ESG related risks, opportunities and impacts and recommend measures to address these dynamics
- Review and provide guidance on ESG related policies and programmes
- Review and approve the Group's stakeholder engagement strategy
- Receive updates at least quarterly or as and when required, on ESG matters including progress against targets, key KPIs and strategy implementation.

GOALS AND ASPIRATIONS OF THE HAYLEYS LIFECODE

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

STRATEGIC ESG INTEGRATION

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**	• Industrial Relations policy • 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 • CSR Policy	

Priority area	Sustainable Development Goals	Target for 2030	Performance 2022/23
Energy and Emissions		30% reduction in Scope 1&2 GHG emissions by 2030	-9%
		90% sustainable and renewable energy applications	67%
		30% reduction in energy intensity	-34%
Water		50% sustainable water sourcing	11%
		75% total wastewater recycled and reclaimed	11%
		30% reduction in water intensity	-29%
Materials & Waste		Zero waste to landfill	14%
Biodiversity		Increase biodiversity enhancing programme to cover 5 times the area occupied by the Group	53,442 trees planted
Engaged Team		5% attrition rate across the Group	20%
		Each employee to receive an average of 40 hours training	8hrs
		100% employees to receive performance appraisals	100%
Health, safety and well-being		Zero significant workplace injuries/ diseases	152 work place injuries
Supplier relationships		40% of suppliers to be screened on social and environmental criteria	Key sectors are currently form formalising supplier assessment practices
		All Sectors to establish at least one supplier development programme	3 out of 12
Customer relationships		Customer satisfaction surveys and grievance mechanisms for 100% of operations	Several sectors conduct customer satisfaction surveys as discussed in the Portfolio Reviews
Community relationships		50% increase in CSR beneficiaries	84%

A Quest for Excellence

As we journey onwards, believe in consistently pursuing and seeking out the optimal conditions that enable growth and progress.

In the wild, koi are often witnessed to embark on a migratory journey — often covering significant distances to reach their preferred environment.

PORTFOLIO REVIEW

The following section provides a concise yet comprehensive and balanced overview of the performance of our 12 business sectors during the year. In line with the principles of Integrated Reporting, we have included material information relating to the Sectors' resource allocation, strategy, performance, external environment and stakeholder value creation among others.

FEATURED CONTENT

Integrated Performance Chart

Axis	Chart type	Indicator
Primary axis	Column	Profit Before Tax (Rs)
Primary axis	Column	Employee Value Creation (Rs)
Secondary axis	Line	Carbon intensity (tCO2e/ Revenue Rs.mn)

Demonstrates connectivity and trade-offs between the financial, social and environmental performance of each Sector over a period of three years by plotting the following information:

SANKEY DIAGRAM

Visual depiction of how Revenue and Other Income flows are absorbed through costs and other overheads, ultimately generating profit. The diagrams are drawn to scale-the thicker the line or arrow, the greater the value.

OUR SECTORS

Eco Solutions	124
Hand Protection	133
Purification	143
Textiles	153
Construction Materials	163
Plantations	173
Agriculture	183
Consumer & Retail	193
Leisure	203
Industry Inputs, Power & Energy	211
Transportation & Logistics	221
Others	231

INFORMATION WE SHARE IN OUR PORTFOLIO REVIEW

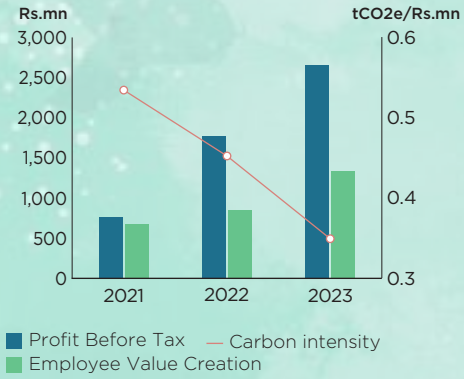
- Operating Environment including emerging trends and implications
- Strategy and Integrated Performance including resource allocation, key performance indicators, financial and non-financial performance
- Embedding ESG at Sector-level including performance against environmental and social targets
- Prospects and plans including PESTEL analysis for the future, response and plans
- SASB disclosures for relevant sectors

ECO SOLUTIONS

The Group's Eco Solutions Sector is Sri Lanka's leading manufacturer of value-added coconut fibre products, offering a range of high-quality, innovative and sustainable solutions across several product categories.

ECO SOLUTIONS

INTEGRATED PERFORMANCE TRENDS



FINANCIAL PERFORMANCE

Revenue
Rs. 15.22 bn (+37%)

Profit Before Tax
Rs. 2.66 bn (+50%)

Profit After Tax
Rs. 2.47 bn (+65%)

Assets
Rs. 18.69 bn (+7%)

Liabilities
Rs. 7.72 bn (+5%)

67
Employees offered leadership training

Total training hours
910

Rs. 10 mn
Investment in training and development

DEVELOPING LEADERSHIP CAPABILITIES

INSPIRING ACTION

SUSTAINABLE INNOVATION & PRODUCT CAPABILITIES

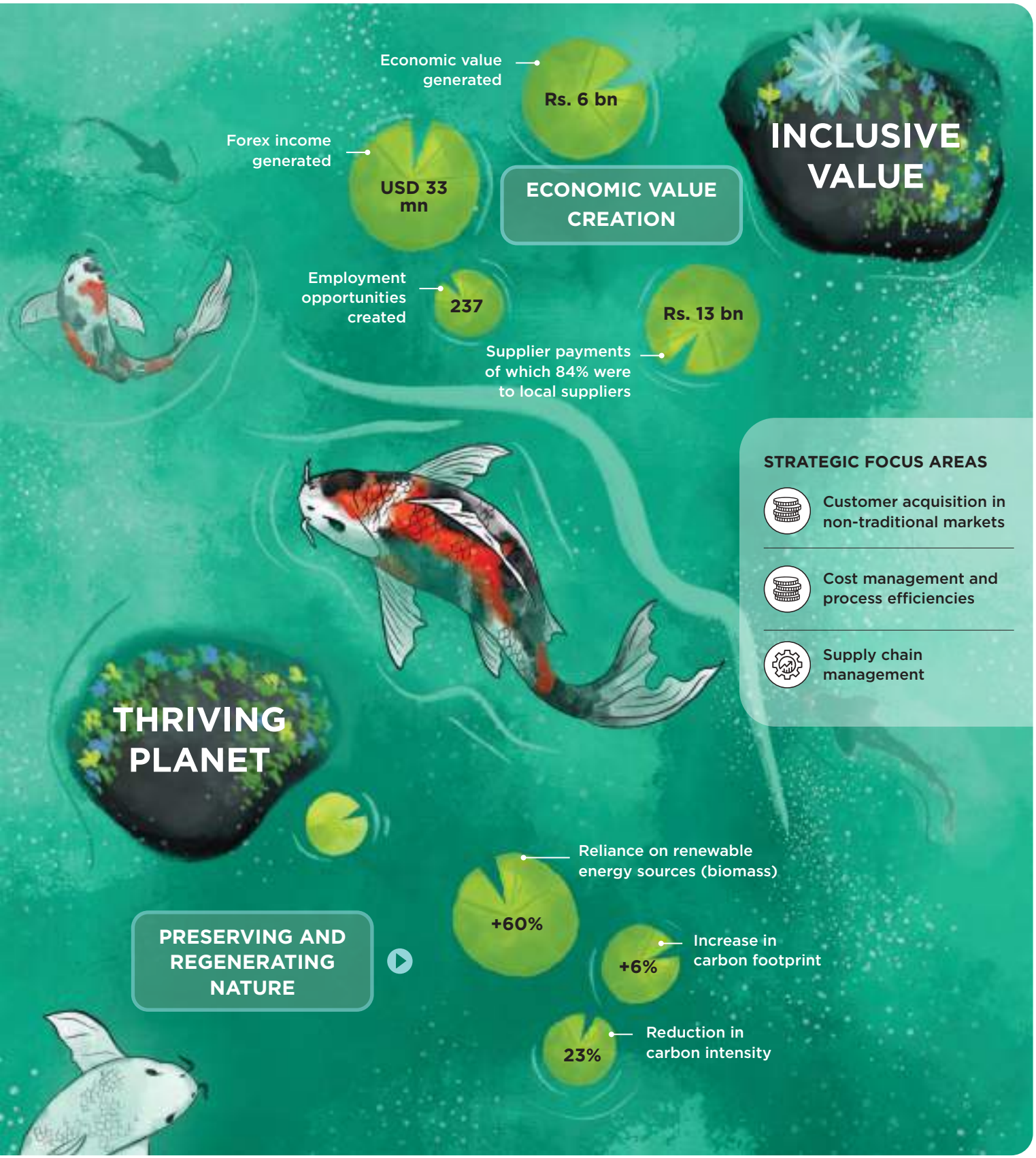
03
New products developed during the year

Solutions to environmental challenges,

Erosion control

Address land-based cultivation challenges

Soil substrate for cultivators

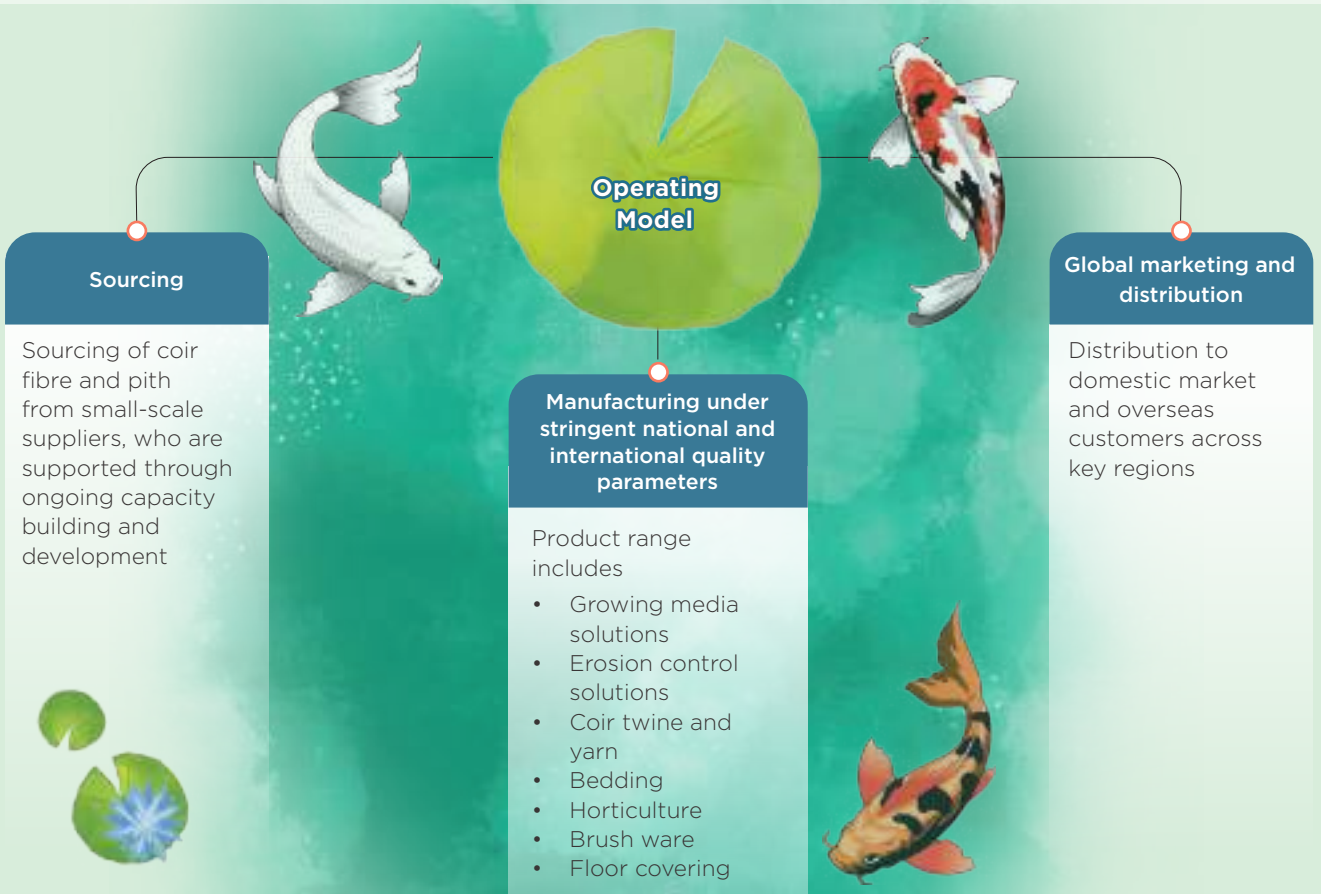

INCLUSIVE VALUE
Economic value generated
Rs. 6 bn
Forex income generated
USD 33 mn
ECONOMIC VALUE CREATION
Employment opportunities created
237
Rs. 13 bn
Supplier payments of which 84% were to local suppliers
STRATEGIC FOCUS AREAS
Customer acquisition in non-traditional markets
Cost management and process efficiencies
Supply chain management
THRIVING PLANET
Reliance on renewable energy sources (biomass)
+60%
PRESERVING AND REGENERATING NATURE
Increase in carbon footprint
+6%
Reduction in carbon intensity
23%

ECO SOLUTIONS

SECTOR OVERVIEW

MARKET POSITION

- Sri Lanka's pioneering manufacturer of value-added coconut fibre products
- Products sold in over 80 countries
- Over 1,000 product varieties



ECO FIBRE

Manufactured a range of value-added coir fibre products

Contribution to Sector
Revenue: 55%
PBT: 94%

Performance 2022/23
Revenue: 28% growth
PBT: 96% growth

BRUSHWARE

Pioneer in the brush market, catering to both the local and international markets

Contribution to Sector
Revenue: 22%
PBT: 4%

Performance 2022/23
Revenue: 73% growth
PBT: 3% decline

FLOOR COVERING

Manufacturer of coir, rubber, flocked door mats and PU mattresses

Contribution to Sector
Revenue: 23%
PBT: 2%

Performance 2022/23
Revenue: 35% growth
PBT: 75% decline

OPERATING ENVIRONMENT

Global demand for eco-fibre products remained subdued during the year under review; inventory build-up in the aftermath of COVID-19 together with rising inflation led to weaker demand, with implications across supply chains. Geopolitical tensions, had rippling effects across global supply chains, leading to economic uncertainty and lacklustre demand. Freight rates remained elevated for most of the year, which together with port congestion and limited availability of vessel space further impacted performance. Sri Lankan exporters benefitted from the sharp depreciation of the local currency during the first quarter of 2022/23. However, these gains were offset by the escalating cost of production in subsequent months following fuel price adjustments and rising labour costs. Local manufacturers were also affected by operational disruptions stemming from limited access to fuel stocks, political instability and challenges in mobility. On the other hand, the country's coconut production improved during the year reflecting conducive weather conditions. Overall, the export of coconut products recorded a decline of 6% in terms of dollar value in 2022. The long-term outlook for eco-fibre products, however, remains positive, supported by increased prevalence towards eco-friendly products and more stringent environmental regulations in major export markets

+9%
Sri Lanka's coconut production

71%
Depreciation of Sri Lankan Rupee against USD (Average) exchange rate in 2022/23

+13%
Industry growth forecast (2021-2026)

Emerging trends and implications on Sector

Increasing demand for growing media	Increasing environmental regulations	Implications of climate change
Population growth, increased focus on healthy diets together with the limited availability of land is fuelling demand for growing media products. **IMPLICATIONS** + Potential for volume growth through penetrating new markets and driving customer acquisition	Increasing stringency in environmental regulations and prevalence towards eco-friendly products particularly in the European region will drive demand for eco-fibre products + Growth opportunities in new market segments and applications	As a business relying on agricultural inputs, the Sector remains vulnerable to the implications of climate change. - Impacts on the security and pricing of raw materials

STRATEGY & INTEGRATED PERFORMANCE

The Eco Solutions Sector recorded a year of commendable growth, delivering a 37% and 50% increase in Revenue and Profit Before Tax respectively. Performance was driven by the Sector's strategic foresight in building raw material inventory which enabled uninterrupted production and successful entry into non-traditional markets. Given the socio-political conditions that prevailed during the year, the Sector maintained ongoing engagement with customers to provide assurance on continuous production and ability to consistently meet demand. Profitability was also upheld by strategic emphasis on cost management, process efficiencies and backward integration which enabled the Sector to curtail the contraction in profitability margins.

The Sector's sales strategy was consistent with its approach in recent years, in which increased penetration was sought in non-traditional markets in North Africa and Eurasia. Active and regular participation in exhibitions and trade fairs enabled customer acquisition in new markets. In terms of products, growing media continued record commendable growth supported by the Sector's global reputation for quality and innovative solutions. Brushware was affected by volatile demand conditions, although this was partially offset by the strong performance of the mattress range in Toyo Cushion and Creative Polymats. The Sector also continued to pursue new markets in the erosion control range, which presents significant upside potential given the increasing stringency of environmental regulations.

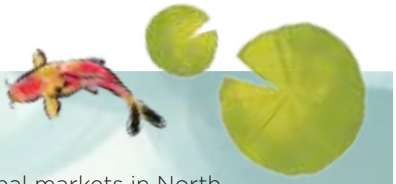
Despite the conditions that prevailed, the Sector adopted a long-term view to value creation, investing Rs. 500

ECO SOLUTIONS

mn in expanding the manufacturing capacity of spring mattresses, grow bags and related investments . All back-up generators were upgraded during the year given the prevalent interruptions to power supply in the country. Innovation remains a key priority for the Sector and achievements during the year included the launch of 40 new designs for floor mats and product redesign in coir twine, which provided increased customer value and access to new markets.

The Sector's people management strategy for the year centered on strengthening engagement, providing opportunities for skill development and succession planning. 67 employees successfully completed the Hayleys Group's leadership development programme during the year, while the Sector sponsored the cost of Rs. 2.2 mn employees pursuing executive and professional educational qualifications. Strengthening health and safety standards emerged as a key priority, and Sector has initiated proceedings to conduct an independent audit of its environmental, health and safety standards, after which plans are in place to obtain the ISO 45,001 certification.

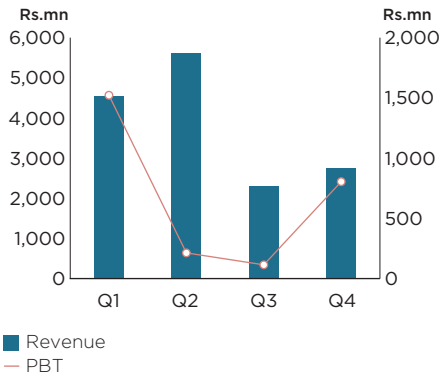
Rs. Mn	2023	2022	% y-o-y	2021
FINANCIAL HIGHLIGHTS (RS.MN)				
Revenue	**15,221**	11,131	+37	7,827
Earnings before interest and tax	**2,430**	718	+238	657
Net Finance Income/(Cost)	**134**	984	-86	78
Profit before tax	**2,656**	1,768	+50	763
Profit after tax	**2,471**	1,500	+65	660
Assets	**18,694**	17,515	+7	13,045
Liabilities	**7,722**	8,138	-5	5,170
Operating cash flow	**3,555**	(436)	+916	654
OPERATIONAL HIGHLIGHTS				
Production volumes (MT)	**7,200**	7,200	-	7,200
Capacity utilisation (%)	**68%**	85%	-17	79%
EMPLOYEE PRODUCTIVITY AND VALUE				
No. of employees	**908**	844	8	616
Remuneration/employee (Rs.mn)	**1.5**	1.0	50	1.1
Revenue/employee (Rs.mn)	**16.8**	13.2	27	12.7
Net profit/employee (Rs.mn)	**2.7**	1.8	50	1.1
RESOURCE EFFICIENCY				
Energy consumption (GJ)	**84,435**	92,189	-8	70,170
Energy intensity (GJ/ Rs. mn)	**5.5**	8.3	-33	9.0
Carbon footprint (tCO_2e)	**5,326**	5,039	6	4,182
Carbon intensity (tCO_2e/ Rs. mn)	**0.4**	0.5	-23	0.5
Water consumption (Litres mn)	**18,185**	14,997	21	17,034
Water intensity (Litres mn/ Rs. mn)	**1,195**	1,347	-11	2,178



KEY DEVELOPMENTS

- Increased penetration of non-traditional markets in North Africa and Eurasia
- Investment in expanding the manufacturing capacity of spring mattresses, grow bags and related investments
- Launch of new designs for floor mats and product redesign

QUARTERLY PERFORMANCE TRENDS



Spotlight

FACILITATING RESEARCH AND INNOVATION

Every year, the Sector provides opportunities for undergraduates pursuing Agriculture-related studies to engage in on-site research at its operating facilities. Students are provided access to the Sector's sites, with all expenses incurred by the Company and the technical knowhow is also shared by the sector in order to conduct research on innovative solutions relating to the Sector's business such as formulation of growing media and new agriculture applications among others.

STRATEGIC PRIORITIES

Customer acquisition in non-traditional markets
The Sector sought increased penetration of new markets, particularly in the growing media product vertical.

Cost management and process efficiencies
This was driven through targets on factory overheads, timely repositioning of borrowings and optimisation of headcount.

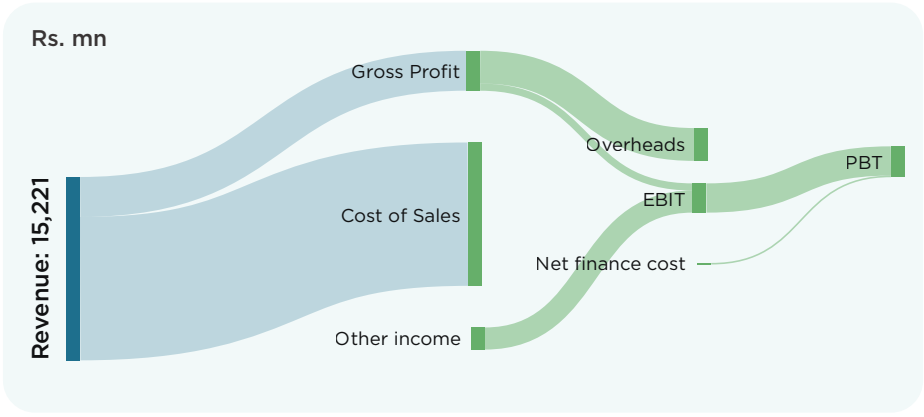
Supply chain management
Expansion of backward integration through widening and strengthening partnerships with long-term suppliers.

RESOURCE ALLOCATION

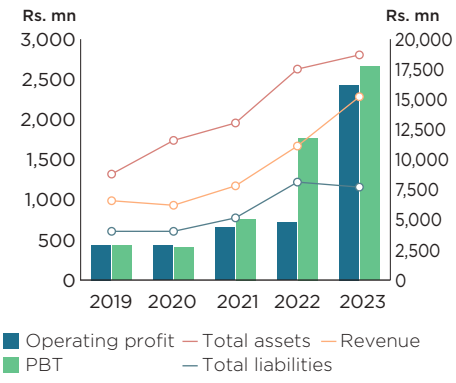
- Rs. 353 mn sales and marketing expense
- All functional teams tasked with cost management
- Rs. 100 mn investment in backward integration

STRATEGIC KPIS/PRE-FINANCIALS

- **16** new markets entered
- **53** customers acquired
- **Rs. 45.21 mn** cost savings
- **27%** increase in revenue/ employee
- **3** new suppliers added
- **42%** increase in payments to suppliers



SECTOR FINANCIAL PERFORMANCE



ECO SOLUTIONS

ESG IN ACTION

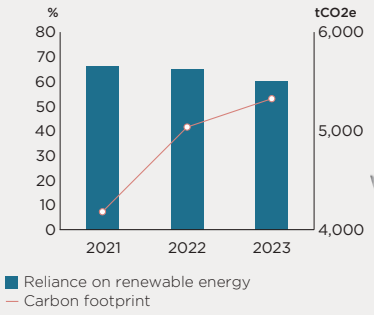
The Sector has aligned its sustainability journey to the long-term aspirations of Hayleys Lifecode, formulating targets and action plans for key material areas. Progress made in the integration of ESG factors into its business during the year is summarised below:

Energy and emission reduction

The Sector's energy mix is tilted towards renewable energy (biomass) which has enabled it to record a gradual reduction in its carbon intensity.

60% reliance on renewable energy

RENEWABLE ENERGY AND CARBON FOOTPRINT



Sustainable Products

The Sector's product portfolio consists of innovative solutions which address several environmental issues and promote eco-friendly practices.

Erosion control products which preserve soil quality

Eco-friendly mats with biodegradable properties

Seedling pads will encourage mechanised agriculture

Water usage

Ongoing efforts towards increasing water efficiency of processes.

21%
Increase in water consumption

11%
Reduction in water intensity

Performance against Lifecode Goals

Energy & Emissions

Target: 40% reliance on renewable energy

Actual: **60%**

Water reduction

Target: 01% reduction in water intensity

Actual: **11%**

Engaged team

Target: 0.5% reduction in annual attrition rate

Actual: **20%**

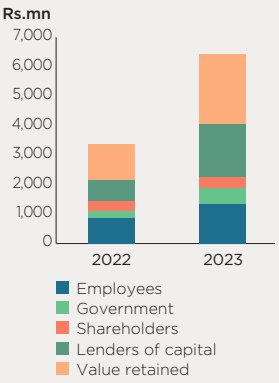
Health and safety

Target: (Complete reporting of all accidents 100% by 22/23)

Actual: **100%**

Stakeholder value creation

STAKEHOLDER VALUE DISTRIBUTION



Foreign exchange generated:

USD 33 mn
Significant local value addition

Supplier development

The Sector injects value across an extensive network of suppliers through continued procurement of coconut fibre.

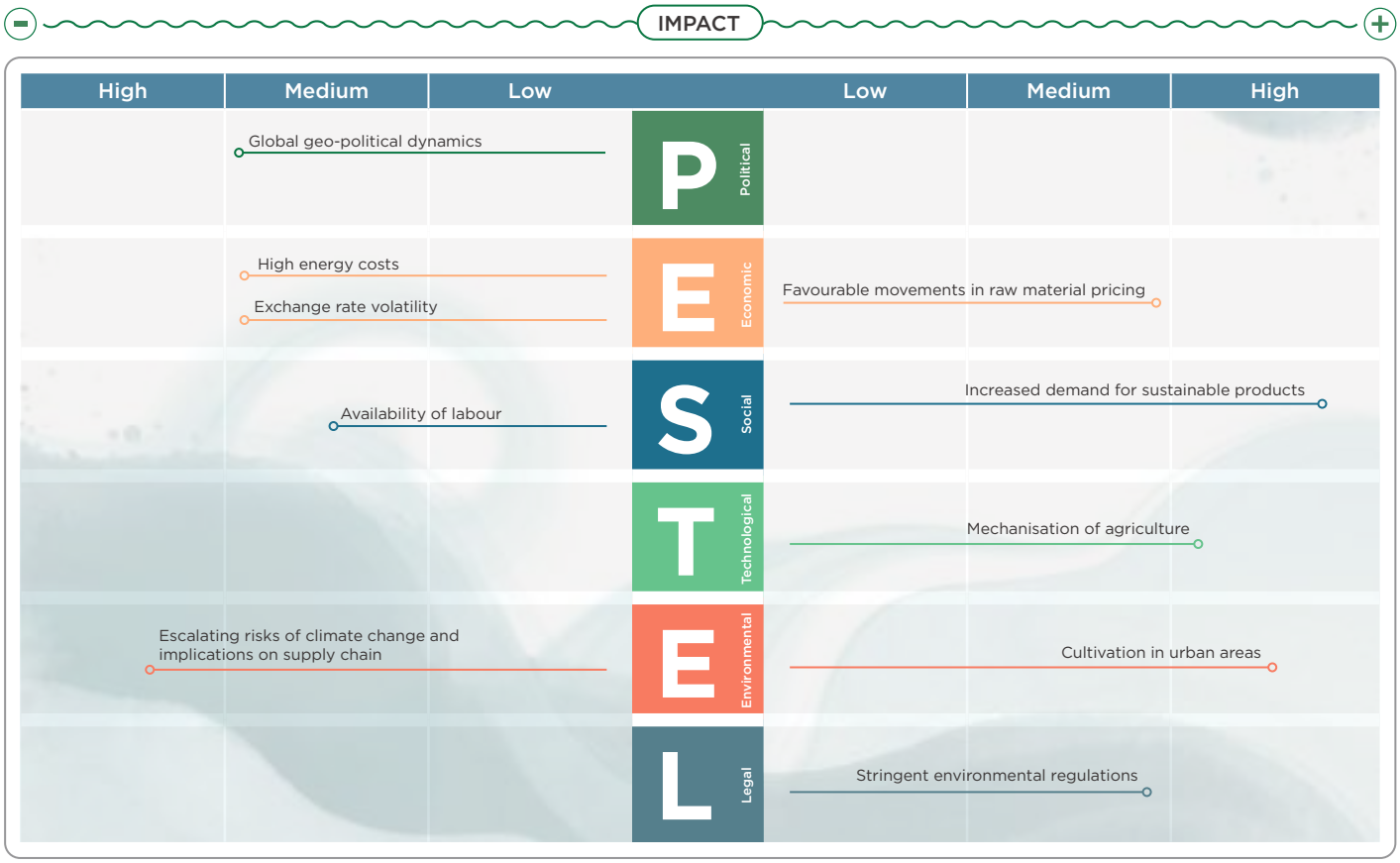
	2023	2022
No. of suppliers	1,626	2,205
Small-holders	45%	43%
Payments to suppliers (Rs.bn)	12.59	8.86

Donation of essential medicines to numerous hospitals

including Negombo General hospital, Diwulapitiya divisional hospital, Dankotuwa Division Hospital, Madampe Hospital, Base Hospital Maravila, Dunakandeniya hospital among others

PROSPECTS AND PLANS

Despite the volatilities stemming from the current global economic landscape, long-term demand dynamics are expected to be favourable with strong growth potential in selected product categories, such as growing media, erosion control and horticulture. The Sector is also expected to benefit from an anticipated reduction in raw material pricing in the short-term. Key downside risks stem from the exchange rate volatility, which has rendered the short-to-medium term outlook difficult to predict. That said, the Sri Lankan Rupee is expected gradually stabilise towards the latter part of the year with the anticipated restoration of macro-economic stability. In the short-term rising cost of production and the high interest rate scenario could also impact profitability through constraining margins and higher finance costs respectively; however, rates are expected to ease off in the medium-term reflecting the decelerating trend in inflation. The short, medium and long-term outlook and plans in place to respond to the emerging risks and opportunities



As one of Sri Lanka's leading exporters in the fibre-industry, the Sector will continue to contribute to the country's economic recovery through local value addition and the generation of valuable foreign exchange income. Growth is expected to be driven by continued penetration of non-traditional markets, market expansion in the domestic market as well as ongoing investments in product and market development to pursue expansion in new applications. Building supply chain security through backward integration will also remain a key priority as we expand supply chains in the Northern region of the country.

ECO SOLUTIONS

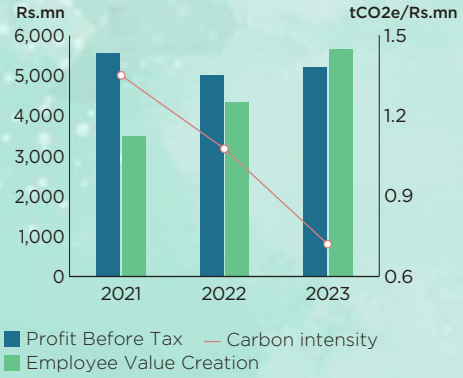
RESPONSE AND PLANS	
Short-term	**Medium-to-long term**
• Increased penetration in local market through mattress range • Continued focus on driving growth through partnerships in non-traditional markets • Expand the horticulture range in selected products • Pursue growth in new applications and industries • Cost reduction drive through marginal and target costing initiatives • Drive service excellence to optimise lead times	• Backward integration through expanding regional network of suppliers • Distributor acquisition in key markets • Adopt more competitive pricing strategies • Strengthen Haygreen brand • Enhance value added portfolio through capacity expansion and R&D • Develop and promote own-branded products • Aggressive penetration of local market through widening the product portfolio
Short-term goals ROCE>15% Gearing<50%	**Medium-to-long term goals** ROCE>15% ROI>5%

HAND PROTECTION

Dipped Products PLC is a global leader in protective hand-wear, serving close to 5% of global demand for natural and synthetic-latex based household and industrial gloves. The Sector operates manufacturing facilities in Sri Lanka and Thailand and distribution arms in Italy, France and Poland; its gloves are sold in over 70 countries across the world.

HAND PROTECTION

INTEGRATED PERFORMANCE TRENDS



FINANCIAL PERFORMANCE

Revenue
Rs. 51.38 bn (+36%)

Profit Before Tax
Rs. 5.25 bn (+5%)

Profit After Tax
Rs. 4.28 bn (+6%)

Assets
Rs. 35.00 bn (-1%)

Liabilities
Rs. 15.28 bn (+21%)

Reliance on renewable energy
93%

13
Products in the pipeline

Investment in new sports glove manufacturing facility
Rs.1 bn

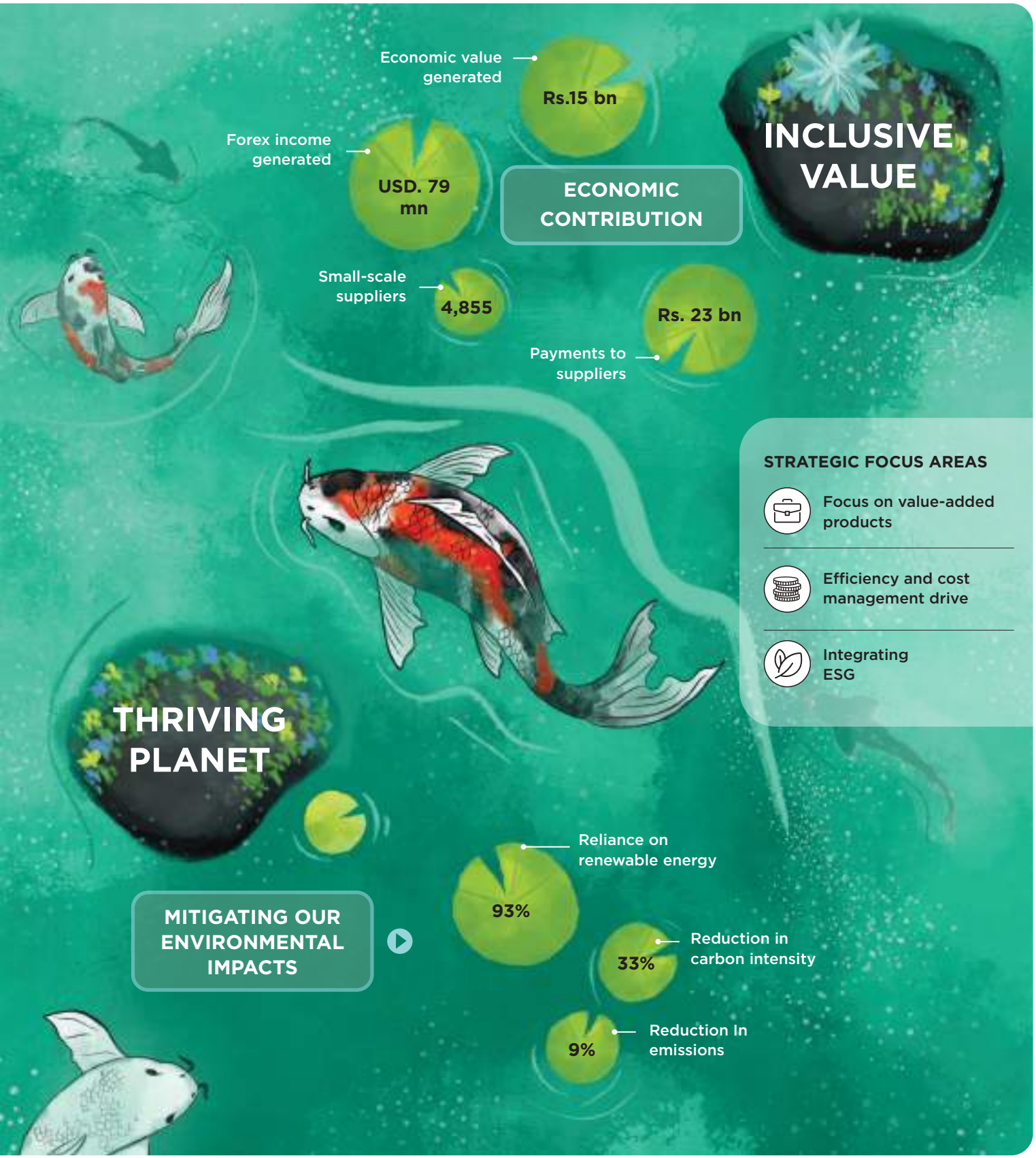
INVESTING IN THE FUTURE

INSPIRING ACTION

DEVELOPING OUR TEAM

71,642
Training hours

Rs. 13 mn
Investment in training


Economic value generated
Rs.15 bn
Forex income generated
USD. 79 mn
ECONOMIC CONTRIBUTION
INCLUSIVE VALUE
Small-scale suppliers
4,855
Rs. 23 bn
Payments to suppliers
STRATEGIC FOCUS AREAS
Focus on value-added products
Efficiency and cost management drive
Integrating ESG
THRIVING PLANET
Reliance on renewable energy
93%
MITIGATING OUR ENVIRONMENTAL IMPACTS
Reduction in carbon intensity
33%
Reduction In emissions
9%

HAND PROTECTION

SECTOR OVERVIEW

MARKET POSITION

- Among the top household and industrial glove manufacturers in the world
- 5 manufacturing facilities in Sri Lanka and Thailand
- Global reputation for innovation, quality and sustainability

Operating Model

Sourcing raw materials

Key raw materials include natural latex which is procured from an extensive network of rubber smallholders and farmers, synthetic latex and chemicals

Manufacturing and packaging

The Sector manufactures a comprehensive array of gloves including,

- Supported
- Unsupported
- Disposable
- Electrician
- Sports
- Sleeves

Quality assurance

Compliance to a range of quality, environmental, occupational health and safety certifications with stringent processes and controls in place

Global marketing and distribution

The Sector's products are sold to global distributors and end-consumers in over 70 countries

LOCAL OPERATIONS

5 manufacturing facilities producing a range of household and industrial gloves

Contribution to Sector
Revenue: 54%
PBT: 105%

Performance 2022/23
Revenue: 58% growth
PBT: 138% growth

EUROPEAN OPERATIONS

Represents the Group's operations in Europe

Contribution to Sector
Revenue: 31%
PBT: -11%

Performance 2022/23
Revenue: 18% growth
PBT: 214% decline

THAILAND OPERATIONS

Manufacturing facility in Thailand producing disposable gloves

Contribution to Sector
Revenue: 15%
PBT: 6%

Performance 2022/23
Revenue: 11% growth
PBT: 70% decline

During the year, ICOGUANTI S.p.A established DPL France to acquire the assets of Rozenbal (France), a company engaged in the trading of Cleaning equipment and related products. With this acquisition, Rozenbal Polska Sp.z.o.o in Poland was also added as a subsidiary of ICOGUANTI S.p.A.

OPERATING ENVIRONMENT

Global demand for gloves continued to moderate in 2022, consistent with the dynamics of 2021 in which distributors curtailed purchases following inventory build-up during the pandemic. The demand slowdown was more pronounced in the disposable glove segment, which saw industry capacity utilisation levels declining to 30%. The household and industrial segments also recorded a gradual decrease reflecting economic uncertainties in Europe, geopolitical tensions and monetary policy tightening across key markets. On the other hand, global freight rates decelerated towards the second half of the financial year 2022/23 following record highs in the early part of 2022. Raw material prices also remained conducive for most part of the year, declining gradually in view subdued demand. Sri Lanka's economic crisis and resultant challenges including fuel shortages, interruptions to power supply, sharp increase in imported input materials and rising interest rate scenario inevitably impacted Sri Lankan manufacturers during the year.

-20%
Decline in rubber prices (TSR20)

-19%
Reduction in glove exports (USD)

+5%
Industry CAGR forecast (2022-2029)

Emerging trends and implications on Sector

Increasing awareness on employees' health and safety and more stringent regulations	Customers' increasing focus on sustainability	Implications of climate change
Growing awareness on workers' safety and increasing occupational hazards in mining, construction, oil and gas and manufacturing will drive demand for industrial glove applications **IMPLICATIONS** + Opportunity to strengthen competitive position through launching specialised, value-added products	Manufacturers are increasingly required to emphasise sustainability and green practices in its manufacturing, packaging and other processes + Opportunity to sharpen competitive edge and access new markets through integrating ESG	Erratic weather conditions, natural disasters and change in rainfall patterns have a direct impact on the supply and quality of natural latex - Implications through supply chain disruptions and potential water stress

STRATEGY & INTEGRATED PERFORMANCE

The Sector delivered a year of strong growth and profitability with Revenue and Profit Before Tax increasing by a respective 36% and 5%. Despite the slowdown in demand, strategic interventions to enhance contributions from high-value products and sustain customer relationships enabled the Sector to deliver better results. Top line growth, coupled with an organisation-wide efficiency drive which generated substantial cost savings allowed the Sector to record a 41% increase in earnings Before Interest and Tax. Effective working capital management together with the timely repositioning and conversion of borrowings allowed the Sector to curtail the increase in Net Finance Costs to 44%, despite the sharp increase in interest rates. Overall the Sector's Profit-After-Tax increased by 6% to Rs. 4.28 bn during the year. The performance of the Sector's marketing arm in Europe ICOGUANTI S.p.A was below expectations reflecting the slowdown in demand and gradual decline in price over the past 2 years.

During the year, the Sector made significant progress in strengthening product and production capabilities. In a major achievement, the Sector launched the 'DPL Sports' range, marking entry into a new premium product segment. The brand was unveiled at the EURO Bike exhibition in July and features cut, sewn and seamless hybrid versions as well as recycled and organic materials. The initial response for DPL Sports gloves has been very promising, and the Sector sees strong upside potential for the new range.

HAND PROTECTION

Research and development efforts during the year also centered on integrating sustainable principles to product design and packaging. To this end, the Sector is exploring the use of renewable and recycled input materials, biodegradable packaging among others.

During the year the Sector invested almost Rs. 470 mn in upgrading staff facilities and office spaces. The upgrade of staff facilities directly contribute to the wellbeing of our employees by creating conducive work spaces , in turn positively impacting labour productivity and employee satisfaction levels.

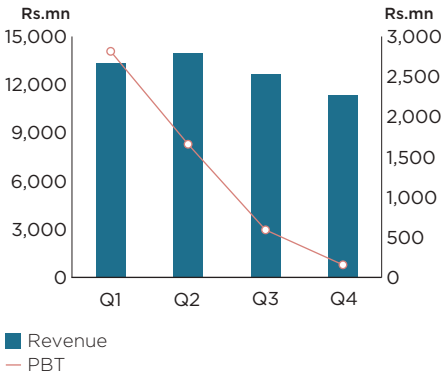
The Sector continued to leverage the close ties it has nurtured with its ecosystem of local farmers and suppliers to improve the security of its supply chain and drive value addition. The DPL Firstlight programme was extended with the addition of 492 new farmers in Ratnapura, Kegalle and Monaragala. The program continues to play a vital role in empowering livelihoods through skill development, distribution of fertilizer and propagation of good agricultural practices. During the year, DPL also established a rubber plant nursery of 30,000 saplings at Monaragala.

Rs. Mn	2023	2022	% y-o-y	2021
FINANCIAL HIGHLIGHTS (RS.MN)				
Revenue	**51,376**	37,858	+36	30,397
Earnings before interest and tax	**4,072**	2,896	+41	5,502
Net Finance Income/(Cost)	**1,179**	2,109	-44	24
Profit before tax	**5,251**	5,005	+5	5,551
Profit after tax	**4,277**	4,050	+6	4,415
Assets	**35,002**	35,297	-1	27,540
Liabilities	**15,285**	19,239	+21	16,428
Operating cash flow	**7,718**	6,135	+26	(1,583)
OPERATIONAL HIGHLIGHTS				
Capacity utilisation (%)	**79**	84	-5	87
EMPLOYEE PRODUCTIVITY AND VALUE				
No. of employees	**2,245**	2,177	3	2,081
Remuneration/employee (Rs.mn)	**2.5**	2	25	2
Revenue/employee (Rs.mn)	**23**	17	35	15
Net profit/employee(Rs.mn)	**2**	2	0	2
RESOURCE EFFICIENCY				
Energy consumption (MJ mn)	**1,961**	2,046	-4	1,867
Energy intensity (MJ mn/Revenue Rs.mn)	**38**	54	-29	61
Carbon footprint (tCO2e)	**37,028**	40,757	-9	41,052
Carbon intensity (tCO2e/Rs.mn)	**721**	1,076	-33	1,350
Water consumption (Litres mn)	**1,899**	1,781	7	1,883
Water intensity (Litres/Revenue Rs.mn)	**36,969**	47,050	-21	61,937

KEY DEVELOPMENTS

- Automated centralised warehouse constructed with the aim of streamlining operations, reducing transportation and logistics costs through operating synergies and increasing visibility of the supply chain
- Commenced formulation of ESG Roadmap for 2030
- Strengthened European presence with expansion of operations to France and Poland.

QUARTERLY PERFORMANCE TRENDS



Spotlight

STATE-OF-THE-ART MANUFACTURING FACILITY FOR SPORTS GLOVES

The Sector's state-of-the-art sports glove manufacturing facility at the Biyagama Export Processing Zone commenced operations during the year. Constructed at an investment of Rs.1.00 bn the facility is pursuing the prestigious LEED certification for environmentally-friendly design. The Sector has leveraged its domain-specific knowledge and technology in the industrial gloves segment to develop an array of sports gloves catering to applications in American Football, Cycling, Yoga and Horseback riding among others.

STRATEGIC PRIORITIES

Development of value-added products
Research and development efforts focused on supported and premium gloves

Efficiency and cost management drive
Capacity building on Six Sigma, TPM and Lean Management initiatives together with Project based implementation of cost-saving measures

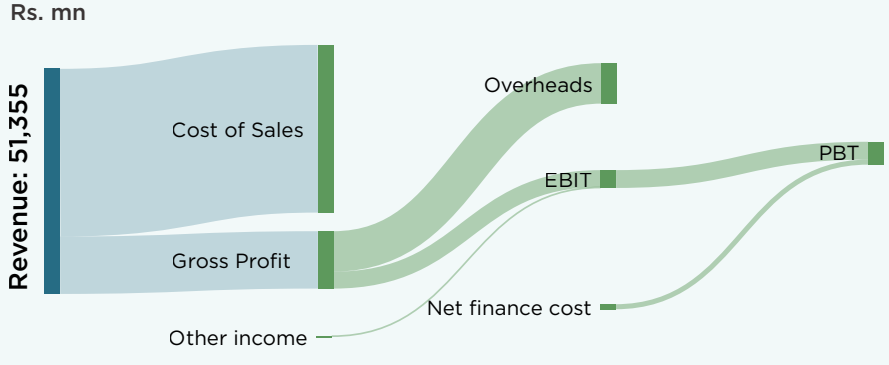
Integrating ESG
Organisation-wide drive to embed ESG considerations across all operations through formalising ESG Framework

RESOURCE ALLOCATION

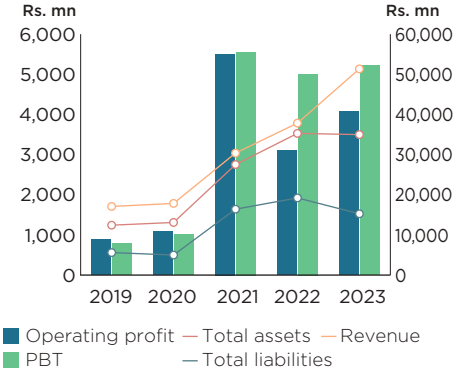
- Rs. 225 mn investment in R&D
- 160 employees engaged in cost-saving measures
- Environmentally and socially conscious organisational culture

STRATEGIC KPIS/PRE-FINANCIALS

- **19** new products
- **4** products in the pipeline
- **Rs. 359 mn** Cost savings
- Formulation of **ESG Roadmap**



SECTOR FINANCIAL PERFORMANCE



HAND PROTECTION

ESG IN ACTION

The Sector marked a step change in its ESG aspirations during the year commencing the formulation of DPL's own ESG roadmap for 2030 setting out the Sector's short-and-long term environmental, social and governance targets, action plans and governance structures among others.

Reliance on renewable energy sources

The Sector relies on biomass to power its boilers, resulting in renewable energy accounting for **93%** of total energy usage.

Energy Savings

Generated through implementing inverter technology solutions, optimising usage of compressed air, energy efficient lighting solutions among others.

Sustainable water sourcing

Ongoing investments in expanding capacity of effluent treatment plants and increasing reliance on rainwater harvesting.

Investment in rainwater harvesting and water recycling at DPL Universal Gloves

167 mn litres

Recycled water

Sustainable innovation

Natural rubber biodegradable glove

Recycled packaging materials

Gloves manufacturing using PET bottles

Performance against Lifecode Goals

Energy & Emissions

Target: 25% reduction in GHG emissions

Actual: **-9%**

Water reduction

Target: 30% sustainable water sourcing

Actual: **9%**

Engaged team

Target: Average 40 hours training/employee/p.a

Actual: **25hrs**

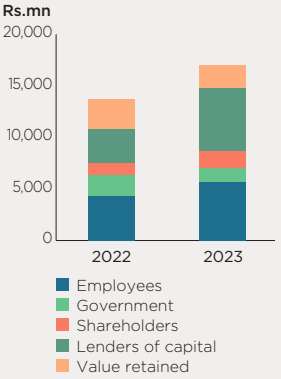
Community Development

Target: 50% increase in CSR beneficiaries

Actual: **+27%**

Stakeholder value creation

STAKEHOLDER VALUE DISTRIBUTION



Foreign exchange generated:

USD 79 mn

Significant local value addition

Employee value proposition

	2023	2022
Total training hours	71,642	27,292
Avg.training hours	25.85	10.17
Investment in training	14	12

Donations of medicines and gloves to government hospitals including the following:

- Base Hospital Homagama
- Divisional Padukka Hospital
- Divisional Hospital Biyagama

Rs. 5. mn

SASB DISCLOSURES

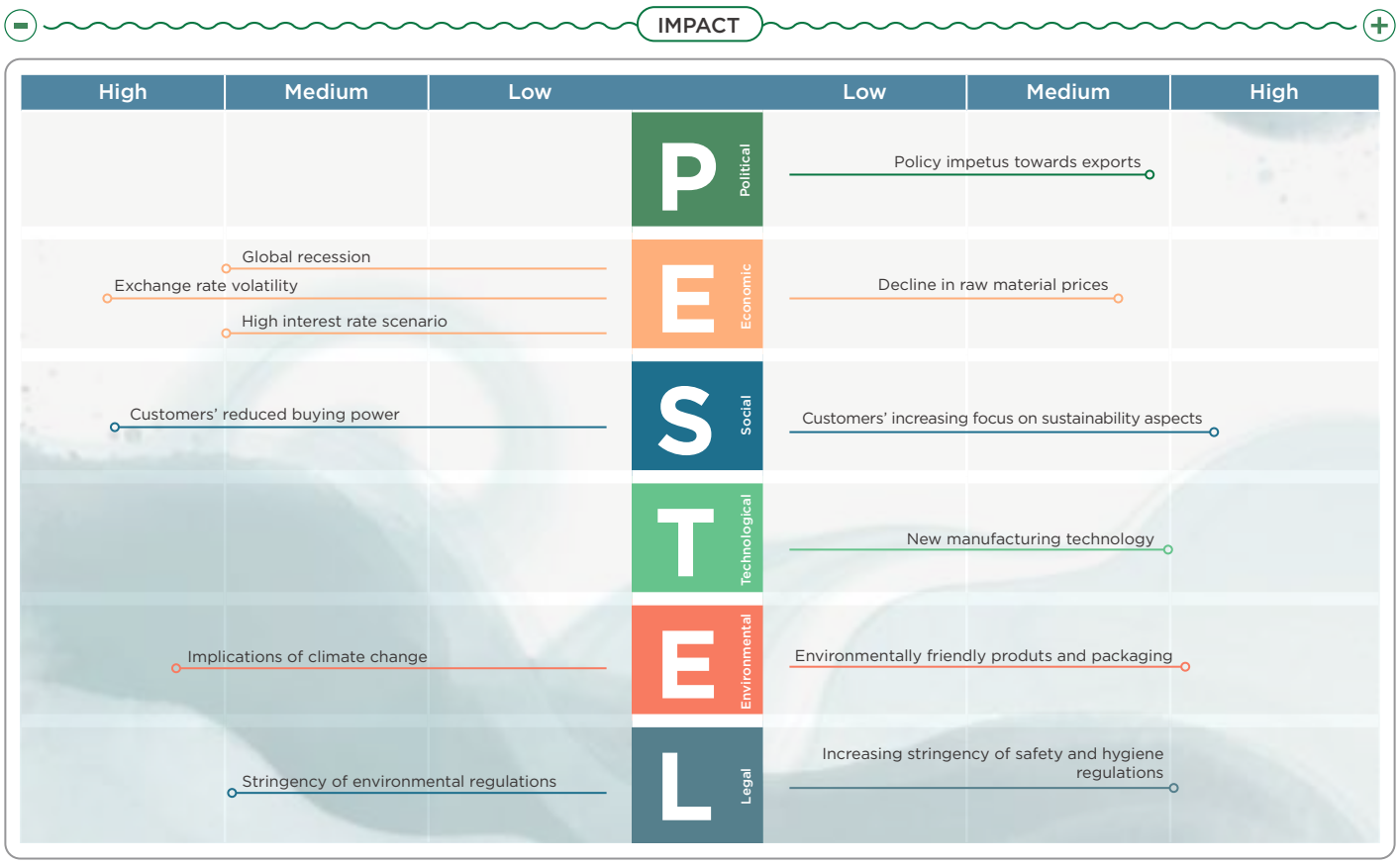
Table: Household and Personal Products Standard- Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
Water Management	(1) Total water withdrawn (2) Total water Consumed (3) Percentage in regions with High or Extremely High Baseline Water Stress	(m^3), Percentage (%)	CG-HP-140a.1	(1) 1,899,368m3 (2) 1,740,061m3 (3) NA
	Description of water management risks and discussions of strategies in place to manage those risks	-	CG-HP-140a.2	Refer Page 279
Product Environmental, Health, and Safety Performance	Revenue from products that contain REACH substances of very high concern (SVHC)	Rs. mn	CG-HP-250a.1	N/A
	Revenue from products that contain substances on the California DTSC Candidate Chemicals List	Rs. mn	CG-HP-250a.2	N/A
	Discussion of process to identify and manage emerging materials and chemicals of concern		CG-HP-250a.3	A database of regulations enables us to keep track of new requirements such as new materials, ingredients of materials and ensure compliance.
	Revenue from products designed with green chemistry principles	Rs. mn	CG-HP-250a.4	Rs. 208 mn
Packaging Lifecycle Management	(1) Total weight of packaging (2) Percentage made from recycled and/or renewable materials (3) Percentage that is recyclable, reusable, and/or compostable	t % %	CG-HP-410a.1	3,773 Mt 70% 95%
	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle		CG-HP-410a.2	Develop packing material suppliers on environment friendly products, conduct entry level evaluation
ACTIVITY METRICS				
	Units of products sold Total weight of products sold		Number	252 Mn pairs Number 1,260Mt
	Number of manufacturing facilities		Number	5

HAND PROTECTION

PROSPECTS AND PLANS

Demand is expected to be subdued in the short-term, reflecting economic uncertainty in the USA and European region, geopolitical tensions and persistently high inflation. Against this backdrop, demand for disposable gloves is expected to contract with potential recovery expected only towards the latter part of the year. Over the medium to long-term however, markets are expected to stabilise and record expansion, with supported gloves expected to record more pronounced growth as major markets recover. The Sector's short, medium and long-term risks and opportunities are summarised below:



Given recent interventions to strengthen product capabilities and production capacity, the sector is aptly positioned to capture emerging growth opportunities in the industry, particularly in premium, specialised gloves. The Sector will continue to pursue increased penetration in supported gloves through new customer acquisition and deepening relationships with existing customers. Integrating ESG to the business will also be a key priority, as the Sector strives to reduce its carbon footprint, reduce water withdrawal and pursue opportunities in sustainable design and packaging. The short, medium and long-term outlook and plans in place to respond to the emerging risks and opportunities are presented below

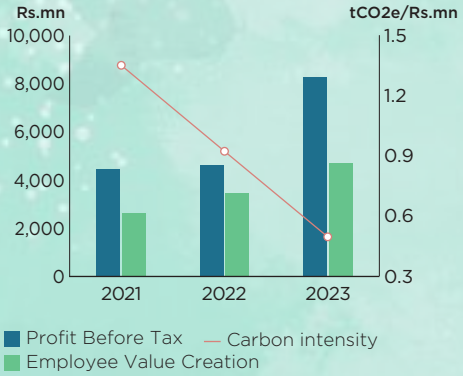
STRATEGIC PRIORITIES	
Short-term	**Medium-to-long term**
• Competitive pricing to acquire and retain customers • Drive increased customer engagement through online channels • Introduce green chemical usage and practices in production processes • Improve plant quality and performance while reducing downturn	• Increase contributions from high margin value added products • Cater to emerging sustainability requirements of customers through strategic approach to ESG • Drive increased penetration in Europe through DPL France and Rozenbal Polska • Re-engineer and automate manufacturing systems • Diversify raw material and packaging supply chain in both Sri Lanka and Thailand
Short-term goals OEE: >85%	**Medium-to-long term goals** ROCE>10% Borrowings<50% of capital employed

PURIFICATION

Haycarb is a globally leading manufacturer and marketing of coconut-shell based activated carbon, with a strong reputation for innovation, quality, technical excellence and sustainability. The Sector is also a leading provider of water and waste purification systems in Sri Lanka and Maldives.

PURIFICATION

INTEGRATED PERFORMANCE TRENDS



FINANCIAL PERFORMANCE

Revenue
Rs. 60.36 bn (+84%)

Profit Before Tax
Rs. 8.25 bn (+78%)

Profit After Tax
Rs. 6.50 bn (+75%)

Assets
Rs. 38.57 bn (+1%)

Liabilities
Rs. 14.82 bn (+22%)

INNOVATIONS FOR A BETTER TOMORROW

Product applications

Air purification

Water purification

Medical and pharmaceuticals

Hybrid and electric vehicles

Pesticide removal and soil remediation

Removal of mercury and poisonous gas

New products launched **16**

INSPIRING ACTION

LEADERSHIP DEVELOPMENT

33
Employees undergoing leadership development

Rs. 7 mn
Investment in training

40
Promotions

6
Vacancies filled internally

INCLUSIVE VALUE
Foriegn exchange income generated
USD 74 mn
Tax payments
Rs. 2 bn
ECONOMIC VALUE CREATION
Economic value generation
Rs.19 bn
Rs.19 bn
Payments to suppliers
STRATEGIC FOCUS AREAS
Innovation focused on value-added products
Operational efficiency and productivity
Supply chain management
THRIVING PLANET
MITIGATING OUR ENVIRONMENTAL IMPACT
Rs.1 bn planned investment in renewable energy
70%
Sourcing from environmentally-friendly charcoaling pits
1%
Reduction in carbon footprint
46%
Reduction in carbon intensity

PURIFICATION

SECTOR OVERVIEW

MARKET POSITION

- A global leader in coconut-shell based activated carbon with a market share of 16%
- Leading provider of water and waste purification in Sri Lanka, the Maldives and the region
- Portfolio of over 1,500 products

SRI LANKAN OPERATIONS

Manufacture of coconut-shell based activated carbon

Contribution to Sector
Revenue:37%
PBT: 60%

Performance 2022/23
Revenue: 93% growth
PBT: 118% growth

OVERSEAS MANUFACTURING

Manufacturing facilities in Thailand and Indonesia

Contribution to Sector
Revenue: 25%
PBT: 30%

Performance 2022/23
Revenue: 68% growth
PBT: 63% growth

OVERSEAS MARKETING

Marketing arm engaged in distribution

Contribution to Sector
Revenue: 36%
PBT: 12%

Performance 2022/23
Revenue: 118% growth
PBT: 48% growth

OPERATING ENVIRONMENT

Global demand for activated carbon was somewhat dampened during the year, in view of the economic downturn in Europe and inventory adjustments following stock-build up in the previous year. Geo political tensions also posed challenges in transfer of goods and funds in the region, following sanctions and restrictions to the global financial system. On the other hand, customer engagement through trade exhibitions and visits recommenced during the year, following the resumption of global travel and gradual opening of markets. Sri Lankan operations were inevitably impacted by macro-economic headwinds, with fuel shortages, escalations in cost of production, exchange rate volatility and the sharp increase in interest rates affecting performance. Meanwhile, Sri Lanka's coconut production reached a record high of 3.39 mn nuts in 2022 supported by conducive weather conditions, which outweighed the negative implications of the shortage in chemical fertilizers. Coconut prices also remained elevated for most part of the year. In Thailand, the sharp appreciation of the Baht towards the latter part of the financial year, affected performance of exporters through exchange losses.

+9%
Increase in Sri Lanka's coconut production in 2022

+9%
Increase in retail prices of coconuts in 2022

8%
Anticipated global growth

Emerging trends and implications on Sector

Growing demand for water purification and air filtration	New energy arena	Implications of climate change on coconut crop
Increasing concerns over air and water quality together with increasingly stringent environmental regulations are driving increased demand for purification products. **IMPLICATIONS** + Growth opportunities across new industries and applications	The transition to a low-carbon economy is driving the shift towards renewable energy and energy storage solutions. + Significant growth potential for high-value added proposition such as energy storage carbon	Climate change causes changes in rainfall patterns, natural disasters and erratic weather which directly affect coconut crop - Direct implications on the Sector's supply chain, given its reliance on coconut-shell charcoal

ENVIRONMENTAL ENGINEERING

Provider of water and waste purification systems

Contribution to Sector
Revenue: 2%
PBT: -3%

Performance 2022/23
Revenue: 43% decline
PBT: 658% decline

STRATEGY & INTEGRATED PERFORMANCE

The Sector posted record profitability during the year, delivering Revenue and Profit Before Tax growth of 84% and 78% respectively. The year's performance reflects the Sector's relentless efforts over the past few years to strengthen its presence in higher value-added segments, achieve operational efficiency and drive deeper penetration in its key markets. Despite the extraordinary challenges that prevailed during the year, the Sector ensured continuity of operations through the timely procurement of raw material inventories and other inputs fuel stocks. Revenue expansion was supported by strong growth in the USA and Asian region, coupled with increasing contributions from the Sector's value-added portfolio. Meanwhile, the performance of the Environmental Engineering arm was impacted by the curtailment of government-sector infrastructure projects and slowdown of the construction sector. In addressing these challenges, the Sector sought to rationalise its portfolio and reduce credit exposures.

The Sector invested Rs. 1.91 bn in strengthening its manufacturing capabilities across all three locations; this included enhancing value-added washing capabilities, laboratory infrastructure and an addition of a second regeneration kiln. Consistent with the strategy adopted over the last few years, research and development efforts were focused towards widening the value-added

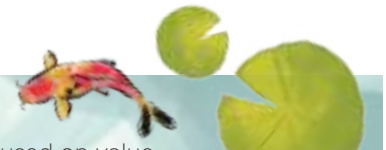
PURIFICATION

portfolio. During the year significant progress was made in the technical development of hard carbon for the manufacture of sodium-ion batteries.

Given the conditions that prevailed during the year, the Sector focused on ensuring the financial security and well-being of its employees through a range of initiatives (refer to Human Capital on page 255 for further information). Our people strategy for the year also centered on effective succession planning through identifying high-performers in each function and building talent pipelines. Despite the widespread talent migration in the country, the Sector maintained a relatively healthy retention rate of 95%, attesting to the strength of its employee value proposition.

Supply chain issues eased during the year, reflecting Sri Lanka's bumper coconut crop. The Sector leveraged its extensive supplier relationships to secure continued access to raw materials, ensuring uninterrupted production at all times. The Sector also expanded its 'Haritha Angara' initiative with the addition of 6 new pits and expansion into the Northern and Eastern provinces. This unique programme uses a proprietary closed-pit charcoaling technology which ensures pollution free production of charcoal, thereby reducing the carbon footprint across our supply chain.

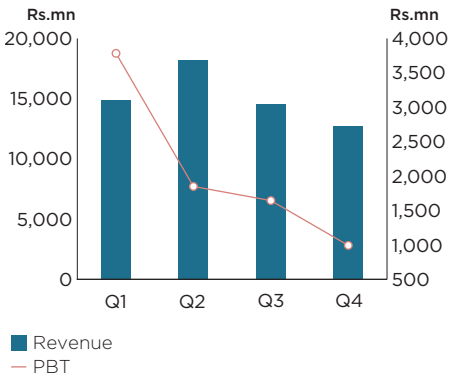
Rs. Mn	2023	2022	% y-o-y	2021
FINANCIAL HIGHLIGHTS (RS.MN)				
Revenue	**60,357**	32,751	+84	25,485
Earnings Before Interest and Tax	**8,274**	3,079	+169	4,436
Net Finance Income/(Cost)	**(18.67)**	1,602	-101	54
Profit before tax	**8,247**	4,642	+78	4,475
Profit after tax	**6,494**	3,707	+75	3,551
Assets	**38,567**	38,160	+1	22,945
Liabilities	**14,820**	18,908	+22	10,079
Operating cash flow	**10,122**	(2,814)	+460	2,059
OPERATIONAL HIGHLIGHTS				
Production volumes (MT)	**48,883**	47,905	+2	37,656
Capacity utilisation (%)	**86**	90	-4	90
EMPLOYEE PRODUCTIVITY AND VALUE				
No. of employees	**1,880**	1,768	6	1,694
Remuneration/employee (Rs.mn)	**2**	2	20	2
Revenue/employee (Rs.mn)	**32**	19	68	15
Net profit/employee(Rs.mn)	**3**	2	50	2
RESOURCE EFFICIENCY				
Energy consumption (MJ mn)	**271**	268	1	281
Energy intensity (MJ mn / Revenue Rs.mn)	**4**	8	-45	11
Carbon footprint (tCO2e)	**29,984**	30,211	-1	34,409
Carbon intensity (tCO2e/Rs.mn)	**0.5**	0.9	-46	1.4
Water consumption (Litres mn)	**649**	574	13	498
Water intensity (Litres/Revenue Rs.mn)	**10**	18	-39	20



KEY DEVELOPMENTS

- Research and development efforts focused on value-added carbons including,
  - EDLC carbons
  - Hard carbons
  - Impregnated carbon
- Increased penetration of USA and Asia regions through customer acquisition and deeper relationships with existing customers
- Investments in strengthening manufacturing capabilities in Thailand and laboratory equipment

QUARTERLY PERFORMANCE TRENDS



Spotlight

PRODUCT APPLICATIONS THAT SHAPE A BETTER FUTURE

The Sector's product caters to applications across diverse industries which address critical environmental issues including air and water pollution.

Safeguarding health and well-being of people	Eco-friendly energy storage systems	Protecting the environment	Minimising resource depletion
Pharmaceutical, F&B, drinking water treatment and air purification	Energy storage applications	Applications in waste gas and water treatment	Water recycling in Environmental Engineering

STRATEGIC PRIORITIES

Innovation focused on value-added products
Value drive on super capacitor carbons and premium grade products customers.

Operational efficiency and productivity
Lean manufacturing and cost saving drive across all operations

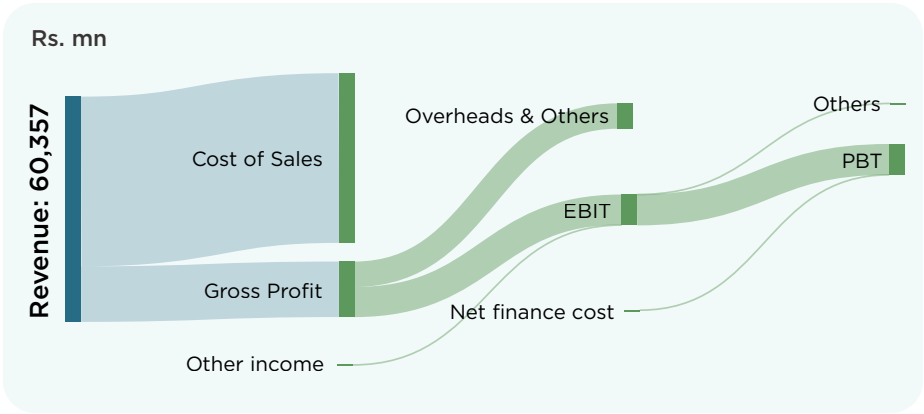
Supply chain management
Ongoing measures to strengthen relationships with suppliers and green the supply chain through the Haritha Angara initiative

RESOURCE ALLOCATION

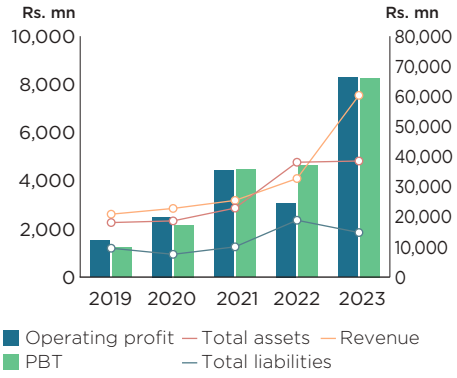
- Rs. 19 mn: Investment in Research & Development
- Productivity-focused culture
- Rs. 6 mn investment in Haritha Angara

STRATEGIC KPIS/PRE-FINANCIALS

- **16** new products developed
- **4** products in pipeline
- **5%** Yield improvement
- **Rs.212 mn** Cost savings
- **18** new green charcoaling pits
- **Rs. 20bn** charcoal supplier payments



SECTOR FINANCIAL PERFORMANCE



PURIFICATION

ESG IN ACTION

The Sector marked a step change in its ESG aspirations during the year, initiating the formulation of a holistic ESG roadmap to achieve the Sector's environmental, social and governance aspirations. This roadmap is expected to provide an effective platform for integrating ESG considerations across the Sector's operations, processes and decision-making.

Energy and emissions

As part of its emission reduction plan, the Sector plans to invest in 3 solar projects

Planned investment of Rs.1.00 bn

78%
of energy generated through waste heat recovery process

Greening our supply chain

Recogen
Patented environmentally friendly charcoaling process which is registered under the UNFCC and eligible for carbon credit trading

2.43mn KwH generated

Haritha Angara
Environmentally friendly charcoaling initiative fulfilling 90% of raw material requirement in Sri Lanka and approximately 20% of requirement in Indonesia

Vertical kiln charcoaling
Conversion of traditional open pit charcoaling into a closed pit charcoaling fulfilling approximately 40% of requirement in Thailand

Chemical management

Turtle conservation project

The Sector funds a sea turtle conservation project in Kirigalbe Turtle Conservation Centre in Kumana National Park. Turtles have been classified as an endangered species by the IUCN.

Over 7500
Eggs conserved since December 2022

Performance against Lifecode Goals

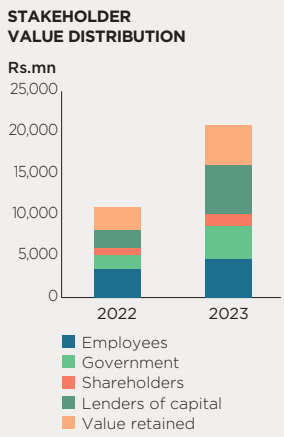
Energy & Emissions
Target: 25% reduction in emissions
Actual: **1%**

Water management
Target: 13% reduction in water footprint
Actual: **13%**

Team
Target: Zero fatal injuries
Actual: **100%**

Supplier
Target: 1 supplier development programme per year
Actual: Over 35 suppliers supported through Haritha Angara

Stakeholder value creation



Foreign exchange generated:
USD 74 mn

Safe workplace

ISO 45001:2018: Occupational Health and Safety Certification

Health and Safety officer at all production locations

Health and Safety Committees at all production locations

Ongoing Health and Safety audits

Need-driven community engagement initiatives

Mid-day meal programme for school children

Sisu divi pahana

700 Students

6 Districts

13 Schools

SASB DISCLOSURES

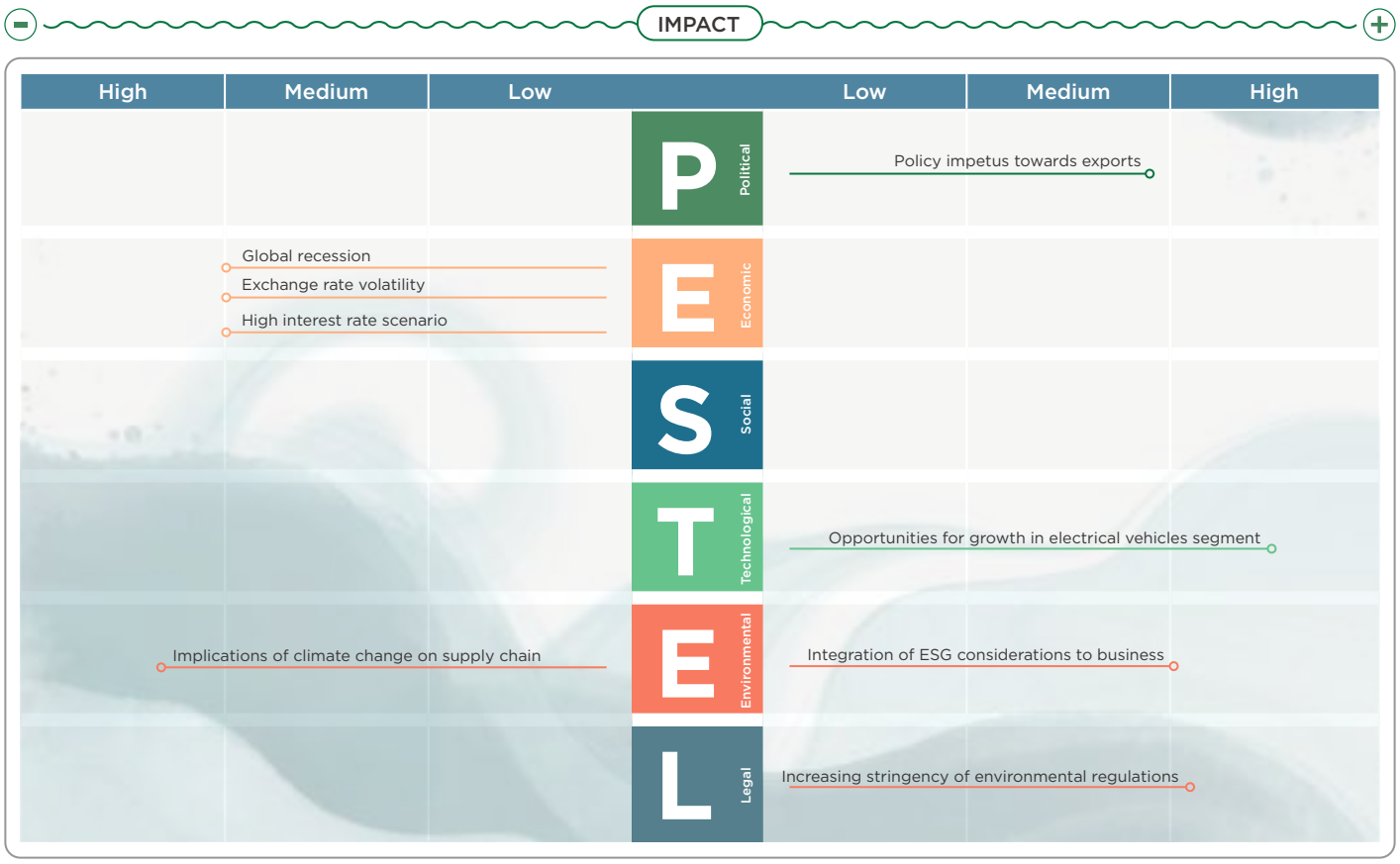
Table: Chemicals, Standard- Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
Greenhouse gas emissions	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Metric tons (t) CO2-e, Percentage (%)	RT-CH-110a.1	11,132
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	n/a	RT-CH-110a.2	Refer to page 274
Energy management	(1) Total energy consumed (2) Percentage grid electricity (3) Percentage renewable (4) Total self-generated energy	Gigajoules (GJ), Percentage (%)	RT-CH-130a.1	271,342 41 - 0.1
Water management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Thousand cubic meters (m^2), Percentage (%)	RT-CH-140a.1	649 58.2% withdrawn from Sri Lanka, which is classified as a water stressed country by the Food and Agriculture Organisation, given a water withdrawal rate of 90.79%.
	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	Number	RT-CH-140a.2	N/A
	Description of water management risks and discussion of strategies and practices to mitigate those risks	n/a	RT-CH-140a.3	Refer to page 279
Hazardous Waste Management	Amount of hazardous waste generated, percentage recycled	Metric tons (t), Percentage (%)	RT-CH-150a.1	Our operations do not generate hazardous waste.
Community Relations	Discussion of engagement processes to manage risks and opportunities associated with community interests		RT-CH-210a.1	Refer to page 261
Workforce health and safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	Rate	RT-CH-320a.1	1.8 0
	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks		RT-CH-320a.2	N/A

PURIFICATION

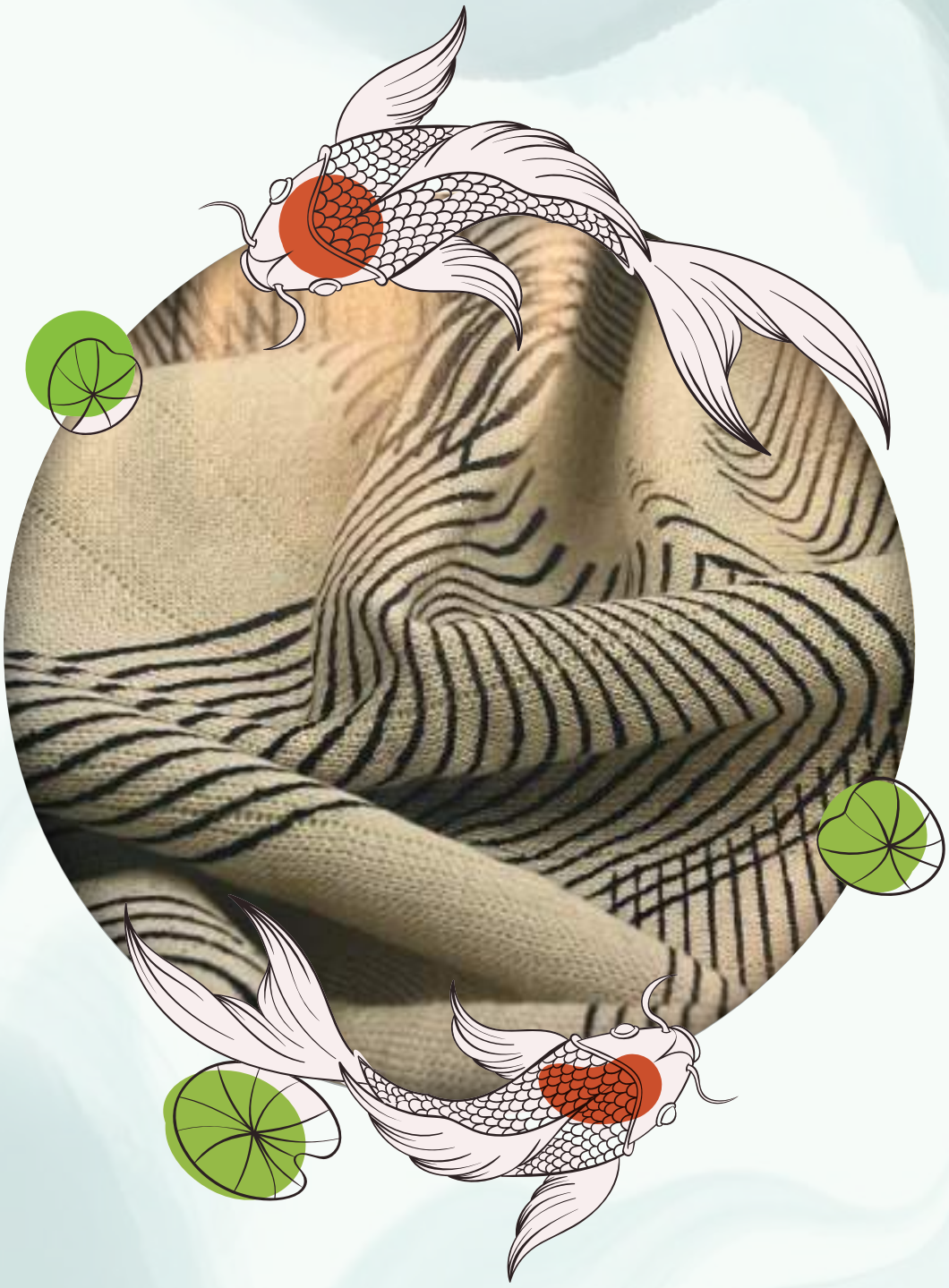
PROSPECTS AND PLANS

The global demand dynamics for activated carbon remains favourable, given increasingly stringent pollution control regulations, strengthening gold prices and growth in the energy storage segment in line with the transition to low-carbon economies. While prices are expected to normalise in the short-to-medium term, this will be outweighed by continued growth in demand providing opportunities for manufacturers to seek penetration in new markets and applications. The Sector's short, medium and long-term risks and opportunities are summarised below:



Strategic efforts made in recent years to enhance product development and manufacturing capabilities together with investments in technology, people and leadership development have aptly positioned Haycarb to capitalise on the growing demand for value-added products such as hard carbons and impregnated carbons. The Sector's priorities in the short, medium and long-term together with our targets are presented below:

STRATEGIC PRIORITIES	
Short-term	**Medium-to-long term**
• Increase market share of value-added carbon portfolio • Identify application for development of new products • Expansion of Haritha Angara initiative in Sri Lanka • Productivity and lean focus within factory operations • Expand regional manufacturing presence	• Expand regional manufacturing presence • Geographical expansion through new distributorships • Diversify charcoal supply chain • Re-engineer and automate manufacturing systems to improve efficiency • Expanding regional presence of water purification business
Short-term goals ROCE>10% Borrowings<50% of capital employed	**Medium-to-long term goals** ROE>10% Gearing<55% Dividend to net profit of 40%

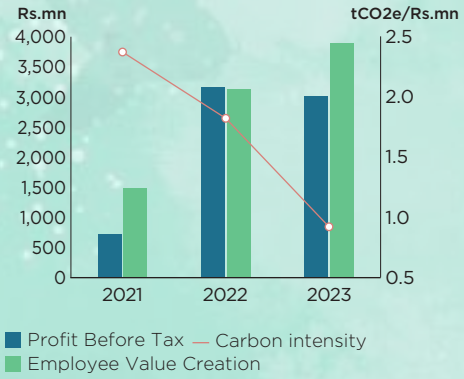


TEXTILES

The Group's Textile Sector, represented by Hayleys Fabric PLC and South Asia Textiles Limited is the largest textile manufacturer in the country with a strong reputation for innovation, quality and sustainability which has enabled it supply fabric to leading global fashion brands.

TEXTILES

INTEGRATED PERFORMANCE TRENDS



FINANCIAL PERFORMANCE

Revenue
Rs. 60.01 bn (+90%)

Profit Before Tax
Rs. 3.01 bn (-5%)

Profit After Tax
Rs. 403.21 mn (-85%)

Assets
Rs.40.17 bn (+9%)

Liabilities
Rs. 29.82 bn (+11%)

INSPIRING ACTION

BREAKTHROUGH INNOVATIONS

Sustainable innovations

Warna by Mahogany

Natural dye formulated using waste from the furniture industry

Midnight by Charcoal

Organic dye using biomass charcoal waste

Rs.42 mn — Investment in R&D

Over 290 — Product variants

CARING FOR OUR EMPLOYEES

Rs. 4 bn — Payments to employees

Employees supported through,

Additional relief allowances

Distribution of food items and dry rations

Additional transport facilities

Home gardening

Distribution of books and stationary

Economic value generated
Rs. 9 bn
Forex income generated
USD165 mn
ECONOMIC VALUE CREATION
INCLUSIVE VALUE
Employment opportunities created
976
Supplier payments of which 27% were to local suppliers
Rs. 55 bn
STRATEGIC FOCUS AREAS
Brand-centered sales strategy
Embedding sustainability and ESG considerations
Expansion of the INNO portfolio
THRIVING PLANET
Water consumption
+1%
Energy consumption
-2%
MANAGING OUR ENVIRONMENTAL IMPACTS
Sri Lanka's largest single-roof solar project with a capacity of 4.6MW
Emission intensity
-50%
Carbon footprint
-5%

TEXTILES

SECTOR OVERVIEW

MARKET POSITION

- Sri Lanka's largest textile manufacturer
- Supplier of innovative high-quality fabric mill to leading global fashion brands
- End-to-end solutions from design to manufacture

Raw Material Sourcing

Key raw materials include yarn (cotton and polyester) dyes and chemicals which are sourced from customer-nominated suppliers

Value-Addition and Quality Control

Value addition includes

- Knitting
- Brushing
- Preparation
- Dying

Key products include natural fibre fabrics, synthetic fibre fabrics and weft-knit fabrics

Distribution

The majority of our goods are sold to Tier 1 customers through direct and indirect exports

Innovation and Product Development

The Sector leverages its capabilities in synthetics and in-house technology center to drive industry-leading sustainable innovations

HAYLEYS FABRIC PLC

Fabric manufacturer

Contribution to Sector
Revenue: 60%
PBT: 84%

Performance 2022/23
Revenue: +77% growth
PBT: +19% growth

SOUTH ASIA TEXTILES

Fabric manufacturer, acquired by Hayleys Fabrics in April 2021

Contribution to Sector
Revenue: 40%
PBT: 16%

Performance 2022/23
Revenue: +111% growth
PBT: 37% decline

OPERATING ENVIRONMENT

The global textile and apparel industry experienced a year of mixed fortunes in 2022; the post-COVID 19 surge in orders coupled with global shipping delays had resulted in retailers facing significant overstocking positions in the last 2 years. These effects lingered in 2022/23, as many global brands cancelled/delayed orders in view of macro-economic uncertainty and geopolitical developments. Sector activity was also affected by logistical bottlenecks, supply chain disruptions and escalating inflation following geo political tensions. Sri Lankan textile and garment manufacturers faced numerous challenges during the year, including escalating energy costs, shortages in fuel and socio-political unrest. Importing raw material also remained a critical challenge, given the country's foreign exchange crisis and difficulties in opening letters of credit. Despite these challenges, the industry remained resilient maintaining its track record of quality and timely delivery, resulting in total exports (in dollar terms) growing by 9.5% during the year. However, demand weakened towards the latter part of the year, reflecting inflationary and recessionary concerns in key markets.

+157%
Increase in energy costs

+90%
Increase in average cost of production

71%
Depreciation of Sri Lankan Rupee against USD (Average) exchange rate in 2022/23

Emerging trends and implications on Sector

Shifts in consumption patterns	Sustainable fashion as a competitive edge	Transformation through digitalisation
The global economic downturn and falling consumer confidence could adversely affect demand given possible curtailment of discretionary expenses. **IMPLICATIONS** - Potential implications on volume growth and financial performance	Sustainability and ESG have emerged as key differentiators in the industry, providing access to new markets and generating cost efficiencies among others. + Opportunity to leverage the Sector's global reputation for sustainable practices	Technologies such as Artificial Intelligence, data analytics and online retail platforms are transforming global apparel value chains + Utilise AI capabilities and data-driven decision making to improve efficiency of operations

STRATEGY & INTEGRATED PERFORMANCE

The Sector delivered healthy growth in its core performance during the year; timely measures to increase stock of raw materials and fuel enabled the Sector to ensure uninterrupted operations thereby fulfilling customer needs in a timely manner. Despite volumes remaining relatively unchanged over the previous year, the Sector's Revenue increased by 90% to Rs. 60.0 bn, supported by a high value added products. The INNO brand also continued to be make inroads during the year. Increased contributions from high-value products, coupled with ongoing focus on productivity and efficiency enabled the Sector to widen its profit margins. Resultantly, Operating Profit recorded growth of 135% whilst the Profit Before Tax recorded a decline of 5% respectively. An increase in the corporate income tax rate from 14% to 30% together with the imposition of a surcharge tax led to the Sector's tax expense increasing by 463% to Rs. 2.61 bn. As such the Sector's Profit After Tax recorded a decline compared to the previous year, clocking in at Rs. 403.21 mn (2021/22: Rs. 2.69 bn).

The Sector's brand-focused strategy paid rich dividends during the year, allowing it to outperform local and regional competitors through resilient demand. The Sector sought to maintain customer confidence through proactive and close engagement with global brands in providing assurance on timely delivery. The Sector also sought to offer customised solutions through continued innovation and product development.

The Sector made significant progress in its efforts to develop sustainable fabrics with natural dyes and recycled yarn. 'Warna by Mahogany' was launched during the year, a pioneering waste-to-fashion initiative which extracts dye in-house using waste material generated by the local furniture manufacturing industry. Listed among the top 10 global innovations at the ISPO Textrends Spring/Summer 2024, the dye is free of hazardous chemicals and was certified as having a 36% positive impact on the environment in comparison to the use of synthetic dyes. Meanwhile, South Asia Textiles launched 'Midnight by Charcoal' during the year, an innovative range of textiles featuring organic dyes derived from biomass charcoal waste. The range was selected among the top 10 innovations

TEXTILES

in the street sports category at ISPO Munich and also won the coveted Best Projects Sustainability Award (2022), at the Best Corporate Citizen Sustainability Awards organised by the Ceylon Chamber of Commerce.

Given the vulnerabilities faced by our employees in the wake of the economic crisis, the Sector took numerous measures to ensure their financial security and well-being. The leadership team maintained clear communication on the importance of saving and financial discipline, while regular relief allowances were given to all direct and indirect employees working within our premises. The Sector also provided dry ration packs, school books and improved transport services offered to employees. In a unique concept, the Sector also distributed rice, vegetables and fruits cultivated in its premises free of charge. As a result of these measures, the Sector was able to maintain its retention levels at a relatively healthy 77% during the year.

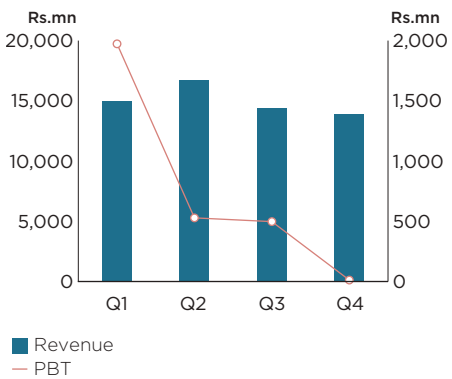
Hayleys Fabric is an industry pioneer and leader in sustainability, having long-since recognised the critical importance of effectively managing its environmental and social impacts. (refer to page 160 for further information). The Sector is also keen to share its sustainability achievements with other industry stakeholders, including competitors in efforts to improve the country's competitive edge as a sustainable manufacturer.

Rs. Mn	2023	2022	% y-o-y	2021
FINANCIAL HIGHLIGHTS (RS.MN)				
Revenue	**60,014**	31,668	90	14,575
Earnings before interest and tax	**4,129**	1,757	135	879
Net Finance Income/(Cost)	**(1,115)**	1,401	-180	(157)
Profit before tax	**3,013**	3,157	-5	722
Profit after tax	**403**	2,694	-85	727
Assets	**40,175**	36,710	9	11,579
Liabilities	**29,824**	26,907	11	7,392
Operating cash flow	**481**	2,114	-77	1,730
OPERATIONAL HIGHLIGHTS				
Volume produced (MT)	**16,664**	17,203	-3	9,818
EMPLOYEE PRODUCTIVITY AND VALUE				
No. of employees	**3,088**	2,915	6	1,414
Remuneration/employee (Rs.mn)	**1.2**	1	20	1
Revenue/employee (Rs.mn)	**19**	11	72	10
Net profit/employee(Rs.mn)	**0.13**	1	87	1
RESOURCE EFFICIENCY				
Energy consumption (TJ)	**1502**	1,526	-2	815
Energy intensity (GJ/Revenue Rs.mn)	**25**	48	-48	56
Carbon footprint (tCO2e)	**54957**	57727	-5	34503
Carbon intensity (tCO2e/ Rs. mn)	**0.9**	1.8	-50	2.4
Water consumption (Litres mn)	**3469**	3,425	1	2,097
Water intensity (Litres/mn)	**57**	108	60	143

KEY DEVELOPMENTS

- Launch of pioneering sustainable innovations, Warna by Mahogany and Midnight by Charcoal
- First fabric mill in Sri Lanka to commit to the Science-Based-Targets-Initiative
- Committed to the Roadmap to Zero programme under the ZDHC (Zero Discharge of Hazardous Chemicals) global initiative of the fashion industry

QUARTERLY PERFORMANCE TRENDS



Spotlight

"NATURE" -SUSTAINABILITY FOCUSED FASHION SHOW AND INDUSTRY FORUM

In demonstrating its commitment to knowledge sharing within the industry, Hayleys Fabric launched 'Nature' a sustainability forum showcasing the Sector's innovations and how sustainability-centered strategies could transform the global fashion industry. During the event, Hayleys Fabric unveiled its collection of textiles inspired by recycling and reusing waste.

- **Re-cyclo (Active wear)**
  Uses 100% recycled polyester yarn from PET bottles
- **Refuse (Athleisure)**
  Uses recycled cotton and recycled polyester
- **Midnight (Casual wear)**
  Innovative print made from charcoal-recycled biomass waste
- **Tone of nature (Sleep wear)**
  Regenerated cellulosic material and natural dyes extracted from natural waste

STRATEGIC PRIORITIES

Brand-centered strategy
In recent years, the Sector has sought to strengthen relationships with global brands, in addition to its engagement with its direct customers

Embedding sustainability
Strategic focus on eco-friendly innovations which drive circularity and mitigating adverse environmental impacts across operations

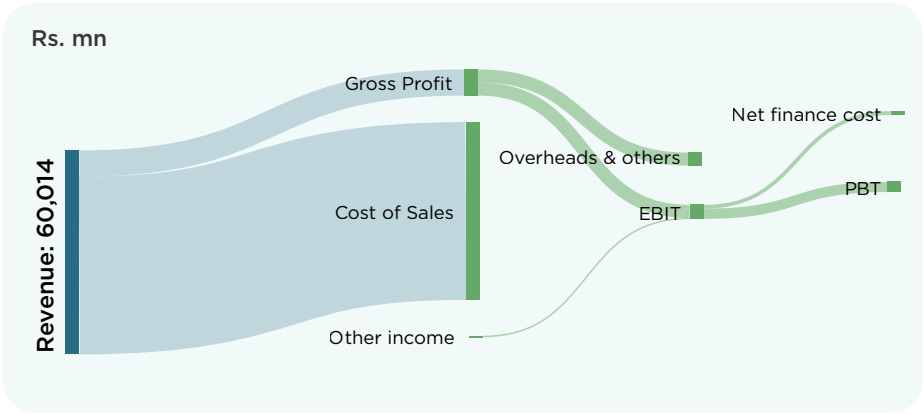
Expanding the INNO portfolio
Continued focus on expanding the product proposition of the INNO portfolio through leveraging R&D capabilities

RESOURCE ALLOCATION

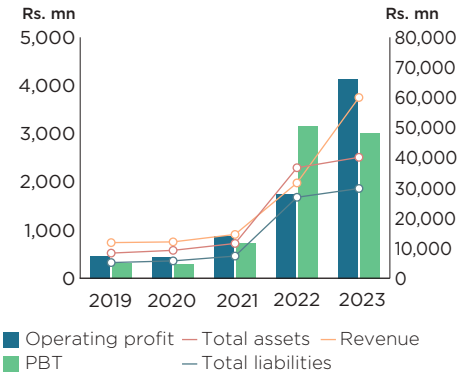
- Ongoing engagement through sales and marketing teams
- Rs. 119 mn investment in environmental initiatives
- Rs. 42 mn investment in R&D capabilities

STRATEGIC KPIS/PRE-FINANCIALS

- **90%** Revenue growth
- **90%** Capacity utilisation
- **69%** reliance on renewable energy
- **4 tCO2e** emissions saved
- **299** new products
- **28** products in the pipeline



SECTOR FINANCIAL PERFORMANCE



TEXTILES

ESG IN ACTION

The Textiles Sector has always adopted a strategic approach to sustainability and ESG, embedding environmental and social considerations into its processes, product development and decision-making. The Sector has formulated its ESG roadmap aligned to the aspirations set out in the Hayleys Lifecode and the progress made during the year is summarised below:

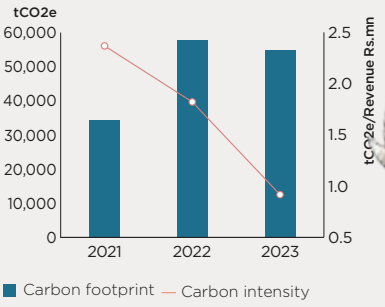
Energy and emissions

In addition to the Science-Based-Targets the Sector is currently working towards completely eliminating the use of furnace oil by 2025.

69% Reliance on renewable energy

Operates Sri Lanka's largest roof-top solar project with a capacity of 4.6 MW

CARBON FOOTPRINT AND INTENSITY



Preserving biodiversity

During the year, the Sector invested Rs.6.30 mn in the preservation of 9-acres of wetland habitat, opposite the Narthupana Estate in Horana. A 5-acre land adjacent the park was also allocated for the cultivation of organic paddy.

Ecological data on the wetland habitat was compiled in partnership with the Ministry of Environment and revealed the presence of 146 species of flora and 149 species of fauna including several endemic and threatened species.

Chemical management

Committed to the Zero Discharge of Hazardous Chemicals global initiative

100%
Chemicals and dyes certified as ZDHC Level 1

Energy & Emissions
Target: 90% reliance on renewable energy

Actual: **69%**

Biodiversity
Target: Increase biodiversity cover to 1times the area utilised

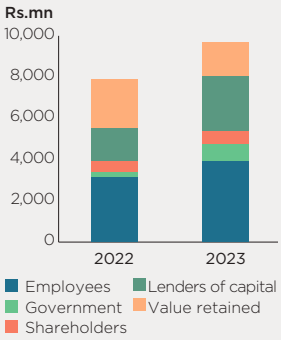
Actual: **51%**

Chemical management
Target: Commitment to ZDHC

Actual: **100%** compliance to ZDHC OEKO, MRSL and 100RSL

Stakeholder value creation

STAKEHOLDER VALUE DISTRIBUTION



Export income generated:
USD 165 mn

Supplier awareness programme

The Sector held a first-of-its kind virtual forum to raise awareness among chemical suppliers, manufacturers, brands, university students and other stakeholders on chemical safety and compliance standards.

The Forum included awareness and panel discussions covering key aspects of ZDHC, roadmap to zero programme and other sustainable chemical management practices

542
Registrations

Community engagement programmes

Rs.10 mn
CSR investments

6,700
Beneficiaries through, donations of books and stationery

SASB DISCLOSURES

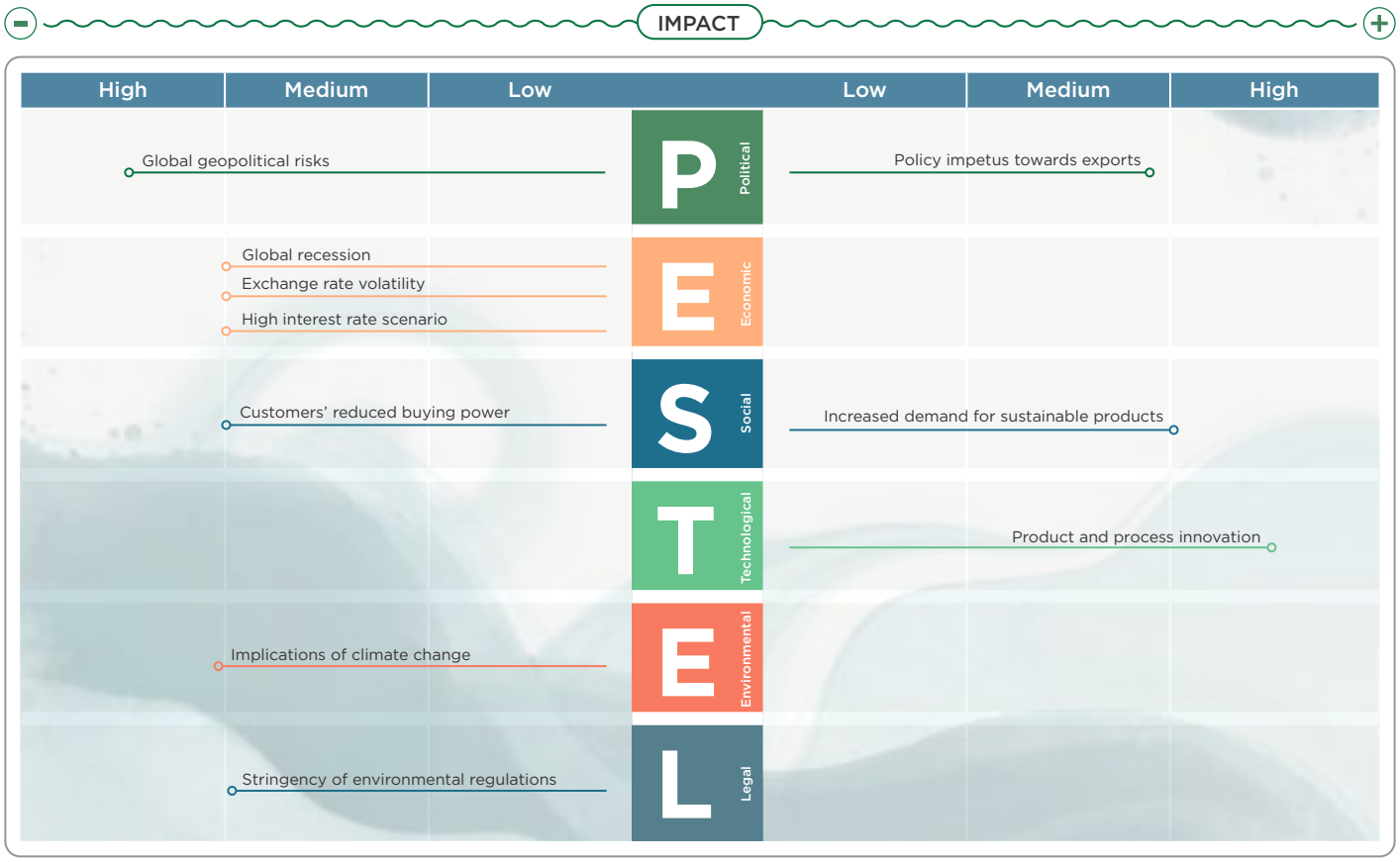
Table: Apparel, Accessories and Footwear Standard- Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/ Pg. reference
Management of Chemicals in Product	Discussion of processes to maintain compliance with restricted substances regulations	N/A	CG-AA-250a.1	Refer to page 160
	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	N/A	CG-AA-250a.2	Refer to page 160
Environmental Impacts in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits and/or contractual agreement2	%	CG-AA-430a.1	98% compliant to ZDHC wastewater requirements
	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment	%	FB-AG-130a.1w	92% reported compliance to Higg FEM
Labour Conditions in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a labour code of conduct, (3) percentage of total audits conducted by a third-party auditor	%	CG-AA-430b.1	70% of supplier facilities were assessed to a labour code of conduct, of which 48% have been audited for SMETA, or SLCP assessments by SEDEX/SLCP approved verifiers
	Priority non-conformance rate and associated corrective action rate for suppliers' labour code of conduct audits	Rate	CG-AA-430b.2	No non-compliance
Raw Materials Sourcing	List of priority raw materials; for each priority raw material: (1) environmental and/or social factor(s) most likely to threaten sourcing (2) discussion on business risks and/or opportunities associated with environmental and/or social factors, and (3) management strategy for addressing business risks and opportunities	N/A	CG-AA-440a.3	Cotton, polyester, dyes and chemicals
	(1) Amount of priority raw materials purchased, by material, and (2) amount of each priority raw material that is certified to a third-party environmental and/or social standard, by standard	mt	CG-AA-440a.4	Cotton - 9062MT Polyester - 6640MT Dyes and Chemicals - 11698MT
ACTIVITY METRICS				
	Number of (1) Tier 1 suppliers and (2) suppliers beyond Tier 1	Number	CG-AA-000.A	Tier 1 - 64%

TEXTILES

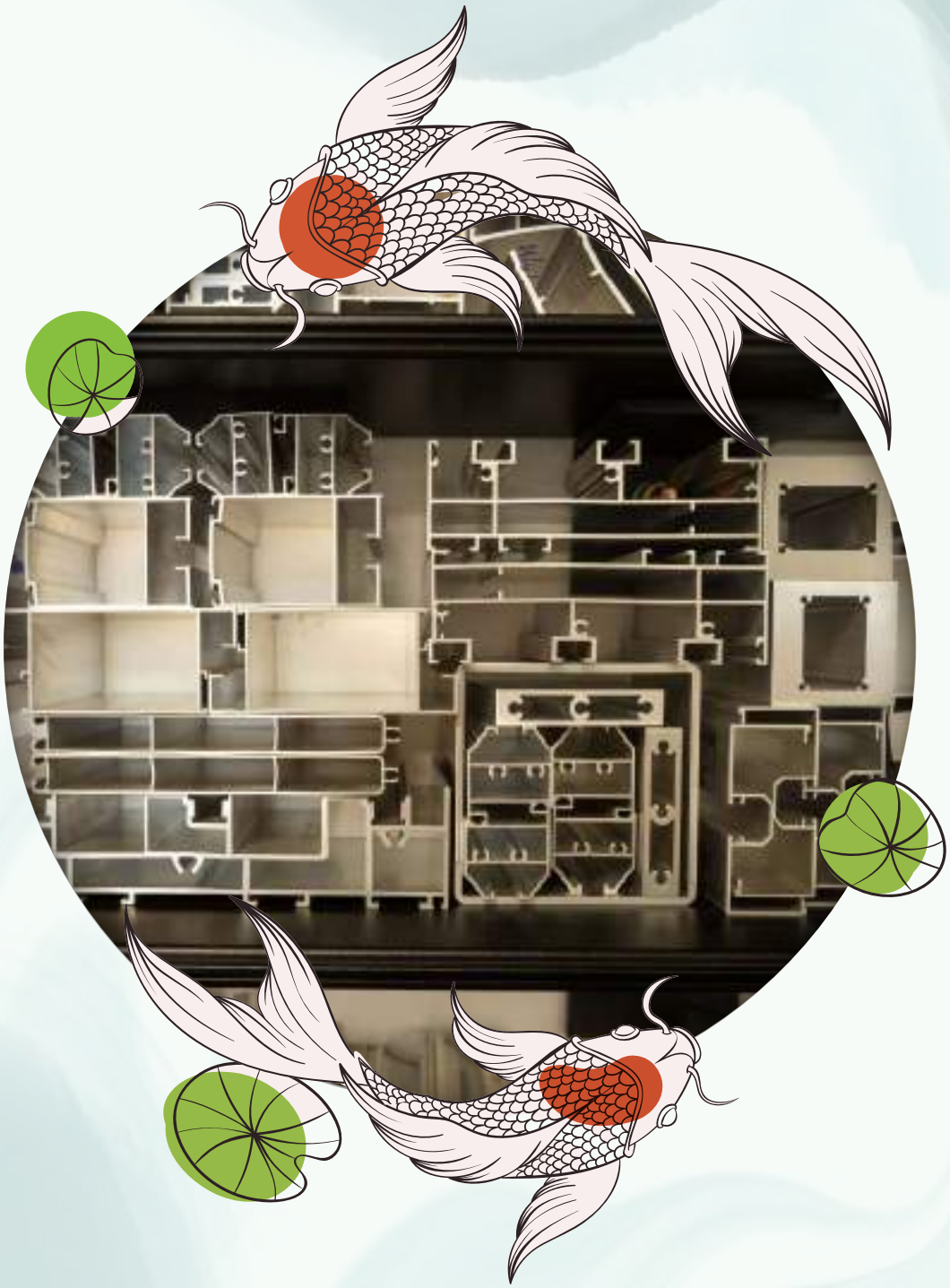
PROSPECTS AND PLANS

The global apparels and textile industry is anticipated to face a tenuous and challenging year in 2023 as concerns on escalating inflation and economic uncertainty have resulted in customers curtailing or delaying discretionary expenditure. Accordingly, the declining growth rates witnessed towards the second half of 2022 is likely to continue through to 2023. Companies in the fashion supply chain, including Sri Lankan manufacturers will have to adapt to operating in conditions of increased uncertainty and complexity, by flexing their strategies and adapting operating models, supply chains and marketing efforts to weather emerging challenges. The short, medium and long-term outlook and plans in place to respond to the emerging risks and opportunities are presented below:



The Sector's brand-focused strategy will be consistent with the approach it has adopted in recent years, as we explore opportunities in shifting consumer patterns, sustainable manufacturing and innovation and digital transformation. Effective management of inventory and supply chains will be critical given the unpredictability of demand patterns and the Sector will seek to leverage digitalisation and AI capabilities in ensuring security of raw material supply and continuity of production.

STRATEGIC PRIORITIES	
Short-term	**Medium-to-long term**
• Brand-focused strategy and retention of Tier 1 customers • Continued emphasis on transforming the business through an ESG-centered mindset • Provide increased opportunities for women operators • Effective inventory and supply chain management • Retain sustainability and innovation leadership in the industry	• Development of higher value added innovative synthetic products • Increase reliance on sustainable energy sources • Capacity expansion at South Asia Textiles • Ongoing investments in efficiency and productivity improvements through upskilling employees
Short-term goals ROCE>15% ROE>10% Gearing<55%	**Medium-to-long term goals** ROCE>15% ROE>10% Gearing<50%

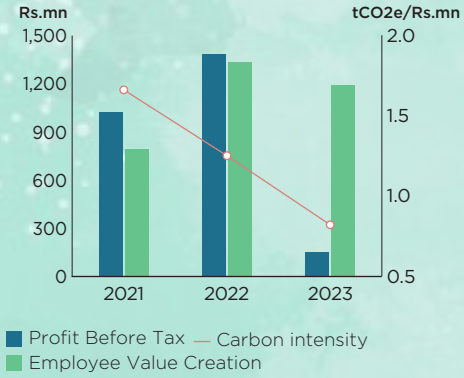


CONSTRUCTION MATERIALS

The Construction Materials Sector is represented by ALUMEX, Sri Lanka's leading manufacturer of aluminium extrusions. The Sector's competitive position is underpinned by its array of innovative solutions, world-class capabilities in product design and manufacture and unmatched quality, as attested by compliance to several global aluminium quality certifications.

CONSTRUCTION MATERIALS

INTEGRATED PERFORMANCE TRENDS



FINANCIAL PERFORMANCE

Revenue
Rs. 10.12 bn (+6%)

Profit Before Tax
Rs. 153.54 mn (-89%)

Loss After Tax
Rs. 10.21 mn (-101%)

Assets
Rs. 10.50 bn (-13%)

Liabilities
Rs. 6.74 bn (+17%)

Member of the **Aluminium Stewardship Initiative (ASI),** a global collaboration driving responsible production, sourcing and stewardship of Aluminium.

QUALITY AND INNOVATION

Rs.13 mn
R&D investment

New products
121

INSPIRING ACTION

18
Products in pipeline

Supplier payments (+6%)
Rs.11 bn
Fabricators trained at an investment of Rs. 13.33 mn
2185
VALUE CREATION ACROSS ECOSYSTEM
INCLUSIVE VALUE
Recyclers supported
15
Commission paid (-29%)
Rs.335 mn
STRATEGIC FOCUS AREAS
Export market growth
Innovation and product development
Efficiency and cost management
THRIVING PLANET
Reliance on recycled aluminium
51%
CIRCULARITY AND GREEN PRACTICES
Launch of "low carbon" aluminium
Reduction in the use of virgin material
10%

CONSTRUCTION MATERIALS

SECTOR OVERVIEW

The Sector's operations extend across the domestic residential and industrial construction sector and major export markets including USA, Australia, Europe, Asia and Africa.

MARKET POSITION

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

OPERATING ENVIRONMENT

The industry's performance was severely affected by the country's economic woes and resultant implications on both demand and supply side dynamics. Demand conditions recorded an inevitable slowdown, reflecting high interest rates, escalating inflation and disruptions to fuel and energy supply. Suspension of government-funded construction projects and a liquidity crunch in the construction sector value chain further hindered activity, resulting in a significant volume drop. Meanwhile shortfalls in foreign currency liquidity and import restrictions on selected products led to an acute shortage in building materials, which together with the Rupee depreciation resulted in the sharp escalation in the price of inputs. On the other hand, global aluminium prices, which reached a high of nearly USD 3,500/MT at the beginning of the financial year, normalised in subsequent months to close the year at approximately USD2,400/MT.

-21%
Contraction in construction sector (2022)

-36%
Decline in building material imports

26%
Fall in global aluminium prices

Emerging trends and implications on Sector

Government efforts to revive construction sector	Affordability concerns among residential customers	'Eco-awakening' of customers
Liquidity injection to contractors through cash and/or bonds will support recovery in the medium-term. **IMPLICATIONS** + Potential for demand growth from government-funded infrastructure projects	The new tax regime on salaried employees will reduce disposable incomes over the short-term - Increased price sensitivity and demand impact	Increasing prevalence of global customers towards sustainably manufactured products + Opportunity to sharpen competitive edge through sustainable practices + Access to new markets and customer segments

STRATEGY & INTEGRATED PERFORMANCE

The Sector's performance inevitably reflected the downturn in the country's construction industry, as volumes declined by nearly 65% in line with industry dynamics. While Revenue growth of 6% was supported by increased penetration in export markets, favourable exchange rate dynamics and price adjustments, overall profitability was impacted by escalating operational costs and low capacity utilisation levels of around 27%. The Operating Profit Margin narrowed from 16% last year to 12% while the prevalent high interest rate scenario exerted further pressure on profitability through increased borrowing and stock holding costs. However, the Sector generated a Profit Before Tax of Rs. 153.54 mn during the year. In addressing these challenges, the Sector launched an organisation-wide cost management drive, which entailed a deep-dive analysis of all processes and cost elements. Meanwhile strategic foresight in pursuing timely expansion in export markets augured well for the Sector, enabling it to somewhat cushion the sharp drop in domestic volumes.

Despite the challenging industry landscape, the Sector continued to leverage its research and development capabilities to drive innovation. In addition to the groundbreaking innovation, 'Ozon' (refer 'Spotlight' for further information). the Sector launched the Dwellings brand for the domestic market, consisting of do-it-yourself window and door solutions as well as a range of new household products including phone holders, door stoppers, cabinets, shower cubicles and shoe racks among others. During the year, the Sector also successfully obtained the manufacturing-rights for Australia's largest proprietary system, thereby bringing its total portfolio to 7.

Employee engagement remained a priority, given the uncertain and volatile operating conditions that prevailed. Regular brainstorming sessions were held to raise awareness on emerging challenges while providing an effective platform to suggest potential solutions. Ensuring the financial security of our employees was a Group-wide priority and the Sector distributed dry rations at concessionary rates, encouraged home gardening and conducted medical camps to support the basic needs of our team. Training interventions were focused towards building leadership

CONSTRUCTION MATERIALS

capabilities with 36 employees undergoing management development programmes during the year.

As a catalyst for skill development across the aluminium value chain, Alumex trained over 2185 diverse industry stakeholders during the year, which included fabricators, dealers, engineers and students of the Vocational Training Authority and NAITA among others. In addition, Alumex supports the livelihoods of around 150 scrap collectors through whom recycled aluminium is procured. As part of its ongoing CSR initiatives, the Sector also donated stationary, school equipment and mid-day meals to several underserved regions.

In line with the environmental targets of the Hayleys Lifecode, Alumex has continued to drive process improvements in its manufacturing to increase energy and water efficiency. The Sector also continued to make significant progress in reducing reliance on virgin material; the use of recycled aluminium increased by 10% during the year. The Sector also marked a key milestone in its sustainability journey, through successfully obtaining membership in the Aluminium Stewardship Initiative (ASI), a global collaboration which aims to foster responsible production, sourcing and stewardship of aluminium.

Rs. Mn	2023	2022	% y-o-y	2021
FINANCIAL HIGHLIGHTS (RS.MN)				
Revenue	**10,124**	9,518	+6	5,892
Earnings before interest and tax	**1,222**	1,488	-18	1,233
Net Finance Income/(Cost)	**(1,069)**	(106)	-909	(210)
Profit before tax	**153**	1,382	-89	1,022
Profit after tax	**(10)**	1,152	-101	841
Assets	**10,503**	12,070	-13	7,674
Liabilities	**6,736**	8,108	+17	4,690
Operating cash flow	**542**	(820)	+166	1,790
OPERATIONAL HIGHLIGHTS				
Production volumes (MT)	**4,831**	8,602	-44	6,601
Capacity utilisation (%)	**27%**	44%	-17	34%
EMPLOYEE PRODUCTIVITY AND VALUE				
No. of employees	**735**	879	-16	953
Remuneration/employee (Rs.mn)	**1.62**	2	-19	1
Revenue/employee	**13.77**	11	25	6
Net profit/employee	**-0.13**	1	-113	1
RESOURCE EFFICIENCY				
Energy consumption (GJ)	**80,983**	115,905	-30	89,559
Energy intensity (MJ/Rs.mn)	**7,999**	12,177	-34	15,199
Carbon footprint (tCO2e)	**8,310**	11,946	-30	9,578
Carbon intensity (tCO2e/ Rs. mn)	**0.8**	1.3	-35	1.7
Water consumption (Litres mn)	**87**	108	-19	88
Water intensity (Litres/mn)	**8,666**	11,441	-24	15,076

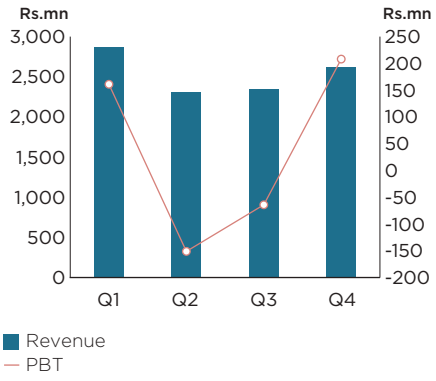
KEY DEVELOPMENTS

Product and brand development
Launch of Asia's first low-carbon aluminium range and Dwellings brand

Strengthening manufacturing capabilities
Investment of Rs.1 bn in new melting facility and state-of-the art aluminum recycling plant for the low-carbon range. Features regenerative burners and low-emission scrubbing units.

Launch of Alumex Divi Kavuluva
Fabricator loyalty programme offering a range of benefits including emergency funding and bill settlement.

QUARTERLY PERFORMANCE TRENDS



Spotlight

LAUNCH OF LOW-CARBON ALUMINIUM

In showcasing its commitment to sustainable innovation, the Sector launched 'Ozon' during the year, a revolutionary, low-carbon product range with a significantly lower environmental footprint that conventional products. Through the use of recycled aluminium, this proposition supports greater circularity while significantly reducing the energy required for production.

- **95% reduction in energy requirement**
- **10% reduced reliance on virgin material**
- **Recycling of 1 KG of used aluminium beverage cans saves,**
  8Kg of Bauxite 4 Kg of chemicals
  14 KwH of electricity

STRATEGIC PRIORITIES

Efficiency and cost management drive
Formed 27 strategic groups across the organisation to drive cost savings. The exercise accrued substantial benefits through identifying avenues for reducing fuel consumption and using substitute materials among others

Aggressive growth in export markets
The Sector entered Italy, Germany and Australia during the year and sought increased penetration in existing export markets

Innovation and product development
Alumex launched Asia's first low-carbon range, Ozon in addition to a range of household products catering to the domestic market

RESOURCE ALLOCATION

129 employees engaged through 27 teams

Rs. 30.58 mn sales and marketing expense in export markets

Rs. 13 mn investment in research and development

STRATEGIC KPIS/PRE-FINANCIALS

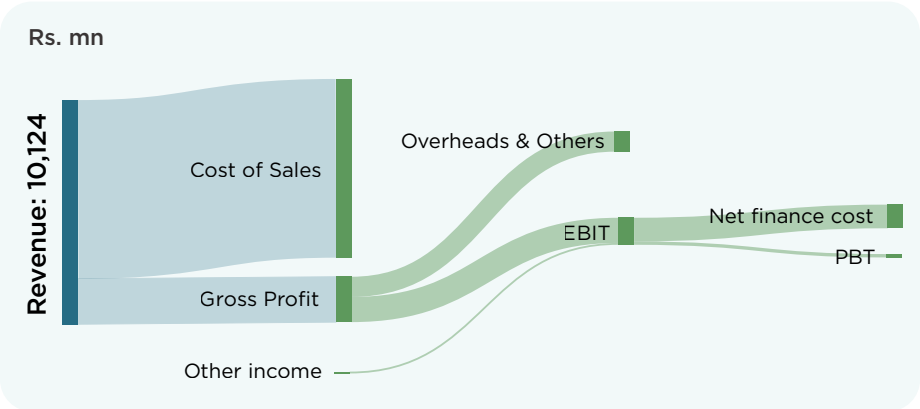
Rs. 342 mn savings generated

30% reduction in energy consumption

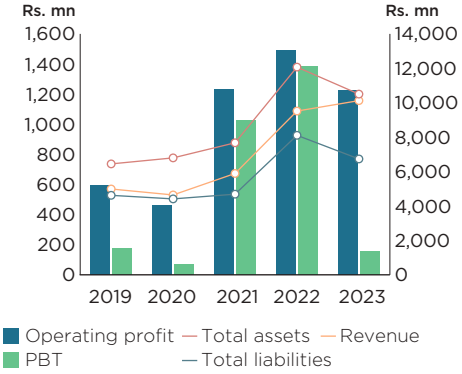
3 export customers acquired

23% growth in export volumes companies seek.

121 new products



SECTOR FINANCIAL PERFORMANCE



CONSTRUCTION MATERIALS

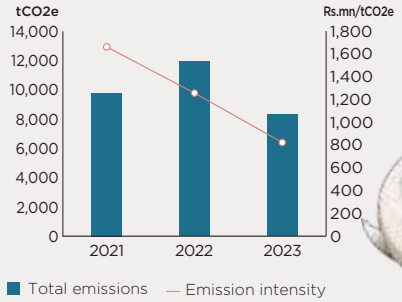
ESG IN ACTION

The Sector has formulated its environmental and social targets in line with the aspirations, long-term targets and approach of the Hayleys Lifecode. The progress made during the year is summarised below

Emission reduction

The gradual shift to the use of recycled aluminium, ongoing process improvements and lower capacity utilisation led to a considerable reduction in the Sector's carbon

SECTOR CARBON FOOTPRINT



51% reliance on recycled aluminium

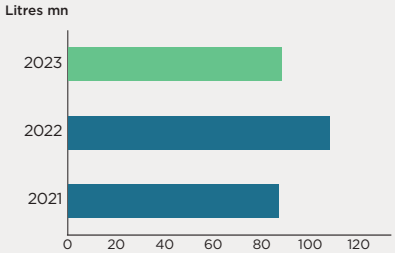
The Company launched a pilot project to collect used beverage cans thereby increasing reliance on recycled material while contributing towards reducing the country's landfill waste.

The Sector launched a programme to replace polythene packaging with paper, with 9100 KGs of polythene replaced during the year.

Water consumption

The Company's total water consumption reduced by 19% during the year, supported by process improvements and lower

WATER CONSUMPTION



Performance against Lifecode Goals

Energy & Emissions

Target: 10% energy intensity reduction

Actual: **-30%**

Material Management

Target: 50% reliance on recycled aluminium

Actual: **51%**

Health, safety and well-being

Target: Zero injuries

Actual: **92%** injury rate

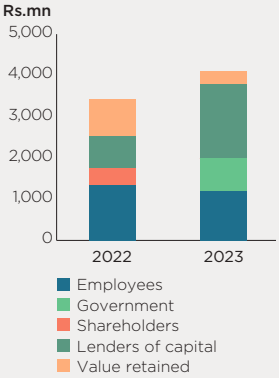
Community engagement

Target: Increase CSR beneficiaries by 50%

Actual: **170** beneficiaries

Stakeholder value creation

STAKEHOLDER VALUE DISTRIBUTION



Employee Value creation

	2023	2022
Employees	**735**	879
Avg. training hours (hrs)	**16.34**	9.58
Training investment (Rs.mn)	**10.22**	7.38
Employee payments (Rs.bn)	**1.62**	1.34

Value creation across ecosystem

2185 fabricators trained

Rs.335.07 mn commission paid to dealers

Rs. 11.50 bn payments to suppliers

SASB DISCLOSURES

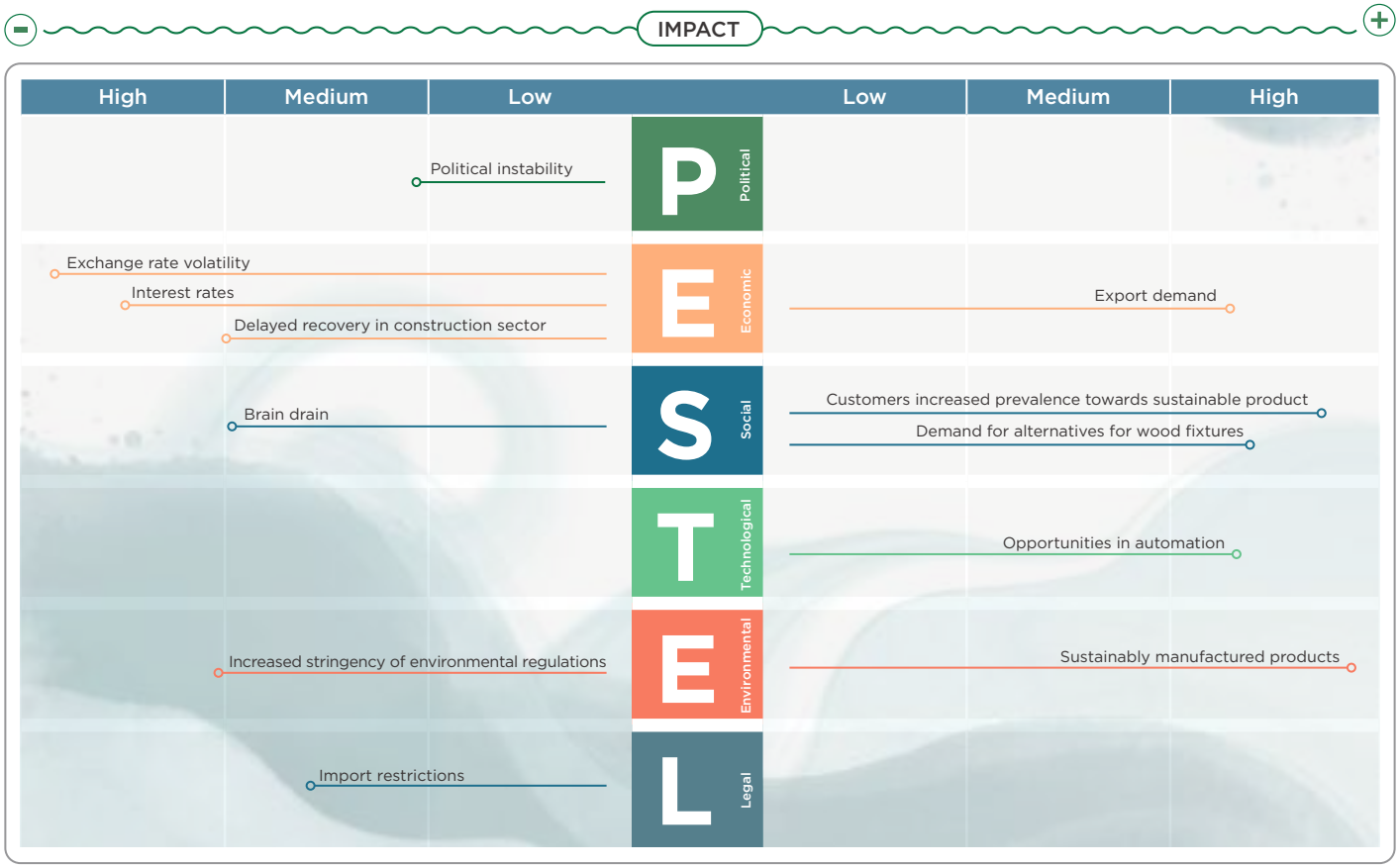
Table: Apparel, Accessories and Footwear Standard- Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/ Pg. reference
Greenhouse Gas Emissions	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Mt	EM-CM-110a.1	4,070
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	-	EM-CM-110a.2	Page 274
Air Quality	Air emissions of the following pollutants: (1) NOx (excluding N2O), (2) Sox	Mt	EM-CM-120a.1	Not available
Energy Management	(1) Total energy consumed (2) Percentage grid electricity (3) Percentage alternative (4) Percentage renewable	GJ % % %	EM-CM-130a.1	80,984 29% N/A
Water Management	(1) Total fresh water withdrawn (2) Percentage recycled (3) Percentage in regions with High or Extremely High Baseline Water Stress	(m^3), Percentage (%)	EM-CM-140a.	1,491 15% N/A
Waste Management	Amount of waste generated Percentage hazardous Percentage recycled	Metric tons (t), Percentage (%)	EM-CM-150a.1	1,780 84% N/A
Biodiversity Impacts	Description of environmental management policies and practices for active sites			
	Terrestrial acreage disturbed, percentage of impacted area restored	Acres (ac), Percentage (%)	EM-CM-160a.2	None
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) (2) Near miss frequency rate (NMFR) for (a) full time employees and (b) contract employees	Rate	EM-CM-320a.1	N/A
	Number of reported cases of silicosis	Number	EM-CM-320a.2	None
Product Innovation	Percentage of products that qualify for credits in sustainable building design and construction certifications			N/A
	Total addressable market and share of market for products that reduce energy, water, and/or material impacts during usage and/or production	Rs. mn %	EM-CM-410a.2	0

CONSTRUCTION MATERIALS

PROSPECTS AND PLANS

Construction sector activity is expected to remain lacklustre in the immediate term, reflecting economic uncertainty, affordability concerns given the sharp increase in cost of living as well as implications of the new tax regime on salaried employees. However, construction sector activity is anticipated to improve towards the second half of the year, supported by the gradual restoration of macro-economic stability and the government's efforts to revive the sector through the injection of liquidity/government securities (Refer to page 90 for further details on the economic outlook).



With a current capacity utilisation of 27%, the Sector has significant potential for growth, and the release of pent-up demand in the local construction sector is expected to drive demand growth over the medium-to-long term. Demand is also expected to be upheld by the increasing preference for lightweight, durable and corrosion resistant products. Against this backdrop, the Sector will seek to drive increased penetration in both domestic and export markets, while further widening its product proposition through the addition of new product solutions and brands. The short, medium and long-term outlook and plans in place to respond to the emerging risks and opportunities are presented below:

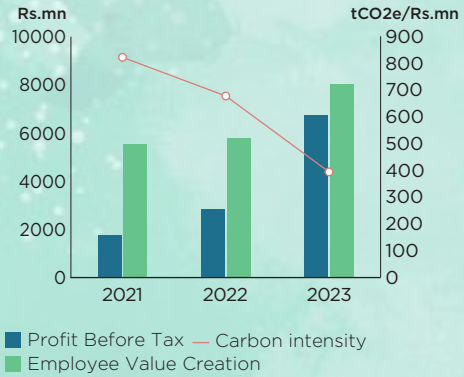
STRATEGIC PRIORITIES	
Short-term	**Medium-to-long term**
• Develop export reach through deeper penetration in existing markets and entry into new markets • Expand distributor network to increase coverage of hardware stores across the island • Increase reliance on local billet consumption • Enhance sales force efficiency through automation	• Access customers across all six continents of the world • Widen portfolio of household products • New product and brand development
Short-term goals GP ratio >20% Gearing<47%	**Medium-to-long term goals** ROCE>25% ROE>20% Gearing<45%

PLANTATIONS

The Sector engages in the cultivation of tea, rubber and other crops through its three Regional Plantation Companies (RPCs) Kelani Valley Plantations (KVPL), Talawakelle Tea Estates (TTE) and Horana Plantations (HPL), which together cultivate over 14,100 hectares of tea and rubber across 55 estates. The Sector also engages in the export of tea through Mabroc Teas (Pvt) Ltd and Martin Bauer Hayleys (Pvt) Ltd.

PLANTATIONS

INTEGRATED PERFORMANCE TRENDS



FINANCIAL PERFORMANCE

Revenue
Rs. 28.62 bn (+65%)

Profit Before Tax
Rs. 6.70 bn (+136%)

Profit After Tax
Rs. 5.00 bn (+89%)

Assets
Rs. 28.50 bn (+57%)

Liabilities
Rs. 13.96 bn (-66%)

Setting benchmarks in quality

18 certifications
Standardisation and certifications for 7 management systems

Rainforest Alliance in 44 estates

First tea factory to obtain ISO 50,001:2018 certification

SETTING BENCHMARKS IN QUALITY

INSPIRING ACTION

NURTURING OUR HUMAN CAPITAL

92,503
Total training hours

Rs. 19 mn
Investment in training and development

7.35
Average training hours

Health and nutrition
Ensuring continued food security
UPLIFTING OUR COMMUNITIES
INCLUSIVE VALUE
Mother and child -friendly estates
STRATEGIC FOCUS AREAS
Productivity and efficiency of resource use
Regenerative and sustainable agricultural practices
Commitment to quality
THRIVING PLANET
Reduction in chemical fertilizer
+2%
Reliance on renewable energy
+83%
Reduction in energy consumption
3%
PRESERVING AND REGENERATING NATURE
Talawakelle Estates is the first Sri Lankan company to commit to the Science Based Targets for emission reduction and obtain verification of its targets
Carbon footprint reduction
4%
Reduction in water consumption
4%

PLANTATIONS

SECTOR OVERVIEW

MARKET POSITION

- Commands industry's highest pricing for tea and rubber
- Accounts for 4.6% and 4.7% of Sri Lanka's tea and rubber production
- Value-added tea exporter

Operating Model

Field development

Extent of over 14,000 hectares cultivated with tea, rubber and other crops

Value-added tea exports

Export of bulk and value-added tea through Mabroc Teas

Sustainable agriculture products

Harvesting tea, rubber and other crops in compliance with guidelines set out by the numerous domestic and international certifications obtained by both KVPL and TTE

Manufacture of high -quality produce

Key products include,

- Orthodox black tea, green tea, specialty tea and seasonal flavored tea
- Sole crepe, latex crepe, centrifuged latex, scrap crepe and skim crepe
- Cinnamon
- Spices
- Value-added black tea, green tea, herbal tea and specialty tea

PLANTATIONS

Regional Plantation Companies, KVPL and TTE.

Contribution to Sector
Revenue: 57%
PBT: 82%

Performance 2022/23
Revenue: +64% growth
PBT: +308% growth

MABROC TEAS

Exporter of bulk and value-added tea

Contribution to Sector
Revenue: 43%
PBT: 13%

Performance 2022/23
Revenue: +62% growth
PBT: 24% decline

MARTIN BAUER HAYLEYS

Manufacturer and exporter of quality tea extracts

Contribution to Sector
PBT: 5%

Performance 2022/23
PBT: +467% growth

*On the 29th of March 2023, Hayleys PLC (through Hayleys Plantation Services) acquired a majority shareholding in Horana Plantations PLC. This discussion relates primarily to the operations of TTE and KVPL; given the date of acquisition, HPL is not included in this year's non-financial reporting boundary.

OPERATING ENVIRONMENT

Sri Lanka's tea industry witnessed yet another year of mixed fortunes; tea production declined by 16% to 251.5 Kgs in 2022 reflecting cost escalations and shortages in critical input materials such as fertilizer, agricultural chemicals, weedicides and fungicides. While the ban on chemical fertilizer was lifted in November 2021, the subsequent surge in prices has made application extremely costly- which in turn impacted production volumes and yields. Supply-related challenges persisted to 2023, with production volumes declining in the first quarter of the calendar year. The industry however, benefitted from favourable pricing during the year, reflecting the depreciation of the Sri Lankan Rupee, supply shortfalls and robust global demand. Resultantly average tea prices at the Colombo Tea Auction (f.o.b) increased by 105% to Rs.1270.50/kg in 2022, sustaining prices during the first quarter of the calendar year 2023.

The rubber industry experienced a year of multiple challenges, with production volumes dropping by 8% due to the rapid spread of a disease, leading to significant crop loss. Local rubber auction prices increased by 29% during the year, due to the contraction in supply.

-16%
Tea production volume (Calendar year 2022)

+105%
Average tea prices at Colombo Tea Auction (Calendar year 2022)

+3%
Cost of production (Rs/KG) (Calendar year 2022)

Emerging trends and implications on Sector

Labour shortages	Increasing cost of production	Implications of climate change
Labour shortages in the plantation continue to pose a key challenge, with younger generations increasingly pursuing opportunities outside the estates. **IMPLICATIONS** + Opportunities to increase retention through non-wage remuneration models - Implications on yield and productivity	Sri Lanka's cost of production continues to be higher than competing producers and can affect the country's competitiveness in the global market - Long-term implications on demand and pricing	Climate change causes changes in rainfall patterns, natural disasters and erratic weather which directly affect crop yields and quality - Direct implications on quantity and quality of produce

STRATEGY & INTEGRATED PERFORMANCE

The Hayleys' Plantation Sector companies demonstrated strong resilience amidst unprecedented challenges, to maintain their position as the most profitable, quality-focused and sustainable RPCs in the country. Strategic foresight in ensuring business continuity together with relentless focus on revenue maximisation through productivity and quality improvements and regenerative agriculture practices enabled the Sector to record a 65% and 136% growth in Revenue and Profit Before Tax respectively. As the operating challenges evolved rapidly, the Sector took proactive and swift measures to increase fuel, firewood and fertilizer stocks, which in turn enabled all estates to continue operations without disruption. Both RPCs sustained their market position as leading price takers for Tea and Rubber at the auctions, attesting to the superior quality of its products and strong brand reputation in the industry.

Maintaining employee morale and ensuring their financial security and well-being remained a priority given the socio-economic conditions that prevailed. Both RPCs offered multiple incentives to our estate workers, which included attendance and crop incentives. Numerous measures were taken to also ensure food security of our workers and their families through provision of ration packs, distribution of rice and flour and food incentives. The Sector also expanded the revenue-share model among workers, providing them an opportunity to generate additional income through an entrepreneurial model. In a key achievement during the year, Hayleys Plantations also hosted a first-of-its-kind Management Symposium for estate-based teams, showcasing transformational innovations and best practices developed by the estate teams. Both KVPL and TTE also maintained the "Great Place to Work" (GPTW) certification during the year, attesting to the quality of its industry-leading people practices.

The Sector increased focus on precision agriculture techniques; this included adoption of more efficient fertilizer application methods which contributed towards better soil

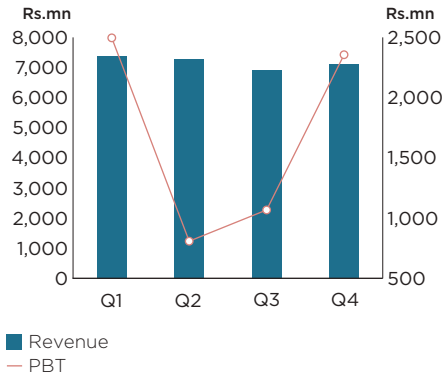
PLANTATIONS

health and more optimal use of fertilizer. Measures were also adopted to maximise land usage through high density planting and crop diversification. Workers continued to engage in manual weeding for the generation of compost, which in turn enabled them to earn an additional income while supporting the Sector's regenerative agriculture practices.

During the year, the Sector invested around Rs.500 mn in the construction of a new state-of-the-art tea factory, designed to comply with international best practices and manufacturing standards. Meanwhile both RPCs have obtained and continue to comply with numerous domestic and international certifications thereby aligning with global benchmarks and management systems on quality, environmental practices, labour management and food safety among others (refer to page 270 for a full list of the certifications)

The Group's bulk and value-added tea exporter Mabroc Teas (Pvt) Ltd. delivered healthy Profit Before Tax of Rs.1.01 bn, although this represented a 24% reduction in comparison to the previous year due to high price competition and unfavourable exchange rate dynamics. Mabroc also leveraged its capabilities in producing customised blends, which has enabled it to make inroads in the Chinese market, emerging as the largest Sri Lankan tea exporter to China.

QUARTERLY PERFORMANCE TRENDS



Rs. Mn	2023	2022	% y-o-y	2021
FINANCIAL HIGHLIGHTS (RS.MN)				
Revenue	**28,622**	17,369	+65	15,930
Earnings Before Interest and Tax	**5,517**	2,450	+125	1,887
Net Finance Income/(Cost)	**806**	349	-131	(162)
Profit before tax	**6,703**	2,846	+136	1,773
Profit after tax	**4,967**	2,622	+89	1,553
Assets	**28,498**	18,189	+57	16,178
Liabilities	**13,964**	8,411	-66	8,557
Operating cash flow	**4,758**	1,672	+185	621
OPERATIONAL HIGHLIGHTS				
Average pricing for tea (Rs/KG)				
- TTE	**1,517**	718	+111	673
- KVPL	**1,501**	718	+109	680
- HPL	**1,310**	625	+110	614
Production volumes (MT)				
- Tea	**11,444**	13,464	-15	13,400
- Rubber	**3,361**	3,771	-11	4,410
EMPLOYEE PRODUCTIVITY AND VALUE				
No. of employees	**12,589**	14,003	-10	14,631
Remuneration/employee (Rs.mn/ employee)	**0.6**	0.4	50	0.4
Revenue/employee (Rs.mn/ employee)	**2.28**	1.2	90	1.1
Net profit/employee	**0.4**	0.2	100	0.1
RESOURCE EFFICIENCY				
Energy consumption (MJ mn)	**384**	395	-3	376
Energy intensity (MJ/Revenue mn)	**13,416**	22,731	-41	23,588
Carbon footprint (tCO2e)	**11,271**	11,760	-4	13,085
Carbon intensity (KG CO2e/ Revenue Rs.mn)	**393**	677	-42	821
Water consumption (litres '000)	**94,535**	98,698	-4	108,409
Water intensity (litres/Revenue Rs.mn)	**3301**	5,682	-42	6,805

HORANA PLANTATIONS PLC (HPL)

HPL is a leading RPC with agribusinesses specialising in the production, processing and marketing of diversified crops, including tea, rubber, oil palm and coconut. The Company operates 14 estates covering nearly 6,520 hectares in the central hills and low country. One of the leading prices takers in both the tea and rubber industries, HPL has built a reputation for sustainability through compliance to several international certifications including Rainforest Alliance, Ethical Tea Partnership, Fair Trade and ISO 14001: 2015 among others.

Rs. 3.79 bn
Revenue

657
Profit Before Tax (Rs.mn)

3,434
Employees

Spotlight

BEST TEA HARVESTER COMPETITION

The Hayleys RPCs successfully concluded the second annual 'Best Tea Harvester Competition' in February 2023, showcasing the commitment and skills of the Hayleys Plantation team. The preliminary stage of the competition was held across all tea estates of the Hayleys RPCs, with the final competition featuring 40 estate-level winners. The overall winner was selected based on the quantity and quality of tea plucked within a set time and winners were awarded cash prices.

STRATEGIC PRIORITIES

Productivity and efficiency
Precision agriculture techniques to optimise agricultural inputs while maximising yield and land productivity through crop diversification and more effective use of land

Regenerative agriculture
Focus on sustainable and regenerative agricultural practices to preserve soil quality, reduce reliance on fossil-fuel energy sources and preserve biodiversity

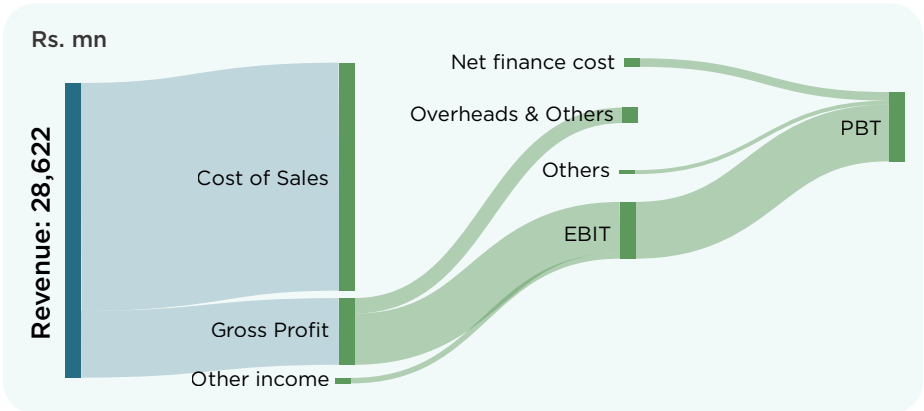
Commitment to quality
Both RPCs have established globally accepted management systems across all areas of operations, which in turn has enabled consistent improvements in product quality and resource usage

RESOURCE ALLOCATION

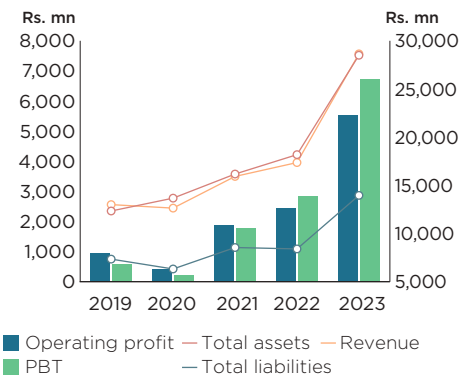
- Ongoing training to estate managers and workers
- 343 ton of organic fertilizer applied investment in environmental initiatives
- 18 certifications
  44 estates with Rainforest Alliance

STRATEGIC KPIS/PRE-FINANCIALS

- **19%** EBIT margin (2021/22 :14%)
- **Rs. 34 mn** Revenue from non-traditional crops
- **2%** reduction in chemical fertilizer use rate
- **83%** reliance on renewable energy
- **8.33%** premium over average price at CTA
- **60** awards won during the year



SECTOR FINANCIAL PERFORMANCE



PLANTATIONS

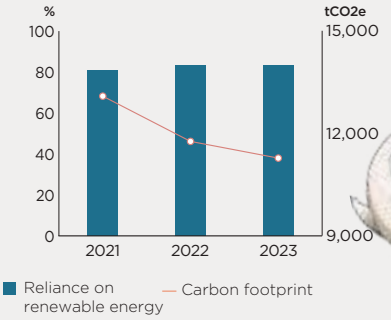
ESG IN ACTION

As industry leaders in sustainability, both KVPL and TTE have long-since embedded sustainability considerations into business strategy, operations and processes. Since 2022, both RPCs have refined their respective ESG agendas to align with the aspirations of the Hayleys Lifecode. Progress made against key targets in 2022/23 are given below:

Energy and emissions reduction

In a significant achievement during the year, TTE emerged as the first Sri Lankan company to commit to Science Based Targets on emission reductions and obtain verification of the same.

CARBON FOOTPRINT



Biodiversity

The Hayleys Plantations Sector partnered the **Wildlife and Nature Protection Society (WNPS)** and **Preserve Land and Nature Trust** to preserve and develop the forest eco system and biodiversity surrounding the estates. This will include reforestation of forest corridors, research and knowledge sharing among others.

Soil management

The Sector engaged in a pilot project in partnership with the University of Kelaniya to explore the use of biochar, which is expected to increase the effectiveness of fertilizer. Anticipated outcomes include,

Performance against Lifecode Goals

Energy & Emissions

Target: 90% use of renewable energy

Actual: **83%**

Biodiversity

Target: Increase biodiversity cover by 1X times of area

Actual: **50,391** trees planted

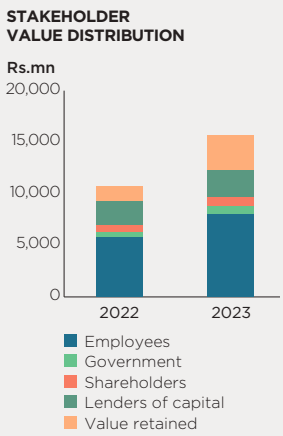
Community

Increase CSR beneficiaries by 30%

Actual:
>700,000
hours

Stakeholder value creation

STAKEHOLDER VALUE DISTRIBUTION



Home for Every Plantation Sector Worker programme

Ongoing investment in the Sector's holistic and ongoing community building initiative Home for Every Plantation Worker programme

Rs. 364 mn
CSR investment

27,966 beneficiaries
Living conditions

647,538 beneficiaries
Health and nutrition

49,596 beneficiaries
Youth and empowerment

41,802 beneficiaries
Community capacity building

SASB DISCLOSURES

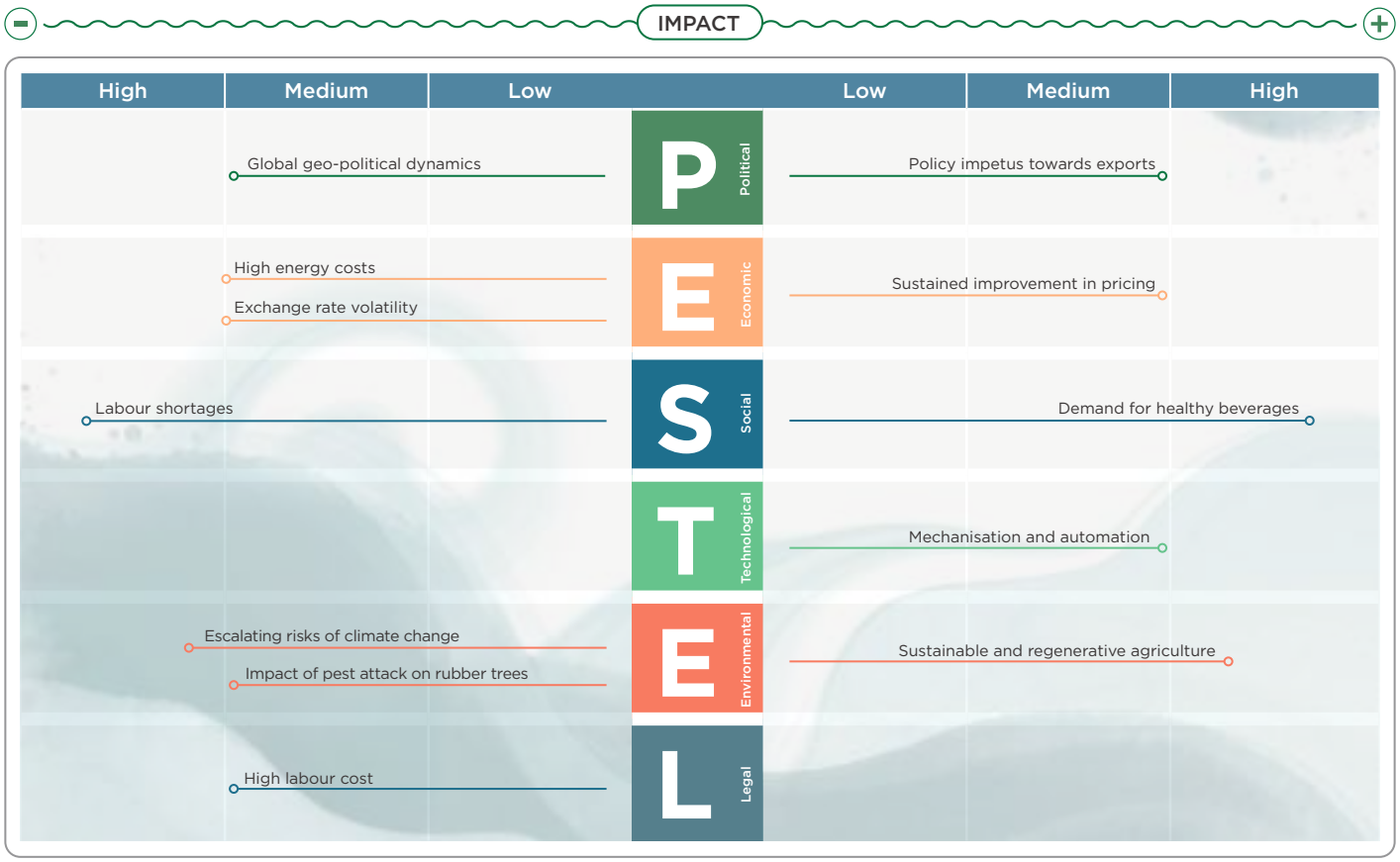
Table: Agricultural Products Standard- Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/ Pg. reference
Greenhouse Gas Emissions	Gross global Scope 1 emissions	Metric tons (t) CO -e	FB-AG-110a.1	5,104
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	-	FB-AG-110a.2	TTE and KVPL have both committed to the SBTI and embarked on an ambitious journey to reduce its carbon footprint and achieve net-zero.
	Fleet fuel consumed Percentage renewable (total renewable energy % from the fleet fuel consumed)	GJ %	FB-AG-110a.3	5,820 2%
Energy Management	(1) Operational energy consumed (2) Percentage grid electricity (3) Percentage renewable	GJ % %	FB-AG-130a.1	384,259 3% 83%
Food Safety	Global Food Safety Initiative (GFSI) audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances		FB-AG-250a.1	N/A
	Percentage of agricultural products sourced from suppliers certified to a Global Food Safety Initiative (GFSI) recognised food safety certification programme	%	FB-AG-250a.2	N/A
	(1) Number of recalls issued (2) total amount of food product recalled	Number MT	FB-AG-250a.3	0
Environmental & Social Impacts of Ingredient Supply Chain	Percentage of agricultural products sourced that are certified to a third-party environmental and/or social standard, and percentages by standard	Percentage (%) by cost	FB-AG-430a.1	89%
	Suppliers' social and environmental responsibility audit (1) non-conformance rate (2) associated corrective action rate for (a) major and (b) minor non-conformances	Rate	FB-AG-430a.2	N/A
GMO Management	Discussion of strategies to manage the use of genetically modified organisms (GMOs)		FB-AG-430b.1	N/A
Ingredient sourcing	Identification of principal crops and description of risks and opportunities presented by climate change		FB-AG-440a.1	Page 276
	Percentage of agricultural products sourced from regions with High or Extremely High Baseline Water Stress			N/A
ACTIVITY METRICS				
Production by principal crop Tea Rubber		MT	FB-AG-000.A	 11,443 3,361
Number of processing facilities		Number	FB-AG-000.B	32
Total land area under active production		Hectares	FB-AG-000.C	10,251
Cost of agricultural products sourced externally		Rs. mn	FB-AG-000.D	2,006.49

PLANTATIONS

PROSPECTS AND PLANS

Sri Lanka's tea production levels are expected to recover in 2023, following the negative growth recorded by all elevations in 2022. Favorable weather conditions together with improved availability of chemical fertilizer is expected to support improved crop levels. On the other hand, rising input costs remain a critical concern as consistently high prices could affect the country's competitiveness in the international tea market. Meanwhile global economic and geo-political dynamics in major tea-buying markets have rendered the outlook on demand and pricing extremely unpredictable over the short-term. The short, medium and long-term outlook and plans in place to respond to the emerging risks and opportunities are presented below:



Against this backdrop, the Plantation Sector will maintain focus on leveraging its competitive strengths in quality and sustainability to drive consistent improvements in production volumes, yields and profitability. Driving precision agriculture practices through aligning with global benchmarks in total systems management will also remain a priority, with ongoing investment in capacity building and improving organisational processes. Meanwhile, Mabroc will seek to further strengthen its market position through customer acquisition, increased penetration into markets with potential and ongoing investments in new product development.

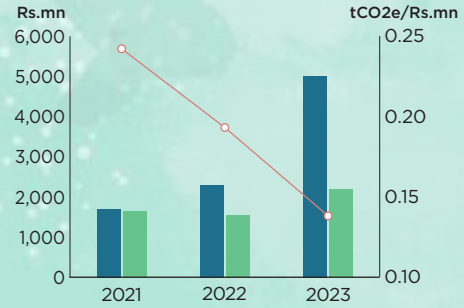
STRATEGIC PRIORITIES	
Short-term	**Medium-to-long term**
• Pursue opportunities in selective crop diversification including cinnamon, coconut and strawberries among others • Increased mechanisation and automation • Drive initiatives to reduce cost of production • Ongoing investments in replanting • Productivity-based remuneration models to support increased income generation • Widen distribution of Mabroc brand	• New product development and market expansion in value-added tea • Automation and mechanisation to enhance productivity • Capacity expansion in both tea manufacturing • Revenue share and non-wage models for harvesting
Short-term goals Gearing<10% Dividend rate:>40%	**Medium-to-long term goals** ROCE>20% Gearing ratio<5%

AGRICULTURE

The Sector is a leading player in Sri Lanka's Agriculture industry, offering the full array of agriculture-related products and services to the local and export markets. Hayleys Agriculture has leveraged its extensive stakeholder partnerships, domain-specific knowledge and best-in-class innovation to build a strong reputation for quality, integrity and sustainability.

AGRICULTURE

INTEGRATED PERFORMANCE TRENDS



FINANCIAL PERFORMANCE

Revenue
Rs. 33.00 bn (+37%)

Profit Before Tax
Rs. 5.01 bn (+118%)

Profit After Tax
Rs. 3.53 bn (+106%)

Assets
Rs. 26.32 bn (+2%)

Liabilities
Rs. 15.89 bn (+11%)

Research and development focus

High efficacy crop protection products

High disease-resistant planting materials

Crop specific, customised fertilizer blends

MODERNISING AGRICULTURE

4 — New agriculture machinery and equipment launched

INSPIRING ACTION

DEVELOPING OUR TEAM

Focus on enhancing leadership capabilities to groom the next generation of leaders within the Sector

Training hours — 3,278

Rs. 2 mn — Investment in training

Outgrowers
+11,141
Farmers/ Outgrowers trained
7,200
DRIVING SOCIO-ECONOMIC EMPOWERMENT
INCLUSIVE VALUE
Training programmes
152
Economic value generation
Rs.13 bn
STRATEGIC FOCUS AREAS
Effective working capital management
Innovation
Principal relationships
THRIVING PLANET
PROPAGATING SUSTAINABLE AGRICULTURE
Climate-smart irrigation and protected agriculture technologies
Research focused on organic crop protection products and organic fertilizers
Farmer training on fertilizer management and application
Climate-smart Irrigation (CSI) technologies

AGRICULTURE

SECTOR OVERVIEW

MARKET POSITION

- The largest Sri Lankan exporter of processed fruits and vegetables
- The largest producer and exporter of tissue culture plants in the country
- The only Sri Lankan exporter of F1 hybrid flower seeds
- Leading provider of agri input solutions and equipment
- Forerunner of industry innovation

Importing agri inputs and machinery

The Sector has partnered with reputed global principals to source an array of crop protection solutions, fertilizer, animal health products, and agri machinery and equipment.

Distribution

Agri inputs product cater mainly to the local market while processed fruits and vegetables, F1 hybrid flower seeds, and tissue culture plants are exported to key markets

Local sourcing of products

The Sector procures fruits, vegetables and seeds from an extensive out-grower model which supports rural farmers.

Processing

Processing and value-addition

- Coconut kernel-based products
- Jackfruit- based products
- Moringa-based products
- Pickled green cucumber
- Tropical fruits and vegetables
- Ceylon spices
- Wellness foods
- Seeds
- Tissue culture plants

CROP PROTECTION & PLANTING MATERIALS

Import of crop protection products and planting materials

Contribution to Sector
Revenue: 15%
PBT: 25%

Performance 2022/23
Revenue: +37% growth
PBT: +64% growth

ANIMAL HEALTH

Markets a range of animal health products from reputed international suppliers

Contribution to Sector
Revenue: 4%
PBT: 4 %

Performance 2022/23
Revenue: +13% growth
PBT: 5% decline

AGRI EQUIPMENT

Markets a range of agri equipment and machinery

Contribution to Sector
Revenue: 16%
PBT: 1%

Performance 2022/23
Revenue: -37% growth
PBT: 96% decline

AGRO FERTILIZER

Provides a range of crop nutrition products and fertilizer blends

Contribution to Sector
Revenue: 29%
PBT: 43%

Performance 2022/23
Revenue: +168% growth
PBT: +1,580% growth

AGRO EXPORTS

Exporter of processed fruits and vegetables, tissue culture plants, and F1 hybrid flower seeds

Contribution to Sector
Revenue: 16%
PBT: 13%

Performance 2022/23
Revenue: +64% growth
PBT: +43% growth

HAYCHEM (BANGLADESH) LTD

International Operations

Contribution to Sector
Revenue: 20%
PBT: 14%

Performance 2022/23
Revenue: +100% growth
PBT: +126% growth

OPERATING ENVIRONMENT

Sri Lanka's Agriculture sector contracted in 2022 affected by persistent shortages in agricultural inputs, disruptions to fuel supply and sharp escalation in production costs. The paddy harvest marked a significant decline recording the lowest output since 2017. The shortage of foreign currency in the banking system coupled with the sharp depreciation of the Rupee, led to considerable difficulties in sourcing agricultural inputs for most part of the year. This was further amplified by the sharp increase in global Urea prices which further reduced affordability. Importers of agriculture input material and equipment were required to maintain ongoing and proactive engagement with their global principals to sustain relationships amidst the prevalent uncertainty and cancellation of orders. The high interest rate scenario also pressured agriculture-sector importers through higher working capital costs. On the other hand, agriculture sector activity also continued to be affected by lingering effects of the chemical fertilizer ban, which despite its subsequent reversal, had adversely impacted farmer sentiments.

-4.6%
Contraction in country's agriculture sector

-34.1%
Decline in paddy crop

-5.9%
Contraction in agricultural exports

Emerging trends and implications on Sector

Sustainable agriculture and food production	Mechanisation of agriculture	Implications of climate change
With the increasing need to expand food production emphasis has now turned towards adopting more sustainable and ecologically-friendly agricultural practices **IMPLICATIONS** + Opportunities for innovation and propagate good agricultural practices	Labour shortages in Sri Lanka's agriculture sector is increasingly driving the shift to mechanisation and new technology + Growing demand for agricultural machinery and equipment	Climate change causes changes in rainfall patterns, natural disasters and erratic weather which directly affect crop yields and quality - Direct implications on the supply of fresh fruits and vegetables as well as demand for agricultural inputs

STRATEGY & INTEGRATED PERFORMANCE

The Sector delivered impressive Revenue and Profit growth, leveraging the strength of its brands, relationships with global principals and diversity within its businesses to remain resilient to numerous challenges. Revenue increased by 37% to Rs. 33 bn while Profit Before Tax recorded a growth of 118% to Rs. 5.01 bn. Performance was upheld by the Sector's foresight in predicting emerging challenges and responding proactively through effective planning and timely strategic interventions. Other achievements during the year included sustaining the strength of our brands and maintaining trust and credibility with our value chain partners despite industry dynamics.

Crop Protection recorded strong growth, supported by measures to ensure continued availability of products to farmers and the launch of two new rice herbicides which enabled the Sector to capture market share, The performance of Agricultural Equipment was impacted by rising interest rates and farmers' reduced disposable income. Despite the challenges, we maintained market

AGRICULTURE

position of our brands and widened our product proposition in a bid to capitalise on increasing mechanisation. Meanwhile, Animal Health was affected by challenges along the downstream value chain, including shortages in animal feed and import restrictions which led to layer farmers curtailing operations. The Sector maintained its market leadership position in the Pet Care segment, which somewhat offset the downturn in the poultry segment. The Fertilizer segment delivered strong growth, as strategic focus was placed on effectively managing working capital cycles to ensure good liquidity and continued availability of stocks. We also welcome the move taken by the Government to settle outstanding fertilizer bills through the issuance of bonds.

In Exports, the healthy performance of both flower seeds and horticulture was driven by new customer acquisitions and improved product propositions as the Sector collaborated with its principals to develop new varieties. The Sector maintained its position as Sri Lanka's largest exporter of processed fruits and vegetable, the largest producer and exporter of tissue culture plants and is the only Sri Lankan exporter of F1 hybrid flower seeds. In further diversifying the food exports vertical, the Sector acquired a coconut-milk processing facility during the year and widened its range with the addition of several new products. Haychem Bangladesh Ltd delivered record profitability supported by strategic efforts to strengthen distribution capabilities which in turn ensured product availability. The Sector also commenced production of Tricho-compost, a Trichoderma-based compost fertilizer that drives sustainable agriculture through improving soil structure and water holding capacity.

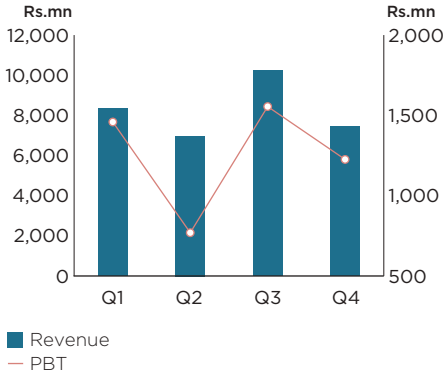
The Sector aligned with the Hayleys Group initiatives in ensuring employees' financial security and well-being. Developing leadership capabilities for effective succession planning was a key priority during the year with 1,205 employees undergoing structured leadership development training. The Sector also plays a vital role in developing agricultural skills across the country through the Hayleys Agriculture Training School which conducts practical training programmes for different industry stakeholders including undergraduates and farmers.

Rs. Mn	2023	2022	% y-o-y	2021
FINANCIAL HIGHLIGHTS (RS.MN)				
Revenue	**32,998**	24,089	+37	19,233
Earnings before interest and tax	**7,379**	3,011	+145	1,981
Net Finance Income/(Cost)	**(2,369)**	(709)	-234	(273)
Profit before tax	**5,010**	2,302	+118	1,708
Profit after tax	**3,532**	1,715	+106	1,217
Assets	**26,323**	25,826	+2	16,029
Liabilities	**15,889**	17,754	+11	10,612
Operating cash flow	**996**	(2973)	+134	3,706
EMPLOYEE PRODUCTIVITY AND VALUE				
No. of employees	**1,205**	1,157	4	1,204
Remuneration/employee (Rs.mn)	**2**	1	81	1
Revenue/employee (Rs.mn)	**27**	21	29	16
Net profit/employee (Rs.mn)	**3**	1	193	1
RESOURCE EFFICIENCY				
Energy consumption (GJ)	**30,852**	30,395	102	28,353
Energy intensity (MJ/Revenue Rs.mn)	**934**	1,262	74	1,474
Carbon footprint (tCO2e)	**4,570**	4,667	98	4,656
Carbon intensity (tCO2e/Rs.mn)	**0.1**	0.1	100	0.2
Water consumption (Litres mn)	**175**	204	86	182
Water intensity (Litres/Revenue Rs.mn)	**5,309**	8,601	62	9,480

KEY DEVELOPMENTS

- **Innovation across key Sectors including,**
  - Launch of two Rice/ Paddy herbicides, Tetris and Proxi 310
  - Heat resistant Seed Potato variety which led to significant improvements in yields
  - Peanut butter and Nil Katarolu string hopper flour
- Expansion of tissue-culture operations by enhancing growth room capacity
- Animal Health Division introduced the milk-based cow pregnancy test kit from IDEXX laboratories, USA, for the first time in Sri Lanka

QUARTERLY PERFORMANCE TRENDS



Spotlight

DRIVING THE MECHANISATION OF AGRICULTURE

As a leader in the Agricultural Equipment sector, Hayleys Agriculture has played a central role in driving mechanisation as a solution to addressing intensifying labour shortages in the industry. Key developments during the year included,

- Launch of **E-Kubota EK3 - 471 4**-wheel drive tractor, a multi-purpose tractor for deep puddling, dry land preparation, and haulage.
- Introduction of new equipment and machinery including **Agrotech Boat Water Pump, Agrotech Grain Collector, Agrotech Groundnut Thresher, and Shizuoka Grain Dryer**
- Launched the concept of Kubotarization- modernising agriculture mechanisation from land preparation to harvesting through Kubota machinery.

STRATEGIC PRIORITIES

Effective working capital management
Ensuring availability of products through effective inventory management and incentivising distributors to improve collections

Innovation
Innovations across key business lines in partnership with global principals

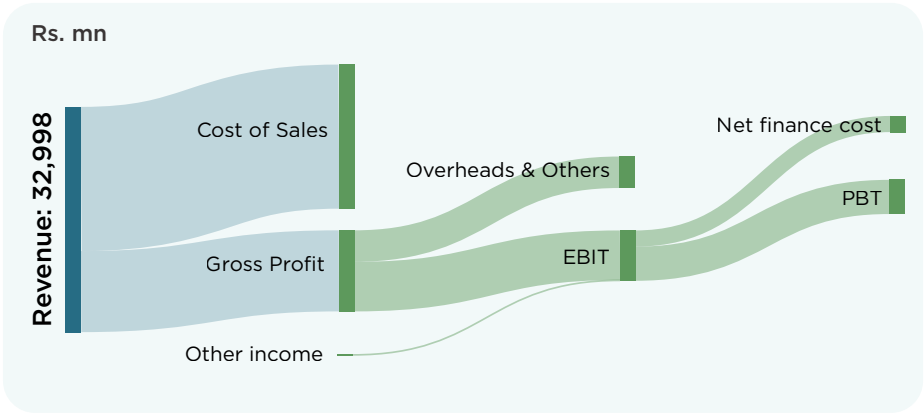
Principal relationships
Ongoing engagement with principals in providing assurance on continued demand and repayment capabilities

RESOURCE ALLOCATION

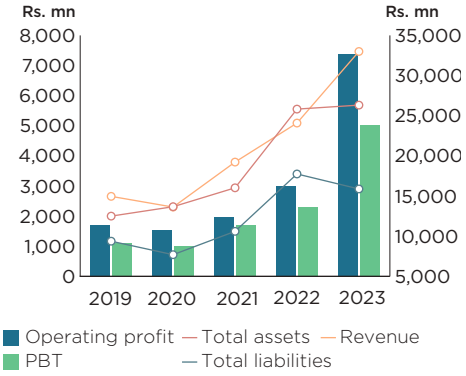
- Partnerships with distributors and domain-specific knowledge
- Rs. 12 mn investment in research and development
- 14 principals

STRATEGIC KPIS/PRE-FINANCIALS

- **19% increase** in debtors
- **22% increase** in inventory days
- **62** new products launched
- **16 products** in the pipeline
- **100%** retention of principals



SECTOR FINANCIAL PERFORMANCE



AGRICULTURE

ESG IN ACTION

The Sector's sustainability strategy has centered on supporting economic empowerment through out-grower models, reducing the environmental impacts of its business and driving sustainable agriculture practices. Progress made against the Sector's social and environmental targets are set out below;

Sustainable water sourcing

The Sector operates the country's largest rainwater harvesting pond at its Boralanda facility with a storage capacity of 7.1 million litres.

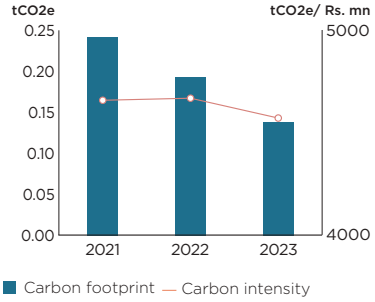
1.4 mn litres

Rainwater harvested during the year

Energy and emissions

Ongoing efforts to increase energy efficiency has led to gradual improvements in energy intensity over the years

CARBON FOOTPRINT AND INTENSITY



Supporting Sri Lanka's food security

Climate-smart irrigation and protected agriculture technologies

Safer crop protection products

Organic and bio fertilizers to improve soil health

Farmer training to propogate sustainable agriculture practices

Performance against Lifecode Goals

Water

Target: 3% annual increase in sustainable water sourcing

Actual: **92%** decrease

Energy and emissions

Target: 1% annual reduction in carbon footprint

Actual: **-2%**

Team

Target: 0.5% annual reduction in employee attrition rate

Actual: **6%** reduction

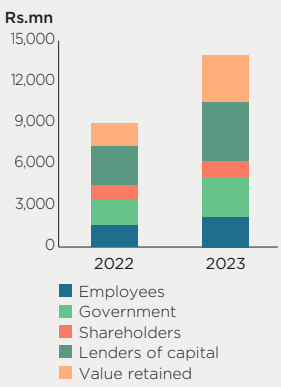
Supplier relationships

Target: 1 supplier development programme per year

Actual: **7,200** farmers trained

Stakeholder value creation

STAKEHOLDER VALUE DISTRIBUTION



Supporting Sri Lanka's food security

Technology transfer and farmer education

High-efficacy crop protection products

High yielding, disease and pest tolerant, drought resistant varieties

Crop specific, customised fertilizer blends

Outgrower programmes

in Batticaloa, Jaffna, Kilinochchi, Mullativu, Mannar, Vavuniya, Ampara, Anuradhapura, Polonnaruwa, Puttalam, Badulla, Matale, and Rathnapura districts

11,141

Out-growers supported

SASB DISCLOSURES

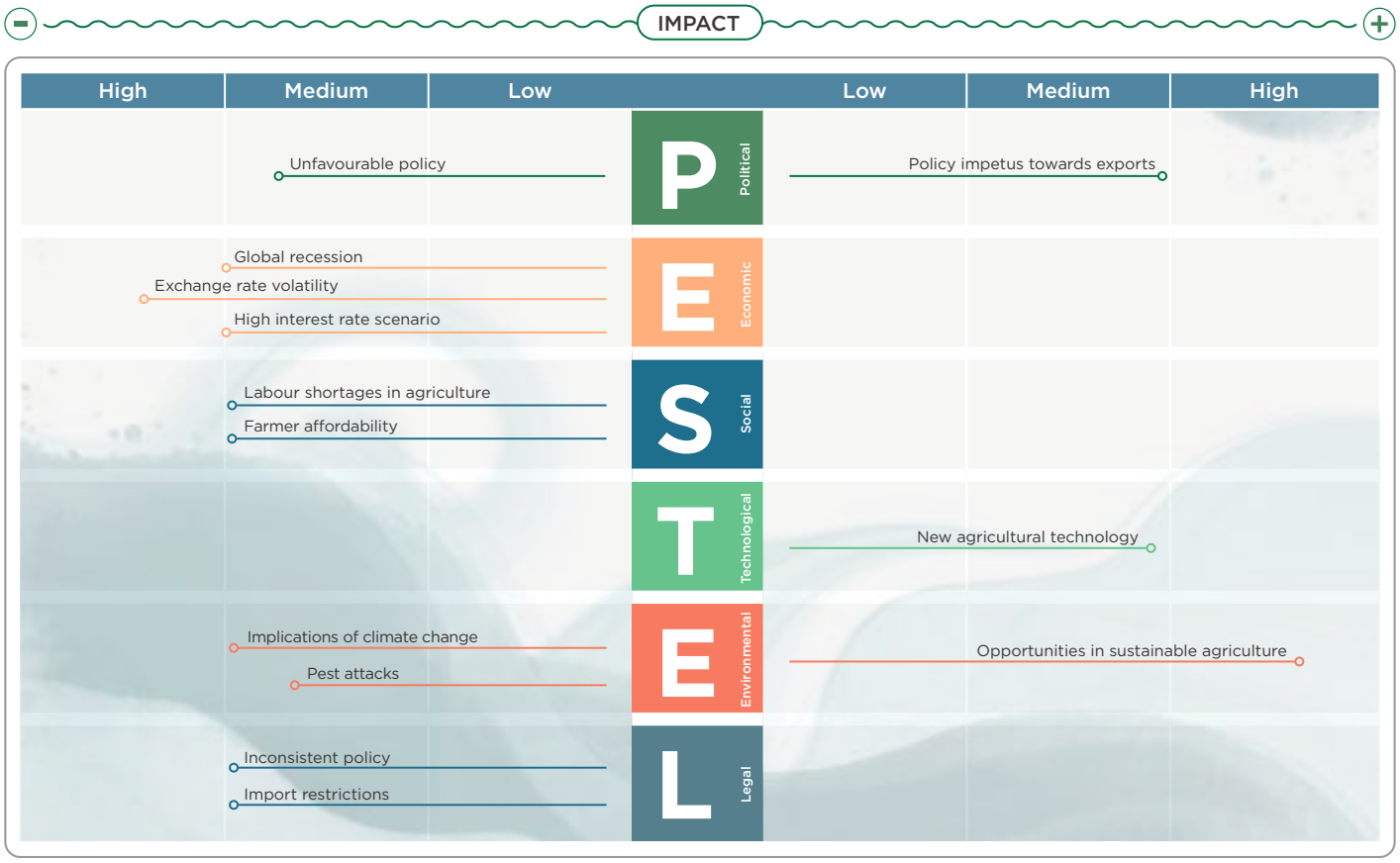
Table: Agricultural Products Standard- Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
Greenhouse Gas Emissions	Gross global Scope 1 emissions	Metric tons (t) CO -e	FB-AG-110a.1	1,653
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	-	FB-AG-110a.2	Target to reduce Scope 1 & 2 emissions by 10% by 2030. All direct and indirect emissions have been mapped and progress against targets are monitored and reported
	Fleet fuel consumed Percentage renewable	GJ %	FB-AG-110a.3	1) 3.4 2) 0%
Energy Management	(1) Operational energy consumed (2) Percentage grid electricity (3) Percentage renewable	GJ % %	FB-AG-130a.1	1) 308.52 2) 1% 3) 0%
Food Safety	Global Food Safety Initiative (GFSI) audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances	Rate	FB-AG-250a.1	(1) <3 % non-conformance, (2) a and b HJS Condiments Limited is FSSC 22000 certified and all non-conformances at purchasing is monitored. Farmers are educated on achieving 0% non-conformances at the field/ farm level.
	Percentage of agricultural products sourced from suppliers certified to a Global Food Safety Initiative (GFSI) recognised food safety certification programme	%	FB-AG-250a.2	100% Aligned with HJS Condiments Limited's FSSC 22000 certification
	(1) Number of recalls issued (2) total amount of food product recalled	Number MT	FB-AG-250a.3	1) 0 2) 0 MT
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) (2) Fatality rate (3) Near miss frequency rate (NMFR) for (a) direct employees and (b) seasonal and migrant employees	Rate	FB-AG-320a.1	1) 0% 2) 0% 3) a) 0% and b) 0%
Environmental & Social Impacts of Ingredient Supply Chain	Percentage of agricultural products sourced that are certified to a third-party environmental and/or social standard, and percentages by standard	Percentage (%) by cost	FB-AG-430a.1	N/A
	Suppliers' social and environmental responsibility audit (1) non-conformance rate (2) associated corrective action rate for (a) major and (b) minor non-conformances	Rate	FB-AG-430a.2	1) <3% 2) All new and existing suppliers are screened in line with our procurement policy
	Discussion of strategy to manage environmental and social risks arising from contract growing and commodity sourcing		FB-AG-430a.3	The Fairtrade certification ensures that each rural farmer is treated fairly without exploitation. All farmers are educated on environmentally friendly cultivation.
GMO Management	Discussion of strategies to manage the use of genetically modified organisms (GMOs)		FB-AG-430b.1	No use of (GMOs). 3% of HJS products certified for Non-GMO
Ingredient sourcing	Identification of principal crops and description of risks and opportunities presented by climate change		FB-AG-440a.1	Exposure to water stress, volatile rainfall patterns and rising temperatures
	Percentage of agricultural products sourced from regions with High or Extremely High Baseline Water Stress			90% (Fruits and Vegetable) by Sunfrost Pvt Limited. 100% (Young Plants) by Quality Seed Company Private Limited
ACTIVITY METRICS				
Number of processing facilities		Number	FB-AG-000.B	6
Total land area under active production		Hectares	FB-AG-000.C	0.2
Cost of agricultural products sourced externally		Rs. mn	FB-AG-000.D	551.75

AGRICULTURE

PROSPECTS AND PLANS

The outlook for the country's Agriculture Sector remains promising, supported by improving foreign exchange liquidity conditions, declining interest rates and the anticipated decline in global commodity prices. Consistent and conducive government policy remains a key requisite in driving sustainable growth of the industry and we look forward to engaging and collaborating with industry stakeholders to achieving the true potential of Sri Lanka's agriculture sector. As a Sector which provides employment to nearly 30% of Sri Lanka's population, the long-term survival and growth of Agriculture is vital in supporting livelihoods, ensuring food security and driving economic prosperity in the country. The Sector's short, medium and long-term risks and opportunities are summarised below:



As an organisation that is at the forefront of Sri Lanka's agriculture sector, we are deeply committed to supporting the long-term growth of the industry by working with our ecosystem of partners in propagating modern and sustainable agriculture practices. We will seek further diversification and increased penetration of our export business where we see significant potential for growth. The short, medium and long-term outlook and plans in place to respond to the emerging risks and opportunities are presented below:

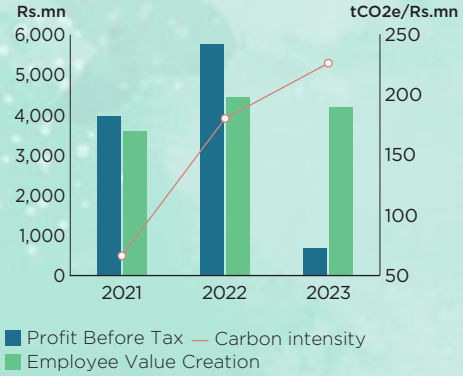
STRATEGIC PRIORITIES	
Short-term	**Medium-to-long term**
• Increase market share of fungicide by widening product portfolio • Maintain market leadership status in combine harvesters and grow share in 4-wheel drive tractor segment • Expand sales of organo-mineral and hybrid fertilizer • Customer acquisition in tissue culture exports	• Development of bio organic crop protection solutions • Strengthen digital marketing activities in agricultural equipment • Local production of medicine and nutrition products in the Animal Health sector • Widen product range in fertilizer segment • Diversification of customers and products in agri exports • Expand operations in Bangladesh
Short-term goals ROCE>20% ROE>20%	**Medium-to-long term goals** ROCE>20% ROE>20% Gearing<60%

CONSUMER & RETAIL

Singer (Sri Lanka) PLC is the leading player in the country's consumer durables industry, with a unique competitive edge underpinned by its extensive product portfolio, unmatched branch reach and strength of its brand as a household name. The Sector also includes the Hayleys Consumer division, which is a distributor for Proctor & Gamble products in Sri Lanka.

CONSUMER & RETAIL

INTEGRATED PERFORMANCE TRENDS



FINANCIAL PERFORMANCE

Revenue	Rs. 63.89 bn (-24%)
Profit Before Tax	Rs. 690.81 mn (-88%)
Profit After Tax	Rs. 492.74 mn (-89%)
Assets	Rs. 80.84 bn (-11%)
Liabilities	Rs. 69.72 bn (+12%)

Product and service offering

Customer experience

Customer loyalty and CRM

MULTI-BRAND, MULTI-PRODUCT PORTFOLIO

INSPIRING ACTION

17 New products launched

NURTURING OUR HUMAN CAPITAL

95% Retention rate

Rs. 4 bn Payments to employee

Ecosystem of **10,000** families supported through,
Entrepreneurial branch model
Supply chain
Local manufacturing activities
Branch rentals across the island
DRIVING SOCIO-ECONOMIC EMPOWERMENT
INCLUSIVE VALUE
STRATEGIC FOCUS AREAS
Proactive inventory management
Customer centricity
Manufacturing and supply chain excellence
THRIVING PLANET
17,993 KG
E-waste collected
15
Refrigerator models certified as energy-efficient
45,349 KG
Paper pulp use
6%
Energy consumption
MANAGING OUR ENVIRONMENTAL IMPACTS

CONSUMER & RETAIL

SECTOR OVERVIEW

MARKET POSITION

- Market leader in the Consumer Durables industry with a customer penetration rate of 50%
- Represents an array of global and local brands
- Distributor for Proctor & Gamble products in Sri Lanka and Maldives

Raw Material Sourcing

Procuring an array of consumer durable products from leading global suppliers. Key products include,

- Home and kitchen appliances
- ICT equipment
- Audio and video equipment
- Furniture
- Agro equipment
- Sewing machines

Distribution of Proctor & Gamble products and Hayleys products

Distribution of a range consumer products including,

- Proctor & Gamble: Personal care brands such as Head & Shoulders, Gillette, Whisper, Olay and Pampers
- Mabroc Teas
- Hayleys Agriculture products

Distribution and after-sales

Products sold through 416 customer contact points in 25 districts

Local manufacturing

- Local manufacture of a range of SINGER and SISIL refrigerators, washing machines, sewing machines and water pumps among others

SINGER MARKETING

Represents 414 outlets across the country and the Group's mobile phone distribution

Contribution to Sector
Revenue: 73%
PBT: -56%

Performance 2022/23
Revenue: -31% growth
PBT: 110% decline

SINGER FACTORIES

Represents 4 manufacturing facilities engaged in the production of refrigerators, washing machines, sewing machines and furniture

Contribution to Sector
Revenue: 10%
PBT: 11%

Performance 2022/23
Revenue: -21%
PBT: 37% decline

SINGER (FINANCE) LANKA PLC

Licensed finance company engaging in consumer finance

Contribution to Sector
Revenue: 9%
PBT: 81%

Performance 2022/23
Revenue: +25% growth
PBT: 29% decline

HAYLEYS CONSUMER

Exclusive distributor for Proctor & Gamble products in Sri Lanka and Maldives

Contribution to Sector
Revenue: 8%
PBT: 60%

Performance 2022/23
Revenue: +52% growth
PBT: +123% growth

SINGER-OTHER

Business School and Reality Lanka

Contribution to Sector
Revenue: 0%
PBT: 3%

Performance 2022/23
Revenue: 19% decline
PBT: 63% decline

-26%
Decline in expenditure on furniture, household equipment and maintenance

-14%
Decline in per capita GDP (USD)

71%
Depreciation of Sri Lankan Rupee against USD (Average) exchange rate in 2022/23

OPERATING ENVIRONMENT

The convergence of multiple challenges, rendered the year under review an extremely difficult one for the country's consumer durables market. The depreciation of the exchange rate in the first part of the financial year had a sharp and direct impact on the cost of both imported products and locally manufactured goods. Meanwhile, escalating inflation, fuel shortages and weaker customer sentiments dampened demand for consumer durables, reflecting consumers' reduced purchasing power and discretionary nature of these products. Industry performance was further affected by government-imposed restrictions on the importation of certain electronic equipment and consumer durables. Although import restrictions were subsequently relaxed, it created an impetus to illegal importers, resulting in the grey market experiencing considerable growth during the year. Meanwhile political instability and disruptions to transportation and mobility amidst the fuel shortages, had an adverse impact on both demand and supply-side dynamics. The sharp increase in interest rates, particularly during the second half of the financial year also affected the Sector's profitability through higher inventory holding costs.

Emerging trends and implications on Sector

Growing customer sophistication	Preference for omni-channel experience	Increasing focus on environmental considerations
The anticipated recovery of the Sri Lankan economy and growth of the middle class will drive increased customer sophistication	Customers, particularly younger demographics are showing increased preference towards online retail platforms	Transition to a low-carbon economy has presented many opportunities in new products, energy-efficient solutions and renewable energy among others
IMPLICATIONS + Opportunity to fulfill evolving demand dynamics through providing access to a portfolio of world-class consumer durables	+ Opportunity to pursue increased growth through e-commerce channels	+ Access new customer segments through catering to emerging demand

STRATEGY & INTEGRATED PERFORMANCE

Strategic foresight in building inventory together with timely repricing decisions enabled Singer to remain resilient to external challenges during the first half of the year. Resultantly, the Sector's Revenue decrease was curtailed by 24% as it leveraged its extensive branch reach, local manufacturing capabilities and aggressive marketing efforts to sustain volumes. During the 2nd half of the year, however, performance was inevitably impacted by the continued increase in interest rates and unfavourable demand dynamics. This led to a 12% decrease in Earnings Before Interest and Tax to Rs. 7.46 bn, while the overall profitability was also effected by increase in interest cost by 155%. Overall the Sector's Profit Before Tax and Profit After Tax declined by a respective 88% and 89% during the reviewed period. Meanwhile, despite the prevalent import restrictions on a range of products, the Hayleys Consumer division delivered commendable growth supported by timely repricing strategies, increased penetration in Maldives and continued expansion of the Hayleys product portfolio.

CONSUMER & RETAIL

Singer maintained its market position as Sri Lanka's undisputed leader in consumer durables, sustaining its market leadership position across key product categories including refrigerators, washing machines, televisions, sewing machines and personal computers among others. The rebranding of outlets continued, albeit at a slower pace. Following the consolidation of 15 branches during the year, Singer's total branch reach was optimised to 416 outlets.

Customer centricity remains a key pillar of Singer's strategy and during the year focus was placed on enhancing after-sales-service, call center effectiveness and improving customers' online experience. The recent brand refresh has also aptly positioned Singer to penetrate a more premium customer segment through an elevated product and service offering. During the year, Singer also unveiled Singer RED- its new customer loyalty programme offering exclusive benefits and customised offerings. In reinforcing its commitment to a multi-brand, multi-product offering, Singer further widened its portfolio with the addition of the complete Panasonic product range.

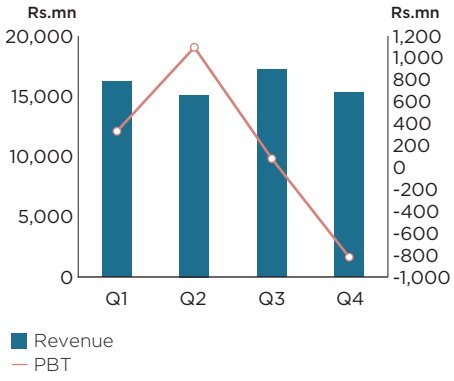
Singer continues to provide an enhanced value proposition to employees centering on engagement, skill and career development. Given the escalating cost of living and economic uncertainty, Singer took several measures to ensure the financial security of its employees which included special allowances and market

Rs. Mn	2023	2022	% y-o-y	2021
FINANCIAL HIGHLIGHTS (RS.MN)				
Revenue	**63,893**	83,543	-24	73,022
Earnings Before Interest and Tax	**7,457**	8,502	-12	5,597
Net Finance Income/(Cost)	**(6,414)**	(2,350)	-173	(1346)
Profit before tax	**691**	5,771	-88	3,959
Profit after tax	**493**	4,300	-89	2,711
Assets	**80,836**	91,028	-11	70,305
Liabilities	**69,720**	78,917	-12	61,597
Operating cash flow	**874**	(7,454)	+112	295
OPERATIONAL HIGHLIGHTS				
Singer branches	**416**	431	-3	431
Revenue/branch (Rs.mn)	**85**	194	56	105
Net promoter score (%)	**86**	79	-7	79
EMPLOYEE PRODUCTIVITY AND VALUE				
No. of employees	**3,190**	3,154	1.14	3,037
Remuneration/employee (Rs.mn)	**1.31**	2.33	-43.78	1
Revenue/employee	**20**	25.05	-20.16	26
Net profit/employee	**1.54**	1.28	20.31	1
RESOURCE EFFICIENCY				
Energy consumption (MJ '000)	**70,667**	71,762	-2	63,490
Energy intensity (MJ/Revenue Rs.mn)	**1,106**	859	29	869
Carbon footprint (tCO2e)	**14,478**	15,046	-4	15542
Carbon intensity (tCO2e/ Rs. mn)	**226**	180	26	212
Water consumption (Litres mn)	**120**	100	20	139
Water intensity (Litres/Revenue Rs.mn)	**1,893**	1,205	57	1,910

KEY DEVELOPMENTS

- Singer continues to be recognised among the country's leading brands and was recently awarded the People's Brand of the Year for the 17th consecutive year as the SLIM-KANTAR People's Awards 2023
- Launch of Singer-RED Customer Loyalty programme

QUARTERLY PERFORMANCE TRENDS



Spotlight

GREENING THE CUSTOMER JOURNEY

Nine Sisil and Singer refrigerator models manufactured by Singer's subsidiary Regnis (Lank) PLC were certified as Minimum Energy Performance (MEP) models by the Sri Lanka Sustainable Energy Authority under the pilot refrigerator replacement project. The labelling system enables customers to identify energy-efficient products, driving demand towards more environmentally friendly models.

Eco-friendly product solutions offered by Singer include the following:

- 6 models of smart inverter refrigerators
- Green inverter air conditioners which is 50% more energy efficient
- Samsung wind-free air conditioner which is estimated to result in a 75% reduction in energy use

adjustments to salary schemes. During the year, Singer successfully launched its values programme which aimed to embed and institutionalise the Company's recently launched values.

Singer's subsidiary, Singer Finance (Lanka) PLC recorded deposit growth of 56% while the Company's loan portfolio contracted by 8% in view of challenging industry environment. Overall profitability, was impacted by the sharp increase in interest rates and the resultant narrowing of net interest margins as short-term deposit liabilities repriced upwards. The Company's growth strategy has been underpinned by increasing geographical penetration together with a relationship-driven approach to customer management.

STRATEGIC PRIORITIES

Proactive inventory management
Rapid changes in the operating context necessitated swift, proactive and timely decision-making relating to inventory build-up and reduction.

Customer centricity
Strategic emphasis on enhancing the customer experience through an improved product offering, excellent after-sales care and an omni-channel strategy.

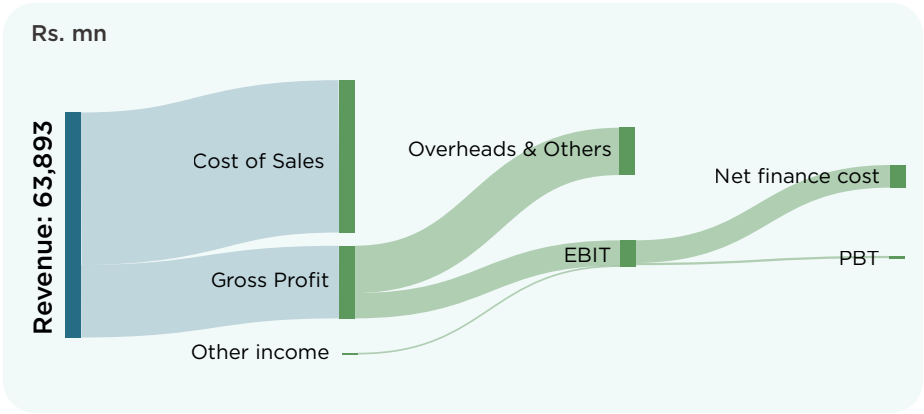
Manufacturing and supply chain excellence
Focus on expanding local manufacturing capabilities while increasing reliance on local input materials

RESOURCE ALLOCATION

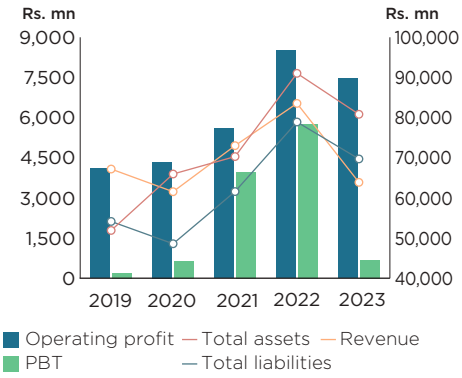
Proactive engagement across oganisations in formulating inventory management plan

32 customer-service related training

56% capacity utilisation in local manufacturing



SECTOR FINANCIAL PERFORMANCE



CONSUMER & RETAIL

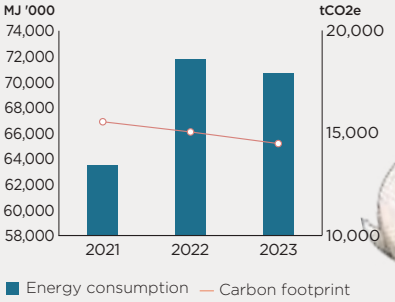
ESG IN ACTION

Singer's sustainability aspirations are guided by Singer-Paramaarthayen Perata (Progress through purpose) which is aligned to the Hayleys Lifecode. The progress made during the year is summarised below:

Energy and emissions reduction

The Sector launched a branch-wide initiative to reduce energy consumption and pursue opportunities in renewable energy.

ENERGY AND EMISSIONS



Driving circularity

Singer engages in an island-wide e-waste collection initiative across its branch network through which customers are encouraged to return used electronic items. (Refer to page 281 for further information)

3746 Televisions

820 Refrigerators

550 Washing machines

47556 Batteries

502 other

Products repaired and reused

Sustainable packaging

Singer embarked on a programme to replace the Styrofoam packaging in its locally manufactured refrigerators with paper packaging.

43,886 refrigerators with top and side pulp packaging.

Performance against Lifecode Goals

Energy & Emissions

Target: 25% energy intensity increase

Actual: **+29%**

Material and Waste Management

Target: Increase reliance on paper pulp for refrigerator packing

Engaged team

Target: 30 average training hours per annum

Actual: **14** hours

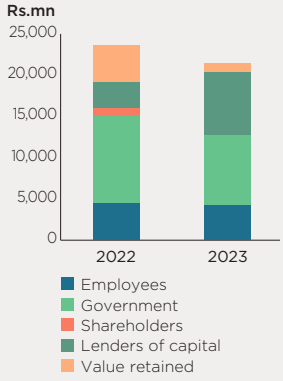
Customer relationships

88% customer satisfaction

94% after sales customer satisfaction

Stakeholder value creation

STAKEHOLDER VALUE DISTRIBUTION



Employee Value creation

The employee development agenda for the year focused on leadership and competency development and enhancing customer-service skills.

	2023	2022
Employees	**3,190**	3,335
Avg. training hours (hrs)	**4.51**	21.75
Training investment (Rs.mn)	**20.93**	3.11
Employee payments (Rs.bn)	**1.31**	2.44
Injuries (no.)	**8**	0

Skill development

The Singer Fashion Academy provides access to affordable skill development in fashion design and sewing, supporting empowerment of aspiring young females.

62
branches

+5,400
students catered to per annum

SASB DISCLOSURES

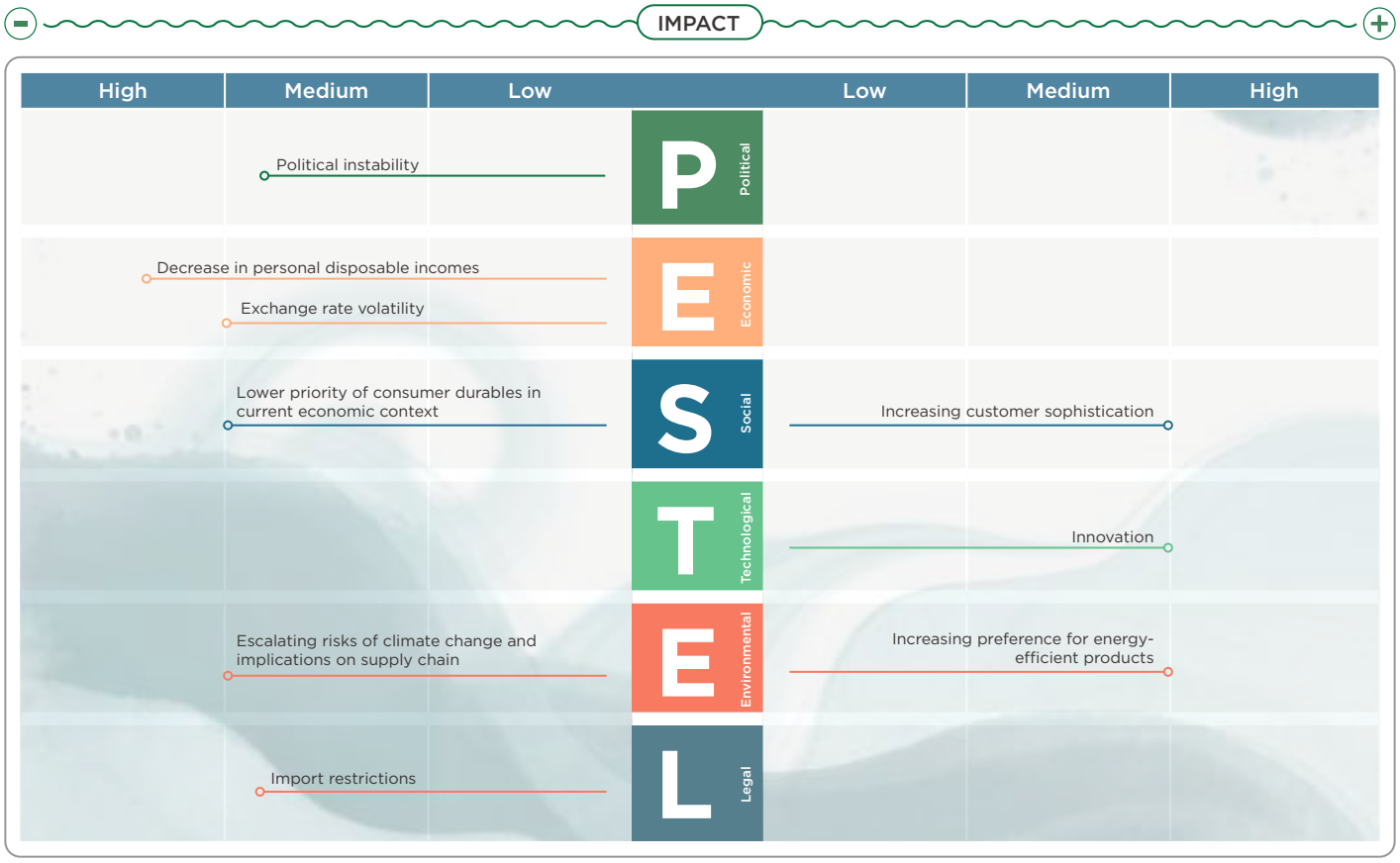
Multiline and Specialty Retailers & Distributors

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
Energy Management in Retail & Distribution	(1) Total energy consumed (2) % grid electricity (3) % renewable	GJ % %	CG-MR-130a.1	67,349.26GJ (Singer Retail) 100% N/A
Data Security	Description and approach to identifying and addressing data security risks	n/a	CG-MR-230a.1	Robust policies and standards are in place to identify and mitigate cyber security risks. A monthly meeting is held to identify, mitigate exposure to and share knowledge between departments on cybersecurity risks
	(1) Number of data breaches (2) % involved personally identifiable information (3) Number of customers affected	No. % No.	CG-MR-230a.2	Nil n/a Nil
Labour practices	(1) Average hourly wage (2) % of in-store employees earning minimum wage by region	No. %	CG-MR-310a.1	Rs.164/- (Non Executive) 100%
	(1) Voluntary turnover rate for in-store employees (2) Involuntary turnover rate for in-store employees Total amount of monetary losses as a result of legal proceedings associated with labour law violations	% % Rs.mn	CG-MR-310a.2 CG-MR-310a.3	16% Nil Nil
Workforce diversity & inclusion	Percentage of gender and racial/ethnic group representation for (1) management (2) all other employees	 % %	CG-MR-330a.1	 11% 17%
	Total amount of monetary losses as a result of legal proceedings associated with employment discrimination5	Rs.mn	CG-MR-330a.2	Nil
Product sourcing, packaging and marketing	Revenue from products third-party certified to environmental and/or social sustainability standards	Rs.mn	CG-MR-410a.1	None
	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products		CG-MR-410a.2	All locally manufactured refrigerators are equipped with the R600a refrigerant, an environmentally friendly alternative to harmful refrigerants such as R12, R22, CFCs and HCFC.
	Discussion of strategies to reduce the environmental impact of packaging		CG-MR-410a.	In refrigerator packaging, the Group has replaced Styrofoam packaging with paper pulp packaging for top and side panels

CONSUMER & RETAIL

PROSPECTS AND PLANS

The Sector's immediate term outlook is anticipated to remain challenging given implications of the new tax regime and its impact on disposable incomes, exchange rate volatility and continued restrictions on the importation of certain product categories. That said, we expect operating conditions to gradually improve towards the 2nd half of the year, with policy measures taken to restore macro-economic stability gradually coming to fruition. A recovering tourism sector and release of pent-up demand is expected to provide further impetus for industry growth, together with gradual improvements in forex liquidity conditions and the anticipated relaxation of import restrictions. Meanwhile, the long-term growth potential of Sri Lanka's consumer durables sector remains positive, driven by the relatively low penetration levels in certain product categories, faster replacement cycles, increasing customer sophistication and urbanisation. The short, medium and long-term outlook and plans in place to respond to the emerging risks and opportunities are presented below:



Against this backdrop, Singer is aptly positioned to drive strong growth upon recovery of market conditions supported by recent strategic investments in outlet rebranding, human capital development, optimisation of product portfolio and strategic focus on improving after-sales service. Over the short-term Singer will focus on optimising the current inventory levels through market activations and aggressive promotions. The mid-to-long term agenda will be driven by a holistic strategic plan aimed at building a world-class brand through embedding customer centricity, being an employer of choice and delivering manufacturing and supply chain excellence.

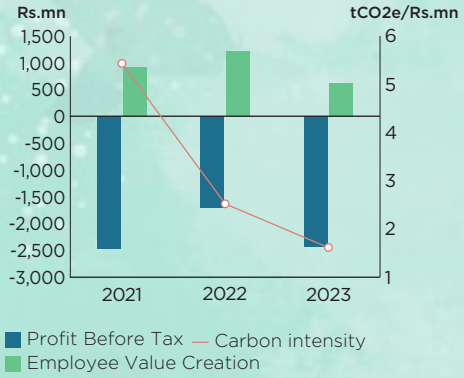
STRATEGIC PRIORITIES	
Short-term	**Medium-to-long term**
• Effective inventory management to optimise inventory holding • Enhance local manufacturing capabilities • Ongoing focus on cost management and efficiency improvements • Expand e waste collection to all the stakeholders	• Regional expansion • Expanding customer contact points through strengthen presence in retail malls • Pursue increased penetration in the Signature Kitchens offering • Optimisation of product portfolio and omni channel strategy
Short-term goals Maintain GP above 15% for all products Overhead cost to turnover ratio less than 5%	**Medium-to-long term goals** ROCE>40% ROE>55% Gearing<60%

LEISURE

The Sector is a leading player in the hospitality sector, with a network of hotels, resorts, wellness retreats and collection of managed boutique properties in Sri Lanka and Maldives. Currently, the Sector's property portfolio comprises 5-owned and operated properties including the five-star city hotel the Kingsbury, and 5 managed properties in Sri Lanka through the Amaya Resorts chain

LEISURE

INTEGRATED PERFORMANCE TRENDS



FINANCIAL PERFORMANCE

Revenue	Rs. 6.69 bn (+96%)
Loss Before Tax	Rs. 2.43 bn (-43%)
Loss After Tax	Rs. 2.39 bn (-42%)
Assets	Rs. 19.50 bn (+4%)
Liabilities	Rs. 18.39 bn (-19%)

Trip Advisor ratings

Amaya Hills: **4/5**

Amaya Lake: **4.5/5**

Amaya Beach: **4.5/5**

The Kingsbury: **4.5/5**

Amaya Kuda Rah: **4.5/5**

PRODUCT AND SERVICE PROPOSITION

INSPIRING ACTION

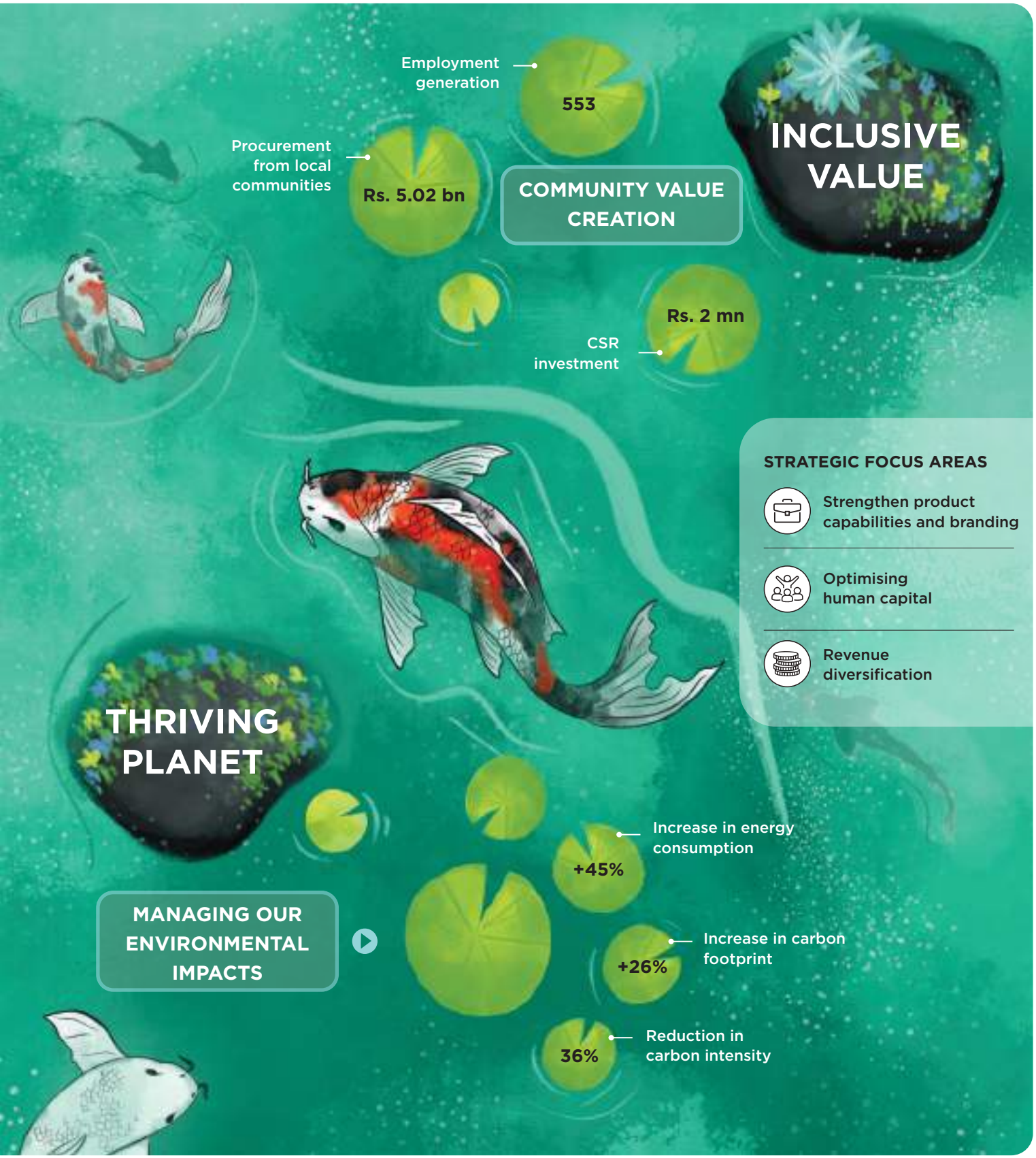
OUR PEOPLE PROPOSITION

8.8 hrs

Average training hours

Rs. 623 mn

Payments to employees

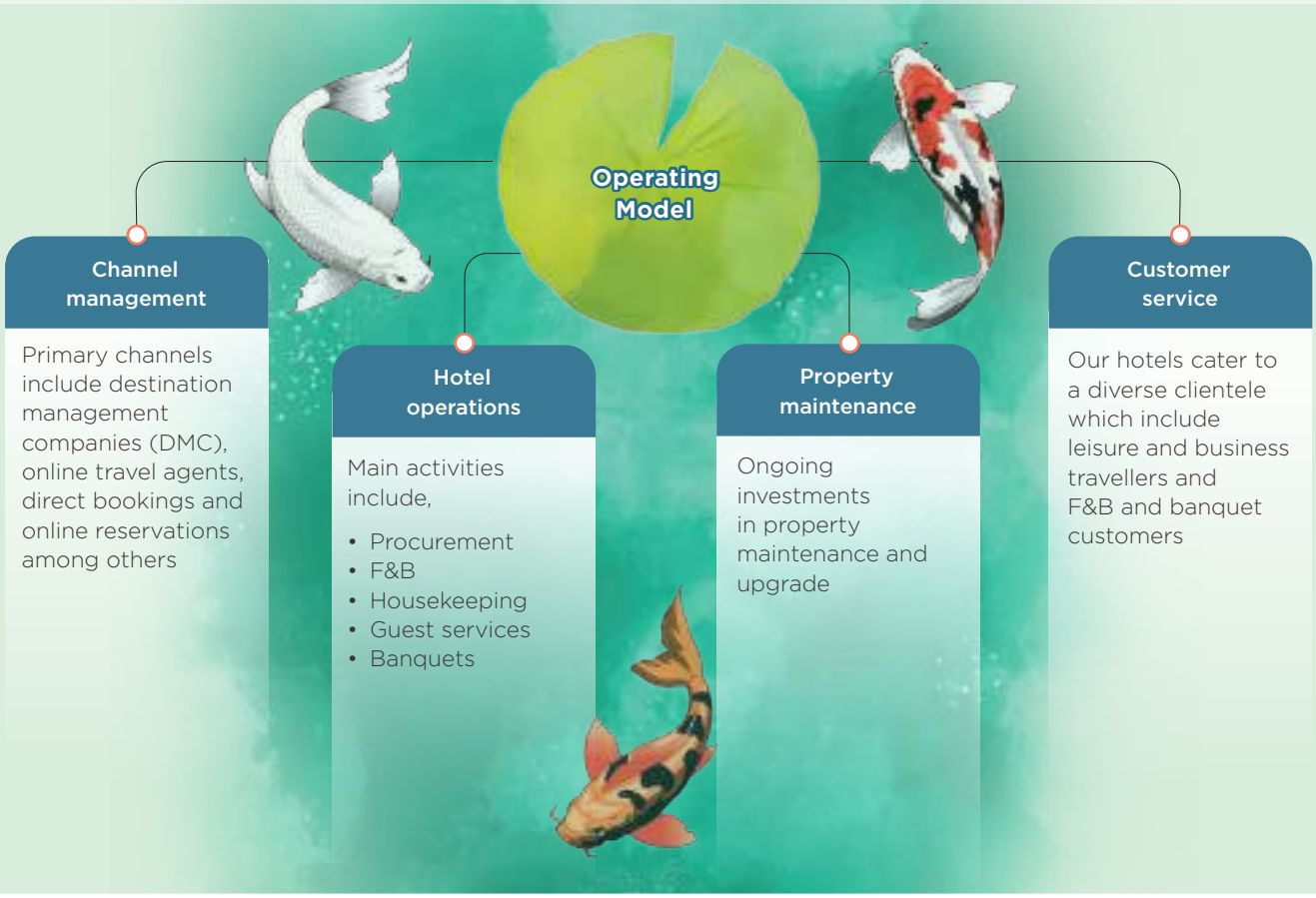

Employment generation
553
Procurement from local communities
Rs. 5.02 bn
COMMUNITY VALUE CREATION
INCLUSIVE VALUE
Rs. 2 mn
CSR investment
STRATEGIC FOCUS AREAS
Strengthen product capabilities and branding
Optimising human capital
Revenue diversification
THRIVING PLANET
Increase in energy consumption
+45%
MANAGING OUR ENVIRONMENTAL IMPACTS
Increase in carbon footprint
+26%
Reduction in carbon intensity
36%

LEISURE

SECTOR OVERVIEW

MARKET POSITION

- Amongst the most popular and top-rated banquet operators in Colombo
- Highly-rated F&B offerings at the Kingsbury
- Resorts focused on creating experiences aligned to our purpose of curating happiness
- Improving customer ratings across Amaya properties in Sri Lanka



OPERATING ENVIRONMENT

Sri Lanka's tourism industry faced yet another year of extraordinary challenges in 2022, as the prevalent economic crisis and political instability impacted tourist arrivals, particularly in the first half of the year. As operators faced escalating losses, the industry also experienced an exodus of skilled labour with employees pursuing overseas opportunities. Although recording an increase compared to 2021 (which was impacted by the pandemic), arrivals remained considerably lower than pre-pandemic years. These dynamics prompted operators to direct focus on the domestic market, thereby achieving a better balance between foreign and domestic guests. Meanwhile, tourist arrivals have posted gradual recovery since the latter part of 2022 with strong growth from key markets signaling optimism for the upcoming season in 2023. Russia emerged as the largest source market in March 2023, accounting for 20.4% of total arrivals, followed by India (15.1%) and United Kingdom (8.8%).

-37%
International tourist arrivals (Calendar year 2022 change over 2019)

3-fold
Increase in tourist arrivals to Sri Lanka (Calendar year 2022 change over 2021)

+18%
Increase in tourist arrivals to Sri Lanka 1st quarter 2023

Emerging trends and implications on Sector

Strong project pipeline of city hotels	Preference for authentic experiences	Intense competition from the informal sector
Ongoing hotel developments in the city is expected to add over 1000 rooms to Colombo's inventory of star-class rooms **IMPLICATIONS** - Increased competitive pressures - Competition for skilled labour	Travellers, particularly millennials are increasingly seeking authentic tourism experiences + Opportunity to sharpen competitive edge through unique offerings	Established operators have continued to face competitive pressure from informal establishments, which cater to a relatively price sensitive segment - Increasing price competition

STRATEGY & INTEGRATED PERFORMANCE

The Sector's performance recorded an improvement compared to the previous year, with Revenue increasing by 96% while Operating Losses Before Interest and Tax decreased to Rs. 901.15 mn compared to Rs. 1.02 bn the previous year. The improvement in core performance reflects the Sector's strategic focus on strengthening The Kingsbury's F&B propositions, which enabled the Hotel to record consistent improvements in customer satisfaction levels at its restaurants, as measured by online travel agents. The Sri Lankan Amaya properties also performed relatively well, reflecting its increased popularity among domestic travellers. However, Pre-tax profitability was affected by the high interest rate scenario which led to a sharp increase in borrowing costs. Resultantly, the Sector's Pre-tax and Post-tax losses increased during the year. Meanwhile, performance of Amaya Kuda Rah was also below expectations, reflecting increased energy costs and ongoing refurbishments following damage caused from a tidal wave.

With the majority of our resort customers originating from DMCs, the Sector placed focus on strengthening relationships with relevant partners. Meanwhile, The Kingsbury sought aggressive penetration of the corporate segment by leveraging its relationships and offering an enhanced value proposition. The Sector's strategic efforts over the past few years to drive consistent improvements in its product and service offering has allowed the Amaya Resort chain to sharpen its competitive edge, as attested by its consistently improving customer satisfaction levels

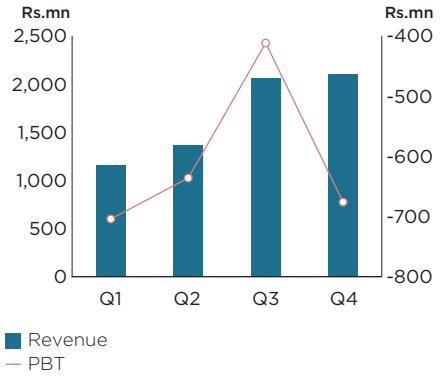
Rs. Mn	2023	2022	% y-o-y	2021
FINANCIAL HIGHLIGHTS (RS.MN)				
Revenue	**6,687**	3,420	+96	1,346
Earnings before interest and tax	**(901)**	(1,019)	+12	(1,830)
Net Finance Income/(Cost)	**(1,527)**	(680)	-124	(641)
Profit before tax	**(2,428)**	(1,699)	-43	(2,471)
Profit after tax	**(2,385)**	(1,675)	-42	(2,354)
Assets	**19,494**	18,662	+4	15,619
Liabilities	**18,386**	15,399	-19	10,895
Operating cash flow	**183**	(1,222)	+115	(978)
OPERATIONAL HIGHLIGHTS				
Average occupancy (%)				
-Amaya hotels (Sri Lanka)	**32**	23	-9	16
-The Kingsbury	**51**	37		9
EMPLOYEE PRODUCTIVITY AND VALUE				
No. of employees	**1,537**	1,440	7	1,150
Remuneration/employee (Rs.mn)	**0.4**	1	-60	1
Revenue/employee (Rs.mn)	**4**	1	300	3
Net profit/employee(Rs.mn)	**1.55**	-2	-178	-1
RESOURCE EFFICIENCY				
Energy consumption (GJ)	**98,817**	68,088	45	58,366
Energy intensity (GJ/Revenue Rs.mn)	**14**	19	-26	43
Carbon footprint	**10,826**	8,608	26	7,318
Carbon intensity	**16.19**	25.17	-36	5.43
Water consumption (litres mn)	**208**	237	-12	237
Water intensity (litres '000/ Revenue Rs. mn)	**31**	176	-82	176

LEISURE

Retaining talent was a critical challenge during the year given industry dynamics. The Sector benefitted from the strength of the Hayleys employer brand and its unique value proposition, which enabled it to attract new talent during the year. Increased focus on multi-skilling employees enabled the Sector to optimise its human capital, contributing towards a leaner operating model. In view of the challenges that prevailed and the inevitable impact on the financial security of our employees, the Sector prioritised financial well-being, offering hardship

The local resorts continued the initiative launched in the previous year to support the educational requirements of students living in adjacent communities. Accordingly, GCE Advanced level, Ordinary level and Grade 5 Scholarship students living within a 2 KM radius were provided a dedicated area within the hotel to engage in their studies during power cuts. During the year, the Sector widened the scope of the programme by offering students access to free tuition for selected subjects. While addressing a critical issue faced by students in the current conditions, this programme has also helped strengthen ties with the communities in which we operate.

QUARTERLY PERFORMANCE TRENDS



STRATEGIC PRIORITIES

Strengthen product capabilities and branding
Position the local resorts as a preferred destination for local travellers through offering an authentic, Sri Lankan experience

Optimising human capital
Emphasis on productivity improvements and multi-skilling to optimise human capital

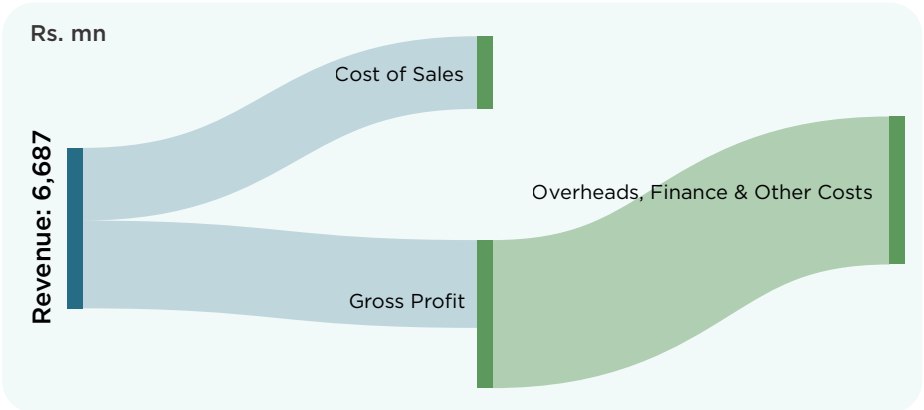
Revenue diversification
Leverage best in class F&B capabilities in our city hotel to drive revenue diversification .

RESOURCE ALLOCATION

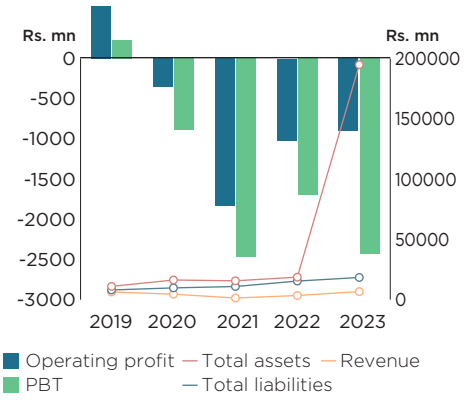
Ongoing investment in brand building

Rs. 0.66 mn investment in training and development

8 restaurants



SECTOR FINANCIAL PERFORMANCE



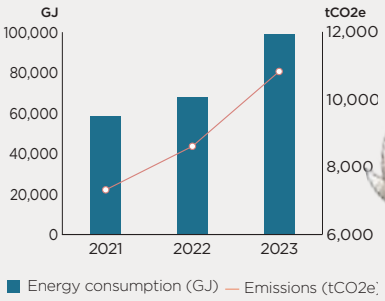
ESG IN ACTION

Progress made in achieving the Sector's environmental and social aspirations are summarised below:

Energy and emission reduction

In addition to ongoing measures to increase energy efficiency, the Sector plans to invest nearly Rs.200 million in a state-of-the-art building management system at The Kingsbury, which is anticipated to lead to significant improvements in energy management.

CARBON FOOTPRINT



Tree planting initiative

Amaya Hills Kandy engaged in a tree planting programme at the hotel premises in view of the International Day of Forests 2022. Tree varieties included Karannda, Arjun and Mahua trees

160

Trees planted

Reef restoration at

Amaya Kudarah

Performance against Lifecode Goals

Energy & Emissions

Target: 25% reduction in energy intensity

Actual: **-26%**

Engaged team

Target: Average 40 hours/employee training hours

Actual: **8.79hrs**

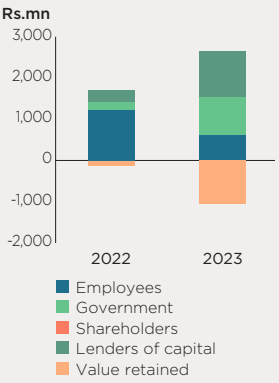
Community relationships

Target: Increase CSR beneficiaries by 40%

Actual: **100%**

Stakeholder value creation

STAKEHOLDER VALUE DISTRIBUTION



Employee Value creation

	2023	2022
Approximate employees hired from local communities (%)	95	98
Investment in training (Rs.mn)	0.66	0.11
Average training hours	8.79	9.12

Community development

The Kingsbury launched 'Christmas Carriage of Hope' a unique initiative which engaged guests in a programme to distribute exercise books to 25 deserving schools representing every district across the island. Guests were encouraged to share a photograph with the carriage tagging The Kingsbury on social media platforms and were also given the opportunity to donate through the Hotel's online food delivery platform

25,000

exercise books distributed

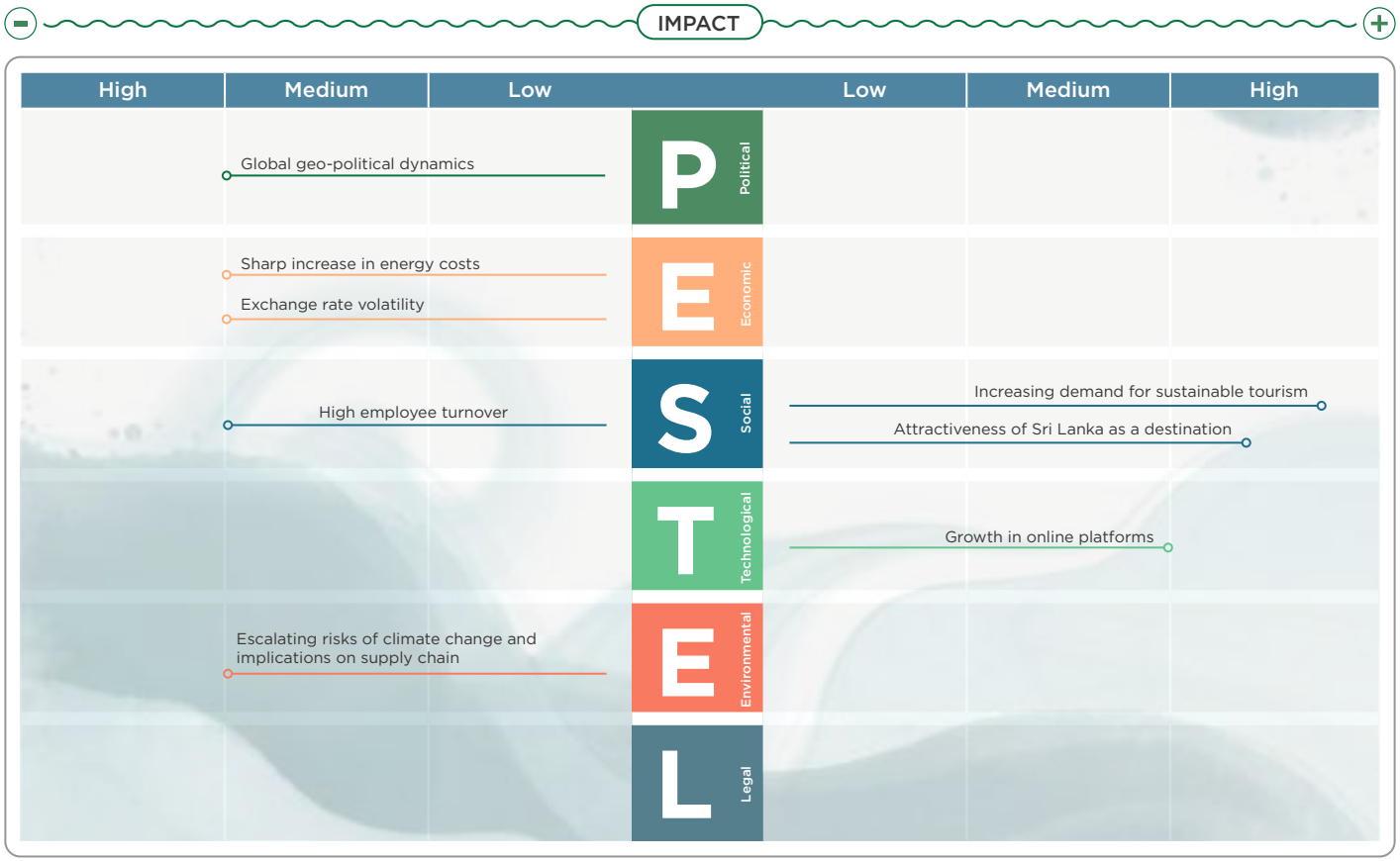
2,500

Beneficiaries

LEISURE

PROSPECTS AND PLANS

With encouraging growth in tourist arrivals into the country during the first quarter of the calendar year 2023, the industry is showing signs of strong recovery. The Sri Lanka Tourism Development Authority has projected arrivals to reach 2 million in 2023, supported by aggressive marketing efforts and roadshows to promote Sri Lanka as a destination. Against this backdrop, the Group's Leisure Sector will continue to focus on strengthening its customer offering through ongoing investments in people and product capabilities. The Sector will also strive to maintain a healthy balance between domestic and foreign guests, thereby building a more resilient model. The short, medium and long-term outlook and plans in place to respond to the emerging risks and opportunities are presented below:



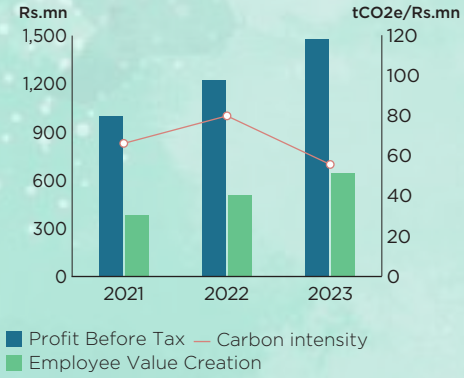
STRATEGIC PRIORITIES	
Short-term	**Medium-to-long term**
• Diversification of target customer segments • Dynamic pricing strategy to increase competitiveness • Deep dive analysis of costs to manage overheads effectively	• Promotions and market activations to strengthen market position in outdoor catering • Enhance digital presence • Cost optimisation through process efficiencies • Employee skill development
Short-term goals ROCE>8%	**Medium-to-long term goals** ROCE>15% Gearing<55%

INDUSTRY INPUTS, POWER & ENERGY

The Sector (branded as Hayleys Aventura) is one of Sri Lanka's leading suppliers of industrial raw materials, medical and analytical equipment and engineering solutions. In Power & Energy, the Sector is a leading producer of renewable energy, with a collective installed capacity of 50MW in mini hydro, wind and solar power plants, which collectively amount to 3% of installed capacity in the renewable sector of Sri Lanka.

INDUSTRY INPUTS, POWER & ENERGY

INTEGRATED PERFORMANCE TRENDS



FINANCIAL PERFORMANCE

Revenue
Rs. 8.72 bn (+24%)

Profit Before Tax
Rs. 1.48 bn (+21%)

Profit After Tax
Rs. 1.21 bn (+15%)

Assets
Rs. 15.74 bn (+4%)

Liabilities
Rs. 6.36 bn (+4%)

Sustainable innovations

Recovered carbon black with circular economy

Eco One- organic additive, which accelerates biodegradation of plastic and polythene

Next generation sequencing through Illumina platforms

SUSTAINABLE SOLUTIONS

Rs.10 mn — Investment in R&D

New products — **12**

INSPIRING ACTION

DEVELOPING OUR HUMAN CAPITAL

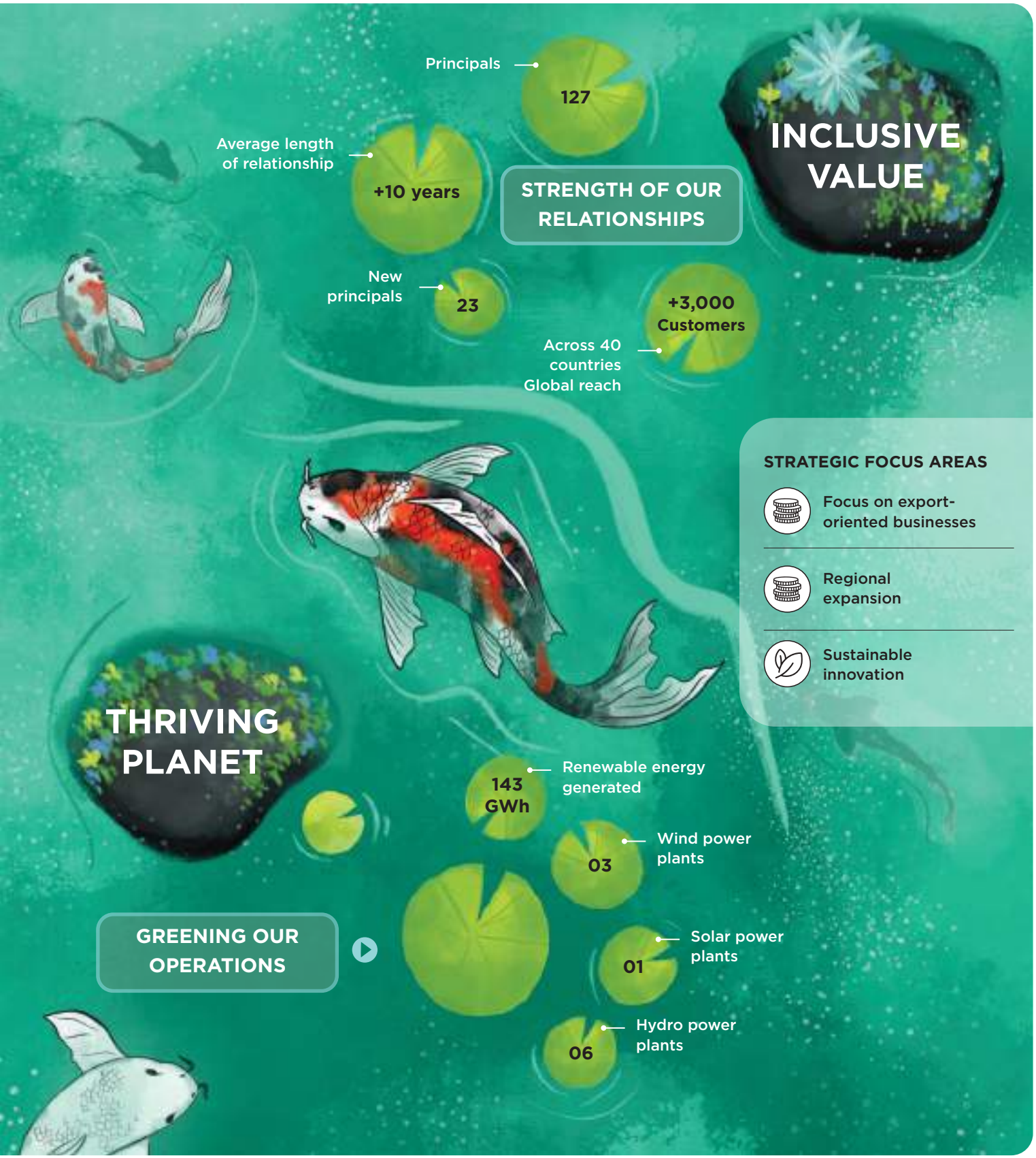
People strategy centering on,

Talent development

Engagement and empowerment

Succession planning

Rs. 571 mn — Payments to employees


Principals
127
Average length of relationship
+10 years
STRENGTH OF OUR RELATIONSHIPS
INCLUSIVE VALUE
New principals
23
+3,000 Customers
Across 40 countries Global reach
STRATEGIC FOCUS AREAS
Focus on export-oriented businesses
Regional expansion
Sustainable innovation
THRIVING PLANET
143 GWh
Renewable energy generated
03
Wind power plants
GREENING OUR OPERATIONS
01
Solar power plants
06
Hydro power plants

INDUSTRY INPUTS, POWER & ENERGY

SECTOR OVERVIEW

The Sector has an extensive footprint across key domestic industries and a growing regional presence in Bangladesh, Maldives, Indonesia, Seychelles, Philippines and Pakistan.

MARKET POSITION

- 50MW of renewable energy installed capacity
- Leading supplier of medical and analytical equipment through international principals
- Holistic engineering solutions
- Growing regional presence

INDUSTRIAL RAW MATERIALS

Supplier of a range of input materials to manufacturing industries

Contribution to Sector
Revenue:40%
PBT: 47%

Performance 2022/23
Revenue: +42% growth
PBT: +96% growth

LIFESCIENCES

Supplier of medical and analytical equipment

Contribution to Sector
Revenue: 25%
PBT: 14%

Performance 2022/23
Revenue: +31% growth
PBT: +108% growth

ENGINEERING

Supplier of engineering solutions to industries

Contribution to Sector
Revenue: 22%
PBT: 8%

Performance 2022/23
Revenue: +23% growth
PBT: +1,378% growth

RENEWABLE ENERGY

Renewable energy generation through hydro, wind and solar sources

Contribution to Sector
Revenue: 13%
PBT: 38%

Performance 2022/23
Revenue: 1% decrease
PBT: 34% decrease

OPERATING ENVIRONMENT

The Sector experienced an extremely challenging year reflecting complexities in both supply and demand side dynamics. As an import-dependent business, the sharp depreciation of the Sri Lankan Rupee in the early part of the financial year led to considerable escalations in input prices and in return cost of production. Import restrictions on selected products including lifts & car parking and generator spare parts also impacted continuity of operations, particularly in the Engineering sub-sector. Meanwhile, demand conditions remained unfavourable for most part of the year, reflecting the downturn in the country's Industrial and Manufacturing sector. Liquidity constraints faced by both private-sector customers and the government directly affected collections, resulting in extended debtor days. As inventory and debtor cycles lengthened, necessitating increased working capital investments and the high interest rate scenario affected profitability through higher finance costs.

-16%
Industrial sector contraction

71%
Depreciation of Sri Lankan Rupee against USD (Average) exchange rate in 2022/23

17%
Reliance on non-conventional renewable energy

Emerging trends and implications on Sector

Increasing focus on sustainable solutions across industries	Focus on renewable energy
Businesses are increasingly pursuing innovative solutions to reduce the environmental footprint of their operations.	Country's dependence on fossil fuels and resultant vulnerabilities have underscored the importance of increasing reliance on renewable energy
IMPLICATIONS	
+ Opportunity to introduce sustainable innovations in partnership with our global partners	+ Pursue opportunities in renewable energy generation

STRATEGY & INTEGRATED PERFORMANCE

The Sector demonstrated strong resilience to achieve record growth and profitability in a challenging year. Revenue increased by 24% to Rs. 8.72 bn driven primarily by the Industry Inputs cluster while Profit Before Tax amounted to Rs. 1.48 bn a growth of 3% compared to the previous year. The Industrial Raw Materials cluster contributed 36% to Sector profits. Performance reflecting the following dynamics in the three business lines within the Industry Inputs cluster.

Industrial Raw Materials

The sub-sector delivered strong profit growth supported by its strategic focus on export-oriented businesses in the rubber and plastics industries. The ability to continuously fulfil customer requirements afforded the sub-sector a competitive edge and in benefitted from improved profitability margins. While the domestic construction industry was affected by the country's economic woes, the Sector recorded good growth in Maldives and Bangladesh as it widened its geographical footprint. The Food & Beverage Division also delivered a commendable performance following an organisational restructure which enabled client acquisition and a wider product portfolio. During the year, the Sector also invested Rs. 150 mn in expanding capacity and product capabilities.

Lifesciences

The sub-sector's profit doubled during the year, driven primarily by strategic efforts to capture emerging opportunities in the Maldives. In recent years, the Sector has strengthened its market position in the Maldives and is currently pursuing opportunities with principals to expand operations. In Sri Lanka, collections were pressured by delays in receiving payments from the Government due to the prevalent fiscal concerns. This resulted in extended debtor days and higher working capital investments.

Engineering

Despite the slowdown in the country's industrial sector, the Engineering sub-sector recorded profit growth driven by expansion in the Maldives and Seychelles together with the acquisition of new agencies in the generator business. The sub-sector also strengthened its market position in the portable generator segment, leveraging the Hayleys Group's island wide distribution network to increase penetration.

INDUSTRY INPUTS, POWER & ENERGY

Power & Energy cluster operates 6 mini hydro plants, 3 wind power plants and one of the Sri Lanka's largest embedded solar power generating plants, with a collective installed capacity of 50MW. The cluster recorded a 34% decline in profits reflecting downward revisions of the tariff applicable on 2nd tier of the power plants.

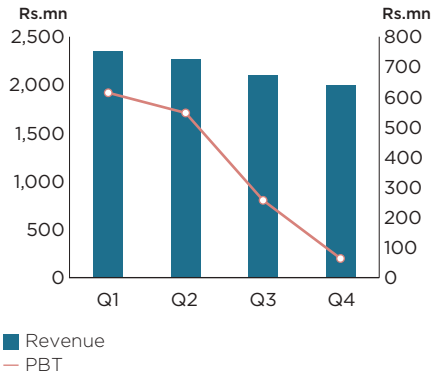
In recent years, the Sector has sought to widen its product and service portfolio through focusing on innovations driving positive social and environmental benefits. For instance, the Sector's Recovered Carbon Black (RCB) product for the tire industry, uses carbon black recovered from used tires which in turn leads to significant reduction of crude oil consumption by encouraging a circular economy. During the year, Aventura also further penetrated the plastic packaging industry using EcoOne, an innovative solution to help manufacturers mitigate the environmental impacts caused by the disposal of plastics, and rubber (refer to page 218 for further information). Through the generation of renewable energy, the Sector also plays a key role in supporting the Group's carbon reduction aspirations; during the year, the Sector generated 143 GWh of renewable energy which carry zero emissions, thereby offsetting nearly 43% of the Hayleys Group's total carbon footprint.

Rs. Mn	2023	2022	% y-o-y	2021
FINANCIAL HIGHLIGHTS (RS.MN)				
Revenue	**8,718**	7,041	+24	5,005
Earnings before interest and tax	**2,255**	1,204	+87	1,106
Net Finance Income/(Cost)	**(917)**	(175)	-424	(315)
Profit before tax	**1,481**	1,220	+21	1,001
Profit after tax	**1,207**	1,048	+15	793
Assets	**15,741**	15,201	+4	13,493
Liabilities	**6,356**	6,627	+4	5,624
Operating cash flow	**368**	(19)	+2,030	1,347
OPERATIONAL HIGHLIGHTS				
No. of employees	**296**	296	0	277
Remuneration/employee (Rs.mn)	**2.16**	2	8	1
Revenue/employee (Rs.mn)	**29**	24	21	18
Net profit/employee(Rs.mn)	**11.14**	4	179	3
RESOURCE EFFICIENCY				
Energy consumption (GJ)	**1,192**	1,187	0.5	483
Energy intensity (GJ/Revenue Rs.mn)	**137**	169	-18.93	0.96
Carbon footprint (tCO2e)	**485.15**	562.13	-13.69	331.09
Carbon intensity (tCO2e/Rs. mn)	**55.65**	79.84	-30.30	66.15
Water consumption (litres '000)	**310.37**	231.88	33.85	224.76
Water intensity (litres/Revenue Rs.mn)	**36**	33	9.09	45

KEY DEVELOPMENTS

- Strategic focus on expanding export-oriented businesses in the rubber and plastics industry
- Sought penetration in plastic packaging industry using Eco One
- 43% of Group carbon footprint offset by Renewable Energy

QUARTERLY PERFORMANCE TRENDS



Spotlight

NEXT GENERATION SEQUENCING THROUGH ILLUMINA

Aventura's fully owned subsidiary Hayleys Lifesciences is the exclusive Sri Lankan agent for Illumina Next Generation Sequencing (NGS) platforms, an advanced diagnostic tool that delivers exceptional data quality and accuracy. The use of the platform allows more effective patient care through ensuring targeted/ precision treatment of medical conditions.

STRATEGIC PRIORITIES

Focus on export-oriented businesses for Industrial Raw Materials
Pursue growth opportunities in export-driven businesses including rubber, plastics and other related area

Regional expansion
Increased focus on driving new customer acquisition in regional markets such as Bangladesh, Maldives, Indonesia, Seychelles, Philippines and Pakistan

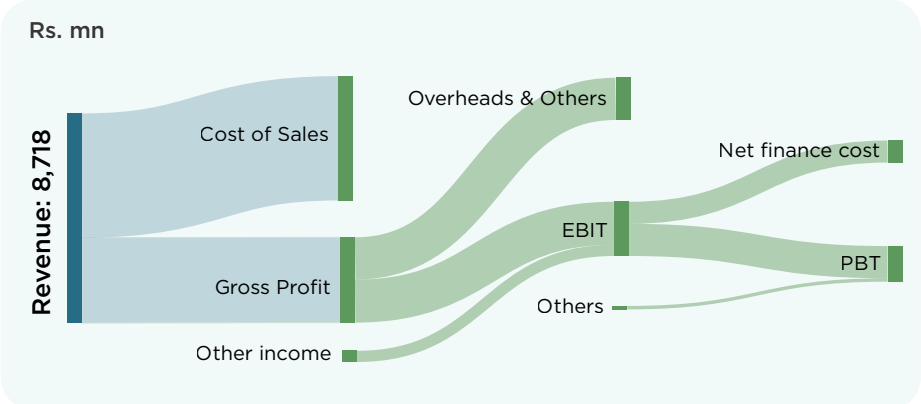
Sustainable innovation
Focus on products/solutions, which contribute towards addressing social and environmental challenges

RESOURCE ALLOCATION

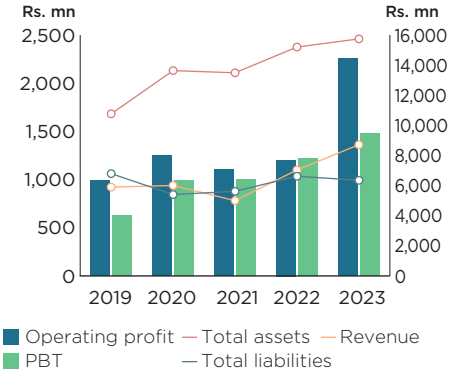
- New and existing relationships with export-oriented customers
- Rs 28 mn in new business development
- Rs. 9 mn investment in R&D capabilities

STRATEGIC KPIS/PRE-FINANCIALS

- **133** new customers acquired
- **40%** revenue growth in IRM
- **16** overseas clients acquired
- **Rs. 5.64** mn revenue generated from regional markets
- **12** new products
- **Rs. 33 mn** Revenue generated from sustainable products



SECTOR FINANCIAL PERFORMANCE



INDUSTRY INPUTS, POWER & ENERGY

ESG IN ACTION

As the Group's leading renewable energy generator, the Sector plays a key role in offsetting Hayleys carbon footprint. In line with the Hayleys Lifecode, the Sector has set social and environmental targets for 2030. The progress made in key areas are summarised below:

Energy and emissions

The Sector's renewable energy generation during the year was as follows:

Source	Capacity	Generation in 2023
Hydro	9.3MW	31 GWh
Wind	30MW	93 GWh
Solar	10MW	19 GWh

105,943
Emissions offset renewable energy generation

Launch of Eco One

The Sector introduced Eco-One, an organic additive, which is applied during the manufacturing process to enhance the biodegradation of plastic, and polythene products. This unique innovation is expected to support the sustainability efforts of Sri Lankan manufacturers, enabling them to reduce the adverse environmental implications of landfill waste generation. Key features of the product include,

Accelerate the rate of degradation to 18 - 24 months

Soil after plastic degradation will have positive effects for plant growth and no toxicity

Certified by third-party local and global tests including Bureau Veritas

Performance against Lifecode Goals

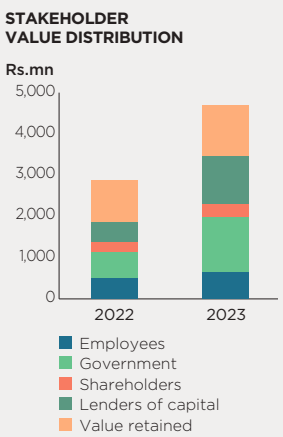
Energy & Emissions
Target: 14% renewable energy application
Actual: **143GWh** generation

Biodiversity
Target: Plant 100 trees annually
Actual: **50**

Engaged team
Target: 0.5% reduction in annual employee attrition
Actual: **9%**

Safest workplace
Target: Zero workplace injuries
Actual: **0**

Stakeholder value creation



The Sector's people strategy for the year centered on building talent pipelines and succession planning through empowering and providing opportunities for development to the Sector's middle management.

Qualification profile

8%
MBA

23%
Bachelors' Degree

14%
Diploma holders

55%
Vocational training

SASB DISCLOSURES

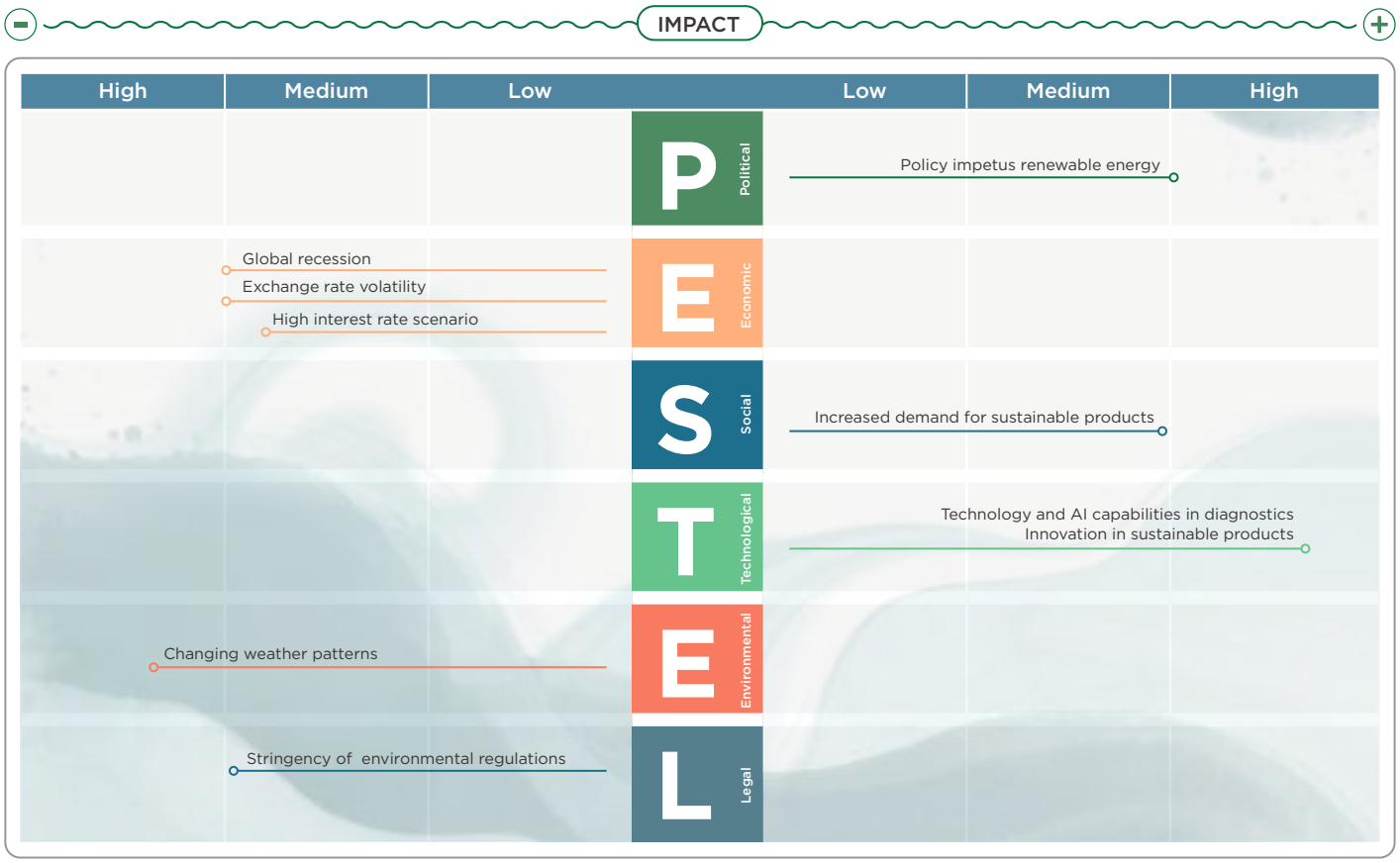
Wind Technology & Project Developers Standard- Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/ Pg. reference
Workforce Health and Safety	(1) Total recordable incident rate (TRIR) (2) Fatality rate for (a) direct employees and (b) contract employees	Rate	RR-WT-320a.1	0 0 296 0
Ecological Impacts of Project Development	Average A-weighted sound power level of wind turbines, by wind turbine class	dB(A)	R-WT-410a.1	Less than 60
	Backlog cancellations associated with community or ecological impacts	Rs.mn	RR-WT-410a.2	N/A
	Description of efforts to address ecological and community impacts of wind energy production through turbine design	n/a	RR-WT-410a.3	N/A
Materials Sourcing	Top five materials consumed, by weight	MT	RR-WT-440a.1	Total spare part cost Rs. 194 mn
Materials efficiency	Average top head mass per turbine capacity, by wind turbine class	Rate	FB-AG-250a.1	
	Description of approach to optimise materials efficiency of wind turbine design	-	FB-AG-250a.3	N/A
ACTIVITY METRICS				
Number of delivered wind turbines, by wind turbine class		Number	RR-WT-000.A	N/A
Aggregate capacity of delivered wind turbines, by wind turbine class		MW	RR-WT-000.B	N/A
Amount of turbine backlog		Rs. mn	FB-AG-000.C	N/A
Amount of turbine backlog		Rs. mn	FB-AG-000.D	N/A

INDUSTRY INPUTS, POWER & ENERGY

PROSPECTS AND PLANS

While short-term challenges are likely to be inevitable given the country's still recovering industrial activity, the Sector remains optimistic on the medium-to-long term prospects presented by the country's policy impetus towards driving exports. In the Industry Inputs cluster, profitability margins enjoyed during the financial year are expected to moderate in the short-to-medium term, although we are confident that this would be offset by stronger revenue growth. Meanwhile, in the Power & Energy cluster, the Government's aspirations of reaching 70% renewable energy generation by 2030 presents significant opportunities for growth.



Against this backdrop, the strategy of the Industry Inputs cluster will center on seeking new applications for its product portfolio while pursuing opportunities for expansion in regional markets. In Power & Energy, the Sector has already tendered applications for wind and solar projects amounting to 118MW with negotiations currently in the pipeline.

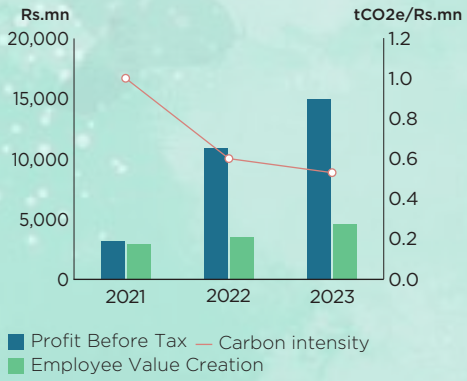
STRATEGIC PRIORITIES	
Short-term	**Medium-to-long term**
• Brand-focused strategy and retention of Tier 1 customers • Continued emphasis on transforming the business through an ESG-centered mindset • Reduce dependence on fossil fuel -based energy sources • Effective inventory and supply chain management	• Development of higher value added innovative synthetic products • Leverage digital media to widen marketing reach and strengthen the Aventura brand • In IRM penetrate new industries • Strengthen market position in power generator solutions • In Lifesciences, strengthen position in non-radiology and general lab sectors
Short-term goals ROCE>20% ROI>20% Gearing<55%	**Medium-to-long term goals** ROCE>10% ROI>15% Gearing: < 45%

TRANSPORTATION & LOGISTICS

Hayleys Advantis Group is at the forefront of Sri Lanka's transportation and logistics industry, providing the entire spectrum of end-to-end solutions in integrated logistics, projects & engineering, marine & energy, international freight management and aviation. The Group also has a growing presence in South Asia and South East Asia.

TRANSPORTATION & LOGISTICS

INTEGRATED PERFORMANCE TRENDS



FINANCIAL PERFORMANCE

Revenue
Rs. 134.30 bn (+94%)

Profit Before Tax
Rs.15.01 bn (+38%)

Profit After Tax
Rs. 9.63 bn (+12%)

Assets
Rs. 70.33 bn (+3%)

Liabilities
Rs. 51.17 bn (-5%)

Installation of largest continous unitised curtain wall in Sri Lanka

Project logistics and heavy cargo transportation services for the North Central Province Canal Project (NCPCP)

State-of-the -art dairy farm facility in Ambewela

INVESTING IN THE FUTURE

Rs. 4 mn
Capital expenditure Key projects

INSPIRING ACTION

FUTURE-READY ORGANISATIONAL CULTURE

Launch of Advantis DNA
Purpose, Spirit, Philosophy, Values

2,399
Employees engaged

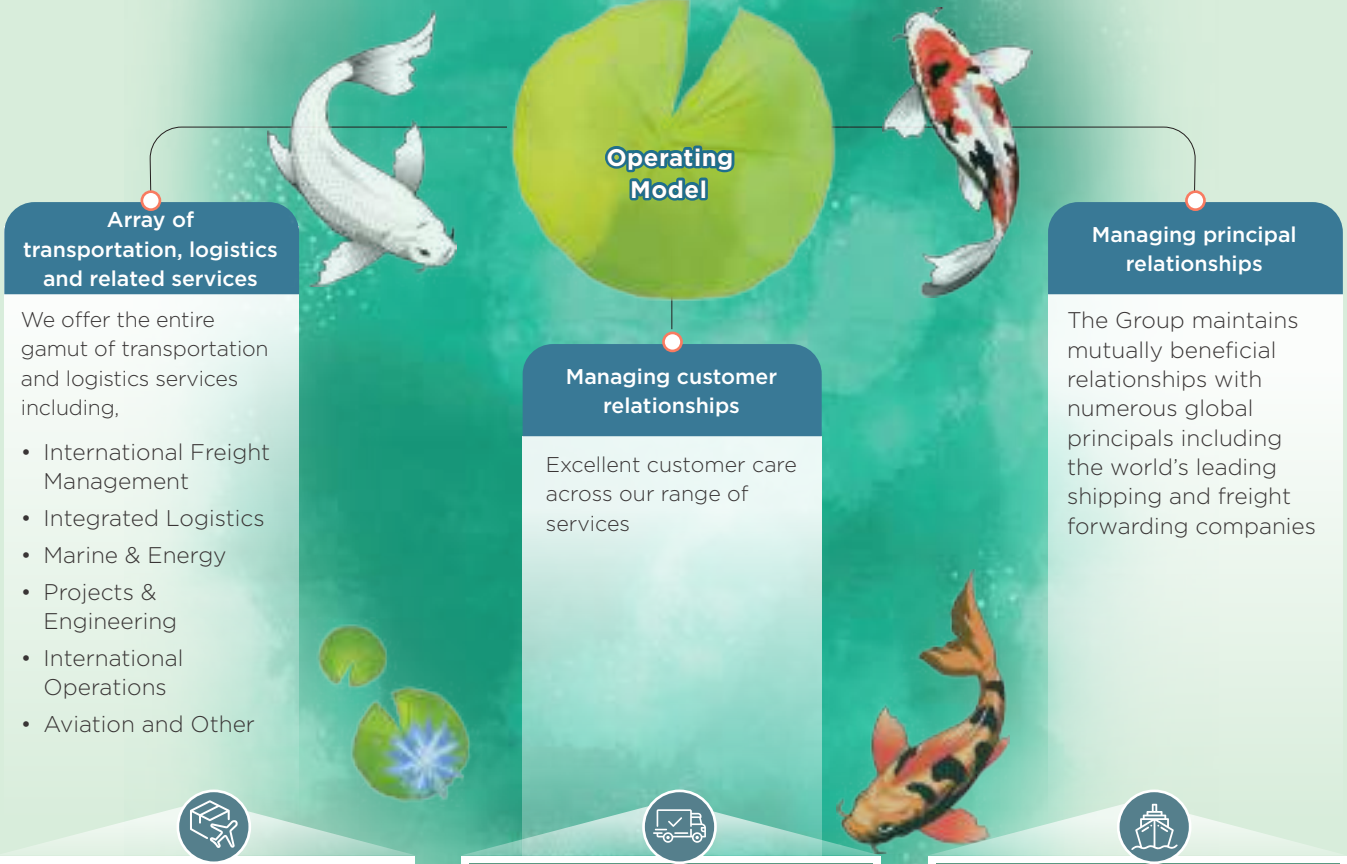
Principals
>20
Total customer base
>12,000
New customers
>1,820
LEVERAGING OUR PARTNERSHIPS
INCLUSIVE VALUE
STRATEGIC FOCUS AREAS
Expand international presence
Strengthen the Advantis product portfolio
Enhance leadership capabilities
THRIVING PLANET
Reduction in carbon footprint
-26%
Reduction in Energy consumption
-30%
Reduction in Water consumption
-4%
MANAGING OUR ENVIRONMENTAL IMPACTS
Advantis Blue Carbon launched to conserve and replenish coastal eco-systems

TRANSPORTATION & LOGISTICS

SECTOR OVERVIEW

MARKET POSITION

- Leading player in Sri Lanka's transportation and logistics industry
- Owner of the largest commercial fleet of floating assets in Sri Lanka
- Strengthening market presence in transportation and logistics in South Asia, South East Asia and Africa



Array of transportation, logistics and related services

We offer the entire gamut of transportation and logistics services including,

- International Freight Management
- Integrated Logistics
- Marine & Energy
- Projects & Engineering
- International Operations
- Aviation and Other

Managing customer relationships

Excellent customer care across our range of services

Managing principal relationships

The Group maintains mutually beneficial relationships with numerous global principals including the world's leading shipping and freight forwarding companies

INTERNATIONAL FREIGHT MANAGEMENT

One of Sri Lanka's largest freight forwarding and shipping agency houses

Contribution to Sector
Revenue: 12%
PBT: 51%

Performance 2022/23
Revenue: 0% growth
PBT: +35% growth

PROJECTS & ENGINEERING

Provides a range of engineering solutions such as lifting and shifting of project cargo and construction of pre engineered steel buildings and project consultancy

Contribution to Sector
Revenue: 9%
PBT: 3%

Performance 2022/23
Revenue: +91% growth
PBT: 18% decline

MARINE & ENERGY

Offers a range of shipping services from owning & operating vessels and maritime services including salvaging, bunkering, off shore support

Contribution to Sector
Revenue: 55%
PBT: 41%

Performance 2022/23
Revenue: +147% growth
PBT: +113% growth

INTEGRATED LOGISTICS

Offers integrated logistics services across diverse industry verticals

Contribution to Sector
Revenue: 12%
PBT: 6%

Performance 2022/23
Revenue: 15% growth
PBT: 36% decline

INTERNATIONAL OPERATIONS

Represents the agencies and providing supply chain solutions and maritime services in the region

Contribution to Sector
Revenue: 9%
PBT: 6%

Performance 2022/23
Revenue: 83% growth
PBT: 65% growth

AVIATION & OTHER

General Sales Agency representing leading airlines, ticketing and in & outbound tours

Contribution to Sector
Revenue: 3%
PBT: -7%

Performance 2022/23
Revenue: +174% growth
PBT: 275% decline

OPERATING ENVIRONMENT

Global merchandise trade volumes increased by 5.1% in 2022; activity slowed-down during the 2nd half of the year reflecting the confluence of several shocks including geopolitical tensions, escalating global inflation and monetary tightening across key economies. Global freight rates, which reached unprecedented highs in the aftermath of COVID19, recorded a gradual slowdown towards the last quarter of 2022, continuing this downward trajectory into 2023. The global economic uncertainty created by the drop in global demand, challenged the manufacturers and distributors. Meanwhile, Sri Lanka's port and airport activities also moderated in 2022, as import restrictions led to a contraction in import volumes. Resultantly, total containers and air cargo handled declined by a respective 7.4% and 12.4% in 2023.

55%
Decline in global freight rates

+5.1%
Increase in global trade volumes

-7.4%
Decline in cargo handled in Sri Lanka

Emerging trends and implications on Sector

Technology-driven transformation	Move towards green technology	Preference for third-party logistics
Technologies such as big data and predictive analytics is transforming the industry through optimising operations, reducing costs and enhancing safety and security. **IMPLICATIONS** + Opportunity to drive increased agility and transparency of operations through investments in technology	Increasing prevalence of adopting green practices including use of cleaner fuels **IMPLICATION** + Pursue opportunities to reduce and/ or offset carbon emissions + Opportunity to sharpen competitive edge as a sustainable player within the industry	Retailers/manufacturers show increased preference for outsourcing all logistic services, given the cost-effectiveness, optimisation of resources and secure access to a fleet of reliable carriers and use of expertise. **IMPLICATIONS** + Positioned to leverage growth opportunities in this segment given the portfolio of services that we offer with the capacity expansion

STRATEGY & INTEGRATED PERFORMANCE

The Sector delivered yet another year of remarkable growth, achieving record Revenue and Profits and sustaining its position as the largest contributor to the Group's Consolidated Earnings. Revenue increased by 94% to Rs. 134.30 bn as the Sector leveraged its strong market positions across diverse businesses to capture emerging opportunities, supported by a growing international presence. With the bulk of its Revenue stemming from foreign currency earnings, the Sector generated USD 193 mn foreign exchange during the year.

International Freight Management, Marine & Energy and the Aviation sub-segments delivered record profitability, resulting in the Sector's Profit Before Tax growing by 38% during the year.

International Freight Management delivered Profit growth of 35%. Two

TRANSPORTATION & LOGISTICS

years of strong freight rates during the pandemic, upheld profitability.

In Integrated Logistics, the Sector continued to benefit from businesses' increasing preference towards third-party logistics services as it leveraged its strong relationships with multi-national companies to expand into new markets. During the year, the Sector also completed construction of the 2nd phase of the Advantis Logistics City (ALC)- the nation's largest single roof multi-user distribution center. Supported by advanced warehousing management technologies, Phase 2 of the facility has added 125,000 square feet to the Sector's overall warehousing capacity, positioning the sub-sector for strong growth.

Marine & Energy delivered a Revenue and Profit growth of 147% and 113% respectively; performance was upheld by the Sector's timely interventions in importing and supplying bunker fuel to the domestic market which was experiencing fuel shortages due to the country's forex crisis. With the opportunities available in the local regional markets, the company intends to further expand its portfolio of marine assets in the short-to-medium term.

Projects & Engineering was adversely affected by the sharp downturn in the country's construction sector and major infrastructure projects. Given the prevalent uncertainty in the local construction industry, the sub-sector is pursuing opportunities for geographical diversification, leveraging its existing relationships to drive customer acquisition in regional markets.

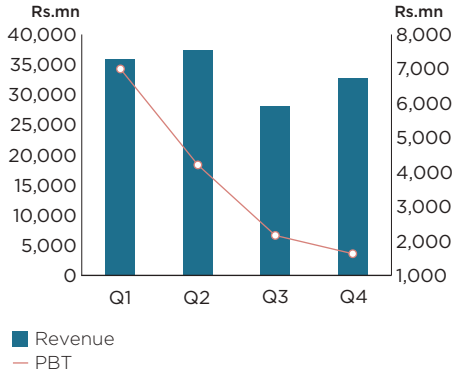
Meanwhile, the International Operations sub-sector delivered good growth supported by increased activity in key markets of Bangladesh, India, Indonesia and the Maldives.

The Aviation business also recorded healthy growth during the year, reflecting increased volumes in air cargo handling, particularly during the first half of the year.

Rs. Mn	2023	2022	% y-o-y	2021
FINANCIAL HIGHLIGHTS (RS.MN)				
Revenue	**134,295**	69,273	94%	37,692
Earnings before interest and tax	**15,737**	8,422	87%	3,990
Net Finance Income/(Cost)	**(967)**	2,226	-143%	(845)
Profit before tax	**15,008**	10,873	38%	3,218
Profit after tax	**9,627**	8,611	12%	2,514
Assets	**70,325**	67,967	3%	39,669
Liabilities	**51,174**	53,698	5%	31,220
Operating cash flow	**4,296**	14,823	-71%	5,686
OPERATIONAL HIGHLIGHTS				
Cargo handled (MT)	**96**	104	-8%	98
EMPLOYEE PRODUCTIVITY AND VALUE				
No. of employees	**2,399**	2,626	-9	2,489
Remuneration/employee (Rs.mn)	**4**	3	63%	1
Revenue/employee (Rs.mn)	**56**	27	107%	15
Net profit/employee (Rs.mn)	**4**	3	22%	1
RESOURCE EFFICIENCY				
Energy consumption (GJ)	**308,947**	439,809	-30	374,036
Energy intensity (GJ/Revenue Rs.mn)	**2,301**	6,349	-64	10,044
Carbon footprint (tCo2e)	**31,012**	41,760	-26	37,714
Carbon intensity (tCo2e/ Rs. mn)	**230**	603	-12	1,013
Water consumption (Litres mn)	**54**	56	-4	59
Water intensity (Litres/Rs.mn)	**402**	813	-51	1,574

In a key achievement, the Sector launched the Advantis DNA during the year; this unique initiative aims to nurture a holistic, future-ready organisational culture, which leverages the capabilities of the diverse generations of employees. Centering on the four pillars of Purpose, Spirit, Philosophy and Values, Advantis DNA was launched across the organisation through 17 culture workshops and 19 leadership workshops. Meanwhile, health and safety remained a key priority during the year, with the Sector obtaining independent assurance on its health and safety systems and standards.

QUARTERLY PERFORMANCE TRENDS



Spotlight

RESTORATION OF TANKS IN THE NORTH CENTRAL PROVINCE

Hayleys Advantis secured World Bank approved projects to restore and develop tanks in the North Central Province through its Projects & Engineering sub-sector. In addition to its significant environmental benefits including preserving ecosystems and water resources, this unique initiative is expected to support water security for agriculture in the relevant areas thereby supporting livelihood development.

STRATEGIC PRIORITIES

Expand international presence
Increased penetration of regional markets including India, Bangladesh, Maldives, Indonesia and Myanmar. The Sector also entered Thailand during the year under review

Strengthen the Advantis product portfolio
Strengthening the Advantis product portfolio by strongly driving the brand across all oversea markets that are represented

Enhancing leadership capabilities
Strengthen leadership capabilities through focused training & development at various levels and structural adjustments

RESOURCE ALLOCATION

Rs. 519 mn sales and marketing expense

Strong brand name and domain specific knowledge in transportation and logistics

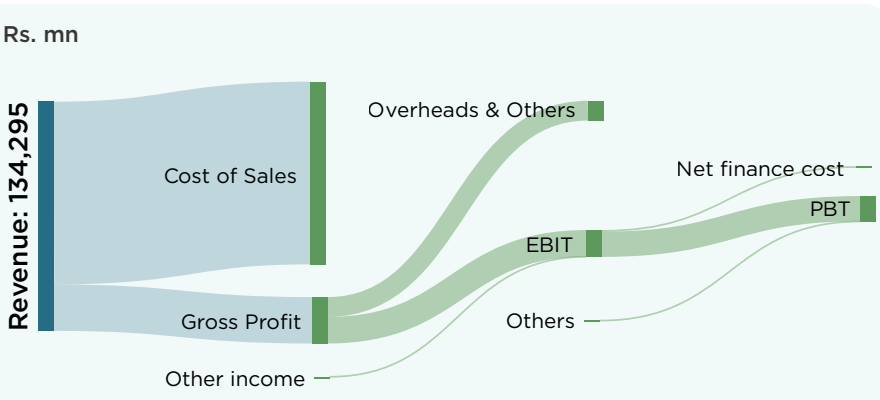
New leadership capabilities

STRATEGIC KPIS/PRE-FINANCIALS

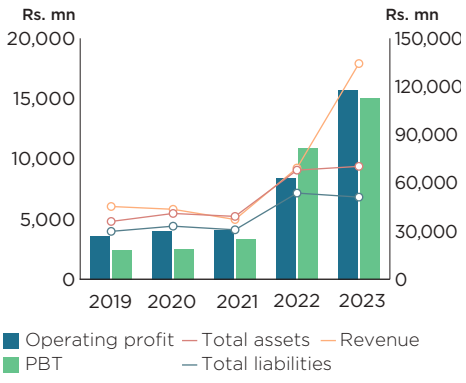
1,820 customers acquired

Increased contribution from Advantis operations

7,793 hours of leadership training



SECTOR FINANCIAL PERFORMANCE



TRANSPORTATION & LOGISTICS

ESG IN ACTION

The Sector has aligned its sustainability journey to the long-term aspirations of Hayleys Lifecode, formulating targets and action plans for key material areas. Progress made in the integration of ESG factored into its business during the year is summarised below:

Advantis Blue Carbon

Advantis partnered with the Wildlife and Nature Protection Society (WNPS) to enhance Sri Lanka's national blue carbon sinking capacity by supporting the conservation and replenishment of coastal ecosystems. The first initiative focused on accelerating the natural regeneration of mangroves at Anawilundawa. The project included the following:

Facilitating the studying and collection of data by supporting teams of scientists

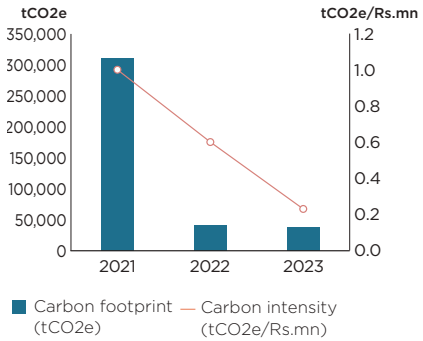
Setting up a pre-engineered laboratory facility adjacent to data collection points

Gather topographical data and develop hydrological models providing valuable scientific insights

Quantification and verification of GHG inventory

During the year, Advantis engaged an independent third-party to quantify and verify its carbon footprint, thereby obtaining external assurance on the processes and activity data used to measure its carbon footprint.

CARBON FOOTPRINT AND INTENSITY



Energy & Emissions

Target: 30% reduction in Scope 1&2 emissions

Actual: **-28%**

Biodiversity

Target: Increase biodiversity cover to 5 times the area utilised

Health and Safety

Target: Zero workplace injuries

Actual: **0**

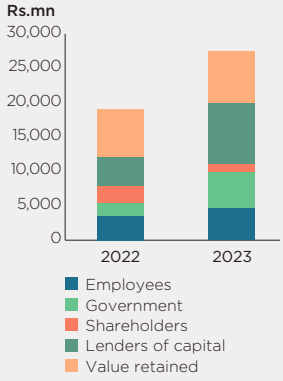
Customer relationships

Target: 25% coverage of customer satisfaction surveys

Actual: **13%**

Stakeholder value creation

STAKEHOLDER VALUE DISTRIBUTION



Export income generated:

USD 193 mn

Culture of learning

The Advantis campus nurtures a culture of learning and mentoring through providing continuous opportunities for skill development.

	2023	2022
Training hours	**27,414**	22,144
Avg training hours/ employee	**11.43**	8.43
Investment in training (Rs. Mn)	**76**	20.19

Community Engagement

The Sector's community engagement initiatives for the year centered on supporting educational needs of primary and secondary schools and contributions to the health sector, which included donations to the Naitonal Hospital Kandy and Apeksha Cancer Hospital

SASB DISCLOSURES

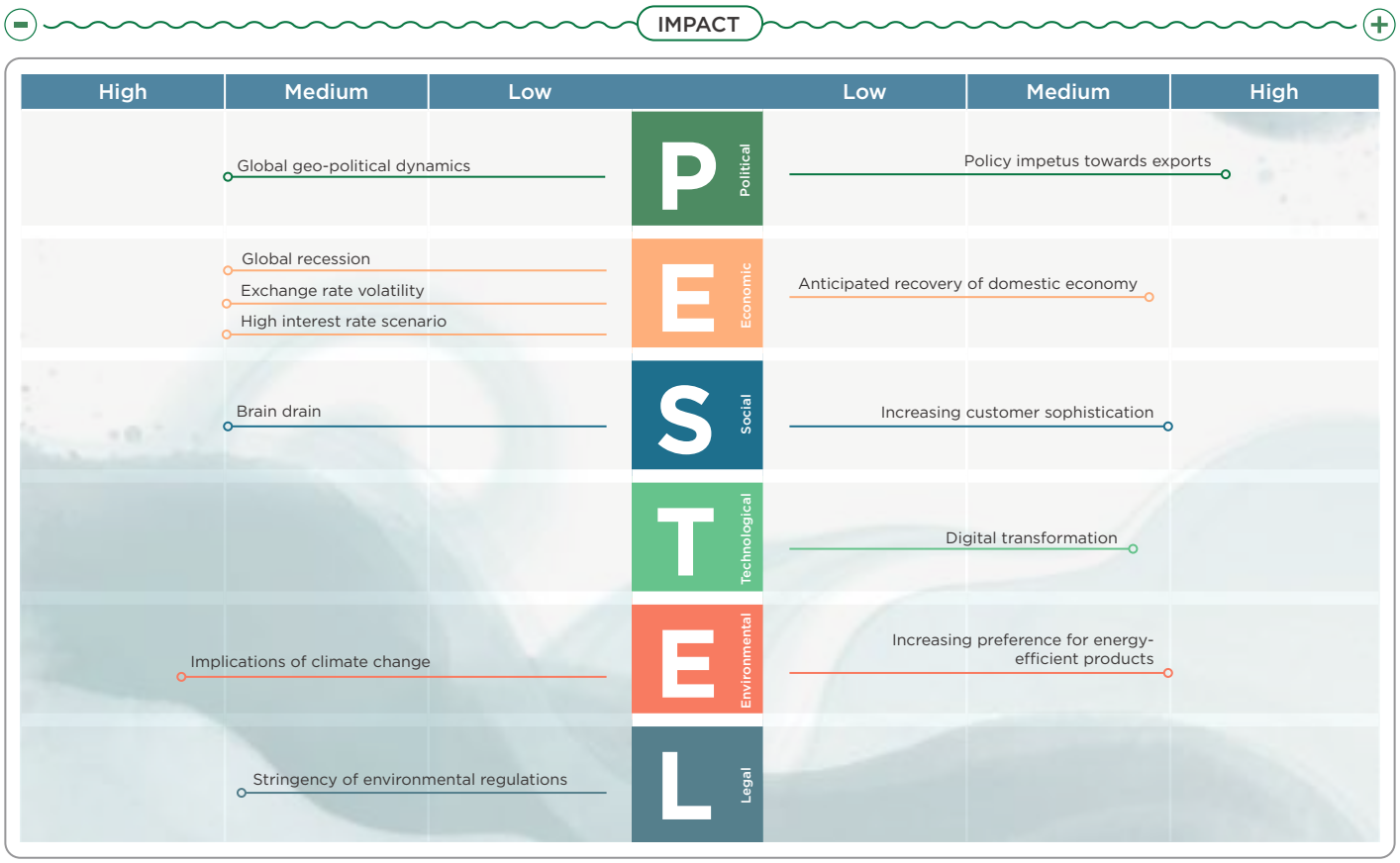
Table: Air freight & Logistics- Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/ Pg. reference
Greenhouse Gas Emissions	Gross global Scope 1 emissions	Metric tons (t) CO -e	TR-AF-110a.1	22.21
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	-	TR-AF-110a.2	Refer to page 274
	Fuel consumed by (1) Road transport percentage (2) Air transport	Gigajoules (GJ), Percentage (%)	TR-AF-110a.3	31,572.71
	Total greenhouse gas (GHG) footprint across transport modes	MT	TR-AF-430a.2	6,864
Air Quality	Air emissions of the following pollutants: (1) NOx (excluding N2O) (2) SOx,	Metric tons (t)	TR-AF-120a.1	N/A
Labour Practices	Percentage of drivers classified as independent contractor	%	TR-AF-310a.1	N/A
	Total amount of monetary losses as a result of legal proceedings associated with labor law violations	Rs. mn	TR-AF-310a.2	0
Employee Health & Safety	(1) Total recordable incident rate (TRIR) (2) Fatality rate	Rate	TR-AF-310a.2	0.3947 0
Supply Chain Management	Percentage of carriers with BASIC percentiles above the FMCSA intervention threshold	Percentage (%)	TR-AF-430a.1	N/A
Accident & Safety Management	Description of implementation and outcomes of a Safety Management System	-	TR-AF-540a.1	Refer to page 253
	Number of aviation accidents	Number	TR-AF-540a.2	N/A
	Number of road accidents and incidents	Number	TR-AF-540a.3	11
	Safety Measurement System BASIC percentiles for: (1) Unsafe Driving (2) Hours-of-Service Compliance (3) Driver Fitness (4) Controlled Substances/Alcohol (5) Vehicle Maintenance (6) Hazardous Materials Compliance	Percentile	TR-AF-540a.4	N/A
ACTIVITY METRICS				
Revenue ton kilometres (RTK) for: (1) road transport and (2) air transport		RTK	TR-AF-000 A	N/A
Load factor for: (1) road transport (2) air transport		Rate	TR-AF-000.B	N/A
Number of employees Number of truck drivers		Number	TR-AF-000.C	N/A

TRANSPORTATION & LOGISTICS

PROSPECTS AND PLANS

The anticipated slow-down in global economic activity amidst ongoing geopolitical tensions and commodity and energy price shocks are likely to have an impact on the transportation and logistics industry, particularly over the short-to-medium term. Profitability of industry players is expected to normalise from the unprecedented highs of the previous years which benefitted from the sharp increase in freight rates and release of pent-up demand. On the other hand, the gradual recovery of the Sri Lankan economy together with policy thrust towards strengthening port infrastructure and exports will present considerable opportunities for growth for Sri Lankan operators. The short, medium and long-term outlook and plans in place to respond to the emerging risks and opportunities are presented below:



Against this backdrop, strategic efforts to drive business and geographical diversification is expected to augur well for Advantis over the medium-to-long term. The Sector will continue to focus on leveraging its extensive relationships, unparalleled domain knowledge and strong brand name in widening its regional presence and driving acquisition of new customers across its business verticals.

STRATEGIC PRIORITIES	
Short-term	**Medium-to-long term**
• Pursue aggressive growth in regional markets • Automation, lean management and ongoing focus on systems improvements • Capacity expansion across key verticals • Strengthen Advantis brand image	• Drive a culture of technology-driven decision making to enhance productivity • Expansion of services through joint ventures and/or acquisitions
Short-term goals ROCE >15% ROE>20%	**Medium-to-long term goals** ROCE>25% ROE>28%

OTHERS

The Others Sector comprises the Fentons Group, Hayleys Business International Solutions and Group Services of Hayleys PLC. The Fentons Group is one of Sri Lanka's leading engineering solutions companies offering a comprehensive array of integrated solutions. HBSI engages in BPO operations and Shared Services specialising in providing a range of back-end services including accounting, payroll, digital marketing, data management and IT solutions among others.

OTHERS

FENTONS GROUP

One of Sri Lanka's leading engineering solutions providers

Contribution to Sector
Revenue: 81%
PBT: 28%

Performance 2022/23
Revenue: +42% growth
PBT: +170% growth

HBSI

Provider of BPO services and shared services within the Group

Contribution to Sector
Revenue: 3%
PBT: 8%

Performance 2022/23
Revenue: +67% growth
PBT: +159% growth

HAYLEYS PLC

Holding company

Contribution to Sector
Revenue: 16%
PBT: 64%

Performance 2022/23
Revenue: +58% growth
PBT: -40% growth

PERFORMANCE OVERVIEW

The Others Segment delivered a Revenue growth of 46% to Rs. 15.13 bn supported by the recovery of Fentons in the 2nd half of the year coupled with strong growth of HBSI and healthy dividend upstreaming to Hayleys PLC. Core performance also recorded a healthy growth, with Profit Before Interest and Tax increasing by 47% to Rs. 957.95 mn. Overall profitability was, however impacted by rising interest rates, which saw Net Finance Cost increasing by 181%. Meanwhile the sharp increase in the tax rate resulted in the Sector's tax expense increasing by 263%. Accordingly, the Sector's Profit After Tax recorded a decline of 19% to Rs. 3.66 bn during the year.

HAYLEYS PLC

Hayleys PLC recorded strong operating profitability supported by healthy dividend upstreaming from its Group companies during the year. Dividend received for the year amounted to Rs. 5.90 bn an increase of 15% compared to the previous year, reflecting strong profitability in export-oriented customers. Overall profitability, was however impacted by a near 130% increase in Net Finance Cost to Rs. 4,667.63 mn resulting in

Rs. Mn	2023	2022	% y-o-y	2021
FINANCIAL HIGHLIGHTS (RS.MN)				
Revenue	**15,126**	10,349	+46	4,871
Earnings before interest and tax	**9,573**	6,522	+47	4,394
Net Finance Income/(Cost)	**(5,668)**	(2,016)	-181	(2,682)
Profit before tax	**3,935**	4,572	-14	1,790
Profit after tax	**3,664**	4,497	-19	1,694
Assets	**83,065**	79,455	+5	71,920
Liabilities	**40,069**	35,689	-12	31,924
Operating cash flow	**7,989**	(1,884)	-324	5,249
EMPLOYEE PRODUCTIVITY AND VALUE				
No. of employees	**1537**	1,440	7	1,150
Remuneration/employee (Rs.mn)	**0.4**	1	-60	1
Revenue/employee	**4**	1	300	3
Net profit/employee	**1.55**	-2	-178	-1
RESOURCE EFFICIENCY				
Energy consumption MJ'000)	**98817**	68,088	45	58,366
Energy intensity (kWh/m2)	**14**	19	-26	43
Carbon footprint	**10826**	8608	26	7318
Carbon intensity	**16.19**	25.17	-36	5.43
Water consumption (litres '000)	**208**	237	-12	237
Water intensity (liters per head)	**31**	176	-82	176

Spotlight

DRIVING SRI LANKA'S RENEWABLE ENERGY TRANSITION

As Sri Lanka's market-leading solar solutions provider, Hayleys Solar has been a catalyst in driving Sri Lanka's renewable energy transition. Through its focus on the domestic market and the launch of several off-grid and battery supported solutions, we have reduced the load on the country's national grid thereby supporting the shift towards cleaner energy sources. During the year, Hayleys Solar introduced a state-of-the-art PV-DG solution, which utilises the power generated by solar PB during power cuts to reduce the heavy reliance on diesel generators by 70%; this solution provided much-needed relief to businesses and consumers who were challenged by fuel shortages and rapidly increasing prices.

125 MW
of solar power solutions installed

Renewable Energy	• Revolutionalised the industry with timely solutions • Competitive advantage underpinned by financial stability, competent staff that led to swift installations and highly satisfied customer base
System Integrated Solutions	• Focussed on customer satisfaction and thereby retaining the customers with value-added services. • Capitalised the strong relationship with the suppliers to retain the market dominance, which paved way to edge over competition.
Mechanical, Engineering and Plumbing	• Market entry into industrial and warehousing sector • Launch of the first-of-its kind 3D modelling and engineering centre • Successfully engaged in several Group projects
Fentons Smart Facilities	• Offers complete facilities management services for high-rise facilities • Acquisition of new customers during the year
Equipment Trading	• Expanded the reach to customers and increased the market share • Importation and trade of solar panels to small and medium sized installers.

the Company's Profit Before Tax declining by 40% to Rs. 2,098.17 mn. Total tax for the year posted an increase of 241% to Rs. 197.15 mn as carried -forward tax losses on which the Company had previously set off its liability were fully utilised, resulting in an increase in the tax expense for the year. Resultantly, Hayleys PLC's Profit After Tax amounted to Rs. 1,901.02 mn during the year, a decline of 48% compared to the previous year.

OTHERS

FENTONS GROUP

The operating landscape presented numerous challenges to Fentons Group during the year. Macro-economic vulnerabilities, coupled with the significant increase in interest rates, depreciation of the exchange rate and shortage in building materials led to a sharp slowdown in construction projects. Meanwhile the downgrade of the country's sovereign rating resulted in constraints in obtaining supplier credit, with many suppliers requesting immediate payment given the country risk. On the other hand, prolonged power cuts amidst the shortage in fuel provided drove significant growth in demand for solar power and energy storage solutions.

Against this backdrop, the Fentons Group delivered a resilient performance, capitalising on the opportunities presented by the crisis through timely strategic interventions. Revenue increased by 41% to Rs. 14,200.84 mn during the year while Profit Before Tax recorded a growth of 111% to Rs. 1,109mn. Performance was also upheld by relentless efforts to drive increased efficiencies and a deep dive analysis of all cost factors to strengthen financial discipline. Proactive liquidity management through driving cash collections and reducing credit exposure, also enabled the Group to enhance its cash reserves. As a result of these efforts, all clusters other than Mechanical, Engineering & Plumbing (MEP) delivered improved performance during the year. Highlights of each cluster during the year are summarised below:

WAY FORWARD

The Sector is cognizant of the inevitable short-term challenges posed by lower disposable incomes (with the imposition of the new tax regime), high inflation and interest rates. Despite these complexities, the Fentons Group remains optimistic about the mid-to-long term outlook of the country's construction sector. The gradual recovery of residential projects is expected to augur well for Fentons, providing opportunities to drive growth in all sub-sectors of the Group. Against this backdrop, Fentons will focus on improving profitability of all sub-sectors while leveraging its strong market positions across its verticals to drive increased penetration. The Group will also seek to expand its branch network, leveraging the island-wide reach of Singer to further strengthen its geographical presence.

HAYLEYS BUSINESS SOLUTIONS INTERNATIONAL LTD

HBSI recorded strong growth and profitability during the year, delivering a Revenue growth of 67% while Profit Before Tax increased by 159%, surpassing the Rs.300 mn mark for the first time. Performance was upheld by continued growth in the BPO operations which saw increased penetration across key markets. The Company also widened the retinue of services, adding Corporate Due Diligence as a new solution and expanding its Digital Services portfolio during the year. In shared services, the Company expanded its coverage of the Hayleys Group, partnering with Dipped Products PLC and Fentons Group during the year. The Company also embraced the opportunities presented by the post-COVID 19 new normal by offering increased flexibility to its employees. During the year, HBSI also launched a unique programme to empower new mothers returning to work, by offering the required infrastructure to work from home through a hybrid working model.

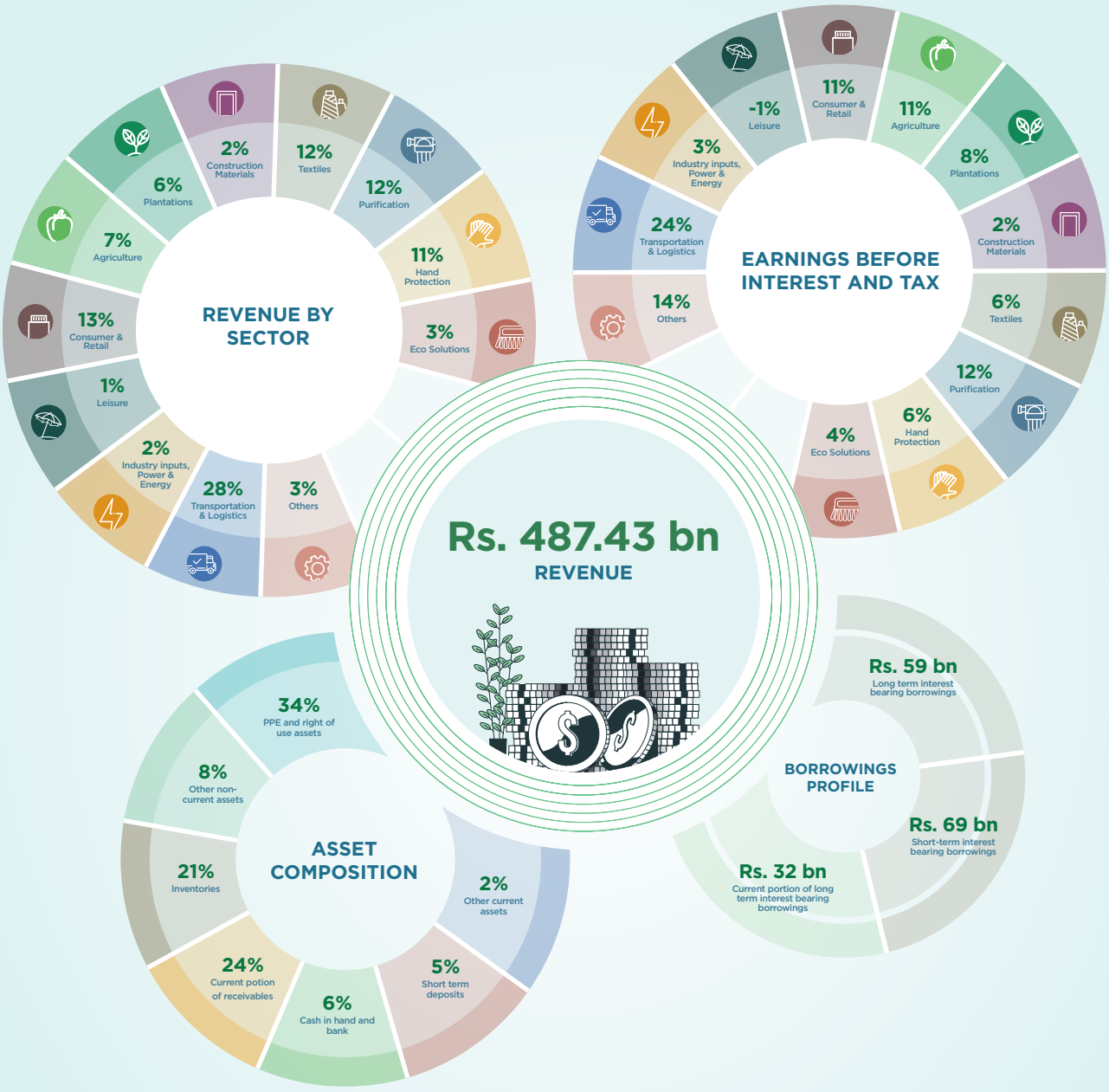
A Spirit of Resilience

As we journey onwards, believe in consistently pursuing and seeking out the optimal conditions that enable growth and progress.

Koi are built to adapt to a range of climates, and possess the ability to even survive harsh winter climates through improved resource consumption and the regulation of their activities.

FINANCIAL CAPITAL

The Group's Financial capital is the pool of funds available to drive our strategic aspirations and includes equity funding, debt and retained earnings.



ROLE OF FINANCIAL CAPITAL IN VALUE CREATION

- Funding to pursue growth opportunities and business expansion
- Drive resource optimisation to improve organisational effectiveness
- Preserve liquidity to meet stakeholder and other payment commitments
- Deliver shareholder expectations

HOW WE MEASURE SUCCESS

44% Revenue growth	**13%** EBIT margin	**9%** PBT margin
7% Decline in borrowings	**1.30x** Debt to Equity ratio (2021/22: 1.63X)	**Rs.5.35** Dividend per share

HIGHLIGHTS 2022/23

- Achieved record Revenue and Profit Before Tax
- Strong core performance driven by export-oriented businesses
- Preservation of profitability margins despite escalating costs
- Improved financial stability with a reduction in the Group's gearing ratio

REVENUE

The Group demonstrated strong strategic foresight and ability to deliver a Revenue growth of 44% to Rs.487.43 bn during the year under review, marking the highest revenue in its illustrious history of 145 years. Top line growth during the year reflects continued expansion of the Group's export-oriented businesses, which countered the subdued performance of the Group's domestic businesses. Key contributors to Revenue growth were Transportation & Logistics (+94%), Textiles (+90%), Purification (+84%), Plantations (+65%) and Hand Protection (+36%). The Group's Revenue composition shifted during the year, reflecting challenging conditions in the domestic market accordingly, the Transportation & Logistics Sector emerged as the largest contributor to Consolidated Revenue with a share of 28%, while the Consumer & Retail Sector which had previously led the Group's Revenue composition accounted for 13% of Revenue. As detailed further in the Portfolio Review on pages 121 to 234 of this report, the Group's strong Revenue growth amidst the extraordinary challenges that prevailed demonstrates the resilience of the Group's diverse earnings profile. Geographical composition of Revenue also tilted during the year, with export income accounting for a larger share of 62% of Consolidated Revenue, compared to 52% the previous year.

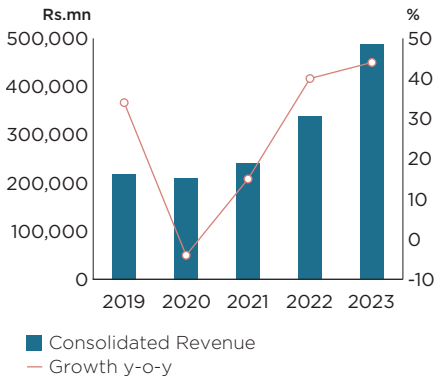
Highlights 2022/23

Highest Revenue
in operating history

11 out of 12
Sectors recorded Revenue growth

USD 651 mn
export revenue generated

REVENUE TRENDS



PRESERVING PROFITABILITY MARGINS

Gross Profit

Consolidated Gross Profit increased by 54% to Rs.119.23 bn during the year, with the Gross Profit margin widening from 23% to 24%. The Group's ability to preserve margins in an environment of soaring inflation, supply chain disruptions and high freight rates represents its strategic focus on increasing contributions from value-added products across several key business lines. Gross profitability was also supported by the depreciation of the Sri Lankan Rupee against the US

Sector	Revenue Growth YoY (%)	Contribution to total Group Revenue(%)
Eco Solutions	+37	3
Hand Protection	+36	11
Purification	+84	12
Textiles	+90	12
Construction Materials	+6	2
Plantations	+65	6
Agriculture	+37	7
Consumer & Retail	-24	13
Leisure	+96	1
Industry inputs, Power & Energy	+24	2
Transportation & Logistics	+94	28
Others	+46	3

FINANCIAL CAPITAL

Dollar during the year, which upheld the profitability of the Group's export-oriented businesses.

Operating Cost Management

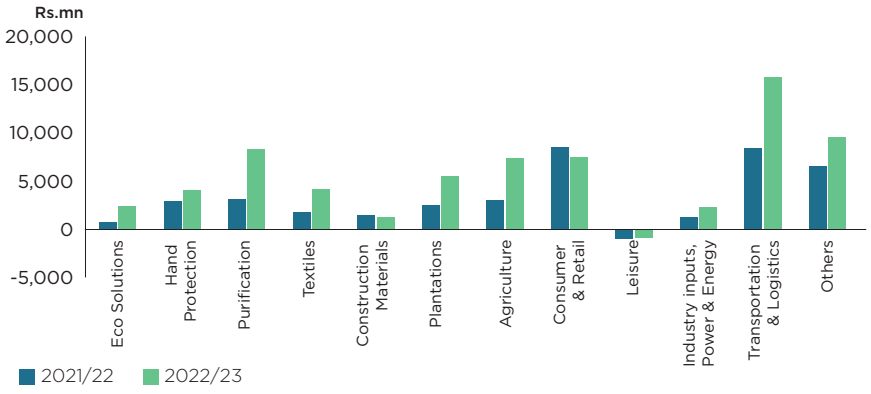
The Group's overhead expenses increased by 35% during the year, reflecting the escalation in inflationary pressures, market adjustments to remuneration to support financial security of our employees and added expenses in ensuring their safety and well-being. Accordingly, Administrative Expenses surged by 45% to Rs.47.50 bn with staff-related costs increasing by 19% during the period. Distribution expenses increased by 10% during the year. Increasing productivity and driving process efficiencies through holistic programmes such as Total Productivity Maintenance, Six Sigma and Lean has been a key priority for several sectors in recent years, which enabled the Group to preserve margins to a certain extent. Meanwhile increased focus on digitalisation across the organisation have also driven cost efficiencies through automating processes.

Operating Profitability

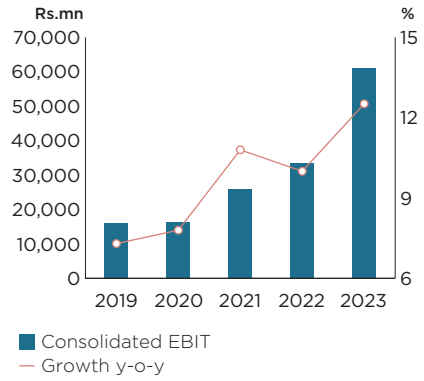
The Group's Operating Profit/Earnings before Interest and Tax (EBIT) surged by 82% to reach a record high of Rs.61.07 bn during the year. In our export-oriented businesses, the inevitable pressure on margins was offset by strong volume growth and strategic focus on high-value adding products, supported by the depreciation of the Sri Lankan Rupee. Resultantly, all export-oriented sectors recorded improvements in core profitability, led by Purification (+169%), Textiles (+135%), Plantations (+125%) and Transportation & Logistics (+87%) and Eco Solutions (+238%). Understandably, the Consumer & Retail and Leisure Sectors recorded declines in EBIT of 12% during the year, reflecting the extremely challenging operating conditions that prevailed. Overall, the Group's Consolidated EBIT margin widened from 10% the previous year to 13% during the year under review.

Sector	EBIT Growth YoY (%)	Contribution to total Group EBIT(%)
Eco Solutions	+238	4
Hand Protection	+41	6
Purification	+169	12
Textiles	+135	6
Construction Materials	-18	2
Plantations	+125	8
Agriculture	+145	11
Consumer & Retail	-12	11
Leisure	-12	(1)
Industry inputs, Power & Energy	+87	3
Transportation & Logistics	+87	23
Others	+47	14

SECTOR-WISE EBIT



TRENDS IN EBIT



Net Finance Cost

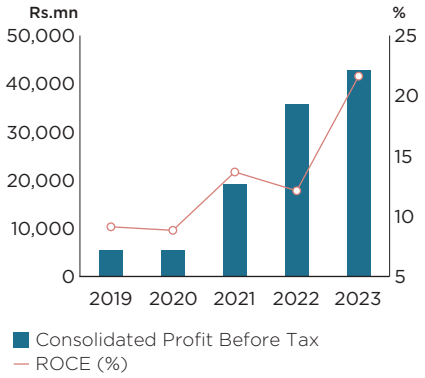
The Group's Net Finance Cost amounted to Rs.18.82 bn during the year, compared to a Net Finance Income of Rs.1.95 bn last year, which was buoyed by foreign exchange gains resulting from the depreciation of the Rupee in March 2022. Finance Income increased by 23% to Rs.20.72 bn during the reviewed period stemming primarily from interest income on investments. Meanwhile, the Group's Finance Cost more than doubled to Rs.39.54 bn against the back of the high interest rate scenario that prevailed during the reviewed period. Despite a 7% decline in total borrowings, the Group's Finance Costs on both Long-term and Short-term Borrowings increased over 3-fold. The increase in the Finance Cost was also driven by foreign exchange losses of Rs.10.91 bn stemming primarily from the appreciation of the Sri Lankan Rupee in the latter part of the financial year.

Profit Before Tax

The sharp increase in Net Finance Cost was countered by the Group's strong core performance, which resulted in Consolidated Profit

Before Tax increasing by 20% to Rs.42.75 bn during the year. The Profit Before Tax for the year, yet again represents the highest in the Group's operating history, bettering the record profitability achieved in the previous year. Transportation & Logistics retained its position as the largest contributor to Group Profit Before Tax with a share of 30%, followed by Purification (share of 17%), Plantations (share of 13%) and Hand Protection (share of 11%). It is noteworthy that 8 out of 12 sectors recorded an improvement at PBT level, despite the multitude of challenges that prevailed during the year.

TRENDS IN PBT



Tax

The Group's Tax expense increased by 98% to Rs.15.08 bn during the year reflecting the sharp increase in tax rates. With the increase in tax rates during the year, Sri Lankan resident companies (excluding those which enjoy a tax holiday or concessionary tax rate) were liable to income tax at the rate of 24% in the first six months of the year, followed by 30% the next year. Resultantly, the Group's effective tax rate increased from 21% to 36% during the year.

Profit After Tax

The sharp increase in the Group's tax expense filtered down to overall profitability, with the Group's Profit After Tax recording a decline of 2% to Rs.27.67 bn during the year. Meanwhile, at Company level Hayleys PLC recorded a Profit After Tax of Rs.1.90 bn compared to Rs.3.64 bn reported last year. Despite healthy dividend upstreaming of Rs.5.90 bn during the year (an increase of 15%), the Company's profits were moderated by the sharp increase in borrowing costs during the year.

Other Comprehensive Income

The Group's Other Comprehensive Income declined to Rs.2.09 bn (from Rs.8.76 bn) the previous year, mainly due to the normalisation of net exchange differences on translation of foreign operations and previous years revaluation surplus of PPE. As a result, the Group's Total Comprehensive Income amounted to Rs.29.76 bn, a decline of 19% compared to the previous year.

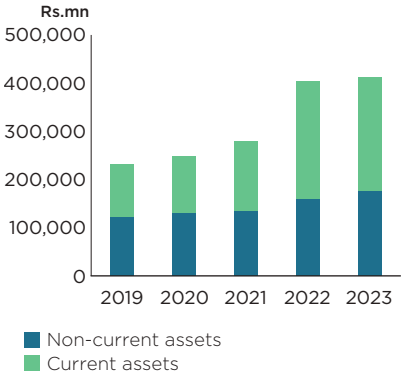
FINANCIAL STABILITY

Total Assets

Despite the challenging operating landscape that prevailed, the Group continued to invest in strengthening its earnings generation capacity, with ongoing capacity expansion across several Sectors. Resultantly, Consolidated Assets grew by 2% to Rs.412.74 bn, with Property, Plant and Equipment growing by 14% during the year. The asset composition shifted more towards non-current assets, which accounted for an increased 42% of Total Assets, compared to 40% the previous year. Inventories increased by 6% during the year, due to increased operational activity and stock building in several key sectors. Meanwhile Trade and Other Receivables declined by 10%, reflecting proactive efforts across Sectors to strengthen collections and shore up liquidity.

Key contributors to asset growth were Plantations (+57%) and Textiles (+9%); the expansion in the Plantations Sector represents the consolidation of the assets of Horana Plantations PLC by which was acquired by Hayleys subsidiary Hayleys Plantation Services (Private) during the year.

ASSET COMPOSITION



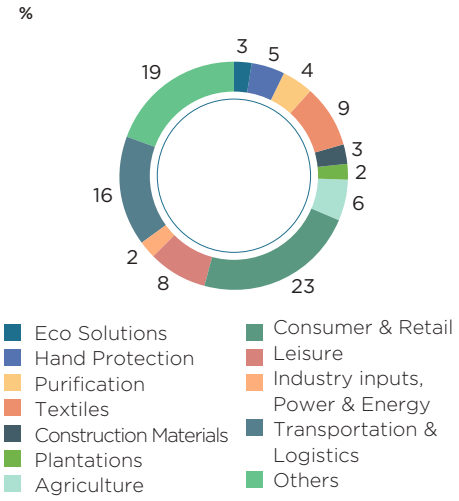
	Asset Growth YoY (%)	Contribution to total Group Assets(%)
Eco Solutions	+7	4
Hand Protection	-1	7
Purification	+1	8
Textiles	+9	9
Construction Materials	-13	2
Plantations	+57	6
Agriculture	+2	6
Consumer & Retail	-11	17
Leisure	+4	4
Industry inputs, Power & Energy	+4	3
Transportation & Logistics	+3	15
Others	+5	19

FINANCIAL CAPITAL

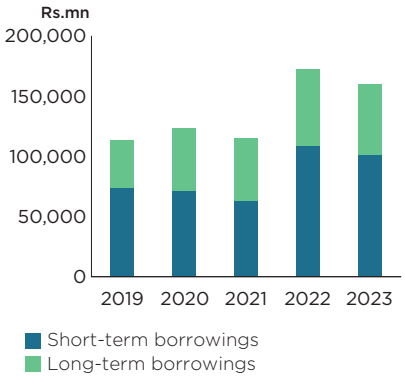
Capital and Funding

Healthy profit retention, coupled with the Group's cautious approach to debt-funded acquisitions in recent years strengthened its capital position and funding profit. Total Equity increased by 17% to Rs.122.71 bn during the year, funding 30% of Total Assets. Meanwhile, the Group's borrowings decreased by 7% to Rs.159.70 bn reflecting proactive efforts to pare down debt in a rising interest rate environment and a cautious approach towards debt-funded investments. Borrowings funded 39% of the Group's Assets during the year, with Consumer & Retail, Others and Transportation & Logistics collectively accounting for 58% of borrowings. Several key sectors including Hand Protection, Purification and Transportation & Logistics proactively sought to reduce exposure to borrowings, resulting in lower debt compared to the previous year. The debt profile remained relatively unchanged compared to the previous year, with Short-term Borrowings accounting for 63% of total debt during the year. Overall, the Group's Debt/Equity ratio improved to 1.30X from 1.63X the previous year.

BORROWINGS BY SECTOR



DEBT PROFILE



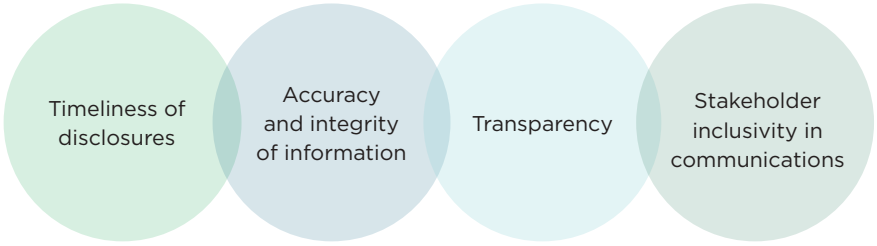
Cashflow and Liquidity

The Group's cashflow position improved during the year, supported by improvements in operational activity. Accordingly, Net Cash Inflow from Operating Activities increased to Rs. 56.79 bn, from Rs. 9.54 bn the previous year while Net Cash Outflow from Investing Activities amounted to Rs.12.06 bn due to capital investments in key sectors. Meanwhile, Net Cash Outflow from Financing Activities amounted to Rs.36.25 bn reflecting to repayment of interest-bearing borrowings and interest payments. Overall, the Group's Cash and Cash Equivalents recorded an inflow of Rs.8.48 bn, compared to an outflow of Rs.16.0 bn the previous year.

INVESTOR RELATIONS

Hayleys PLC is committed to maintaining transparent, constructive and ongoing dialogue with its shareholders, facilitated through multiple engagement platforms including the Annual General Meeting, the publication of the Annual Report, quarterly reporting to the CSE as well as periodic press releases and announcements. Through our engagement we seek to provide meaningful and relevant information to facilitate informed decision making.

Principles of our Investor Relations



Information we share with our shareholders through this Annual Report

- The operating environment during the year (pg. 90)
- Implications of the macro-economic environment (pg. 90)
- Financial performance and Sector-level performance(pg. 121)
- Corporate Governance and risk management practices (pg. 56)
- Our Environmental, Social and Governance (ESG) framework (pg. 117)

Performance of the Colombo Stock Exchange

Share market performance weakened considerably in 2022, with price indices, market capitalisation and daily turnover declining against the backdrop of the country's macro-economic vulnerabilities. Significant volatility was also observed in price indices, with index-based circuit breakers activated on multiple occasions. The All Share Price Index fell sharply by 31% during the year while

the S&P SL 20 also fell by 38% during the year. Market capitalisation also fell by 30%, to end 2022 at Rs.3,847.2 bn. Market sentiments however recovered slightly in ensuing months, with the ASPI improving by 10% during the last quarter of 2022/23 financial year.

Securities in Issue:

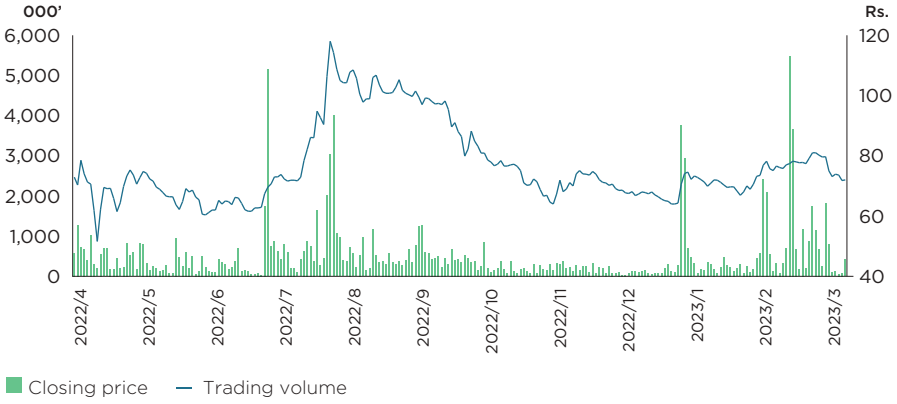
- Ordinary Shares
- Debentures
  - Listed, rated, senior, unsecured, redeemable debentures redeemable in July 2023

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

Performance of the Hayleys Share

The Hayleys share mirrored the performance of the broader market, recording significant volatility during the year under review. The share price traded between a low of Rs.50.00 and a high of Rs.125.00, closing the year at Rs.72.00 a decline of 6% compared to the beginning of the year. The average share volume traded amounted to 510,422 shares while the Daily Average Turnover stood at Rs. 41.57 mn during the financial year.

HAYLEYS SHARE PERFORMANCE



SHAREHOLDER RETURNS

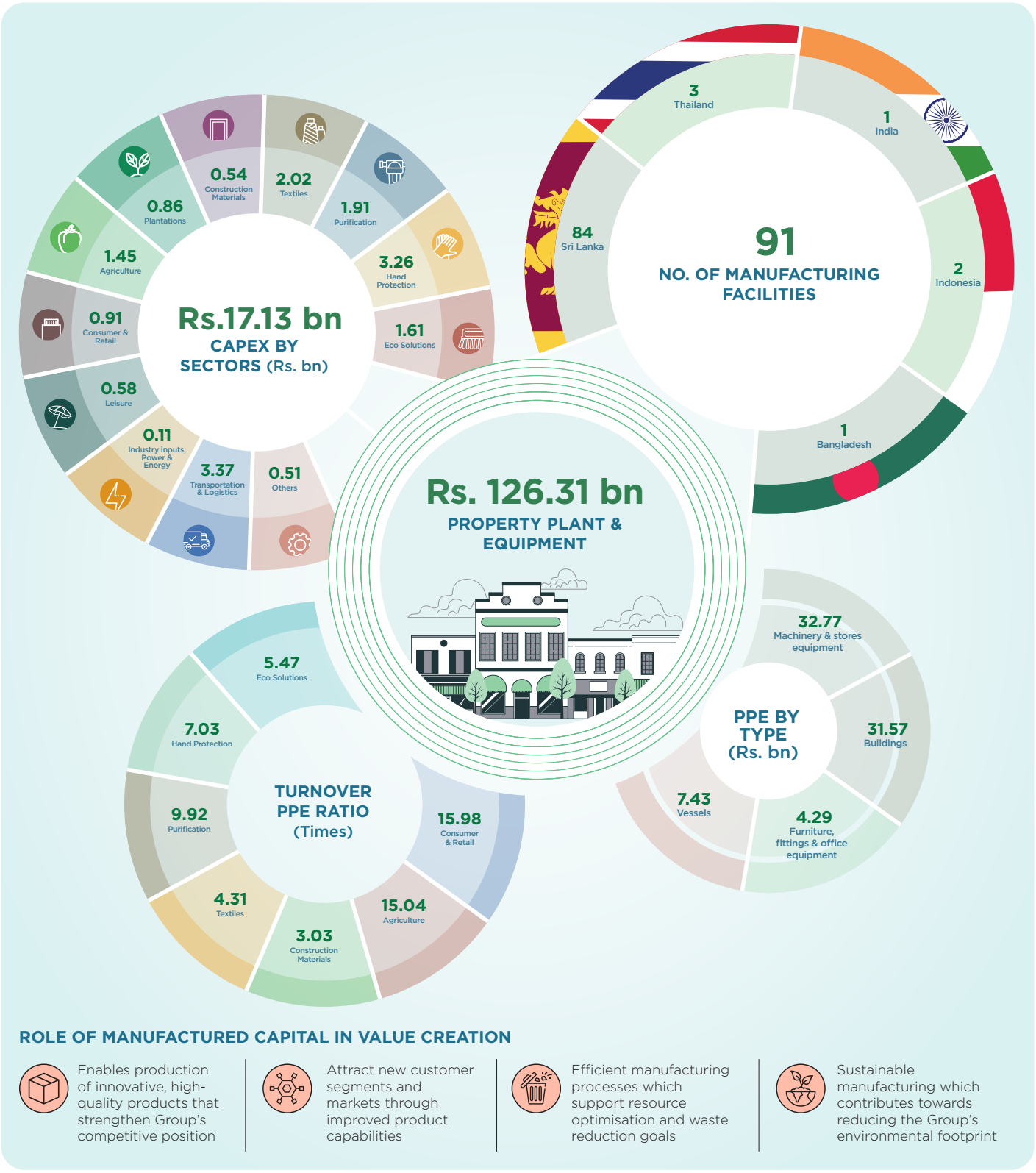
The Group continued to deliver on its shareholder commitments, supported by robust performance and healthy dividend payout. Shareholder returns as measured by Earnings per share declined from Rs.24.34 to Rs.21.80 during the year, as the increase in tax impacted profitability. Meanwhile, Net Asset Value per share increased by 17% to Rs.105.24, depicting the growing value of the Group's non-monetised capital including innovation capabilities, deep rooted relationships with suppliers and communities, strong brand equity as well as our ability to attract the country's top talent.

Shareholders ratios

		2023	2022	2021
Earnings per share (basic)	Rs.	**21.80**	24.34	10.18
Return on equity (ROE)	%	**20.72**	27.09	16.04
Net assets per share	Rs.	**105.24**	89.85	63.49
Market capitalisation	Rs. mn	**54,000**	57,675	45,600
Market value per share	Rs.	**72.00**	76.90	60.80

MANUFACTURED CAPITAL

The Group's Manufactured Capital comprises of state-of-the-art manufacturing facilities, advanced technology and sustainable manufacturing capabilities which have sharpened the Group's competitive edge and enabled it to manufacture an array of world-leading products across its diverse verticals.



ROLE OF MANUFACTURED CAPITAL IN VALUE CREATION

- Enables production of innovative, high-quality products that strengthen Group's competitive position
- Attract new customer segments and markets through improved product capabilities
- Efficient manufacturing processes which support resource optimisation and waste reduction goals
- Sustainable manufacturing which contributes towards reducing the Group's environmental footprint

INVESTING IN THE FUTURE

The Group continued to adopt a long-term approach to value creation, investing in strengthening capacities and capabilities in businesses earmarked for strategic growth. Total additions to PPE for the year amounted to Rs. 17.13 bn, reflecting investments in new product capabilities, capacity enhancements, inorganic growth and technology improvements. Additions to Property, Plant and Equipment during the year are summarised below:

HIGHLIGHTS 2022/23

- Capacity expansion in value-added product capabilities across key Sectors
- Machinery and technology upgrades across several manufacturing facilities
- Strategic focus on manufacturing efficiency and sustainable production

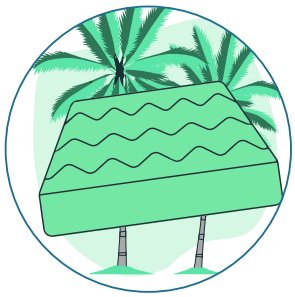
HAND PROTECTION

New sports glove facility, central warehousing facility and thermic fluid heater in Biyagama

Workers' and staff facilities upgrades

Installation of new heater, new hostel rooms and 8 tumbler dryers

Rs. 3.94 bn



ECO SOLUTIONS

Capacity expansion of mattress production facility

Investments in back-up generators

Capacity expansions in growing media range of products

Rs. 1.01 bn

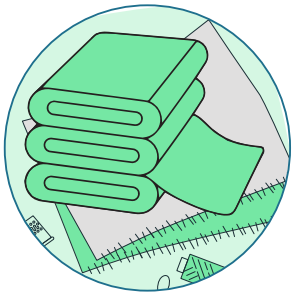
TEXTILES

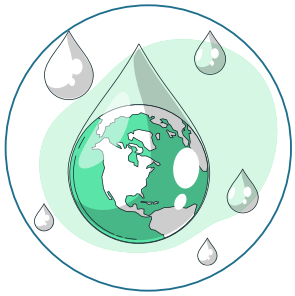
Energy efficient, state-of-the-art dye machines

Upgrade of manufacturing technology and capabilities at South Asia Textiles

Upgrade of effluent treatment plant in South Asia Textiles

Rs. 3.49 bn





PURIFICATION

Investments in new washing plant in Thailand

Manufacturing capacity expansion in the electrical double-layer capacitor range Investment in 2 lands in Indoensia and Badalgama with a view to expanding capacity in the future

Rs. 1.86 bn

TRANSPORTATION & LOGISTICS

2nd phase of Advantis Logistics Cityopening featuring Sri Lanka's largest single-roof, multi-user distribution centre Investments in machinery and equipment

Rs. 3.67 bn

AGRICULTURE

Purchase of coconut-milk processing facility

Rs. 1.63 bn

MANUFACTURED CAPITAL

MANUFACTURING CAPABILITIES

The Group's competitive edge is sharpened by its advanced manufacturing capabilities, which enables the continuous production of an array of high-quality, innovative and customised products. Manufacturing operations contributed approximately 40% to the Group's Revenue, underscoring the importance of manufacturing in the Group's value creation process. The Group's manufacturing footprint spans nearly 91 facilities in Sri Lanka, Thailand, Indonesia, India and Bangladesh. In addition, the 416-strong branch network of Singer is also an important element of the Group's physical infrastructure, facilitating direct access to customers across the island. Please refer the note 13 of the Financial Statements for the accounting policy pertaining to the measurement and recognition of these assets.

The Group's manufacturing footprint is summarised below;

ECO SOLUTIONS
Manufacturing of fibre-based products

8 manufacturing facilities in Sri Lanka
1 manufacturing facility in India

Rs. 2.79 bn

PURIFICATION
Manufacturing coconut-shell based activated carbon

2 facilities in Sri Lanka
2 facilities in Indonesia
2 facilities in Thailand

Rs. 6.08 bn

CONSTRUCTION MATERIALS
Manufacture of Aluminium extrusions

2 Manufacturing facilities in Sri Lanka

Rs. 3.34 bn

AGRICULTURE
Manufacturing a range of agricultural produce

13 manufacturing facilities and plants in Sri Lanka

Rs. 2.19 bn

INDUSTRY INPUTS, POWER AND ENERGY
Industrial Inputs, Power & Energy

6 mini hydro plants
1 solar plant
3 wind-power plants

Rs. 3.78 bn

TRANSPORTATION & LOGISTICS
Warehousing and marine services

20 vessels
Sri Lanka's largest mega distribution centre

Rs. 16.79 bn

HAND PROTECTION
Manufacturing a range of household, industrial and medical gloves

5 manufacturing facilities in Sri Lanka
1 manufacturing facility in Thailand

Rs. 7.31 bn

TEXTILES
Fabric knitting,dyeing,printing and brushing - cotton and polyester

3 Manufacturing facilities in Sri Lanka

Rs. 13.92 bn

PLANTATIONS
Manufacture of tea, rubber and tea extracts

50 factories

Rs. 2.60 bn

LEISURE
Hotels and resorts

4 resort properties in Sri Lanka and Maldives
5-start city hotel

Rs. 13.40 bn

CONSUMER & RETAIL
Manufacturing, financing and marketing consumer durables

Island-wide network of 416 Singer outlets

Rs. 3.99 bn

OTHERS
Head office building
Fentons inventory warehouse

Rs. 304 mn

MANUFACTURING EFFICIENCY

Over the last few years, the Group has relentlessly pursued organisation-wide efforts to improve manufacturing efficiencies and enhance productivity through initiatives such as Productivity Maintenance, Lean, and Six Sigma among others. These initiatives have enabled the Group to optimise resources, while enhancing productivity and efficiency and reducing waste. As testament to these efforts, the Turnover/PPE ratio recorded an improvement across the board.

	2023	2022	2021
Eco solutions	**5.5**	2.1	1.8
Hand protection	**7.0**	5.1	6.9
Purification	**9.9**	3.7	4.0
Textiles	**4.3**	2.4	2.5
Construction materials	**3.0**	2.2	1.6
Agriculture	**15.0**	14.9	15.9
Consumer	**16.0**	11.7	10.8

The Group has also focused on introducing sustainable manufacturing methods which aim to reduce the environmental footprint of operations while reducing costs and wastage. Details on these developments are available on the Natural Capital report on page 278.

WAY FORWARD

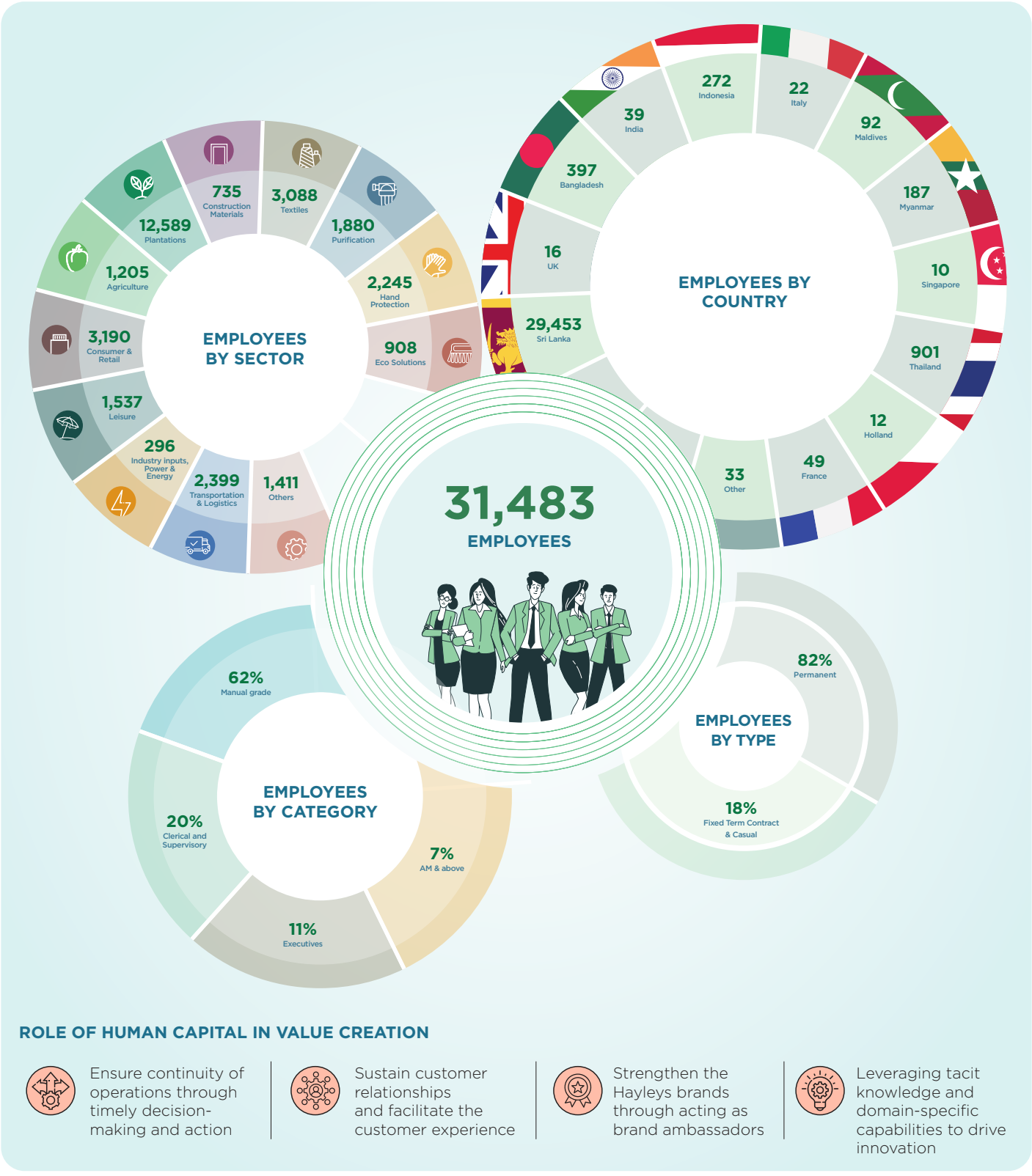
The Group will continue to direct investments towards strengthening its value-added product offerings and export-oriented businesses with the aim of enhancing foreign exchange generation capacity. When making investment decisions, sustainable manufacturing methods will be given priority as the Group seeks to embed environmental consciousness across all aspects of its operations.

Adequacy of Manufactured Capital

Having expanded manufacturing capacity in key sectors, including Hand Protection, Construction Materials, Purification and Textiles, the Group is well positioned to drive increased penetration in selected product and market segments in-line with its overall strategic ambitions.

HUMAN CAPITAL

The 31,483 strong Hayleys family is the Group's most valuable asset and significant differentiator, bringing our ambitions to life through their skills, knowledge, attitudes and values.



ROLE OF HUMAN CAPITAL IN VALUE CREATION

- Ensure continuity of operations through timely decision-making and action
- Sustain customer relationships and facilitate the customer experience
- Strengthen the Hayleys brands through acting as brand ambassadors
- Leveraging tacit knowledge and domain-specific capabilities to drive innovation

HOW WE MEASURE SUCCESS

Rs.40 bn
(+19% increase)
Total payments to employees

265,877
(7% increase)
Total training hours

8.5
(11% increase)
Average training hours

19%
Attrition rate

34%
Female representation

Rs. 15 mn
(+50% increase)
Revenue/employee

HIGHLIGHTS 2022/23

- Numerous initiatives to safeguard employees from the hardships of the economic crisis
- Training interventions to drive leadership capabilities across the Group
- Strengthen efficiencies of HR processes through the Human Resources Information System (HRIS)

HOW WE MANAGE TALENT

Many Sectors within the Group operate their own Human Resource departments that are supported by specialist services by the Group's centralised HR function. The Group HR function plays a predominant role in ensuring adherence to Group Policy and alignment to people strategies.

Policies and procedures

The Group's HR policies and procedures have been designed to align with legal and regulatory frameworks and global benchmarks (on a voluntary basis) including UN Global Compact Principles 1 to 6. The Group also adheres to the fundamental principles and rights at work set out in the ILO Declaration which includes recognising employees' freedom of association and the right to collective bargaining, elimination of forced or compulsory labour, abolition of child labour and elimination of discrimination in respect of employment and occupation.

The Group's comprehensive HR policy framework covers all aspects relating to people management including recruitment, development and performance management among others

People aspirations of the Hayleys Lifecode

ENGAGED TEAM
Targets for reducing general attrition and new hire attrition

HEALTH AND SAFETY
Safe workplace with minimal vulnerabilities to significant workplace injuries

LEADERSHIP AND SUPERVISORY DEVELOPMENT
Development of leadership capabilities

PERFORMANCE-DRIVEN CULTURE
Strengthen scope and coverage of performance management systems

TALENT REVIEW

The Hayleys family is represented by our 31,483 strong workforce, whose collective knowledge, attitudes and diversity drive the Group's value creation aspirations. The Group's human capital at a given time, is directly linked to the quantum and quality of people capabilities required to drive its strategic objectives. The conditions that prevailed in the country during the year triggered an exodus of skilled professionals pursuing overseas opportunities, resulting in many sectors and businesses facing high turnover levels. This contributed towards the reduction of total employees by 4%.

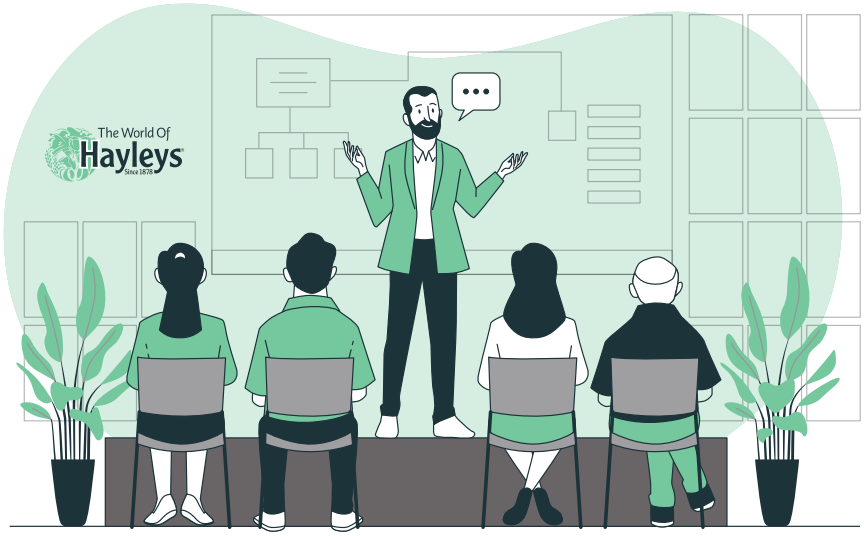
	2023	2022	2021	Movements during the year	
Total employees	**31,483**	32,840	30,765		
Permanent employees	**26,085**	26,569	25,366	Employees at the beginning of the year	32,840
Contract employees	**4,753**	5,552	4,564	Recruitment	4,891
Casual employees	**645**	719	835	Turnover	6,248
Female employees (%)	**34%**	35%	37%	Total employees by the end of the year	31,483
New employees	**4,891**	5,739	4,053		

HUMAN CAPITAL

Permanent employees by gender			
16,948	**Male**	**Female**	9,137
Permanent employees by region			
24,619	**Sri Lanka**	**Overseas**	1,466
Fixed Term Contract & Casual employees by gender			
3,760	**Male**	**Female**	1,638
Fixed Term Contract & Casual employees by region			
4,909	**Sri Lanka**	**Overseas**	489

PROFILE OF NEW RECRUITS

By Gender	No./Rate	By Age	No./Rate	By Region	No./Rate
Male	3,487 (71%)	Less than 30 years	3,303 (68%)	Sri Lanka	4,562 (93%)
Female	1,404 (29%)	30-49 years	1,486 (30%)	Overseas	329 (7%)
		>50 years	102 (2%)		



HR Process Efficiencies

- Driving paperless processes for administrative functions across Sectors
- Several new modules added to the HRIS including succession planning and talent management
- Ongoing Sector-level audits by Group HR to ensure correct use of HRIS in conducting appraisals, goal setting and payroll

Training and Development

Multiple training interventions aimed at strengthening leadership capabilities, communication skills, technical skills and other critical skills required for personal growth and business performance

Care and Welfare

AREAS OF FOCUS IN 2022/23

In view of the severe hardships faced by our employees due to the country's economic upheaval, a host of measures were taken to safeguard them. These measures included,

- Providing daily transportation facilities through the deployment of 22 buses along 14 routes at the peak of the crisis, with a total beneficiary base of over 850 employees.
- Facilitating access to essential items through partnerships with retail businesses and our plantation Sector. Cultivation across our operating locations and distribution of dry rations and other essentials across Sectors
- Temporary relief allowances to ensure financial well-being

ENHANCING OUR EMPLOYEE CAPABILITIES

We have identified critical future-skills and take proactive measures to equip our team with these capabilities to ensure they have the ability to thrive in rapidly evolving working environments. The Group adopts a blended approach of on-the-job training, structured programmes, coaching, cross-sectoral and cross-functional training and financial support for tertiary education to enhance employees' capabilities. The talent development agenda is driven by the Group HR function, with learning interventions conducted at both Group and Sector level. During the year, key areas of training focus included leadership skills, communication and interpersonal skills, stress management, technical skills and soft skills as well as a range of sector-specific training programmes.

Enabling leaders

Our Management and Leadership Development Programmes aim to strengthen our people for the future, equipping them with the capabilities to lead in different operating environments and accelerate succession pipelines. The multi-faceted initiative offered bespoke leadership programmes across selected sectors, covering all tiers of leadership and comprised a holistic learning experience which included coaching, psychometric testing and personality assessments. Key elements of the programmes are as follows:

COACHING SESSIONS
Built in coaching sessions for optimisation of leadership development

Direct coaching (consultant to participants)

Indirect coaching (participants to internal teams)

MANAGING PEOPLE AND EMOTIONAL INTELLIGENCE
Management of practical applications in difficult conversations, Emotional Intelligence when handling teams and changing landscapes

LEADERSHIP AND PRODUCTIVITY
Accountability, results orientation, time management and productivity on a personal and departmental level

ENTREPRENEURIAL THINKING
Owning the business, developing markets and solutions from an entrepreneurial perspective. Mindset change and risk taking for results

LEADERSHIP FINANCE
Understanding financial impact of all decisions, singularly and collectively

Management and Leadership Development Programmes were carried out across multiple sectors during the year covering Hand Protection, Eco Solutions, Purification, Agriculture, Construction Materials, Transportation & Logistics and Consumer & Retail totalling approximately 16,000 learning hours across over 550 employees.

HUMAN CAPITAL

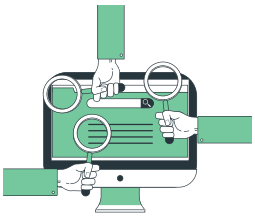
TRAINING RECORD 2022/23

Total training hours	2023	2022	2021
Total training hours	**265,877**	248,649	161,989
Investment in Training (Rs. mn)	**180**	69	18
Average training hours (by category)			
Managerial	**15.31**	35.0	10.1
Executive and Junior Executive	**16.18**	10.2	6.7
Others	**6.87**	5.1	4.8
Average training hours (by gender)			
Male	**8.99**	7.6	4.9
Female	**7.40**	7.1	5.9
Average training hours/employee	**8.45**	7.6	5.3

Quality and effectiveness of training interventions are assessed through a feedback form which captures feedback on the content delivered, effectiveness of the facilitator, style of delivery, breadth and depth of content and co-ordination of the programme.

HAYLEYS MANAGEMENT TRAINEE PROGRAMME

The Group's much-sort-after Management Trainee (MT) Programme was rolled out during the year, featuring several new unique elements to offer an immersive learning experience for aspiring young professionals. This year, the selection of potential candidates was conducted internally through a stringent and systematic process which included a 7-step filtration process. 6 Management Trainees were inducted to the Programme and graduated during the year.



Visits to operating locations across the Group

Competency Development through multiple training interventions

Two mini-projects with cross-sector exposures

One-on-one engagement with the Chairman

Core project within the allocated Sector

C-suite level mentor assigned to each MT

EMPLOYEE INSIGHTS

Effective employee engagement is vital in maintaining a motivated, committed and satisfied workforce. While engagement had largely shifted to digital platforms following the outbreak of COVID-19, the year under review saw the normalisation of engagement activities to a certain extent, with events such as the Sports Awards and annual Children's party held after a hiatus of 2 years.

Key highlights during the year are summarised below:

Engagement platform	Impact
Internal communications Quarterly CONNECT magazine and employee broadcast conducted through Office 365 platform	To ensure employees are connected with happenings across the Group and its people
Satisfaction surveys Most Sectors conduct internal and/or third-party facilitated employee satisfaction surveys	Obtain employees' feedback and concerns and reveal areas for improvement Several Companies successfully obtained/maintained the Great Place To Work certification during the year in review
Cultural, sports and other events Year-round calendar of events including Sports Awards and Musical Night, Pirith, alms giving, multi-religious ceremony, art competition, children's party, hospital donations, sports tournaments including online chess, table tennis, swimming meet, cricket 6s	Build camaraderie, team spirit and overall satisfaction

INDUSTRIAL RELATIONS

The Group recognises our employees' right to association and collective bargaining. Approximately 15% of the Group's employees are covered by Collective Agreements and we have not identified any operations in which the right to freedom of association and collective bargaining may be at risk. Minimum notice periods vary depending on the sector and circumstances, but relevant collective agreements ensure that a reasonable notice period is given for operational changes. During the year, Group and Sector HR teams maintained cordial relationships with all trade unions and there were no disruptions to operations due to industrial action.

RIGHTS AND WORKING CONDITIONS

Fair and equitable labour practices are at the core of our employee value proposition and we strive to create a conducive work environment that is free of any discrimination and respects employees' rights.

In addition to regulatory compliance, our approach is aligned to international and national best practices, our values and code of conduct and are incorporated into the Group's HR policies and procedures. The Group also has a clearly defined and communicated grievance handling system, which allows employees to put forward any grievances without fear of reprisal.

Our commitment to employees include,

- Protection of human rights and fair employment
- Principles of non-discrimination
- Freedom of association
- Freedom to express concerns through established grievance and whistleblowing procedures without fear of reprisal

Sector	% of employees covered by Collective Agreements
Plantations	7%
Purification	34%
Hand Protection	24%
Agriculture	13%
Eco Solutions	30%
Consumer & Retail	34%
Textiles	32%

HUMAN CAPITAL

COMPENSATION, BENEFITS AND RECOGNITION

The Group's reward schemes include an array of market-competitive benefits that enable us to attract, motivate and retain employees. The Remuneration policy ensures a consistent approach across Group companies, while factoring industry-specific dynamics and regulations. Our benefits include components that are applicable across the Group as well as non-core benefits which are applicable to selected Sectors or employee groups. Group-wide benefits include medical and life insurance, fuel allowances, subscriptions and study assistance (for selected categories), Group discounts for Hayleys products, funeral fund and retirement benefit through the Hayleys Group Recreation Club. In addition, Sector-specific benefits given include enhanced gratuity payments and long-service awards.

APPROACH TO REMUNERATION

- Market competitive benefits, which were adjusted for the escalation in cost of living during the year
- Full statutory and tax compliance
- Equity and non-discrimination in remuneration

Remuneration highlights in 2022/23

Rs.40 bn
(+19%)
Payments to employees

Rs.1.28 mn
(+24%)
Remuneration/employee

CHAIRMAN'S AWARDS 2022

- The Group held its 10th annual Chairman's Awards in March 2023, recognising the inspiring achievements and commitment to excellence of its teams across diverse businesses. This year's Awards featured a new series of category awards, featuring top initiatives across ESG, Innovation, Quality and Lean Management and Service Excellence. A total of 205 employees across 25 project teams were recognised and felicitated at the Awards this year.

Parental leave: We provide female employees with parental leave in line with the country's labour laws. The Plantation Sector also offers crèche facilities which allow females to continue working after child birth. The Group's relatively high return-to-work levels are testament to the support given to new parents to manage the often conflicting demands of work and home.

PERFORMANCE MANAGEMENT

The Group's performance management framework aims to encourage employees to perform at their best and recognise them for their contributions. We also firmly believe that regular, fair and constructive performance related feedback drive personal growth, competency development and business contribution. The performance management process from goal setting to mid and end-year reviews for all employees in executive and above categories are conducted through the HRIS. Appraisals for all non-executive employees are conducted offline. Approximately 99% of our permanent employees undergo annual performance appraisals. Performance appraisals are based on the Balanced Scorecard and comprises goals that are SMART.

Performance management process
Individual employees set annual objectives aligned to the relevant business/ department strategy, which are reviewed and approved by the relevant manager
Mid-year performance appraisal where progress against expectations and deliverables are discussed
Year-end performance review where final performance rating is confirmed

Goals based on Balanced Scorecard | Competencies | Values

EMPLOYEE PRODUCTIVITY

During the year, we were cognisant of the potential mental stress and anxiety our employees could face given the unprecedented socio-economic challenges that prevailed. In addition to employee well-being (refer to page 254 for further information), this could also have an inevitable impact on productivity levels and the following measures were introduced to mitigate associated challenges.

- Ongoing engagement including daily check-ins by immediate supervisor
- Increased focus on mental well-being
- Expanding the scope and coverage of transportation services
- Equipped employees with relevant digital infrastructure and support to work effectively from home

Productivity indicators

Revenue per employee (Rs.mn)	
2020/21	7.84
2021/22	10.29
2022/23	15.48
Profit per employee (Rs.mn)	
2020/21	0.84
2021/22	1.02
2022/23	1.10

TALENT MOBILITY AND SUCCESSION PLANNING

The Group is placing strategic focus on strengthening leadership skills and building the talent pipelines that are required to drive its strategic aspirations. The talent management framework ensures effective succession planning for key roles through offering continued opportunities for development, mentoring and leveraging on the Group's culture of knowledge sharing. In building internal talent pipelines, internal candidates are invited to apply for selected vacancies, prior to being advertised externally.

647 Promotions
from one level to another

216
Vacancies filled internally

HEALTH & SAFETY

The Group's Health & Safety policy sets the foundation for achieving high standards of care and a safe workplace for all employees and other relevant individuals. At Sector level this is further reinforced by compliance to safety certifications, incident reporting and stringent procedures to identify potential health and safety risks. These measures are summarised below;

H&S MANAGEMENT SYSTEM

The Group's H&S Framework is guided by a comprehensive H&S Policy and an H&S Audit Pool, which is represented by multiple Sectors. We also comply with all relevant regulations under the Factories Ordinance, BOI requirements and Labour Laws of Sri Lanka. Meanwhile several sectors within the Group including Hand Protection, Agriculture, Construction Materials, Textile, Purification, Transportation & Logistics and Projects & MEP also comply with the ISO 45000: 2018 OHS Management system certification

HAZARD IDENTIFICATION

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

H&S SERVICES

In addition to dedicated professional OHS persons and visual communication, the Group offers emergency vehicles at sites, medical centres, dedicated nurses/medical representatives at facilities etc. The Group also has a fully qualified in-house nurse and employees are provided access to a medical practitioner free of charge

HUMAN CAPITAL

A culture of safety: Health and safety is an organisation-wide responsibility, and regular inventions are conducted across the organisation to nurture a culture of safety. These are driven under the leadership of dedicated and active OHS committees (mainly in the Sectors which comply with ISO 45001: 2018) which are represented by members from all levels of the organisation. Sectors such as Transportation & Logistics have also embedded OHS related KPIs into employee performance evaluations to ensure the nurturing of a safety conscious culture. In addition, ongoing safety trainings are provided to all employees based on the specific OHS risks faced by the Sectors; these include fire fighter training, first aid, incident investigation, behavioural training and emergency response training among others.

they perform and how they interact with others. The severe economic hardships and uncertainty of 2022 had a significant impact on the emotional and psychological well-being of our people. In addressing this issue, we conducted a full-day programme on stress management, with the participation of our employees.

Gender parity at Hayleys

The Group continues to attract, engage, develop and provide opportunities for women to excel across all areas of the business. We are committed to increasing the female representation in leadership roles, thereby ensuring that diverse views are represented at senior levels. Our commitment to gender inclusivity is embedded through our HR policies and processes from recruitment and training opportunities to remuneration and promotions.

SAFETY RECORD IN 2022/23

	2023	2022	2021
Reported first-aid cases	**147**	236	229
Occupational injuries resulting in lost days	**66**	73	149
Lost man days due to accidents/injuries	**1,076**	2,111	1,861
Work-related fatalities	**-**	-	-

WELL-BEING

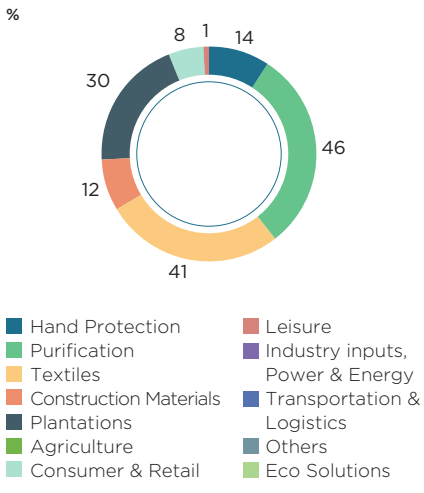
Physical well-being

During the year, the Group conducted a health camp for all employees located at the Head Office. The camp involved health tests and screening for all participants, with follow-up action recommended if required. In addition, employees are provided access to free consultations with a doctor. With the introduction of Zumba and Yoga sessions, we conducted awareness sessions on educating employees on the benefits of regular exercise. Awareness sessions on Vitamin D deficiency and Osteoporosis were also held during the year.

Mental well-being

We understand that the mental well-being of our employees play a key role in their behaviour, how well

SECTOR-WISE INJURIES



ENABLING POLICY ENVIRONMENT

RECRUITMENT POLICY

"Equal opportunity employer providing a workplace free from gender and racial discrimination"

ANTI SEXUAL HARASSMENT POLICY

Commitment to creating a healthy, inclusive working environment that enables employees to work without fear of sexual harassment

REMUNERATION POLICY

1:1 Remuneration ratio between men and women

Our policy ensures that employees doing similar jobs at the same level are paid equitably irrespective of gender

GRIEVANCE HANDLING POLICY

The policy provides a structured framework for complainants and complaint recipients on lodging and resolving a grievance

HAYLEYS LIFECODE GOAL 2030

All employees to undergo training and awareness on anti-discrimination

Female representation

- **10%** Board of Directors
- **12%** AM and above
- **26%** Executives
- **19%** Clerical and supervisory
- **43%** Manual

Career and skill development for women

- **79,759** (29% of total) Training hours
- **1,404** (28% of total) Recruitments
- **2,172** (35% of total) Exits

Initiatives

PLANTATION SECTOR

Womb-to-tomb proposition for plantation workers, with females receiving comprehensive nutritional, healthcare and childcare support

HAYLEYS GROUP

Panel discussion in view of Women's Day, featuring several female leaders in the Group

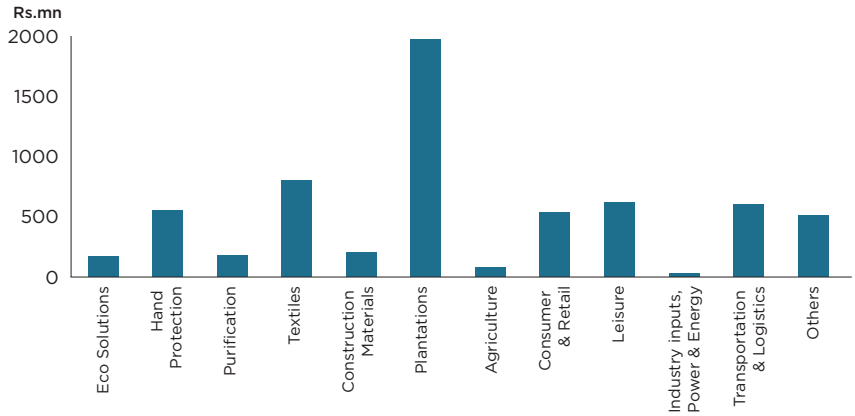
TALENT RETENTION

Retention emerged as a key challenge during the year, given the exodus of skilled professionals from the country in search of overseas opportunities. Talent retention strategies introduced across the Group with a view to meet current attrition challenges contributed to a large extent in reducing employee exits. Turnover levels were particularly high in the Leisure Sector, given the successive challenges faced by the industry over the past two years. Overall, the Group's retention rate reduced to 80%, from 85% the previous year. Further details of the Group's attrition during the year are summarised below:

Profile of exit employees

By Gender	No./Rate	By Age	No./Rate	By Region	No./Rate
Male	4,076 (65%)	Less than 30 years	2,649 (42%)	Sri Lanka	5,979 (96%)
Female	2,172 (35%)	30-49 years	2,431 (39%)	Overseas	269 (4%)
		>50 years	1,168 (19%)		

EXIT EMPLOYEES BY SECTOR



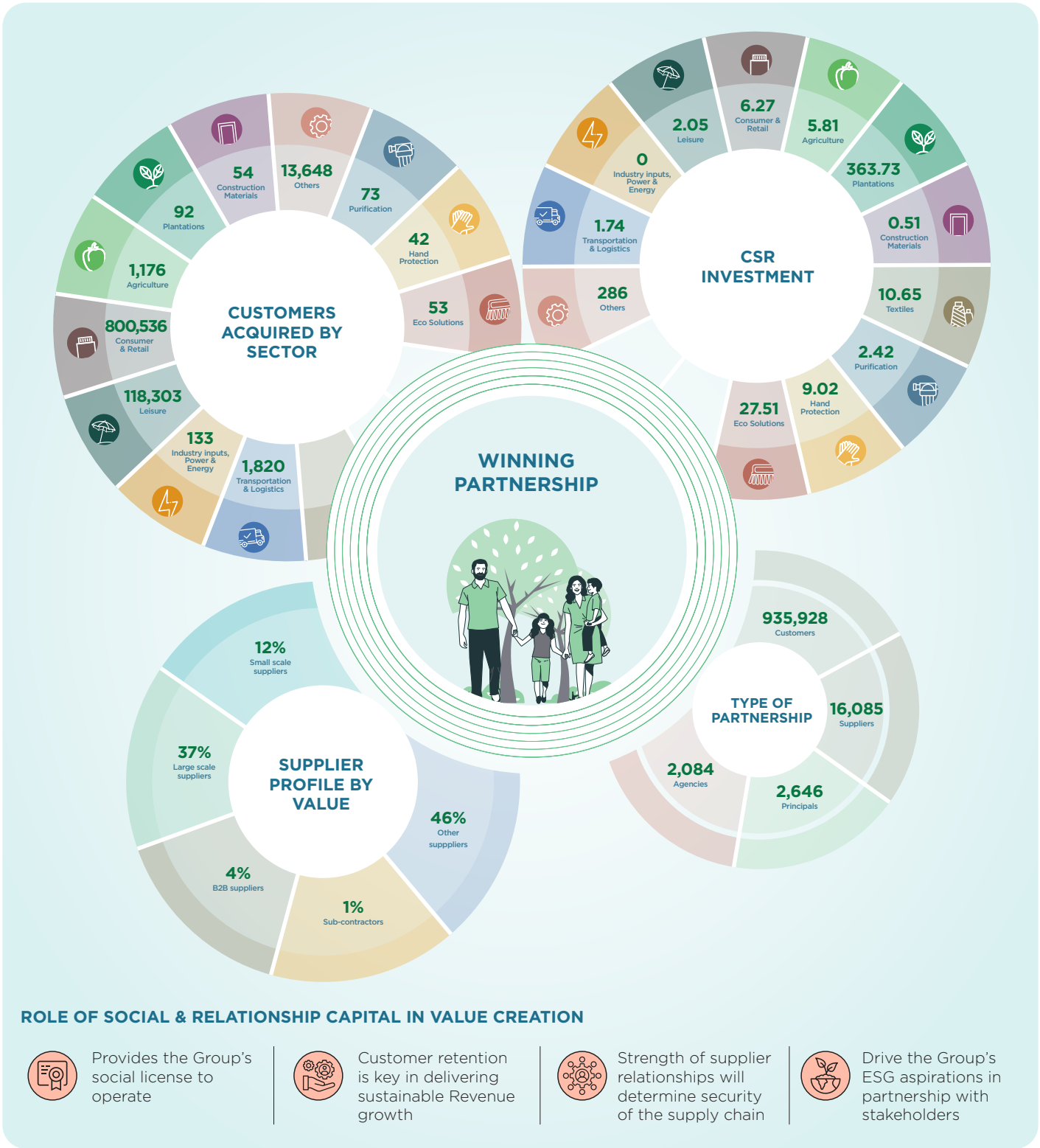
WAY FORWARD

From a people perspective, the most critical challenge we foresee in the short-term is talent retention. We are also cognisant of the potential well-being implications of the prevalent economic uncertainty and are committed to continuously supporting the needs of our employees, along with special emphasis on diversity and inclusion. Against this backdrop, our key priorities for 2023/24 will include,

- Continually driving industry specific talent retention strategies
- Development of leadership tiers and capabilities
- Ongoing focus on employee well-being and welfare
- Driving holistic, organisation-wide, diversity & inclusion initiatives

SOCIAL & RELATIONSHIP CAPITAL

The extensive relationships we have nurtured with suppliers across Sri Lanka's key value chains and agricultural networks is one of the Group's key strengths and differentiators. With inclusive business models being a key pillar of our Purpose, we have shared our success through these relationships, driving socio-economic empowerment across the country.



ROLE OF SOCIAL & RELATIONSHIP CAPITAL IN VALUE CREATION

- Provides the Group's social license to operate
- Customer retention is key in delivering sustainable Revenue growth
- Strength of supplier relationships will determine security of the supply chain
- Drive the Group's ESG aspirations in partnership with stakeholders

HOW WE MEASURE SUCCESS

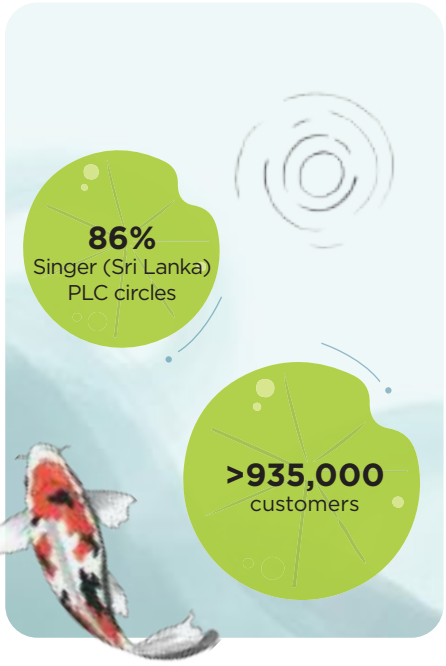
97% Customer complaints resolved	**Rs.392 bn** **(+65%)** Value injection to suppliers	**Rs.433 mn** CSR investment
84% CSR beneficiaries increased	**12%** Value injection to small scale suppliers	**61%** Value injection to local suppliers

HIGHLIGHTS 2022/23

- Strategic focus on customised offerings and sustainable innovation
- Continued value injection to suppliers despite the challenging operating landscape
- CSR activities centred on addressing critical challenges faced by communities

CUSTOMER VALUE

The breadth and depth of the Group's operations has enabled it to build a global network of retail and B2B customers across 5 regions of the world. The total customers catered during the year amounted to approximately 935,000, with the majority representing the customer base of Singer (Sri Lanka) PLC which has an unmatched penetration in the consumer durables segment. During the year, the Group placed strategic focus on driving customer acquisition in new markets and regions, thereby further increasing the diversity of its customer base.



LISTENING TO OUR CUSTOMERS

The Group engages with its customers through a range of formal and informal mechanisms as described on page 268. These platforms are used to identify and respond to the concerns and suggestions of our customers, thereby ensuring their needs are identified and responded to. Key concerns raised by customers during the year and our responses are given below,

SOCIAL & RELATIONSHIP CAPITAL

INNOVATION

The Group's innovation capabilities are a key source of competitive edge and have enabled our Sectors to compete effectively with global players, catering to emerging customer needs. Details on the Group's innovation footprint during the year are detailed on page 265 of this Annual Report and summarised alongside:

549
New products developed

82
Products in the pipeline

Rs.323 mn
Investment in R&D

PRODUCT AND SERVICE RESPONSIBILITY

The Group complies with a range of domestic and international certifications which provide assurance to external stakeholders regarding our processes, systems and products (refer to page 268 for further information). A Group-wide process is in place to ensure the integrity and accuracy of all marketing communications; in general, press releases, advertisements are reviewed and approved by the Hayleys Group Corporate Communications prior to publication. Group Corporate Communications is currently formulating a Responsible Marketing guideline which will subsequently be rolled out to all Sectors.

Key certifications obtained by the Group which provide assurance on the quality and safety of our products is summarised below. Please note that this table only includes the certifications that are applicable to product responsibility; kindly refer to page 268 for a full list of certifications.

ZERO
Instances of non-compliance concerning marketing communications

ZERO
Instances of non-compliance relating to customer health and safety issues

ECO SOLUTIONS	GOLS - Global Organic Latex Standard British Retail Consortium Certificate OCS - Organic Content Standards
HAND PROTECTION	British Retail Consortium Certification Safety and Quality certification for consumer products ISO 22000: 2005 Food Safety Management Systems Control Point & TASL-SGS - Food Safety Management Systems
TEXTILES	ISO 45001 Health and Safety management system certification Zero Discharge of Hazardous Chemicals (ZDHC) Joint Road Map Clean Chain Chemical Inventory Management Tool
CONSTRUCTION MATERIALS	ISO 9001: 2015 Quality Management Systems ASI Membership by Aluminium Stewardship Initiative
PURIFICATION	ISO 9001: 2015 Quality Management Systems Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Compliance
AGRICULTURE	ISO 9001: 2015 Quality Management Systems Hazard Analysis Critical Control Point System Certification – HACCP Organic certifications Gluten free certification
PLANTATIONS	ISO 22000: 2018 Food Safety Management Systems Halal Certificate Organic Rubber Certification USDA/NOP Global Organic Latex Standard (GOLS) ISO 9001 : 2015 Quality Management Systems

SUPPLIERS

The Group's socio-economic footprint across Sri Lanka is strengthened by its diverse and widespread supplier base consisting of over 18,000 suppliers, through whom we procure a range of raw materials. Our suppliers are diverse in geographical profile and scale of operations, ranging from individuals and small-scale suppliers to large B2B players. Hand protection, Purification, Agriculture Textiles and Eco solutions procure mostly from small scale suppliers, while Industrial Inputs and Consumer source from large-scale suppliers. Given the numerous disruptions and logistical bottlenecks that prevailed during the year, many Sectors focused on strengthening engagement with suppliers to ensure their commercial sustainability and security of supply.

Supplier profile 2022/23

18,030
Suppliers

75%
Small-scale suppliers

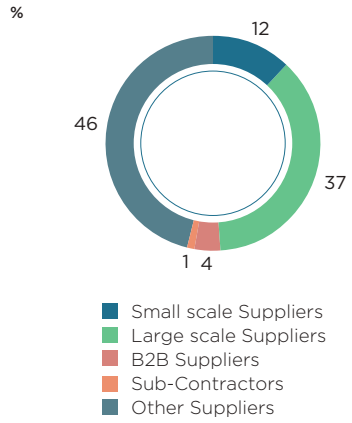
>1,047
New suppliers added

Supplier value creation in 2022/23

Continued value injection

The Group's value injection to suppliers increased by 65% to Rs.392.78 bn during the year, reflecting our continued commitment to our value chain partners despite the uncertain conditions that prevailed during the year. Of the total payments, 12% represented payments to small-scale suppliers.

SUPPLIER PROFILE BY VALUE



Rs.392 bn
Payments to suppliers

65% increase
Payments to suppliers

SUPPLIER EDUCATION AND AWARENESS

As a Group that is at the forefront of industry innovation, sustainability and quality in several of its key verticals, the Group is committed to propagating best practices along its value chain. To this end, our Sectors continuously engage with our supply chain partners in raising awareness on critical industry issues.

TEXTILES SECTOR- AWARENESS SESSION

The Textiles Sector conducted an awareness session for the chemical suppliers of Hayleys Fabric and South Asia Textiles with the aim of bridging the chemical safety and compliance requirements and enhance knowledge of industry stakeholders on the chemical best practices of the textile industry.

SUPPLIER DEVELOPMENT

Several key sectors conduct ongoing supplier development programmes, with the aim of building capacity and supporting the long-term survival of suppliers. These initiatives (listed below) have also aided the Group in propagating best practices including social and environmental practices across its supply chain.

Rs. 10 mn
Investment in supplier development

2,168
Suppliers supported

SOCIAL & RELATIONSHIP CAPITAL

FIRSTLIGHT – HAND PROTECTION

An ongoing and strategic development programme conducted by the Hand Protection Sector, Firstlight ensures a fair price for rubber latex by guaranteeing rubber smallholders a price which is indexed to RSS1 (the highest grade of consumed rubber) for their field latex. DPL also contributes US 0.5 dollars for every pair of gloves sold, which is utilised to fund a wide range of education, health and infrastructure projects to improve the overall quality of life of smallholders and their families.

+5,000
Farmers in total

Rs.3.18bn
Payments to Firstlight farmers

100+
Farmers participated in training programmes

Farmer training on latex tapping, natural rubber collection techniques, nursery development etc

Rs.3.80mn
Investments in community engagement

SINGER- SUPPORTING LOCAL MANUFACTURERS

The Group's Retail arm provides market access to small-scale local manufacturers by offering them a platform to sell their products, through the Sector's extensive retail network. Given the restrictions on imports that prevailed during the year, the Group increased focus on local suppliers, sharing market insights and offering capacity building to strengthen manufacturing capabilities

HARITHA ANGARA - PURIFICATION SECTOR

A holistic supplier development initiative, through which charcoal makers are encouraged to engage in environmentally friendly charcoaling with Haycarb PLC providing technical support and guidance on ecologically friendly charcoaling processes and buy back agreements. The value proposition includes,

- Engineering design and regular supervision to ensure proper standards are met during construction stage
- Financial asssitance to set up pits and chambers for charcoaling
- Pricing and procurement in line with market conditions

6,000
Farmers island-wide

8
New suppliers added

Rs.6mn
Investment in supplier development

12
Green charcoaling pits added

35
Suppliers assisted to mechanise production facilities

OUT-GROWER PROGRAMMES- HAYLEYS AGRICULTURE

The Agriculture Sectors works with over 11,000 outgrowers for fruits, vegetables and seeds including jackfruit, banana, soursop, jalapeno pepper, pineapple, papaya, black pepper, chili, turmeric, and vegetables from the regions of Batticaloa, Jaffna, Kilinochchi, Mullativu, Mannar, Vavuniya, Ampara, Anuradhapura, Polonnaruwa, Puttalam, Badulla, Matale, and Rathnapura districts. The products are thus sourced and further processed for value addition and exported to over 50 countries. Key elements of our value proposition to outgrowers include the following:

- Training on cultivating according to specified food standards
- Fairtrade certification to ensure that each rural farmer is treated fairly without exploitation.
- Sustainable agriculture practices including nutrient and water management practices, GMP and GAP.
- Farmers are provided with inputs, technical assistance and extension services free of charge.

>11,000
Outgrowers

152
Training programmes

7,200
Outgrowers trained

COMMUNITY ENGAGEMENT

Approach to community relationships

The Hayleys Lifecode includes a Community Relationships policy which provides guidance on how Group companies should develop and execute community relations programs which reflect its social goals and the expectations of its communities. Key aspects of the policy are set out alongside:

- Sectors should actively engage in strategic community development initiatives, broadly focusing on the key areas of education, health and well-being, livelihood development, religion and culture
- Encourage and reward employee volunteerism, thereby recognising employee involvement.
- The progress of all projects should be monitored periodically, through impact assessments, audits, feedback from beneficiaries and independent third parties (where necessary) to ensure that program objectives are met.

CSR Governance: All CSR initiatives are aligned to the Group policy but formulated and driven at Sector level; certain significant projects are also driven by the Centre. The newly established Group ESG Steering Committee has oversight responsibility on the Group's CSR activities. Details pertaining to CSR activities, beneficiaries and impacts are reported to Group Sustainability on a quarterly basis.

Measuring our impact: Sectors monitor the impact of its community engagement activities on an ongoing basis, defining project-specific criteria to monitor progress and assess success. From a Group perspective, total beneficiaries, CSR investments and volunteer hours are monitored on a consistent basis.

COMMUNITY CHALLENGES

SHORTAGES IN ESSENTIAL MEDICINES	INCREASE IN FOOD INSECURITY	DISRUPTIONS TO PRIMARY EDUCATION	INCREASED POVERTY LEVELS
given the country's foreign exchange crisis	in line with the escalating food inflation and supply chain disruptions	due to increased poverty levels, particularly in rural parts of the country	in line with the prevalent socio-economic challenges

STRATEGIC CSR INTERVENTIONS

Group-wide contributions to government hospitals	Meal programmes	Donation of books and stationary	Programmes targeting economic empowerment of vulnerable communities

SOCIAL & RELATIONSHIP CAPITAL

Highlights

Rs.433 mn
Investment in CSR

>990,000
CSR beneficiaries

>12,000
Volunteer hours

CONTRIBUTIONS TO THE HEALTHCARE SECTOR

During the year under review, Sectors were requested to direct their CSR budgets primarily towards addressing the country's shortage in medicines and other consumables through contributions to government hospitals. Accordingly, several key sectors engaged in donations to hospitals around the country during the year, as summarised below:

PURITAS SATH DIYAWARA

Conducted as the Group's flagship CSR initiative for many years, Puritas Sath Diyawara leverages the Group's expertise in water purification to provide purified water to families in areas affected by Chronic Kidney Disease (CKD). Conceptualised and launched by Puritas (Pvt.) Ltd., the initiative has expanded in partnership with other sectors within the Group. A Puritas Sath Diyawara project consists of commissioning a Reverse Osmosis (RO) water treatment plant and distribution system (through docking stations) to enable residents to obtain high quality potable water.

190,000 litres Water purified a day	**>43,000** People benefited	**23** Villages benefitted
19 Projects	**Rs. 83.00 mn** Collective and cumulative investment by the Hayleys Group	**275** Direct job opportunities

ADDRESSING FOOD INSECURITY

Sisu Divi Pahana by Haycarb PLC

As part of its 50th anniversary commemoration, the Purification Sector launched 'Sisu Divi Pahana' a program to provide nutritious mid-day meals to students across 13 schools in Madampe, Wewalduwa, Kaluthara,Mahiyanganaya, Padaviya

PURIFICATION SECTOR

Renovation of Plastic Day Surgery unit of National Hospital Sri Lanka

Renovation of ward 56 & 57 Cancer treatment unit at the Karapitiya Teaching hospital

Rs.13 mn

Donations of medicine and medical equipment to 10 hospitals in Sri Lanka including National Hospital Colombo, Lady Ridgeway Hospital, Divulapitiya Hospital, Padaviya Hospital and Badalgama Hospital among others

Rs. 8.4 mn

TRANSPORTATION & LOGISTICS SECTOR

Donations of Tacrolimus tablets to Nephrology & Transplant Unit, National Hospital, Kandy by Team Advantis Express

The Advantis Free Zone team engaged in a blood donation campaign in partnership with the National Blood Bank

Donation of fans to Apeksha Cancer Hospital in partnership by CEVA Logistics

HAND PROTECTION SECTOR

Donations of medicines and gloves to government hospitals including the following:

- Base Hospital Homagama
- Divisional Padukka Hospital
- Divisional Hospital Biyagama
- Rs. 5.40 mn

ECO SOLUTIONS SECTOR

Donation of essential medicines to multiple hospitals including (among others)

- Negombo General Hospital
- Diwulapitiya Divisional Hospital
- Dankotuwa Divisional Hospital
- Dunakandeniya hospital
- Base Hospital Maravila

and Batticaloa. The timely programme aims to prevent acute malnutrition in students amidst the country's economic crisis and surge in food inflation.

700 Students | **13** Schools

SUPPORTING EDUCATION

Sath Diyawara- Going beyond

Launched as an extension of Puritas Sath Diyawara, 'Going Beyond' strives to address the broader socio-economic needs of the people living in CKD affected villages. In recent years, this initiative has focused on supporting the educational needs of these impoverished communities through providing infrastructure & facilities and book donations among others. During the year, the Group engaged in a book distribution to the Rambaawa Wijayaraja M.V supporting the educational requirements of 439 students.

14 Schools | **Rs. 31 mn** Cumulative Investment

>3,500 Students | **8th** Consecutive year

BOOK AND STATIONARY DONATIONS

Several of our sectors including Purification, Transportation & Logistics, Hand Protection and Eco Solutions engaged in book and stationary donations to schools operating within adjacent communities to ensure continued access to education.

Protecting the vulnerable

A Home for Every Plantation Worker

A long-term, multi-dimensional community engagement initiative carried out by the Plantation Sector, 'A Home for Every Plantation Worker' is a unique and holistic program targeted at uplifting the living standards of employees and estate community amounting to nearly 150,000 individuals. The relevance of this programme was greater during the year, given the numerous socio-economic challenges that prevailed.

The progress made in each of the focus areas are summarised below:

Living environment	**27,996 Beneficiaries** Construction of new houses, upgrading existing water supply schemes and installation of new water delivery systems and improving access roads
Health & nutrition	**647,538 Beneficiaries** Comprehensive immunisation programmes, medical facilities, awareness programmes on health and nutrition, early childhood development programmes and antenatal and postnatal care
Community capacity building	**41,208 Beneficiaries** Provision of housing loans, savings schemes, micro-financing facilities as well as training on household financial management and home gardening among others
Youth empowerment	**49,596 Beneficiaries** Home gardening, language and computer classes, awareness on significant social issues and career awareness programmes

Capacity building and skill development

Singer Fashion Academy

The Singer Academy supports livelihood development through empowering youth who wish to pursue a career in sewing. by providing opportunities for skill development through 6 fashion academies. The School aims to provide future fashion entrepreneurs an understanding of the scope and opportunities available in the field of fashion design at an affordable cost

Fabricator Training By Alumex

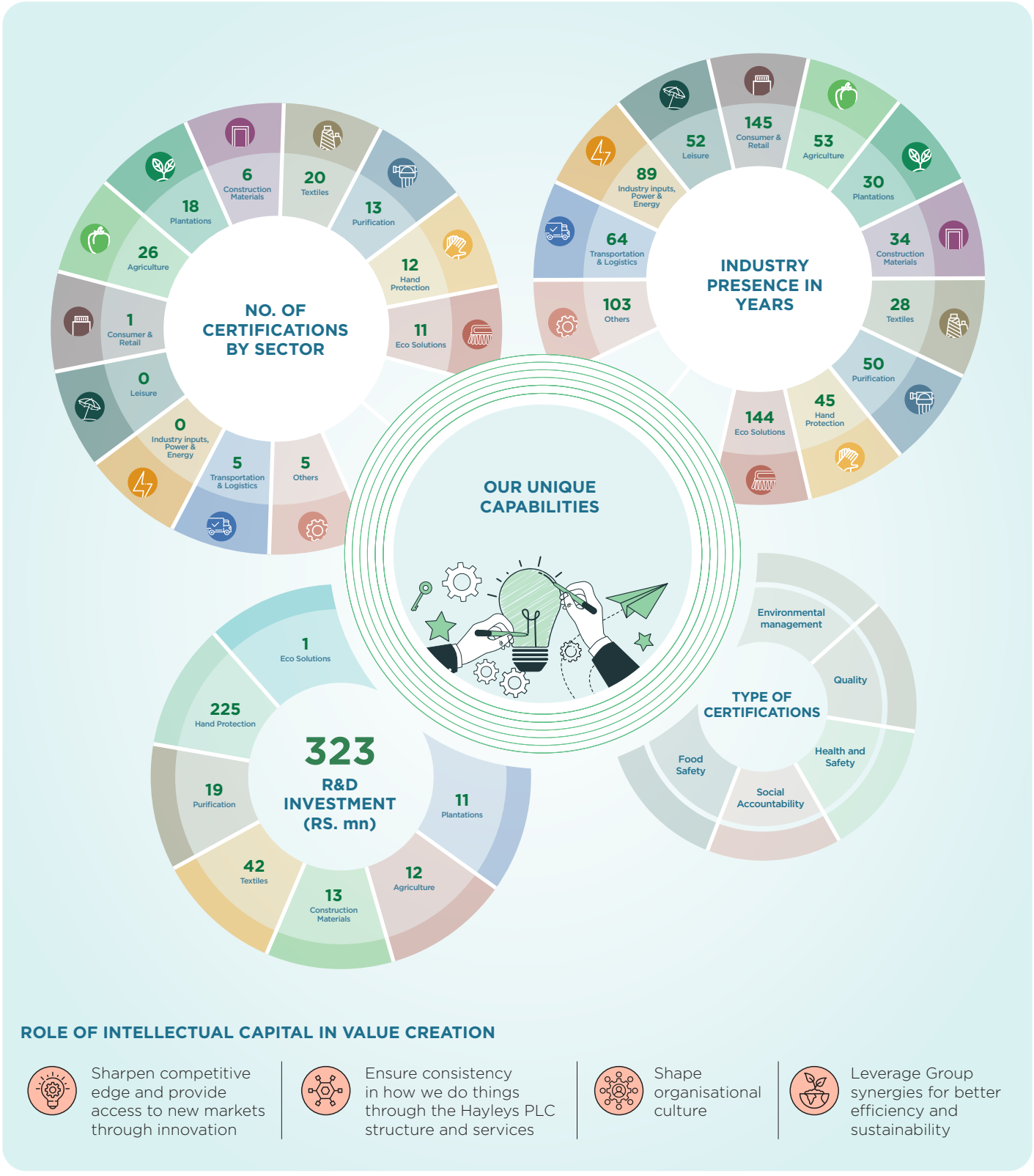
Alumex continues to build capacity in the aluminium extrusions industry, providing practical insights into the application and usage of Aluminium profiles, components, new products and new technologies through multi-faceted training programmes. The training is targeted towards a wide range of fabricators and technicians including students of VTA affiliated Technical Colleges, CECB, Buildings Department, Provincial Councils, ICTAD, Contractors, Sri Lanka Army, Navy, Air Force and other Technical Colleges (Government/ Non-Government) island wide.

Agriculture Training Schools

The Hayleys Agriculture Training school conducts training programs for a range of stakeholders including teachers, industry practitioners and commercial operators. While supporting our financial objectives this initiative also aims to enhance the agricultural skill base in Sri Lanka, given the shortage of skilled labour in the industry.

INTELLECTUAL CAPITAL

The Group's Intellectual capital is what sets us apart, enabling us to maintain our competitive edge and deliver sustainable growth. This deeply engrained knowledge base is nurtured and passed on through a culture of mentoring and knowledge sharing.



ROLE OF INTELLECTUAL CAPITAL IN VALUE CREATION

- Sharpen competitive edge and provide access to new markets through innovation
- Ensure consistency in how we do things through the Hayleys PLC structure and services
- Shape organisational culture
- Leverage Group synergies for better efficiency and sustainability

HOW WE MEASURE SUCCESS

Rs. 323 mn
R&D Investment

549
New products developed

2
Patents received

82
Products in pipeline

HIGHLIGHTS 2022/23

- Launch of several new products focusing on sustainable innovation, value-addition and customised offerings
- Process innovations to drive efficiency, sustainability and cost savings
- Over 118 certifications in product quality, environmental management, health and safety and sustainability

INNOVATION

The Group's intellectual capital fuels its aspirations to drive innovation in its products and processes, which in turn are catalysts in building a sustainable and profitable business. We encourage new ideas through propagate a culture of learning which stimulates innovation and knowledge sharing. The Group also collaborates with leading research institutions and universities in developing and commercialising research that facilitates innovation. The Group has built a strong reputation for innovation across several of its' key sectors, having pioneered a range of products/initiatives which have driven industries forward. Key developments in the Group's R&D and innovation drive in 2022/23 are given below. Further details are available in the Portfolio Review from page 121 to 234 of this Report.

PRODUCT INNOVATIONS

Purification Sector
Super capacitor carbons and premium grade products

Hand Protection Sector
Premium sports gloves

Textiles
Warna by Mahogany
Midnight by Charcoal
Customised variants of INNO

Construction Materials Sector
Low-carbon aluminium
Dwelling-DIY range

Industry Inputs, Power & Energy Sector
Illumina platform for next generation diagnostics
Eco-One: Organic additive to enhance biodegradation of plastic

Plantations
Specialty tea range by TTE-Matakelle White tea

Agriculture
2 new rice herbicides
Milk Based Cow Pregnancy Test from IDEXX laboratories
Mastivac-first antibiotic-free vaccine in animal health Aluspray- wound healing solution

PROCESS INNOVATIONS

Construction Materials Sector
Use of recycled aluminium, as an alternative to virgin material

Plantations
Ongoing focus on mechanisation and automation

Textiles
Use of Artificial Intelligence capabilities to increase accuracy of dye/chemical procurement

Hand Protection
Engineering and energy saving innovations in manufacturing facilities

INTELLECTUAL CAPITAL

PRODUCTS THAT SHAPE BETTER FUTURES...

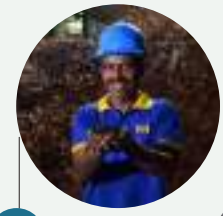
The Group's extensive product portfolio across its diverse business verticals, are designed to address critical social and environmental challenges facing the world today, thereby ensuring that our innovations are sustainable, and shape better futures. Key elements of the Group's product proposition is illustrated below:

ECO SOLUTIONS SECTOR

Growing media products enable cultivation in limited spaces thereby increasing food security while using less resources, reducing food waste and promoting healthier diets.

PURIFICATION

Product applications in			
Safeguarding health and well-being	Eco-friendly energy systems	Waste gas and water treatment	Minimising resource depletion



CONSTRUCTION MATERIALS

Use of recycled aluminium in the production of aluminium profiles, which drives circularity across our operations and reduce dependence on virgin material

AGRICULTURE

Contribute to food security through ecologically friendly solutions including crop protection solutions, fertilizers, high yielding seed varieties.

CONSUMER & RETAIL

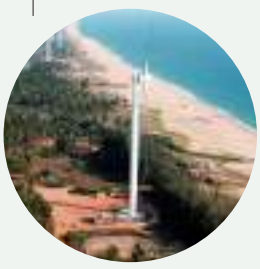
Provides customers with access to globally reputed consumer durable brands which enhance quality of life through increased convenience

HAND PROTECTION SECTOR

Hand Protection Sector DPL's extensive portfolio of gloves support safety and well-being across varied industrial applications and household use

FENTONS

Encourage Sri Lanka's shift to renewable energy through offering a range of domestic and industrial solar solutions



INDUSTRY INPUTS, POWER & ENERGY

Renewable energy generation, which supports the country's energy security and environmental sustainability

ORGANISATIONAL CAPITAL

Industry insights and domain-specific knowledge gained over an established track record of over 145 years has sharpened the Group's competitive edge and enabled it to nurture a unique base of intellectual capital. With Sectors consistently increasing the depth and breadth of its operations both organically and through acquisitions, this unique base of intellectual capital has deepened, facilitating a high level of adaptability to market conditions, which has in turn enabled resilience in challenging conditions. The Sectors also harness cross-industry expertise in driving solutions and value creation, with successful initiatives being replicated in other sectors or across the organisation.

INDUSTRY THOUGHT LEADERSHIP

As a dominant player and active stakeholder in several of its business sectors, the Group contributes proactively to industry forums and associations, engaging with stakeholders and the government to provide input in creating an enabling industry and regulatory environment. The Group holds memberships in the following industry associations:

GROUP SYNERGIES

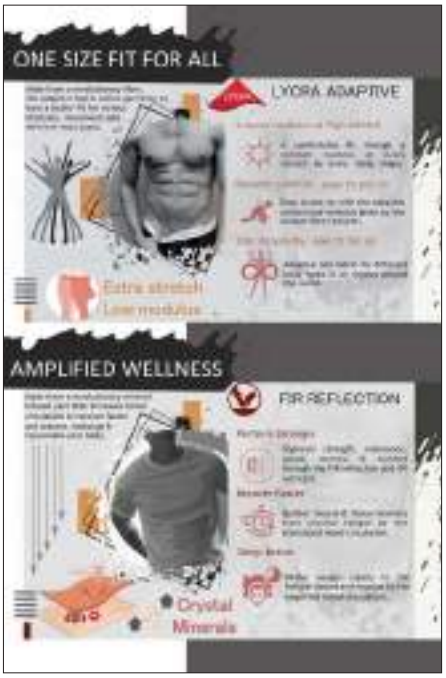
Hayleys is an extensively diversified Group in which the respective Sectors operate relatively independently. The Hayleys PLC Corporate Management Services drive excellence and consistency in support functions across the organisation extending support to Sectors in the management of critical aspects including Group Finance, HR and Legal, Treasury, Strategic Business Development Unit, Corporate Communications, Digital marketing, Corporate Premises Management, Corporate Affairs, Internal Audit, Risk, Security and Insurance and ESG among others.

SYSTEMS AND STANDARDS

The Group's commitment to operational excellence and continuous improvement is reflected in the host of domestic and international certifications it complies with. The requirements of the Group's global customer base have also encouraged sectors to comply with stringent quality certifications, which have contributed towards strengthening internal systems and processes thereby enhancing the Group's intellectual capital base. The key certifications are listed below, please note that this is not an exhaustive list.

MEMBERSHIP IN INDUSTRY ASSOCIATIONS

- Ceylon Chamber of Commerce
- Ceylon Association of Ships' Agents
- Lanka Business Coalition for HIV-AIDS
- National Agribusiness Council
- Sri Lanka Association of Inbound Tour operators
- National Chamber of Exporters
- Sri Lanka Institute of Nanotechnology
- Planters Association
- Sri Lanka Freight Forwarding Association
- SLASSCOM
- American Chamber of Commerce



INTELLECTUAL CAPITAL

ECO SOLUTIONS	• BSCI - Business Social Compliance Initiative • GOLS - Global Organic Latex Standard • SMETA - Sedex Members Ethical Trade Audit • ISO 9001: 2015 Quality Management Systems • ISO 14001: 2015 Environmental Management Systems • SA 8000 - Social Accountability Certification • British Retail Consortium Certificate • OCS - Organic Content Standards • SLS 1335: 2008 PU Mattress Standard • FSC - Forest Stewardship Council • GMP - Good Manufacturing Process
HAND PROTECTION	• ISO 9001: 2015 Quality Management Systems • ISO 13485: 2003 Medical devices — Quality management systems • Forest Stewardship Council Certification • ISO 14001: 2015 Environmental Management Systems • ISO 17025: 2005 Laboratory accreditation certification • British Retail Consortium Certification Safety and Quality certification for consumer products • UN Global Compact Signatory to the implementation of universal sustainability principles • ISO 45001: 2018 Occupational Health and Safety Management Systems • ISO 22000: 2005 Food Safety Management Systems, HACCP - Hazard Analysis Critical • Control Point & TASL-SGS - Food Safety Management Systems • Global Good Agricultural Practice Certificate - GAP • Rainforest Alliance Assurance
PURIFICATION	• ISO 9001: 2015 Quality Management Systems • ISO 14001: 2015 Environmental Management Systems • ISO 22000: 2005 Food Safety Management Systems • Good Manufacturing Practices (GMC) • Water Quality Association Sustainability Certification • NSF 42 • NSF 61 • Prop 65 Compliance • Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Compliance • Food Chemical Codex (FCC) Compliance • Halal Certification • Kosher Certification

TEXTILES	• Certificate Of Oeko- Tex Standard 100 (Organic) • Certificate Of Oeko- Tex Standard 100 (Cotton) • Marks & Spencer-Premier Accreditation Scheme • Official Supplier of 'Cotton made in Africa' Yarns , Fabrics or the final product, produced in compliance with the chain custody guideline issued by the Aid by trade foundation. • ISO 14001:2015 Environmental Management Systems • Carbon Conscious Certificate • Water Conscious Certificate • Global Organic Textile Standard (GOTS) • Organic Content Standard (OCS) • Better Cotton Initiative (BCI) Membership • Zero Discharge of Hazardous Chemicals (ZDHC) Joint Road Map • Higg FEM 3.0 Membership • Clean Chain Chemical Inventory Management Tool • Nike Sustainable Water Programme - Green Certification • ISO 45001:2018 Occupational Health and Safety Management Systems • SEDEX Membership - Supplier Ethical Data Exchange • Disney Facility & Merchandising Authorization (FAMA) Approvals • George / Walmart Responsible Sourcing Programme
CONSTRUCTION MATERIALS	• Qualicoat certification for Powder coated Products • Qualanod certification for Anodized Products • ISO 9001: 2015 Quality Management Systems • Green Labelled Product by Green Building Council of Sri Lanka • ASI Membership by Aluminium Stewardship Initiative • SLS 1411: 2011
OTHER	• ISO 45001:2018 Occupational Health and Safety Management Systems • ISO 50001:2018 - Energy Management System • EM1 Certified Contractor - Construction Industry Development Authority Sri Lanka • ISO 14001:2015 - Environmental Management Systems • ISO 9001 : 2015 Quality Management Systems
CONSUMER & RETAIL	• ISO 9001 : 2015 Certified Manufacturing Facilities
TRANSPORATION	• ISO 9001 : 2015 Quality Management Systems • ISO 45001: 2018 Occupational Health and Safety Management Systems • ISO 14001: 2015 Environmental Management Systems • ISO 2200: 2018 food safety management certification • CIDA- Grade C-4 (Civil Construction)

INTELLECTUAL CAPITAL

AGRICULTURE	• ISO 9001: 2015 Quality Management Systems • ISO 14001: 2015 Environmental Management Systems • SA 8000 - Social Accountability Certification • ISO 22000: 2005 Food Safety Management Systems • Registered training institute under The Tertiary and Vocational Training Education • Pest Control License • OHSAS 18001:2007 - Occupational Health and Safety Management • AQIS Accredited Tissue Culture Lab • Seed Handler Registration Certificate • BRC Global standard for food safety (Issue 08) • Food and Drug Administration (FDA) approval • SEDEX - Supplier Ethical Data Exchange • Certificate for Social compliance Ethical Trading Initiative • Halal certification • Kosher certification • Non - GMO certification • Gluten free certification • International Featured Standard Certification - IFS • Fairtrade - Certification • Organic EU • Organic NOP • Organic JAS • Global Good Agricultural Practice Certificate - GAP • Hazard Analysis Critical Control Point System Certification - HACCP • FSSC 22000 • Good Manufacturing Practice (GMP)
PLANTATIONS	• ISO 22000: 2018 Food Safety Management Systems • Halal Certificate • FSSC 22000 Certificate • Kosher Certificate • Ecolabel-Tea Certification • Great Place to Work Certification • Organic Rubber Certification USDA/NOP • Organic Rubber Certification EU Organic • Global Organic Latex Standard (GOLS) • Fair Rubber • Sustainability Framework • Pledge of Commitment Mother and child friendly seal for responsible business • Forest Stewardship Council (FSC) • ISO 50001:2018 - Energy Management Systems • Rain Forest Alliance license agreement • ISO 14001:2015 Environmental Management Systems • ISO 9001 : 2015 Quality Management Systems • ISO 14064 2018 GHG Emission Reporting Certification

WAY FORWARD

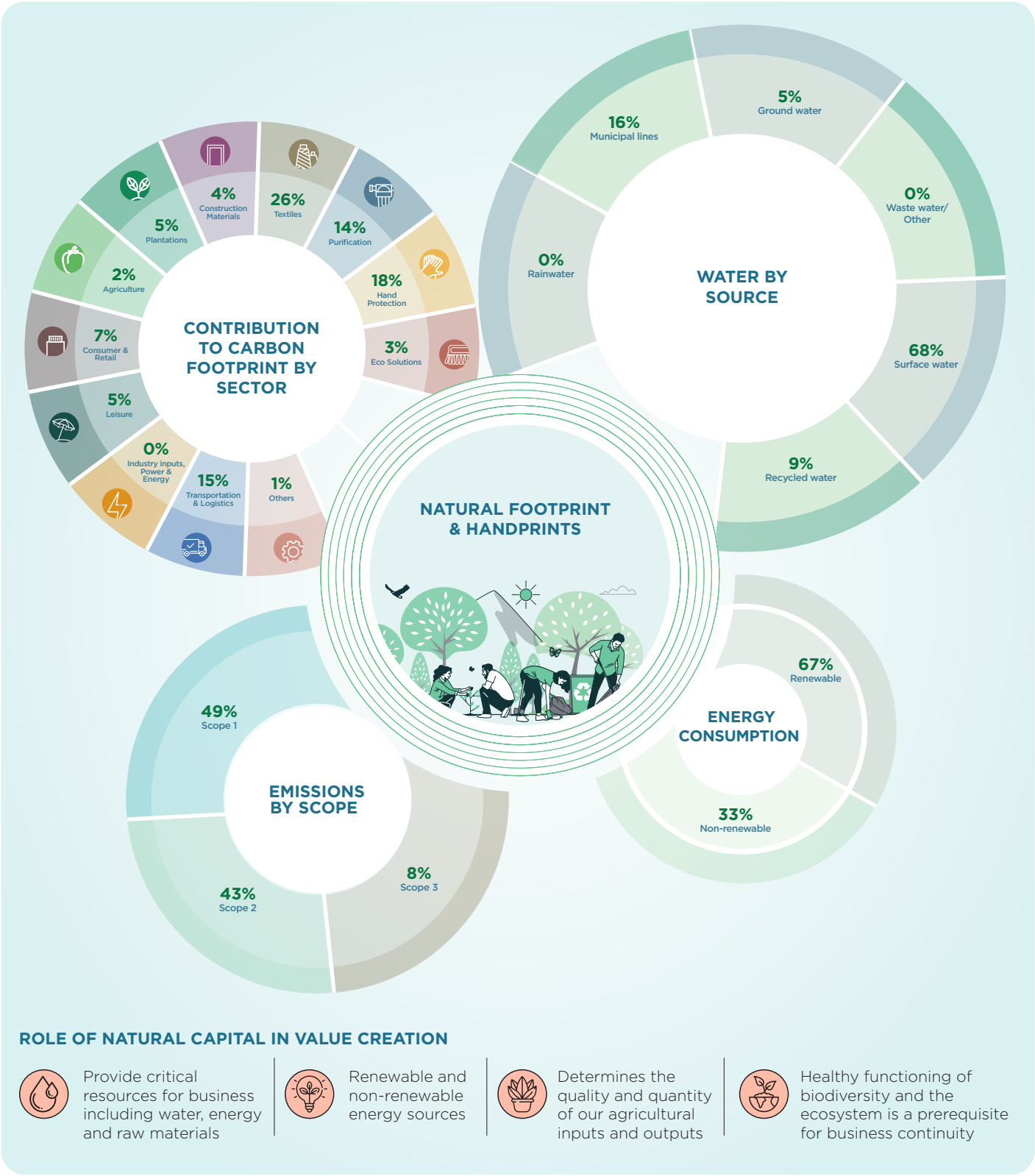
The Group will continue to leverage its unique base of intellectual capital in making its products and solutions more affordable and sustainable. Continued investments in research and development is expected to further sharpen Hayleys PLC's competitive edge as it pursues growth in new markets and customer segments.

ADEQUACY OF INTELLECTUAL CAPITAL

With over 80 products in the pipeline for next year, ongoing investment in R&D capabilities and a culture of knowledge sharing prevalent across the Group, the quality of intellectual capital is adequate to drive the Group's short-term growth aspirations.

NATURAL CAPITAL

"To deepen our understanding of and mitigate our footprint on the natural environment, we are committed to driving efforts to keep our operations resilient to environmental risks while adopting environment and climate-positive action across our business"



ROLE OF NATURAL CAPITAL IN VALUE CREATION

- Provide critical resources for business including water, energy and raw materials
- Renewable and non-renewable energy sources
- Determines the quality and quantity of our agricultural inputs and outputs
- Healthy functioning of biodiversity and the ecosystem is a prerequisite for business continuity

HOW WE MEASURE SUCCESS

9% reduction
Total emissions

5% reduction
Energy consumption

3% increase
Water consumption

17% reduction
Total waste

67%
Resilience of renewable energy

5% reduction
in Biogenic emmision

HIGHLIGHTS 2022/23

- Innovation centring on mitigating environmental impacts of products across its lifecycle
- Independent verification of GHG inventory in multiple sectors
- Ongoing focus on transitioning to renewable energy sources

GOVERNING OUR ENVIRONMENTAL IMPACTS AND PERFORMANCE

As a Group with an extensive manufacturing footprint and reliance on natural resources, we understand the adverse effects our operations can have on the environment. Environmental consciousness has long been embedded into our thinking and decision-making, as the collectively strives to decarbonise its operations, optimise water consumption and drive circularity.

Policies and procedures

The Group's approach to managing its environmental impacts are clearly set out in the Hayleys Lifecode which details the Group's key areas of focus, targets, aspirations and action plans. The Lifecode also includes a comprehensive framework of environmental policies which have been designed to align with regulatory frameworks, environmental certifications and voluntary standards including UN Global Compact Principles 7 to 9.

- Energy & Emission Management Policy
- Water Management Policy
- Material & Waste Management Policy
- Chemical Management Policy
- Biodiversity Conservation Policy

Environmental Certifications

Group companies comply with an array of domestic and international environmental certifications, in line with relevant industry requirements and vulnerabilities. Key certifications include, ISO 14001: Environmental Management Systems, Forest Stewardship Council Certification, Rainforest Alliance among many others.

Alignment with international best practice standards

In addition to the GRI Standards on sustainability reporting and the SASB Standards, we are implementing and aligning with the TCFD Framework, which will be incorporated into the ISSB Sustainability Disclosure Framework.

2030 Environmental aspirations of the Hayleys Lifecode

Energy and Emissions	30% reduction in Scope 1 & 2 GHG emissions
Water Utilisation	50% sustainable water sourcing
Materials & Waste	Zero landfill waste
Chemical Management	100% safe chemical management practices
Biodiversity	Enhance biodiversity by 5 times the area occupied by the Group

NATURAL CAPITAL

CLIMATE ACTION

CONTEXT

- Human induced global warming has led to unprecedented changes in the Earth's climate
- Severe and widespread climate impacts on people and ecosystems
- Urgent, systemwide transformations to secure a net-zero, climate resilient future

OUR COMMITMENT

Hayleys Group operates within the framework of an Energy and Emission Management Policy that is aimed towards minimising adverse environmental impacts caused by natural resource depletion

and greenhouse gas emissions. The Group is driving organisation-wide efforts to gradually shift from non-renewable energy sources and increase reliance on renewable energy such as solar, wind, biomass energy etc

The Group made an ambitious commitment to reduce its Scope 1 & Scope 2 emissions by 30% and reduce energy intensity by 30% by 2030. This is to be achieved through Group-wide efforts to increase reliance on renewable energy, reduce energy consumption and reduce dependence on fossil fuels. Sector level targets have also been allocated to ensure that the that the journey to net zero remains a common goal, The Group measures its carbon footprint in line with the WBCSD/WRI Greenhouse Gas (GHG) Protocol Corporate Standard, ISO 14064 and the PAS 2050.

DEVELOPMENTS IN 2022/23

Carbon footprint verification

- Hayleys PLC commenced a Group-wide verification of its GHG inventory in partnership with Sri Lanka Climate Fund. This comprehensive exercise is expected to provide valuable inputs in improving the accuracy and integrity of our emission calculation
- At Sector level, Talawakelle Tea Estates PLC, Hayleys Fabric PLC obtained verification of the GHG inventory while the assessment is ongoing for Advantis and Kelani Valley Plantations PLC

Science-Based-Targets-Initiative (SBTI)

- Talawakelle Tea Estates PLC emerged as the first Sri Lankan Company to obtain verification of its targets in its commitment to the SBTI. Hayleys Fabric PLC has also committed to the SBTI.

Decarbonising our products and processes

- The Construction Materials Sector launched 'Ozon'- a low carbon aluminium, which through the use of recycled aluminium entails a 95% reduction in the energy requirement
- 9 refrigerator brands produced by Singer received the Minimum Energy Performance Label awarded by the Sri Lanka Sustainable Energy Authority (SLSEA)
- Hayleys Fabric commenced a programme towards the target of fully eliminating the use of furnace oil by 2024/25

PERFORMANCE AGAINST TARGETS

30% reduction in GHG emissions by 2030
Actual: 9% decrease in GHG emissions

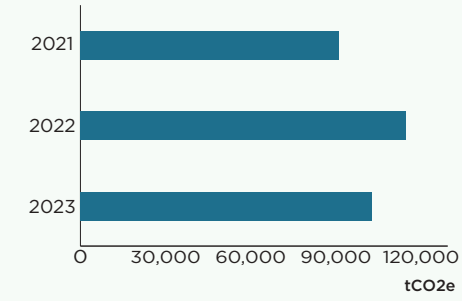
90% sustainable and renewable energy applications
Actual: 67% reliance on renewable energy

30% reduction in energy intensity
Actual: 34% reduction in energy intensity

30% reduction in GHG emissions (Scope 1 & 2)
Actual: 8% reduction

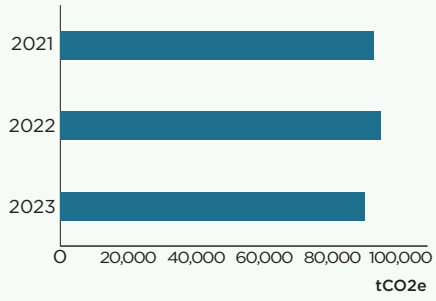
Scope 1 emissions

SCOPE 1 EMISSIONS



Scope 2 emissions

SCOPE 2 EMISSIONS



IMPROVING THE COMPLETENESS AND RELIABILITY OF OUR GHG INVENTORY

Following the anticipated completion of the Group-wide GHG verification exercise, we hope to improve the completeness of our GHG inventory through including the following emission sources.

Scope 1

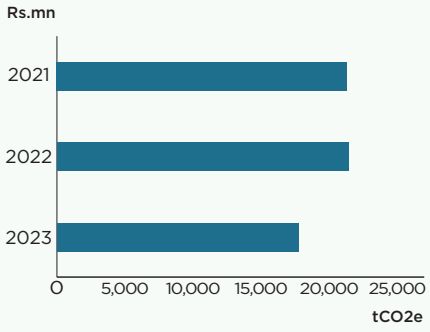
Inclusion of emissions stemming from refrigerants, fire extinguishers, fertilizer usage and waste water treatment plants

Scope 3

Increasing coverage of emissions generated in employee commuting, which is currently captured partially

Scope 3 emissions

SCOPE 3 EMISSIONS



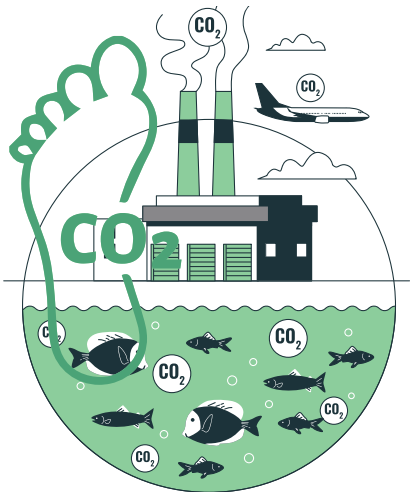
CARBON FOOTPRINT INDICATORS 2022/23

As demonstrated in the highlights below, the Group made significant progress in driving towards the environmental aspirations set out under the Hayleys Lifecode. In line with the strong financial performance, the Group achieved a reduction in both its absolute GHG emissions and emission intensity. It is noteworthy that It is noteworthy that 10 out of 12 Sectors recorded declines in the carbon footprint.

9% reduction
in total carbon footprint

5% reduction
in biogenic emissions

37% reduction
in emission intensity



Sector	Scope 1	Scope 2	Scope 3	Sector Total 2023	% Share by sector (2023)	Sector Total 2022
MANUFACTURING						
Eco Solutions	1,614	2,862	851	**5,327**	3	5,039
Hand Protection	19,356	16,175	1,498	**37,029**	18	40,758
Purification	11,132	17,937	916	**29,985**	14	30,212
Textiles	32,303	20,968	1,687	**54,958**	26	57,728
Construction Materials	4,070	3,738	502	**8,310**	4	11,946
AGRICULTURE AND PLANTATIONS						
Agriculture	1,653	1,048	1,869	**4,570**	2	4,667
Plantations	5,104	5,889	278	**11,271**	5	11,760
SERVICES						
Transportation & Logistics	22,215	2,867	5,931	**31,013**	15	41,760
Consumer & Retail	271	10,731	3,477	**14,479**	7	15,046
Leisure	4,561	5,957	309	**10,827**	5	8,609
Industry Inputs Power & Energy	7	174	304	**485**	-	562
Others	325	1,180	117	**1,622**	1	1,966
Total by Scope	102,611	89,526	17,739	**209,876**	100	230,052

NATURAL CAPITAL

TCFD ALIGNMENT AT A GLANCE

<table>
<tr><th>Disclosure requirement</th><th>Progress made</th></tr>
<tr><td>GOVERNANCE</td><td>

Environmental targets, including emission reduction goals are set out in the Hayleys Lifecode. Sector-level ESG roadmaps which are aligned to the Hayleys Lifecode articulate targets relevant to each business
An ESG Steering Committee was established at Board level during the year, tasked with the responsibility of providing oversight on ESG related aspects
The Hayleys Group GMC is responsible for implementing the ESG framework across the Group and the Group ESG Division supports the delivery of this.
Sectors Report all relevant non-financial performance indicators to the Group ESG Division on a quarterly basis, which is then presented to the Steering Committee and the GMC.
A Lifecode Champion is appointed at Sector level who reports directly to Director/Head in charge of sustainability in the Sectors.

</td></tr>
<tr><td>STRATEGY</td><td>

Key risks/opportunities relating to climate change on the Group's operations including the following;

<table>
<tr><th>Risks</th><th>Opportunities</th></tr>
<tr><td>

Physical risks including impact of adverse weather on the security and quality of the agricultural supply chains
Implications of natural degradation on the Group's Plantation and Agricultural Sector
Evolving customer demands on sustainable design and products
Increasing stringency of ESG related regulations, particularly in the European region
Potential damage to properties and other assets
Transition risks associated with policy changes in moving to a low-carbon economy

</td><td>

Opportunity to increase reliance on renewable energy
Customers' increasing propensity towards climate-friendly, sustainable products
Drive process and product innovation

</td></tr>
</table>
</td></tr>
<tr><td>RISK MANAGEMENT</td><td>Climate related risks are assessed through the relevant functions in the respective Sectors; these functions include procurement, engineering, marketing and operations. Risks are monitored at Sector level and reported to the respective Audit Committees for monitoring and follow-up. Relevant risks are also reported to the Group ESG Steering Committee through the Group ESG Division. The Hayleys PLC is also apprised of emerging climate risks through the Internal Audit function and respective sector Audit Committees.</td></tr>
<tr><td>METRICS AND TARGETS</td><td>

GHG Emissions- Scope 1, 2 and 3 emissions (computation based on the GHG Protocol)- refer to page 274
Emission intensity- tCO2e/per Revenue Rs.mn

</td></tr>
</table>

ENERGY

Our main energy sources are electricity from the national grid, fossil fuels and renewable energy for power generation. The Group's energy strategy in recent years has centred on gradually reducing dependence on fossil fuels through opting for sustainable and renewable energy sources. In addition to large-scale wind, solar and mini hydro projects operated by the Group's Industry Inputs, Power & Energy Sector, other energy-intensive sectors such as Hand Protection, Plantations, Eco Solutions and Textiles have increasingly moved towards renewable energy in recent years

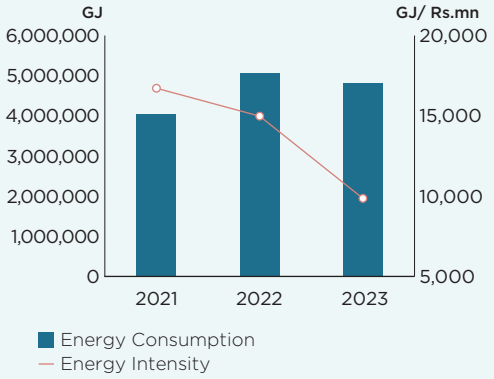
ENERGY FOOTPRINT IN 2022/23

5% decrease
Total energy consumption

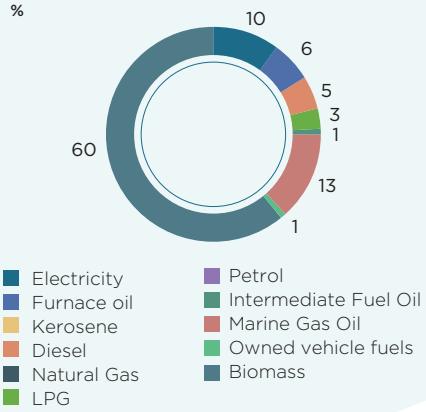
34% reduction
energy intensity

	Energy consumption			% renewable energy
	GJ	Y-o-y change(%)	% composition	
Eco Solutions	84,435	-8	2	60
Hand Protection	1,961,446	-4	41	93
Purification	271,342	1	6	-
Textiles	1,502,909	-2	31	69
Construction materials	80,984	-30	2	-
Plantations	384,259	-3	8	83
Agriculture	30,853	2	1	-
Consumer & Retail	70,668	-2	1	-
Leisure	98,817	45	2	-
Industry Inputs, Power & Energy	1,193	-	-	-
Transportation & Logistics	308,947	-30	6	-
Others	11,914	20	-	-

ENERGY CONSUMPTION (3 YEAR TREND)



ENERGY CONSUMPTION BY SOURCE



ENERGY HANDPRINT IN 2022/23

The Group's energy handprint demonstrates how our interventions during the year helped reduce our own carbon emissions as well as that of our employees and customers.

67%
Reliance on Renewable Energy

>169,000MwH
Renewable energy generation

Renewable energy generation

- Installed capacity of over 50MW of renewable energy through the Power & Energy Sector
- Fentons Group is the leader in the solar solutions industry in the country and is estimated to have installed over 125MW of solar power during the year
- Reliance on biomass energy by several sectors including Hand Protection, Eco Solutions, Plantations and Textiles

NATURAL CAPITAL

ROOFTOP SOLAR PROJECT

In 2020, the Group launched an organisation-wide rooftop solar installation project, the details of which are set out below. Our aspiration is to install a solar project on the roofs of all the Group's factories. Progress made to date is given below:

56,746 m2	8.62 MW	21,454 tCO2e	Rs.1,081 mn	4-5 years
of roof area converted	of generation capacity	of Annual reduction	total investment	Payback

OPTIMISING FUEL USAGE

During periods of severe fuel shortages in the first quarter of 2022/23, the Group deployed 22 buses (at Head Office), along 14 commuting routes to facilitate the transportation of employees. This initiative now continues as an ongoing programme, with nearly 850 employees commuting to work daily through the employee transport service.

ENERGY-EFFICIENT BUILDING AND INFRASTRUCTURE

- DPL's Sports Glove factory is currently pursuing the Platinum LEED certification awarded by the US Green Building Council, which certifies that buildings that are designed, constructed, maintained, and operated for improved environmental and human health performance.
- Alumex's state-of-the-art recycling plant features regenerative burners and low-emission scrubbing units.
- Talawakelle Tea Estates PLC's Hollyrood factory emerged as the first tea factory in Sri Lanka to obtain ISO 50001:2018 Energy Management certification

WATER

CONTEXT

Water security and our ability to safeguard bodies of freshwater resources are increasingly at risk. With the global increase in demand for water, the World Resource Institute projects that there we a deficit in water supply of about 56$ by 2030. Currently about 25% of the global population lives in countries that suffer from water stress.

COMMITMENT

The Group's Water Management Policy seeks to conserve and optimise water obtained from various sources, seek avenues of recycling and reusing waste-water and responsible disposal of waste-water generations in its operations.

2030 TARGETS

30% sustainable water sourcing across the Group by 2030

Actual: 11% sustainable water sourcing

30% reduction in water intensity by 2030

Actual: 29% reduction in water intensity

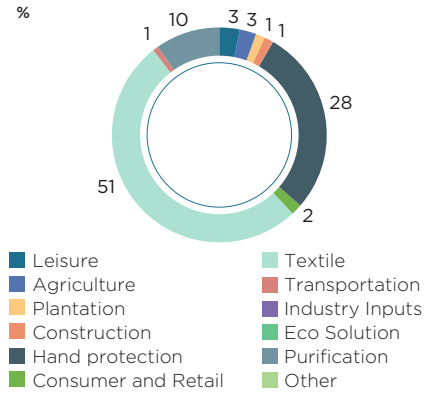
The Group's interaction with water as a shared source stems primarily from its use in manufacturing operations, in which certain sectors such as Textiles, Hand Protection and Purification are relatively water intensive. Water is also used for cleaning and employee usage across the Group. The Hayleys Lifecode emphasises the importance of gradually reducing the quantum of water withdrawn for its operations through focus on re-using water and treating water discharged from these processes as well as increasingly reliance on sustainable water sources. Mechanisms are currently in place to continuously monitor water consumption trends and identify areas for improving water efficiency.

The Group's water sources include groundwater, surface water, pipe borne water and harvested rainwater. Metering is available for main water inputs and wastewater outputs, ensuring the complete and accurate reporting of all relevant date on a timely basis to Hayleys Group ESG Division

WATER FOOTPRINT IN 2022/23

The Group's total water consumption increased by 3% to 6.79 mn litres during the year. Textile and Hand Protection Sectors are the most significant consumers of water within the Group, collectively accounting for nearly 80% of total water consumption. The increase in consumption reflects higher operational activity across key manufacturing sectors.

WATER CONSUMPTION BY SECTOR



(Litres mn)	Water withdrawal by source			
	2022/23	2021/22	2020/21	Change y-o-y (%)
Surface water	**4,710**	4,419	3,261	+36
Ground water	**371**	314	296	+6
Rainwater	**2**	22	21	+2
Municipal lines	**1,081**	1,157	1,179	-2
Waste water or other	**8**	110	103	+7
Recycled Water	**760**	567	465	+55
Water intensity	**13,937**	19,494	22,072	-29

WATER HANDPRINT 2022/23

The Group has implemented several ongoing measures to reduce its water withdrawal, increase reliance on sustainable water sources and drive increased water efficiency. As a result of these measures, the Group's water intensity reduced by 29% during the year. Meanwhile sustainable water sourcing also increased by 57% during the year, reflecting a significant increase in the use of recycled water during the year. Key interventions to improve the Group's water handprint during the year included the following:

Surakimu Ganga by KVPL

KVPL in partnership with IUCN launched the Surakimu Ganga initiative which strives for collaboration between the private, sector and international organisations to adopt nature-based solutions for greening the river basin in We Oya catchment area in the Kelani river.

Rainwater harvesting

Several sectors engage in rainwater harvesting including Hand Protection, Agriculture and Transportation & Logistics. In the Agriculture Sector's seed production facility in Boralanda, integrated water collection tanks connecting greenhouse rooftop gutters to a centralised tang fulfil 30% to 35% of water requirement for more than 500,000 plants.

Integrated water management in our estates

Our regional plantation companies have comprehensive water management programmes in place, which aim to preserve water sources on estates and drive the sustainable use of water. Regular research and impact assessments water consumption is also carried out when developing water management strategies. Key initiatives in the Plantation Sector include the following:

- Chemical free buffer zones
- Mechanical fences and meshes to prevent water contamination
- Monitoring and reducing agrochemical usage
- Water quality testing

11%
sustainable water sourcing

57% increase
in sustainable water sourcing

29% reduction
in water intensity

Resource use and circularity

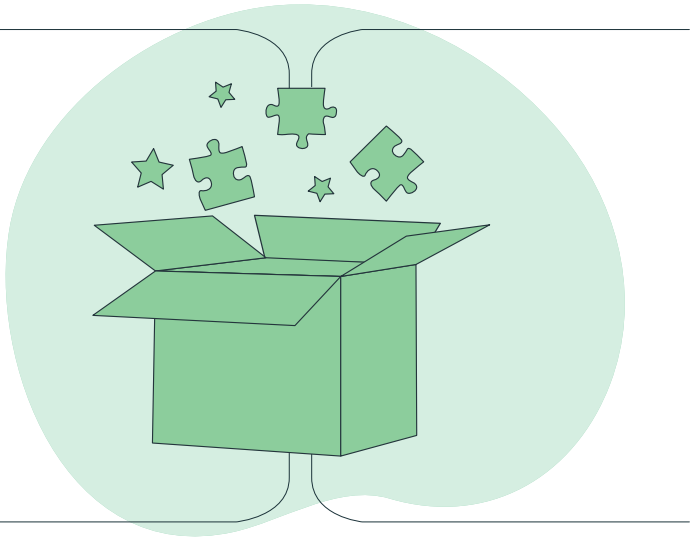
In recent years the Group has sought to embed the principles of circularity across its business through increasing reliance on recycled and renewable materials. This agenda continues to feature prominently in product design/ development phase and progress made in this front is summarised below. Other aspects of the Group's material management include minimising chemical usage, use of eco-friendly raw materials and responsible sourcing.

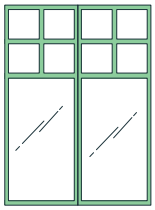
NATURAL CAPITAL

USE OF RECYCLED RAW MATERIALS

Launch of Warna by Mahogany by Textiles Sector
A pioneering waste to fashion initiative which extracts dye in house using waste material generated by the local furniture industry

The Textile Sector uses recycled PET yarn as an input for a special sustainable fabric





The Construction Materials Sector continues to increase the use of recycled aluminium in its production process, thereby reducing the need for virgin aluminium

51% Use of recycled aluminium

The Hand Protection Sector uses recycled PET yarn to as an input to a sustainable glove that is manufactured under its range

Sector	Metric	2022/23
RENEWABLE MATERIALS		
Purification	Coconut charcoal (MT)	**46,592**
	Coconut Shells (MT)	**112,293**
Hand protection	Latex (MT)	**16,056**
Plantations	Green Leaf (MT)	**37,307**
	Latex (M3)	**2,455**
Eco Solutions	Coconut fibre (MT)	**700**
	Fibre pith (MT)	**19**
	Palmyrah fibre (MT)	**156**
Textile	Grieg (Kg)	**646**
	Yarn (Kg)	**4,991**
Agriculture	Fertilizer (KG)	**34,755**
NON-RENEWABLE MATERIALS		
Construction materials	Aluminium billets (MT)	**1,245,430**
Plantations	Agro-chemicals (Litres)	**9,524**
	Agro-chemicals (KG)	**1,307**
Textile	Yarn (recycled)	**2,051**
	Yarn (non-renewable and other than recycled) (Kg)	**3,202**
	Grieg (Kg)	**1,017**
	Dyes and Chemicals (Kg)	**11,277**

WASTE MANAGEMENT

CONTEXT

Waste including plastics, e-waste and other types of waste pollutes land and waterways and contaminates the air we breathe. The systems and infrastructure in place is not adequate to effectively collect and redistribute the increasing quantum of materials that are consumed by the global population. As a result,

COMMITMENT

The Hayleys Group strives to minimise waste generation and seeks to effectively manage the waste generated through sustainable disposable methods

2030 TARGETS

Zero waste to landfill
Actual in 2022/23: 14% waste to landfill

25% reduction of waste intensity
Actual in 2022/23: 42% reduction

The Hayleys Lifecode sets out a clear target of achieving zero landfill waste by 2030. All Sectors have stepped up efforts to engage in the segregation and responsible disposal of waste, in compliance with regulatory requirements and industry best practice. Key types of waste generated from our operations include agricultural waste, industrial waste, glass, polythene, plastic, food waste and paper among others.

WASTE MANAGEMENT IN 2022/23

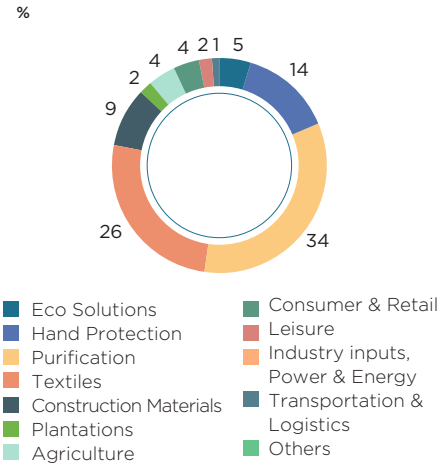
The Group's total waste generated decreased by 17% to 19.23 mn kilogrammes during the year, with non-hazardous waste accounting for 78% of total waste. Key waste related KPIs for the year are set out below:

17% decrease
in waste generated to 19.2 mn KG

42% reduction
waste intensity

14%
Waste to land-fill ratio

WASTE REPORTED BY SECTORS



The Group's key waste management developments during the year are summarised below:

E-WASTE COLLECTION BY SINGER

Singer leverages its extensive branch network to conduct a largescale, island-wide e-waste collection initiative, through which customers are encouraged to return used electronic items. With over 414 collection points around the island Singer directly contributes towards reducing the country's landfill waste. The Group has a scheduled waste management license from the Central Environmental Authority to collect and transport e-waste. The collected waste is subsequently given to CEA approved third-party recyclers, with transportation and other expenses being incurred by Singer

3,746 Televisions

820 Refrigerators

550 Washing machines

47,556 Batteries

502 other

Waste by type 2022/23

MT	2022/23	
	Hazardous	Non-hazardous
Reuse	91	7,994
Recycling	458	2,954
Composting	-	885
Recovery	-	21
Incineration	3,656	233
Deep well injection	-	1
Landfill	11	2,325
On-site storage	16	344
Other	21	278
TOTAL	4,253	14,976

NATURAL CAPITAL

COMMUNITY WASTE MANAGEMENT IN OUR PLANTATIONS

Community waste generated from our estates which house estate employees and their families accounts for a significant proportion of the waste generated by the Plantations Sector. In line with the certification standards of the Rainforest Alliance and ISO 14,001: 2015 Environmental Management System, the Sector conducts ongoing awareness building initiatives and training programmes on the responsible disposable of biodegradable and non-biodegradable waste.

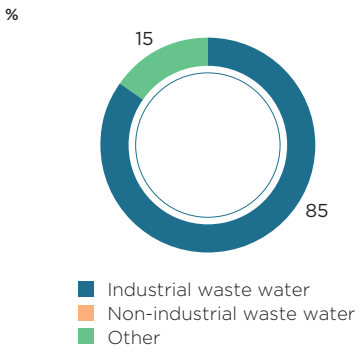
ECO ONE: INNOVATIVE WASTE MANAGEMENT SOLUTIONS

During the year, Hayleys Aventura introduced Eco One-an organic additive that accelerates biodegradation of plastic and polythene, thereby drastically shortening the timespan such products are retained in landfills from centuries to a few years. It is estimated that adding 1% of Eco-one to plastic compound improves the rate of degradation of the item to 18 months, with complete degradation possible within 3 years.

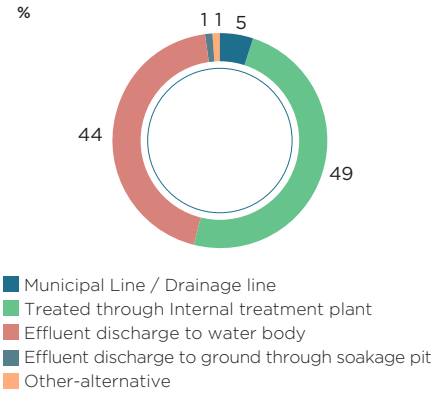
Effluents

The Group's manufacturing processes involve the discharge of wastewater and most facilities have installed effluent treatment plants to responsibly dispose of effluents. Wastewater is typically treated and recycled for re-used for gardening and/or organic farming purposes. As manufacturing facilities expand capacity, parallel emphasis has been placed on expanding the effluent treatment plants. Effluents discharged from our operations comply with the requisite water quality standards of BOD, COD, TSS, pH and oil and grease levels are checked on a regular basis by independent assessors to ensure it meets compliance levels.

EFFLUENTS BY TYPE



EFFLUENTS BY METHOD OF DISPOSAL



BIODIVERSITY AND ECO-SYSTEM PRESERVATION

CONTEXT

The unsustainable use of land and resources has led to significant losses in biodiversity habitats, severely threatening the balance of the ecosystem and emerging as a key environmental risk facing the world today

COMMITMENT

We are mainstreaming the concept of biodiversity across value chains and adopting the precautionary approach for sustainable management of biodiversity in all decision making processes.

2030 TARGETS

Increase biodiversity conservation and preservation relating to our business operations

Actual: 53,442 Trees planted

The operations of several of our sectors are closely linked to the health of the natural ecosystems surrounding our locations of operations. The Group's ongoing programmes on biodiversity preservation are summarised below:

Kirulu Programme

Project Kirulu is the Group's flagship biodiversity programme, which seeks to leverage the Group's extensive land bank, cross-sector synergies and insights on ecosystems to preserve Sri Lanka's rich and vibrant ecosystems. Hayleys has partnered the Mahaweli Authority of Sri Lanka who serves as the project's technical partner through offering advisory services, while the University of Wayamba will engage its students to conduct annual biodiversity assessments of areas covered under the project.

The project is conducted under two phases:

Phase 1: Talawakelle Tea Estates PLC engaged in an initial tree-planting program of 1000 saplings, while adopting GPS mapping to analyse the ecosystem and ecological behaviour at identified sites and ensure the sustenance of plant nurseries through frequent biodiversity assessments.

Phase 2: Expansion of biodiversity conservation to adjacent areas of importance, including rainforest reservations and waterfall ecosystems with the participation of Hayleys Group companies

Progress made to date in the Kirulu programme is summarised below:

Sector	Confirmed Contribution (No. of Trees	No of trees planted to date
Agriculture	500	150
Construction Material	250	150
Eco Solutions	500	150
Hand Protection	500	150
Industry Input, Power & Energy	250	150
Other – HBSI	150	150
Other -Fentons	500	150
Other -Hayleys PLC	250	150
Purification	500	150
Textile	250	150
Leisure	500	138
Transportation	500	520
TOTAL	**4,650**	**2,158**

BIODIVERSITY CORRIDORS BY HAYLEYS PLANTATIONS

The Plantation Sector's tea and rubber estates in the hill country and low country wet zones are rich in biodiversity and we are committed to preserving the natural habitats and ecosystems in these areas. The Sector has obtained and complies with Rainforest Alliance while both our plantations are also part of Biodiversity Sri Lanka, a national platform established to promote strong engagement of the corporate sector in biodiversity and environmental conservation in Sri Lanka. The Sector has established biodiversity corridors as well as a programme to promote ecosystem restoration at St.Clair's Falls which includes a self-sustaining business model.

Conservation Status	Number of species
Globally threatened	-
Critically endangered	6
Endangered	44
Vulnerable	37
Near threatened	26
Other	113

244 hectares with rich biodiversity

Watershed and catchment areas feeding national rivers Nilwala, Gin, Kotmale Oya and Nanu Oya

Great Western, Radella and Holyrood estates are located near Kikiliyamana Natural Forest Reserve

Calsay estate, Nanuoya borders the Conical Hill National Forest, Agrabopaththalawa

Partnerships to strengthen biodiversity preservation

The Halgolla Estate of KVPL was selected as a pilot project on the Netherlands-Sri Lanka initiative "Agroforestry on Tea Plantations in Sri Lanka" The Project will facilitate a public-private partnership on agroforestry development in the plantations sector to strengthen socio-economic and environmental sustainability.

In January 2023, Hayleys Plantations Sector companies (KVPL, TTE and HPL) entered an MOU with the the Wildlife and Nature Protection Society (WNPS) and Preserve Land and Nature Trust (PLANT) to,

1 Partner to protect and further develop the forest eco system and biodiversity,

2 Engage in reforestation activities to enhance the footprint of Forest corridors within the Lands

3 Carry out research, to assess progress and

4 Publish findings and conduct exposure programmes to educate communities and other entities, who are keen to ensure sustainability in different parts of the planet.

GREEN BELT AND WETLAND BIODIVERSITY ZONE AT HAYLEYS FABRICS

The Group's Textile Sector has reserved 20 acres and 9 acres of land adjoining the factory as a Green Belt and Wetland Biodiversity Zone respectively. Conducted under the guidance of the Central Environment Authority, the initiative included a biodiversity survey by the Environmental Ministry Secretariat, which identified 146 plant species belonging to 63 families and 149 animal species, including 2 endemic plant species and 18 endemic animal species.

WAY FORWARD

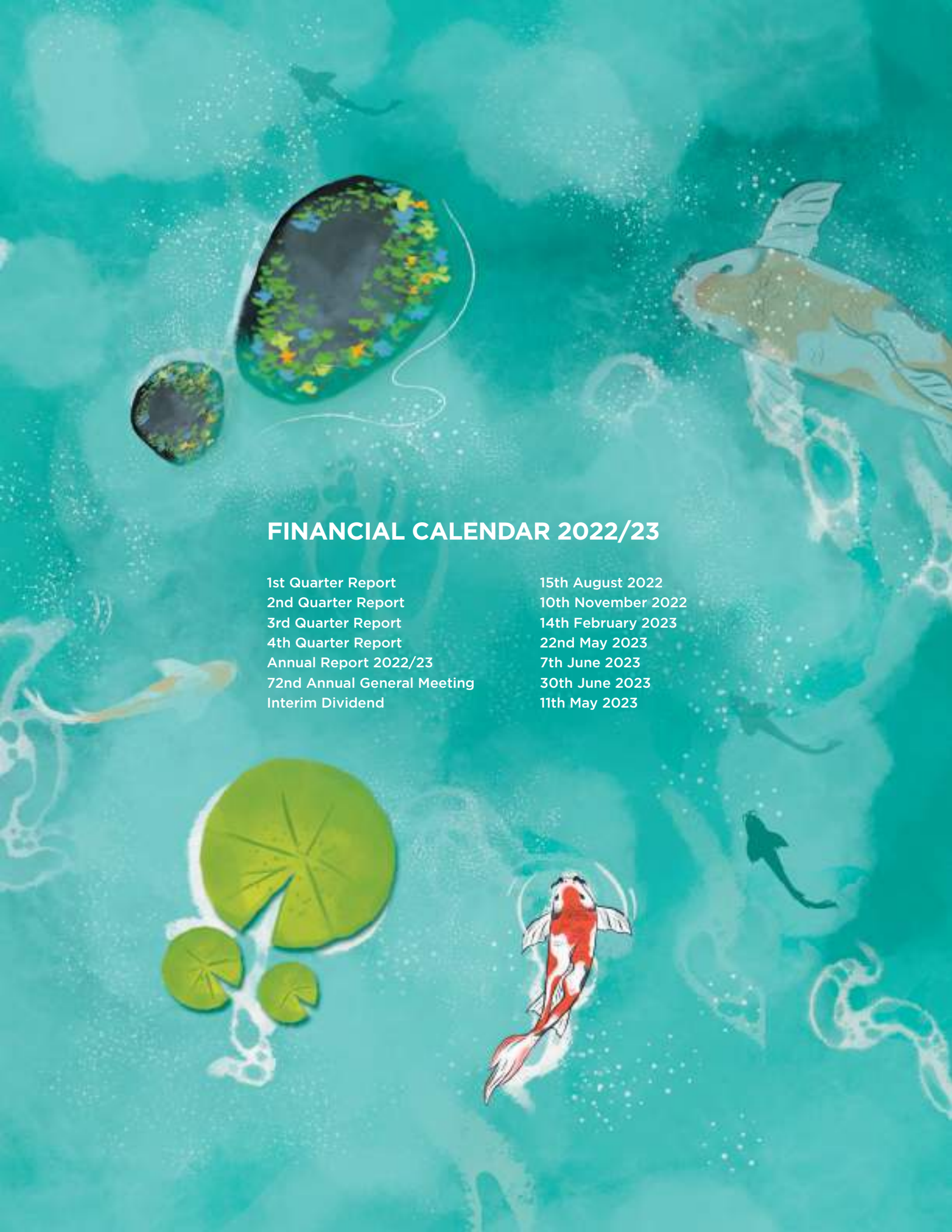
In line with the aspirations of the Hayleys Lifecode, the Group is mainstreaming environmental consciousness, seeking to embed environmental factors into its decision making, key performance indicators and business models. Despite the volatile operating conditions, we are on target to achieve our 2030 Lifecode aspirations as we seek to rewire our business through reengineering processes, driving sustainable

WAY FORWARD

While we are cognisant of the inevitable short-term challenges stemming from the country's current macro-economic vulnerabilities, we remain cautiously optimistic that the economy will gain momentum over the medium-term. Coordinated policy interventions to restore macro-economic stability, together with the approval of the IMF's Extended Fund Facility, has set the country's economy on the path to recovery. As evidenced by the trajectory in recent months, we anticipate interest rates to gradually decline towards the 2nd half of the year, fueling better sentiments and investor activity. Meanwhile, inflationary pressures are expected to ease in 2023 reflecting moderating external pressures, normalisation of supply-side dynamics and lower disposable income following the increases in tax. We also anticipate the exchange rate to stabilise towards the 2nd half of the year, at a rate which is conducive to export oriented businesses.

IMMEDIATE TERM	• In the immediate term, the Group will seek to prevent further scarring on businesses that are exposed to the domestic economy; measures will be taken to optimise working capital in these sectors, with the aim of reducing inventory build up and strengthening liquidity positions. • In export-oriented businesses, we anticipate the narrowing of profitability margins in line with the expected stabilisation of the exchange rates. In mitigating these impacts, the Group will continue to leverage its R&D capabilities and domain-specific knowledge to enhance contributions from value-added products. • Talent retention remains a critical challenge in the current context and we will relentlessly pursue productivity improvements, effective use of underutilised assets as well as skill building and capacity improvements. • As interest rates trend downwards, the Group will continue to leverage its excellent relationships with banks in negotiating favorable terms.
MEDIUM TERM	• In the medium term, the Group will continue to direct investments towards strengthening its foreign currency generating capabilities through enhancing export-oriented sectors • Organic and inorganic growth will be pursued in complementary sectors and businesses, enabling Hayleys to sharpen its competitive edge in selected verticals • As the country's tourism sector posts gradual recovery, we will seek to refine our product and service offering, building a healthy mix between domestic and international travelers
LONG-TERM	As the Group's mature businesses continue to grow, albeit at a relatively slower pace, we will also seek to drive more accelerated growth in new industry sectors such as consumer durables, climate-smart agriculture and leisure which present significant upside potential.

Against this backdrop, the Hayleys Group's priorities over the immediate, medium and long-term are summarised below. Further details are available in the Portfolio Reviews;



FINANCIAL CALENDAR 2022/23

1st Quarter Report	15th August 2022
2nd Quarter Report	10th November 2022
3rd Quarter Report	14th February 2023
4th Quarter Report	22nd May 2023
Annual Report 2022/23	7th June 2023
72nd Annual General Meeting	30th June 2023
Interim Dividend	11th May 2023

ANNUAL REPORT OF THE BOARD OF DIRECTORS

1. GENERAL

The Board of Directors of Hayleys PLC has pleasure in presenting their Report on the affairs of the Company together with the Audited Consolidated Financial Statements for the year ended 31st March 2023. The details set out herein provide the pertinent information required under Section 168 of the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules, Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and Finance Companies Corporate Governance Direction No 03 of 2008 issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011.

2. REVIEW OF THE BUSINESS

2.1 Principal Business activities of the Company and the Group

Hayleys PLC is a holding Company that owns, directly or indirectly, investments in the numerous Companies constituting the Hayleys Group and provides services to its Group Companies. The Group consists of a portfolio of diverse business operations. The main subsidiaries and equity accounted investees of Hayleys PLC are listed on pages 446 to 450.

The Principal activities of the Group are categorised into different business sectors. i.e. Eco Solutions, Hand Protection, Purification Products, Textiles, Construction Materials, Agriculture, Plantations, Transportation & Logistics, Consumer & Retail, Power & Energy, Leisure and Others. The main activities of the sectors are described in the Portfolio Review pages on 121 to 234 of this Report.

There were no material changes in the nature of the business of the Company and the group during the financial year. The Directors to the best of their knowledge and belief, confirm that the Company and the Group has not engaged in any activity that contravene laws and regulations.

2.2 Review of operations of the Company and the Group

The Group's businesses and their performance during the year, with comments on financial results, as well as future business developments are appraised in the Reflection from the Chairman (pages 36 to 45) and portfolio review (pages 121 to 234) of this Report. Those also provide an overall assessment of the state of affairs of the Group and the Company with details of important events that took place during the period. The investment/disposal activities during the year include the following;

- Purchase of shares – 1,157,037 (2.62%) ordinary shares of Unisyst Engineering PLC were purchased by Advantis Projects & Engineering (Pvt) Ltd.
- Purchase of shares – 240,000 ordinary shares of Advantis Ships (Pvt) Ltd held by Agility Logistics Ltd were purchased by Hayleys Advantis Limited.
- Purchase of shares – 200,000 (100%) ordinary shares of Colombo Cargo Express (Pvt) Ltd were purchased by Advantis Express (Pvt) Ltd.
- Purchase of shares – 12,750,000 (51%) ordinary shares of Horana Plantations PLC were purchased by Hayleys Plantation Services (Pvt) Ltd.
- Issue of shares – 150,000,000 ordinary shares of D P L Universal Gloves Limited were issued to Dipped Products PLC.
- Issue of Shares – 61,000,000 ordinary shares of Fentons Limited were issued to Hayleys PLC.
- ICOGUANTI S.p.A., incorporated DPL France SAS with 80% of shares owned by ICOGUANTI S.p.A. ICOGUANTI S.p.A. also acquired 96% ownership of ROZENBAL POLSKA Sp.z.o.o.

2.3 Financial Statements of the Company and the Group

The Financial Statements of the Company and the Group are given on pages 306 to 423 of this report.

2.4 Auditors' Report

The Auditor's Report on the Financial Statements of the Company and the Group is given on pages 302 to 305.

2.5 Accounting Policies and changes during the year

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 which requires compliance with Sri Lanka Accounting Standards. The detailed accounting policies adopted in the preparation of the Financial Statements are given on pages 317 to 341. There were no changes to the Accounting Policies used by the Group and the Company during the year.

2.6 Entries in the Interests Register

The Company, in compliance with the Companies Act No.7 of 2007, maintains an Interests Register. As further required by the Act, particulars of entries in the interests register of the Company and those subsidiaries which have not dispensed with the requirement to maintain interests registers, as permitted under Section 30 of the Companies Act, are detailed below.

2.6.1 Directors' interest in transactions

The Directors of the Company and its Subsidiaries have made the general disclosures provided for in section 192(2) of the Companies Act No.7 of 2007. Note 38 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

2.6.2 Directors' interests in shares

Directors of the Company and its Subsidiaries who have relevant interests in the shares of the respective Companies have disclosed their shareholdings and any acquisitions/ disposals to their Boards, in compliance with section 200 of the Companies Act.

Hayleys PLC

Details of Directors' shareholdings in the Company are given on page 440. There were no changes in holdings during the period.

Dipped Products PLC

- 20,000 shares were purchased during the year by Mr. S.C. Ganegoda, Mr. S.C. Ganegoda is a Common Director for Hayleys PLC and Dipped Products PLC.

- 350,000 shares were purchased during the year by Mr. R.H.P. Janadheera , Managing Director of Dipped Products PLC.
- 825,000 shares were purchased during the year by Mr. H.S.R. Kariyawasan and Mrs. K.H.S. Kariyawasan (Joint Account), Mr. H.S.R. Kariyawasan is a Common Director for Hayleys PLC and Dipped Products PLC.

Talawakelle Tea Estates PLC

- 1,000 shares were purchased during the year by Dr. W.G.R. Ragadurai, Managing Director of Talawakelle Tea Estates PLC.

Haycarb PLC

- 25,000 shares were purchased during the year by Mr. S.C. Ganegoda, Mr. S.C. Ganegoda is a Common Director for Hayleys PLC and Haycarb PLC.
- 914,508 shares were purchased during the year by Mr. H.S.R. Kariyawasan and Mrs. K.H.S. Kariyawasan (Joint Account), Mr. H.S.R Kariyawasan is a Common Director for Hayleys PLC and Haycarb PLC.
- 20,000 shares were purchased during the year by Mr. B. Balaratnarajah, Deputy Managing Director of Haycarb PLC.

Alumex PLC

- 63,400 shares were purchased during the year the year by Mr. S. C. Ganegoda, Mr. S.C. Ganegoda is a Common Director for Hayleys PLC and Alumex PLC.
- 16,342,620 shares were disposed during the year by Rosewood (Pvt) Ltd – Account No. 1, Mr. R.P. Pathirana, a Non-Executive Director and Mr. A.J. Hirdaramani (Alternate Director to Mr. R.P. Pathirana) of Alumex PLC are also Directors of Rosewood (Pvt) Ltd.

Kelani Valley Plantations PLC

- 2,000 shares were purchased during the year by Dr. W.G.R. Rajadurai, Managing Director of Kelani Valley Plantations PLC.
- 45,147 shares were purchased during the year by Mr. S. C. Ganegoda, Mr. S.C. Ganegoda is a Common Director for Hayleys PLC and Kelani Valley Plantations PLC.

Hayleys Leisure PLC

- 4,730 shares were purchased and disposed during the year by Ms. S. Amarasekara, spouse of Mr. S. H. Amarasekara an Independent Non-Executive Director of Hayleys Leisure PLC.

Hayleys Fabric PLC

- 40,000 shares were purchased during the year by Mr. M. W. R. N Somaratne, Independent Non-Executive Director of Hayleys Fabric PLC, out of which 15,000 shares were purchased through margin trading account Sampath Bank PLC/ Mr. M. W. R. N. Somaratne.

2.6.3 Payment of remuneration to Directors

Executive Directors' remuneration is structured within an established framework by the Board's Remuneration Committee, to whom this task has been entrusted. The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the Company. The total remuneration of Executive Directors for the year ended 31st March 2023, which is given in Note 10 includes the value of perquisites granted to them as part of their terms of service.

The total remuneration of Non-Executive Directors for the year ended 31st March 2023, which is given in Note 10, is determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of remuneration is fair to the Company.

2.6.4 Insurance & Indemnity

The Company has obtained a Directors and Officers Liability insurance cover. This covers the liability towards the Directors and Officers of Hayleys Group in respect of past, present and future negligence subject to terms and conditions of the policy.

2.7 Directors' Remuneration

Directors' remuneration, in respect of the Company for the financial year 2022/2023 is Rs. 780.44 mn (2022 - Rs. 640.75 mn) consisting of Rs. 767.98 mn for Executive Directors and Rs. 12.48 mn for Non- Executive Directors.

Directors' remuneration in respect of the Company's Subsidiaries for the financial year 2022/2023 is Rs. 2.79 bn (2022 - Rs. 2.16 bn) consisting of Rs. 2.07 bn for Executive Directors and Rs. 87.28 mn for Non-Executive.

2.8 Corporate Donations

Donations by the Company amounted to Rs. 9.54 mn (2022 - Rs. 5.16 mn) which includes a sum of Rs. 27,000 (2022 - Rs. 42,000) made to Government approved charities. Donations by the Subsidiaries amounted to Rs. 53.03 mn (2022 - Rs. 37.11 mn).

3. FUTURE DEVELOPMENTS

Future developments are discussed in the Reflection from the Chairman (pages 36 to 45), Portfolio review (pages 121 to 234) of this Report.

4. GROUP REVENUE AND INTERNATIONAL TRADE

The revenue of the Group was Rs 487.43 bn (2022 - Rs. 338.01 bn) in the year under review. A detailed analysis of the Group's revenue, profit and asset allocation relating to different segments of the Group's businesses is given in Note 40 to the Financial Statements.

The Group's exports from Sri Lanka, amounted to Rs. 234.32 bn (2022 - Rs. 127.07 bn) at f.o.b. value in the year under review.

The Group's revenue from International Trade, which includes the revenue of overseas subsidiaries in addition to exports from Sri Lanka, amounted to Rs. 304.12 bn (2022 - Rs. 174.12 bn) in the year under review.

Trade between Group companies is conducted at fair market prices.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

5. PERFORMANCE AND RESERVES

5.1. Performance

The Group's PBT amounted to Rs. 42.75 bn (2022 - Rs. 35.72 bn). After deducting Rs.15.08 bn (2022 - Rs. 7.62 bn) for taxation the profit was Rs. 27.67 bn (2022- Rs. 28.10 bn). When an amount of Rs. 11.32 bn (2022 - Rs. 9.84 bn) for non-controlling interests was deducted, the Group profit attributable to owners of the Parent for the year was Rs 16.35 bn (2022 - Rs. 18.26 bn).

5.2 Reserves

Total Group Reserves at 31st March 2023 amounts to Rs. 77.36 bn (2022 - Rs. 65.81 bn) comprising Capital Reserves of Rs. 0.76 bn (2022 - Rs. 0.71 bn), Other components of equity of Rs. 31.46 bn (2022 - Rs. 30.08 bn) and Revenue Reserves of Rs. 45.13 bn (2022 - Rs. 35.03 bn). The composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

6. PROPERTY, PLANT AND EQUIPMENT

Capital expenditure during the year, on Property, Plant & Equipment (including capital work-in- progress), Biological assets and Intangible assets by the Group and the Company amounted to Rs. 17.82 bn (2022 - Rs. 14.54 bn) and Rs. 151.96 mn (2022 - Rs. 35.79 mn) respectively.

Details relating to capital expenditure on Property, Plant & Equipment (including capital work-in-progress), Investment properties, Biological assets, Intangible assets, are given in Notes 13, 15, 16 and 17 to the Financial Statements.

Extents, locations, number of buildings and valuations of the properties of the Group are given in Statement of Value of Real Estate on pages 434 to 437.

7. MARKET VALUE OF FREEHOLD

The freehold land of the Group has in general been subjected to routine revaluation by independent qualified valuers. The most recent revaluations of the lands were carried out as at 31st March 2022. Details of revaluations, carrying values and market values are provided in Note 13 to the Financial Statements. The Statement on Value of Real Estate on pages 434 to 437 gives details of freehold land held.

8. ISSUE OF SHARES AND DEBENTURES

8.1 Issue of Shares and Debentures by the Company

The Company did not issue any shares or Debenture during the year ended 31st March 2023.

8.2 Stated Capital and Debentures

The stated capital of the Company, consisting of 750,000,000 ordinary shares, amounts to Rs. 1,575 mn as at 31st March 2023. There was no change in stated capital during the year.

The debentures of the Company consist of the following:

- Thirty five million two hundred and sixty eight thousand two hundred (35,268,200 listed rated senior unsecured redeemable five year (2018/23) debentures amounting to Rs.3.5 bn.
- Thirty million (30,000,000) listed rated senior unsecured redeemable five year (2019/2024) debentures amounting to Rs.3 bn.

9. SHARE INFORMATION

Information relating to earnings, dividend, net assets, market value per share, share trading and distribution of shareholding is given on pages 439 to 441.

10. SUBSTANTIAL SHAREHOLDINGS

10.1 Major shareholdings

Details of the twenty largest shareholders of ordinary shares with the percentage of their respective holdings are given on page 439.

10.2 Public Holding

There were 16,384 (2022 - 14,357) registered shareholders as at 31st March 2023. The percentage of shares held by the public, as per the Colombo Stock Exchange rules being 37.10% (2022 - 37.09%).

11. DIRECTORS

Hayleys PLC

The names of the Directors who held office during the financial year are given below. The brief profiles of the Board of Directors appear on pages 46 to 51.

Executive Directors

- Mr. A. M. Pandithage (Chairman & Chief Executive)
- Mr. S. C. Ganegoda
- Mr. H. S. R. Kariyawasan
- Mr. L. R. V. Waidyaratne
- Mrs. J. Dharmasena
- Mr. R. J. Karunarajah

Independent Non-Executive Directors

- Dr. H. Cabral, PC
- Mr. M. H. Jamaldeen
- Mr. M. Y. A. Perera
- Mr. K. D. G. Gunaratne

The basis on which Directors are classified as Independent Non-Executive Directors is discussed in the Corporate Governance Report.

Mr. K. D. G. Gunaratne, Mr. M. H. Jamaldeen and Ms. J. Dharmasena retire by rotation and being eligible offer themselves for re-election.

Pursuant to section 211 of the Companies Act No.07 of 2007 ordinary Resolution will be put before the shareholders for the re-appointment of Mr. A. M. Pandithage notwithstanding the age limit of seventy years stipulated by section 210 of the Companies Act.

Mr. K. D. D. Perera who serves as Co-Chairman and Non-Executive Director of the Company has resigned from the Board of Directors with effect from 10th June 2022. Consequently, Mr. Perera's Alternate Director Ms. A. A. K. Amarasinghe ceased to be his Alternate Director with effect from 10th June 2022.

Subsidiaries

The names of Directors holding office at the end of the financial year in respect of Subsidiaries, grouped under sectors, are given below. Names of Directors who ceased to hold office during the year are given within brackets.

Eco Solutions			
A. M. Pandithage	H. S. R. Kariyawasan	S. C. Ganegoda	M. M. A. R. P. Goonathileke
D. K. De S Wijeyeratne	T. G. Thoradeniya	Dr. S. A. B. Ekanayake	L. Uralagamage
C.D. Weiland	A. Venugopal	A. R. K. Jayawardena	Ms. M. Shiraishi
Ms. M. Hirai	J. A. M. V. D. Hout	T. Fukushima	S. Fukushima
Ms. I. Weiland	Dr. T. K. D. A. P. Samarasinghe	L. A. K. I. Kodytuakku	M. C. Sampath
W. A. K. Kumara	H. C. S Mendis	G. Chapman – Alternate	Ms. K. A .D. B. Perera
Hand Protection			
A. M. Pandithage	H. S. R. Kariyawasan	R. H. P. Janadheera	S. C. Ganegoda
Ms. K. A. D. B. Perera	S. A. N. Pushpakumara	N. A. R. R. S. Nanayakkara	S. Rajapakse
F. Mohideen	K. D. G. Gunaratne	S. P. Peiris	T. G. Thoradeniya
M. Orlando	K. M. D. I. Prasad	G. Molinari	B. A. D. H. C. Mahipala
B. K. C. R. Ratnasiri	Dr. R. M. U. N. Ratnayake	M. U. A. Fonseka	D. P. P. Mendis
(K. D. D. Perera)	(Ng Soon Huat)	(Ms. Y. Bhaskaran – Alternate)	(M. Bottino)
Purification Products			
A. M. Pandithage	H. S. R. Kariyawasan	B. Balaratnaraja	A. M. Senaratna
S. C. Ganegoda	Ms. M. J. A. S. Abeyratne	Dr. S. A. K. Abayawardana	M. S. P. Udaya Kumara
S. Rajapakse	Ms. K. A. D. B. Perera	M. H.Jamaldeen	J. D. Naylor
M. Wickramasinghe	B. P. R. Liyanage	K. Karnchanabatr	Ms. H. N. N. S. Gunawardana
P. Karnchanabatr	B.Karnchanabatr	Ms. C. Karnchanabatr	T. Karnchanabatr
Y. P. A. S. Pathiratna	A. A. M. Caderbhoy	R. Mapahena	R. K. A. Karim
R. Bittel	M. Marques	J. Yaurai	G. Dourdin
W. Y. Fei	E. Srinivasulu	I. A. S. L. Athukorala	Ms. S. Raje Singh
L. Teague	A. Karunarathne	A. Munevar	(Ms. Y. Bhaskaran -Alternate)
(E. Senduk)	(G. Brar)	(K. D. D. Perera)	(G. Gunawarane)
Textiles			
A. M. Pandithage	E. R. P. Goonetilleke	S. C. Ganegoda	Ms. K. A. D. B. Perera
R. N. Somaratne	Dr. N. S. J. Nawaratne	A. S. Jayatilleke	H. Somashantha
I. B. R. R. Bandara	M. H. Jayasinghe	K. P. C. P. K. Pathirana	(K. D. D Perera)
(Ms. Y. Baskaran-Alternate)			
Construction Materials			
A. M. Pandithage	D. W. P. N. Dediwela	S. C. Ganegoda	R. P. P. K. Rajapaksha
R. P. Pathirana	A. A. Akbarally	Dr. H. Cabral, PC	S. Munaweera
A. J. Hirdaramani -Alternate	T. Akbarally –Alternate		
Plantations			
A. M. Pandithage	Dr. W. G. R. Rajadurai	A. Weerakoon	S. C. Ganegoda
S. B. Alawattegama	M. H. Jamaldeen	C. V. Cabraal	Merrill J Fernando
Malik J. Fernando	S. L. Athukorala	P. A. L. Fernando	Ms. M. D. A. Perera
N. T. Bogahalanda	F. Mohideen	N. R. Ranatunge	M. F. M. Ismail
S. C. Hikkaduwage	N. A. R. R. S. Nanayakkara	M. Kariyapperuma	T. M. L. J. Peris
R. J. Karunarajah	R. S. Samarasinghe	N. Ekanayake	D. C. Fernando -Alternate
(J. A. G. Anandarajah)	(Ng Soon Huat)	(L. N. De S Wijeyeratne)	

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Agriculture			
A. M. Pandithage	Ms. J. Dharmasena	S. C. Ganegoda	A. S. Balasooriya
S. M. Gamage	O. P. K. Chandasiri	L. N. Abesekara	S. Rajapakse
M. Symons	A. C.Pathirage	G. Olbrechts	W. A. A. P. Wanasighe
S. Kodama	Ms. D.G.Talpahewa	Dr. M. A. S. Mallawaarachchi	J. P. A. D. Rajapakse
S. I. H. M. M. Rahman	M. Yamahara	S. P. Gamage	S. M. N. S. Samarakoon
K. D. S. Kiriwaththuduwage	A. N. K. Perera	S. R. Rajapakshe	S. K. Herath
H. P. S. V. K. Silva	W. A. S. P. Wanasighe	S. A. B. Wijeratne	A. Samarasinghe
(M. A. Rajap)	(D. Nilaweera)	(L. K. B. Godamunne)	
Consumer & Retail			
A. M. Pandithage	J. A. M. W. Jayasekera	S. C. Ganegoda	M. H. Wijewardene
L. R. V. Waidyaratne	M. Y. A. Perera	M. H.Jamaldeen	J. M. J. Perera
S. L. Athukorala	D. K. de S. Wijeyeratne	D. Sooriyaarachchi	Ms. K. A. D. B. Perera
N. L. S.Joseph	K. D. Kospelawatta	D. H. Fernanado	A. K. Halambaarachchige
N. M. P. Fernando	K. D. G. Gunaratne	Ms. H. M. G. De Alwis	R. De Silva
K. M. S. P. Herath	R. S. Kulasuriya	Ms. W. A. I. Sugathadasa	B. T. L. Mendis
W. A. S. Tharanga	T. A. Amarasuriya	Ms. D. G. Talpahewa	H. P. S. Perera -Alternate
T. M. V. Tenakoon	L. A. D. K. Perera - Alternate	V. J. S. Perera – Alternate	A. C. M. Irzan - Alternate
(L. S. S. Perera)	(K. D. D. Perera)	(Ms. A. A. K. Amarasinghe - Alternate)	(K. T. R Chithrasiri – Alternate)
Leisure			
A. M. Pandithage	R. J. Karunarajah	S. C. Ganegoda	Ms. R. N. Ponnambalam
M. H. Jamaldeen	Ms. W. D. De Costa	T. A. B. Speldewinde	Ms. K. A. D. B. Perera
R. De Silva	J P Van Twest	R. S. Tissanayagam	K. T. M. De Soysa
S. J. Wijesinghe	D. L. C. Fernando	Ms. I. Jamaldeen	N. J. De S. Deva-Aditya
P. N. R. Dias	S. H. Amarasekera	S. I. Wijesinghe	R. Dissanayake
Capt. J. L. C.Fernando	(K. D. D. Perera)	(Ms. A. A. K. Amarasinghe - Alternate)	(L. N. De. S. Wijeyeratne)
Industry Inputs and Power & Energy			
A. M. Pandithage	J. A. W. M.Jayasekera	S. C.Ganegoda	Ms. W. A. I. Sugathadasa
M. Y. A.Perera	A. R. De Zilva	C. Kapugeekiyana	Malik J. Fernando
S. M. H. C. Jayasiri	W. A. S. Tharanga	D. Rangalle	H. Akbarally
M. Najmudeen	Dr. W.G.R.Rajadurai	D. C. E. de Mel	Merill J. Fernando
K. B. M. I. Perera	H. A. Wijayananda	P. M. Hirdaramani	L. R. V. Waidyaratne
(D. S.Arangala)			
Transportation & Logistics			
A. M. Pandithage	L. R. V. Waidyaratne	S. C. Ganegoda	M. Y. A. Perera
A. B. Ratnayake	Ms. E. M. C. S. Gamage	A. M. Senaratna	M. I. S. Sabar
T. U. K. Peiris	C. James	D. Rangalle	A. R. Jowhersha
K. P. Katulanda	A. G. Babonneau	P. Jayanetti	A. S. Jayatilleke
F. S. Abeygoonnewardena	S. J. Wijesinghe	R. Angkriwan	C. I. J. Charles
M. S. M. Rizan	Z. Feng	S. Karunaratne	Capt. P. L. Cumaratunga
J. C. Anandappa	H. A. H. Rodrigo	R. Hassan	I. S. Jayathilaka
M. S. M. Ibrahim	M. Isobe	S. N.Wickremesooriya	S. Munaweera
M. A. J. Ranatunge	A. Saaid	X. M. M. Eiglier	C. K. de Zoysa
R. A. Perera	W. D. K. de Silva	J. Mathew	W. Y. Fei
M. Haijiao	M. A. Muttalib	T. S. D. Peiris	R. P. Edirisinghe
D. Fernando	J. G. Victoria	K. D. Wimalaratne	Ms. C. R. K. Bandara
C. Gazara	H. R. S. Gunawardena	T. Vaseeharan	G. Ramakrishnan
D. T. L. Sanjeewa	R. S. Ramakrishnan	S. Djohan	W. W. J. L. Fernando

Transportation & Logistics			
A. R. Barnet	M. Nabeel	L. Senanayake	Ms. Z. Yinghui
M. P. Punchihewa	N. P. Samarasinghe	Ms. I.Shaheen	Ms. D. S. Ediriweera
A. V. A. Perera	S. I. Ramakrishnan	J. Sheriff	R. L. Karunartne
C. N. J. Gunawardena	S. K. J. Wijayasinghe	A. L. Weerasinghe	K. Celly
K. S. R. de Abrew	K. Abeywickrama	Ms. S. S. de Silva	M. M. Hossain
D. A. A. Mon	J. R. U. De Silva	S. I. S. M. H. S. Alhashimi	J. D. F. Peries
S. E. J. Abeysundere	R. E. Lisapaly	D. H. Lee	Ms. V. Jayasundera
A. A. Djohan	M. S. Thin	D. J. A. Wijesinghe	H. T. N.Perera
T. Hanajima	K. L. C. Fernando	S. Mahadeva	C. P De Souza
R. Evert	K. M. A. Fernando	V. V. P Daluwatte	P. J. Ng
U. L. J. Perera – Alternate	K. O. I. C Fernando – Alternate	I. A. V. A. Perera -Alternate	H. Ishizaki -Alternate
W. Kuroda	(F. J. R. Leleux)	(M. P. Kurukulasuriya)	(A. Herzhauser)
(U. I. B. Dunuwilla)	(R. J. N. Romanet)	(M. G. I Ahamed)	(F. Pieris)
(I. A. M. Gahazali)	(H. Kubota)	(R. W. P. Polonowita)	(T. Yamada)
(H. K. Somiya)	(E. J. Pietersz)	(A. G. Babonnell)	
Others			
A. M. Pandithage	S. C. Ganegoda	M. H. Jamaldeen	Dr. H. Cabral, PC
H. C. Prematillake	M. Y.A. Perera	N. M. P. Fernando	D. Rangalle
T. M. Hewagama	E. R. P. Goonetilleke	M. S. Mohamed	R. Malewana
P. D. J. Gunawawardena	Ms. D. G. Talpahewa	R. S. S. Perera	L. Somarathna
N. J. C. De Mel	H. P. G. S. E. M. De Alwis	G. J. W. De Silva	T. G. Thoradeniya
A. Mathagaweera	S. Samarathunga	(C. De Silva)	

12. DISCLOSURE OF DIRECTORS' DEALING IN SHARES AND DEBENTURES

Directors' dealings in shares are given under Note 2.6.2 of this report.

Directors' holdings, in ordinary shares of the Company are given on page 440.

None of the Directors hold debentures in Hayleys PLC.

13. EMPLOYEE SHARE OWNERSHIP PLANS

The Company does not operate any share option schemes.

14. DIRECTORS' DISCLOSURE OF INTEREST

Disclosure of interest by the Directors of the Company and its subsidiaries are detailed in Note 2.6 above.

15. RELATED PARTY TRANSACTIONS

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

The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee and are in compliance with the Section 09 of the CSE Listing rules. Please refer page 298 for RPTRC report.

16. ENVIRONMENTAL PROTECTION

The Group's efforts to conserve scarce and non-renewable resources, as well as its environmental objectives and key initiatives, are described in the Natural Capital on pages 272 to 283.

17. STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government, other regulatory institutions and those related to employees have been made on time.

The declaration relating to statutory payments is made in the Statement of Directors' Responsibilities on page 297.

18. EVENTS AFTER THE REPORTING DATE

No event of material significance that requires adjustment to the Financial Statements, has occurred subsequent to the date of the reporting date, other than those disclosed in Note 35 to the Financial Statements on page 408.

19. GOING CONCERN

The Directors, after considering the financial position, operating conditions, regulatory and other factors including matters addressed in the Corporate Governance Code, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis has been adopted in the preparation of the Financial Statements.

20. EXPOSURE TO RISK

The Group has a structured risk management process in place to support its operations.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Hayleys Board Audit Committee and the sector Audit Committees play a major role in this process. The Risk Management section of this report elaborates these practices and the Group's risk factors.

21. APPOINTMENT OF AUDITORS

A resolution for the re-appointment of Messrs Ernest & Young, Chartered Accountants, as auditors of the company for the year 2023/24 will be proposed at the Annual General Meeting.

22. AUDITORS' REMUNERATION AND INTEREST IN CONTRACTS

A resolution authorising the Directors to determine their remuneration will be submitted at the Annual General Meeting.

The Auditors, Messrs Ernst & Young were paid Rs. 2.59 mn (Rs. 2.31 mn), and Rs. 66.58 mn (Rs. 57.82 mn) as audit fees by the Company and its Subsidiaries respectively. In addition, they were paid Rs. 2.77 mn (Rs. 2.03 mn) and Rs. 48.85 mn (Rs. 38.59 mn), by the Company and its Subsidiaries respectively, for non-audit related work, which consisted mainly of tax consultancy services.

In addition to the above, Group companies, both local and overseas, engage other audit firms. Audit fees and payments relating to non- audit work in respect of these firms amount to Rs. 64.45 mn (Rs. 39.59 mn) and Rs. 39.81 mn (Rs. 19.76 mn) respectively.

The Auditors of the Company and its Subsidiaries, have confirmed that they do not have any relationships (other than that of Auditor) with, or interests in, the Company or any of its Subsidiaries.

23. RATIOS AND MARKET PRICE INFORMATION

The information relating to equity and debt as required by the listing requirements of the Colombo Stock Exchange are given on pages 439 to 441, and page 20 of this Report.

24. EMPLOYEES & INDUSTRIAL RELATIONS

The Group has a structure and a culture that recognises the aspirations, competencies and commitment of its employees. Career growth and advancement within the Group is promoted.

Details of Group's human resource practices and employee and industrial relationships are given in Social Performance section of the Sustainability Review.

The number of persons employed by the Group at year-end was 31,483 (2022 - 32,840).

25. SHAREHOLDERS

It is the Group's policy to endeavour to ensure equitable treatment to its shareholders.

26. INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Group's system of internal control. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board, having reviewed the system of internal controls, is satisfied with the Group's adherence to and effectiveness of these controls for the period up to the date of signing the Financial Statements.

27. BOARD SUB COMMITTEE

Please refer page 295 to 300 for the Board sub committee reports.

28. CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance rules laid down under the listing rules of the Colombo Stock Exchange. The Corporate Governance Report on pages 56 to 80 discusses this further.

29. ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the registered office No. 400, Deans Road, Colombo 10, Sri Lanka on Friday, 30th June 2023 at 1.30 p.m. The Notice of the Annual General Meeting appears on page 466.

For and on behalf of the Board

Mohan Pandithage
Chairman & Chief Executive

Sarath Ganegoda
Director

Hayleys Group Services (Private) Limited.
Secretaries

19th May 2023

Comparative figures are shown in bracket

CHAIRMAN & CHIEF EXECUTIVE'S AND GROUP CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

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

- Sri Lanka Accounting Standards issued by CA Sri Lanka;
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Listing Rules of the Colombo Stock Exchange;
- Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka;
- Finance Companies Corporate Governance Direction No 03 of 2008 issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011.

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

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

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

The Financial Statements were audited by independent external auditors, Messers Ernst & Young, Chartered Accountants. Their report is given on pages 302 to 305 of the Annual Report.

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

We confirm that,

- the Company and its subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- there are no material non-compliances; and
- there are no material litigations that are pending against the Group other than those disclosed in the Note 32 to the Financial Statements in this Annual Report.

Mohan Pandithage
Chairman & Chief Executive

Milinda Hewagama
Group Chief Financial Officer

19th May 2023

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The following statement fulfils the requirement to publish the Directors' Statement on internal control as per the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

The Board of Directors is responsible for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and Group. This process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The Board has implemented the following to obtain reasonable assurance that proper systems of internal controls are in place:

- Instituted various committees to assist the Board in ensuring the effectiveness of Company's operations and the operations are in accordance with the corporate strategies and annual budget.
- The Management Audit and System Review Department (MA & SRD) to review and report on the internal control environment in the Company and Group. Audits are carried out on all subsidiaries in accordance with the annual audit plan approved by the Audit Committee. Findings are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee reviews internal control issues identified by MA & SRD and management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Audit Committee meetings are tabled at the Board meetings of Hayleys PLC.
- The adoption of new Sri Lanka Accounting Standards comprising LKAS and SLFRS in 2013, processes that are required to comply with new requirements of recognition, measurement, presentation and disclosures were introduced and implemented. Continuous monitoring is in progress to ensure effective implementation of the required processes.
- The comments made by External Auditors in connection with the internal control system during the financial year 2021/22 were taken into consideration and appropriate steps have been taken to incorporate them where appropriate.

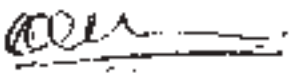
Conclusion

The Board having implemented the above is aware that such systems are designed to manage rather than eliminate the risk of failure to achieve business objective and can only provide reasonable and not absolute assurance against material misstatements of loss.

The Board of Directors confirm that the financial reporting system of Hayleys PLC has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards, requirements of the Company's Act No 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

Mohan Pandithage
Chairman & Chief Executive

Sarath Ganegoda
Director



Aravinda Perera
Chairman, Audit Committee

19th May 2023

NOMINATION COMMITTEE REPORT

Composition

- A. M. Pandithage (ED) - Chairman
- Dr. H. Cabral PC (IND/NED)
- M. Y. A. Perera (IND/NED) - appointed w.e.f 21st April 2023
- K. D. D. Perera (NED) – resigned w.e.f. 10th June 2022

ED - Executive Director

NED - Non - Executive Director

IND/NED - Independent Non-Executive Director

(Refer pages 46 to 51 for a brief profile of the Directors)

Attendance at Committee Meetings

Director	Attendance
A. M. Pandithage	9/9
Dr. H. Cabral PC	9/9
K. D. D. Perera	1/2

Duties of the Nomination Committee

- Consider the making of any appointment of new Directors or re-electing current Directors to the Board.
- Provide advice and recommendations to the Board on any such appointment.
- Review criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment to the Board and Key Management Personnel in the Company.
- Consider if a Director is able to and has been adequately carrying out his or her duties as a Director, taking in to consideration the number of Listed Company Boards on which the Director is represented and other principal commitments.
- Review the structure, size, composition and competencies of the Board and make recommendations to the Board with regard to any changes.
- Recommend the requirements of new expertise and succession arrangements for retiring Directors.
- Recommend on any matter referred by the Board of Directors.
- The Committee has recommended based on the performance and the contribution made to achieve the objectives of the Board to re-elect Mr. K. D. G Gunaratne, Mr. M. H. Jamaldeen and Ms. J. Dharmasena to the Board at the Annual General Meeting to be held on 30th June 2023.
- The Committee has recommended to re-appoint Mr. A. M. Pandithage who retires having attained the age of seventy two years at the Annual General Meeting to be held on 30th June 2023.

Mohan Pandithage
Chairman

Nomination Committee

19th May 2023

REMUNERATION COMMITTEE REPORT

Composition

- Dr. H. Cabral, PC (IND/NED) - Chairman
- M. Y. A. Perera (IND/NED)
- M. H. Jamaldeen (IND/NED)
- K. D. G. Gunaratne (IND/NED) - appointed w.e.f 21st April 2023
- K. D. D. Perera (NED) – resigned w.e.f 10th June 2022

IND/NED - Independent Non-Executive Director,
NED - Non-Executive Director

(Refer to pages 46 to 51 for a brief profile of the Directors)

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

Attendance at Committee Meetings

Director	Attendance
Dr. H. Cabral, PC	2/2
M. Y. A. Perera	2/2
M. H. Jamaldeen	2/2
K. D. D. Perera	1/1

Duties of the Remuneration Committee

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

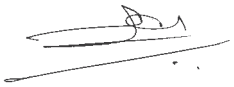
- Determining the compensation of the Chairman & Chief Executive, Executive Directors and the Members of the Group Management Committee.
- Lay down guidelines and parameters for the compensation structures of all management staff within the Group taking into consideration industry norms.
- Formulate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

Remuneration Policy

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

Activities in 2022/23

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



Dr. Harsha Cabral, PC.
Chairman

Remuneration Committee

19th May 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible under sections 150 (1), 151, 152 (1),) & 153 of the Companies Act No. 7 of 2007 ("The Companies Act"), to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit & loss of the Company and the Group for the financial year.

The Directors are also responsible, under section 148, the Companies act to ensure that proper accounting records are kept to enable, determination of the financial position with reasonable accuracy, preparation of Financial Statements and audit of such statements to be carried out readily and properly.

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

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS), the Companies Act and the listing rules of the Colombo Stock Exchange.

The Directors are of the opinion, based on their knowledge of the company, key operations and specific inquiries, that adequate resources exist to support the Company on a going concern basis over the next year. These Financial Statements have been prepared on that basis.

The Directors have taken proper and sufficient measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control and accounting records to prevent and detect fraud and other irregularities. These have been reviewed, evaluated and updated on an ongoing basis.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the interim dividend paid and a solvency certificate was obtained from the Auditors in respect of the said interim dividend paid.

The external Auditors, Messrs Ernst & Young, Chartered Accountants who were re- appointed in terms of the Companies Act No. 7 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, shown on pages 302 to 305 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 provided where relevant.

By order of the Board

Hayleys Group Services (Private) Limited

Secretaries

19th May 2023

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Board has established the Related Party Transaction Review Committee in terms of the Code of Best practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange..

Composition

- Dr. H. Cabral, PC (IND/NED) - Chairman
- Mr. M.Y.A. Perera (IND/NED)
- Mr. S.C. Ganegoda (ED)

ED - Executive Director
IND/NED - Independent Non-Executive Director

(Refer pages 46 to 51 for a brief profile of the Directors)

Attendance at Committee Meetings

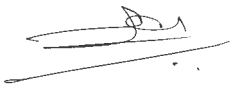
Director	Attendance
Dr. H. Cabral, PC	4/4
Mr. M. Y. A. Perera	4/4
Mr. S. C. Ganegoda	4/4

Duties of the Related Party Transactions Committee

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

ACTIVITIES IN 2022/23

- During the year the Committee reviewed the related party transactions and their compliances in Hayleys PLC and the its Group Companies and communicated the same to the Board and relevant Companies.
- The Committee 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

17th May 2023

AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee, appointed by and responsible to the Board of Directors, comprises the following four Independent Non-Executive Directors.

- Mr. M. Y. A. Perera (Chairman)
- Dr. H. Cabral
- Mr. M. H. Jamaldeen
- Mr. K. D. G. Gunaratne

Brief profiles of each member are given on pages 46 to 51 of this report. Their individual and collective financial knowledge and business acumen and the independence of the Committee, are brought to bear on their deliberations and judgments on matters that come within the Committee's purview.

Company Secretaries act as the secretary to the audit committee. The Chairman & Chief Executive, Group Chief Financial officer and Head – Group Management Audit & System Review attend all the meetings of the Committee by invitation.

CHARTER OF THE AUDIT COMMITTEE

The Audit Committee Charter is periodically reviewed and revised with the concurrence of Board of Directors to make sure that new developments relating to the function of the Committee are included. The Charter of the Committee was last reviewed and approved by the Board in April 2022. The terms of reference of the Committee are clearly defined in the Charter of the Audit Committee.

'Rules on Corporate Governance' under listing rules of the Colombo Stock Exchange, 'Code of Best Practice on Corporate Governance' issued by the Institute of Chartered Accountants of Sri Lanka 2017 and in the case of the subsidiary company, Singer Finance (Lanka) PLC ' Finance Leasing (Corporate Governance) Direction No 03 of 2008 issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011', further regulate the composition, roles and functions of the Board Audit Committee.

MEETINGS OF THE AUDIT COMMITTEE

The Committee met 4 times during the year. The attendance of the members at these meetings is stated in the table on page 66.

Other members of the Board and the Group Management Committee, as well as the External Auditors were present at discussions where it was appropriate. The proceedings of the Audit Committee are regularly reported to the Board of Directors.

THE AUTHORITY OF THE AUDIT COMMITTEE

- Recommend appointment, dismissal, service period and audit fee of the external auditors.
- The audit committee shall establish and maintain a direct communication channel with the external auditors.
- Resolve any issues regarding financial reporting between the management and the external auditor.
- Pre-approve all auditing and non-audit services performed by the external audit firm and internal audit service providers.
- Seek any information it requires from employees or external parties relating to investigations.
- Meet with the management, external auditors as necessary to carry out the assigned duties.

ACTIVITIES IN 2022/23

FINANCIAL REPORTING SYSTEM

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

INTERNAL AUDITS

The Committee reviewed the process to assess the effectiveness of the Internal Financial Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements.

The Group Management Audit & Systems Review Department reports on key control elements and procedures in Group companies that are selected according to a group annual audit plan. During the year 2022/23, 650 audits were performed covering all 12 sectors of the group. The committee obtained the significant findings of the internal

AUDIT COMMITTEE REPORT

auditors and reviewed the responses of the management. The recomendations made by the internal auditors for improvement were discussed.

Internal Audits were outsourced in financial year 2022/23 to leading audit firms in line with an agreed annual group audit plan. The Committee also invited representatives from the audit firms to make presentations on their observations and findings.

Follow up reviews were scheduled to ascertain that audit recommendations are being acted upon.

The Committee evaluated the Internal Audit Function covering key areas such as scope, quality of internal audits, independence and resources. The Committee appraised the independence of the Group MA&SRD and other internal auditors, in the conduct of their assignments.

RISK MANAGEMENT

The Committee obtained and reviewed statements from the Heads of Business Sectors identifying their respective major business risks, mitigatory action taken or contemplated for management of these risks. The COSO Enterprise Risk Reporting Process is presently being implemented within the group.

Review of the risk management, internal controls, business continuity planning and information security systems are carried out and appropriate remedial actions are recommended to the board.

SUBSIDIARY COMPANY AUDIT COMMITTEES

Within the Hayleys Group 16 listed subsidiaries and 5 unlisted subsidiaries have appointed their own Audit Committees comprising Independent Non-Executive Directors and have met four times each during the year 2022/23. These Audit Committees function independent of the Audit Committee of Hayleys PLC but have similar terms of reference. The minutes of their meetings were made available to the Hayleys Audit Committee.

EXTERNAL AUDITS

The Committee held meetings with the External Auditors to review the nature, approach, scope of the audit and the Audit Management Letters of Group Companies. Actions taken by the management in response to the issues raised, as well as the effectiveness of the internal controls in place, were discussed with the heads of business units. Remedial actions were recommended wherever necessary.

The Audit Committee has reviewed the other services provided by the External Auditors to the Group to ensure that their independence as Auditors has not been compromised.

APPOINTMENT OF EXTERNAL AUDITORS

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young, continue as Auditors for the financial year ending 31st March 2024 after evaluating the scope, delivery of the audit, resources and the quality of the assurance initiatives taken during the year financial year 2022/23.

COMPLIANCE

The Committee obtained representations from Group Companies on the adequacy of provisions made for possible liabilities and reviewed reports tabled by Group Companies certifying their compliance with relevant statutory requirements. Further, the Committee obtained regular updates from Head of HR and Legal regarding compliance matters.

ETHICS AND GOOD GOVERNANCE

The Committee continuously emphasised on upholding ethical values of the staff members. In this regard, Code of Ethics and Whistle-Blowers Policies were put in place and are followed by educating and encouraging all members of the staff. All appropriate procedures are in place to conduct independent investigations into incidents reported through Whistle-Blowing or identified through other means. The Whistle-Blower Policy guarantees strict confidentiality of the identity of the Whistle-Blowers.

SRI LANKA ACCOUNTING STANDARDS

Committee reviewed the revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the Group companies and made recommendation to the Board of Directors.

Progress of implementation of SLFRS:

The Committee continuously monitored the progress of implementation of SLFRS as per the requirements of Sri Lanka Accounting Standards.

The Committee would continue to monitor the compliance with relevant Accounting Standards and keep the Board of Directors informed at regular intervals.

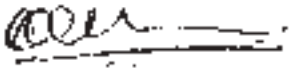
The committee has pursued the support of Messers Ernst and Young to assess and review the existing SLFRS policies and procedures adopted by the Group.

SUPPORT TO THE COMMITTEE

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

Evaluation of the Committee:

An independent evaluation of the effectiveness of the Committee was carried out by the other members of the Board during the year. Considering the overall conduct of the Committee and its contribution on the overall performance of the group, the Committee has been rated as highly effective.



Aravinda Perera
Chairman

Audit Committee.

17th May 2023

A Promise of Continuity

We assure our stakeholders of a shared future of prosperity and abundance, remaining in a constant state of motion and continuous improvement.

Koi enjoy relatively long lifespans, which can span decades, and at times centuries. It is believed that the oldest known koi lived to be 226 years old. This longevity is due to its resilient nature, and the maintenance of the right conditions for survival.

INDEPENDENT AUDITORS' REPORT

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

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

TO THE SHAREHOLDERS OF HAYLEYS PLC

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of Hayleys PLC (the "Company"), and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 March 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 Group give a true and fair view of the financial position of the Company and Group as at 31 March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the auditors' 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 the auditors' 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 Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue	
The Group derived its revenue of Rs. 487 billion from diverse industry segments as disclosed in Notes 3.22 and 6 in the financial statements. Revenue was a key audit matter due to; • the significance of the amount generated from industry specific sales arrangements for products and services coupled with the significant net increase (44%) in revenue recorded by the Group during the year and; • considerations to be made on terms attached to sales arrangements, particularly relating to the timing of transferring control over goods sold and services provided.	Our audit procedures to address this area of focus included the following: • Obtained an understanding of the nature of revenue contracts entered into by industry segments of the Group and performed inquiries of management and appropriate analytical procedures to understand and assess the reasonableness of reported revenues, • where appropriate, evaluated the design of internal controls and tested the operating effectiveness of relevant controls relating to the sale of goods and services, • tested the appropriateness of revenue recognised by reviewing relevant sales contracts and other relevant supporting documents, and • tested transactions recorded at year-end, assessing whether revenue was recognised in the correct accounting period, particularly testing how terms of sales arrangements were considered within the revenue recognition process. We also assessed the adequacy of the disclosures in respect of revenue in Notes 3.22 and 6 to the financial statements.

Key audit matter	How our audit addressed the key audit matter
Measurement of inventories	
As of the reporting date, the Group carried inventories amounting to Rs. 88 billion as disclosed in Note 21. The measurement of inventories was a key audit matter due to; • the existence of diverse industry specific inventories which are significant to the Group's financial statements (represented 21% of the Group's total assets) and; • the use of significant management judgement over identifying inventories requiring write down to net realisable value (NRV), and estimates applied in the determination of allowances for slow moving and obsolete inventories.	Our audit procedures to address this area of focus included the following: • Obtained an understanding of inventories maintained by industry segments, together with key processes and controls relating to the recording and measurement of inventories, • tested the accuracy and completeness of inventory age reports used in the estimation of allowances for slow moving and obsolete inventories, and • assessed the reasonableness of judgements applied in the write down of inventories to NRV and estimation of allowances for slow moving and obsolete inventories. We also assessed the adequacy of disclosures made in relation to the measurement of inventories in Notes 5.6 and 21 to the financial statements.
Impairment allowance for current and non-current trade and other receivables in the Consumer & Retail segment of the Group	

The Group has recognised an allowance for expected credit losses of Rs. 6.8 billion for current and non-current trade and other receivables as disclosed in Note 22 in the financial statements. The allowance recorded in the Consumer and Retail segment of the Group amounts to Rs. 4.3 billion.
 	
The impairment allowance for current and non-current trade and other receivables in the Consumer & Retail segment of the Group was a key audit matter due to;
• the degree of judgements, significance of assumptions and level of estimation uncertainty associated with estimating future cash flows management expects to receive from such financial assets.
 	
Such assumptions, judgements and estimates include incorporation of forward-looking information such that expected cashflows reflect current and anticipated future external factors.
	Our audit procedures included the following:
	• We evaluated the competence and independence of the firm of chartered accountants performing the component audit of the Consumer and Retail segment.
	• With the involvement of component auditors where relevant, we
	  • assessed the appropriateness of the selection of accounting policies based on the requirements of the SLFRS 09, business understanding and industry practice,
	  • evaluated the appropriateness of the management approach over the application and use of practical expedients applied for SLFRS 9,
	  • assessed management's processes, systems and controls implemented over impairment assessment, including the completeness, accuracy and relevance of data used,
	  • assessed the logics and compilation of the overdue information of loans and advances, finance lease receivables and hire purchases,
	  • evaluated the appropriateness of the assumptions used based on knowledge and information of the client and the industry and assessed whether the macro economic factors have been used with the latest available information to assess that the latest economic forecasts have been used, and
	  • tested the mathematical accuracy of models applied and post- model adjustments.
	
	We have also assessed the adequacy of the disclosures made in Note 3.9 and Note 22 in the financial statements.

INDEPENDENT AUDITORS' REPORT

Other information included in the Group's 2023 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditors' report thereon. The 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 on this regard.

Responsibilities of management and those charged with governance

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

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

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

Auditors' 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 auditors' 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 Sri Lanka Auditing Standards, 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 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

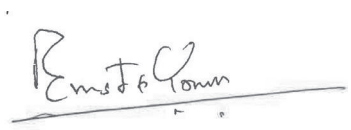
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report is 2440.



19 May 2023

Colombo

Partners: [illegible]

Principals: [illegible]

A member firm of Ernst & Young Global Limited

STATEMENT OF PROFIT OR LOSS

For the year ended 31st March	Notes	Consolidated		Company	
		2023 Rs.'000	2022 Rs.'000	**2023** Rs.'000	2022 Rs.'000
Revenue	6	487,430,881	338,009,580	608,270	497,642
Cost of sales		(363,772,324)	(258,715,354)	(467,357)	(379,217)
Direct interest cost		(4,424,524)	(1,920,345)	-	-
Gross profit		119,234,033	77,373,881	140,913	118,425
Group dividend		-	-	5,897,496	5,145,509
Other income	7	4,279,601	1,997,601	-	13,111
Distribution expenses		(13,764,885)	(12,514,847)	-	-
Administrative expenses		(47,498,694)	(32,842,133)	721,291	257,512
Other expenses	8	(1,177,308)	(420,743)	(306)	(6,089)
Results from operating activities		61,072,747	33,593,759	6,759,394	5,528,468
Finance income	9	20,720,866	16,831,989	609,056	188,410
Finance cost	9	(39,538,267)	(14,882,770)	(5,276,184)	(2,219,372)
Net finance cost		(18,817,401)	1,949,219	(4,667,128)	(2,030,962)
Change in fair value of investment properties	15	347,457	328,543	5,900	9,250
Share of profit of equity accounted investees (net of tax)	18	540,978	226,794	-	-
Value added tax on financial services		(394,713)	(381,570)	-	-
Profit before tax	10	42,749,068	35,716,745	2,098,166	3,506,756
Tax expense	11	(15,076,768)	(7,617,844)	(197,146)	139,979
Profit for the year		27,672,300	28,098,901	1,901,020	3,646,735
Profit for the period attributable to:					
Owners of the parent		16,351,845	18,256,527	1,901,020	3,646,735
Non-controlling interest		11,320,455	9,842,374	-	-
Profit for the year		27,672,300	28,098,901	1,901,020	3,646,735
Earnings per share					
Basic - (Rs.)	12	21.80	24.34	2.53	4.86
Diluted - (Rs.)	12	21.80	24.34	2.53	4.86
Dividend per share (Rs.)	12			5.35	4.00

Notes from pages 317 to 423 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Notes	Consolidated 2023 Rs.'000	Consolidated 2022 Rs.'000	Company 2023 Rs.'000	Company 2022 Rs.'000
Profit for the year		27,672,300	28,098,901	1,901,020	3,646,735
Other comprehensive income					
Items that will not be reclassified subsequently to the Statement of Profit or Loss					
Revaluation of land	13	-	3,482,837	-	-
Actuarial loss on employee benefit obligations	28	(319,375)	(455,365)	(47,227)	(140,653)
Net change on equity instruments designated at fair value through other comprehensive income		16,102	94,263	-	-
Tax on other comprehensive income	11	(1,220,325)	(540,638)	2,125	2,730
Items that will be reclassified subsequently to the Statement of Profit or Loss					
Net exchange differences on translation of foreign operations		2,794,488	7,963,619	-	-
Net gain/(loss) on cash flow hedges		154,017	(1,782,572)	-	-
Share of other comprehensive income of equity accounted investees		664,640	(341)	-	-
Total other comprehensive income for the year, net of tax		2,089,547	8,761,803	(45,102)	(137,923)
Total comprehensive income for the year, net of tax		29,761,847	36,860,704	1,855,918	3,508,812
Total comprehensive income for the year attributable to:					
Owners of the parent		17,552,656	23,397,488	1,855,918	3,508,812
Non- controlling interest		12,209,191	13,463,216	-	-
		29,761,847	36,860,704	1,855,918	3,508,812

Notes from pages 317 to 423 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

For the year ended 31st March	Notes	Consolidated		Company	
		2023	2022	**2023**	2022
		Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Assets					
Non-current assets					
Property, plant & equipment	13	126,306,985	111,189,851	202,883	100,095
Right-of-use assets	14	12,190,393	11,389,087	127,664	191,497
Investment properties	15	1,948,326	2,601,101	94,750	88,850
Biological assets	16	1,313,069	599,064	-	-
Intangible assets	17	16,376,051	15,544,031	65,245	74,310
Investments in subsidiaries	18	-	-	39,630,538	38,903,712
Investments in equity accounted investees	18	3,364,373	2,164,377	1,504,863	1,504,863
Other non-current financial assets	19	941,292	91,199	49,563	57,125
Non- current trade and other receivables	22	8,359,072	12,331,710	-	-
Other non-current assets	20	951,608	983,043	-	-
Deferred tax assets	27	3,411,813	2,803,644	68,643	14,771
Amounts due from subsidiaries	38	-	-	-	610,000
Total non-current assets		175,162,982	159,697,107	41,744,149	41,545,223
Current assets					
Inventories	21	87,502,323	82,397,947	36,535	7,493
Amounts due from subsidiaries	38	-	-	4,264,131	3,897,840
Amounts due from equity accounted investees	38	159,463	142,891	986	1,190
Trade and other receivables	22	98,651,672	107,082,528	36,558	32,907
Other current assets	20	5,508,223	4,179,463	56,203	31,555
Income tax recoverable	30	944,281	837,838	-	68,645
Other current financial assets	19	855,239	1,400,423	14,891	7,706
Short term deposits		19,780,454	19,927,939	1,489,160	254,515
Cash in hand and at bank		24,177,336	27,409,656	1,144,208	697,773
Total current assets		237,578,991	243,378,685	7,042,672	4,999,624
Total assets		412,741,973	403,075,792	48,786,821	46,544,847
Equity and liabilities					
Stated capital	23	1,575,000	1,575,000	1,575,000	1,575,000
Capital reserves		760,344	711,396	13,226	13,226
Other components of equity		31,464,513	30,077,359	-	-
Revenue reserves		45,130,447	35,026,096	12,871,201	15,027,783
Total equity attributable to equity holders of the company		78,930,304	67,389,851	14,459,427	16,616,009
Non-controlling interest		43,776,353	37,896,875	-	-
Total equity		122,706,657	105,286,726	14,459,427	16,616,009

For the year ended 31st March	Notes	Consolidated 2023 Rs.'000	Consolidated 2022 Rs.'000	Company 2023 Rs.'000	Company 2022 Rs.'000
Non-current liabilities					
Interest-bearing borrowings	25	59,158,207	63,540,193	13,185,518	18,265,278
Grants	26	924,138	838,161	-	-
Deferred tax liabilities	27	12,602,194	7,433,449	-	-
Security deposits	24	1,468,392	1,462,347	-	-
Other non-current liabilities	29	2,083,838	1,637,526	-	-
Other non-current financial liabilities	19	5,844,248	2,317,848	-	-
Employee benefit obligations	28	12,845,248	11,208,145	1,560,016	1,298,429
Total non-current liabilities		94,926,265	88,437,669	14,745,534	19,563,707
Current liabilities					
Trade and other payables	29	66,405,057	79,256,611	4,843,225	1,268,500
Other current liabilities	29	7,815,736	7,725,691	67,602	29,704
Deferred revenue	29	954,310	618,787	-	-
Other current financial liabilities	19	13,355,662	9,828,666	-	-
Amounts due to subsidiaries	38	-	-	305,479	672,807
Amounts due to equity accounted investees	38	456	322	385	322
Income tax payable	30	6,040,416	3,527,178	118,116	-
Current portion of long term interest-bearing borrowings	25	31,573,389	27,568,587	9,080,337	5,361,853
Short-term interest-bearing borrowings	31	68,964,025	80,825,555	5,166,716	3,031,945
Total current liabilities		195,109,051	209,351,397	19,581,860	10,365,131
Total liabilities		290,035,316	297,789,066	34,327,394	29,928,838
Total equity and liabilities		412,741,973	403,075,792	48,786,821	46,544,847

Notes from pages 317 to 423 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

These Financial Statements have been prepared in compliance with the requirements of Companies Act No. 7 of 2007.

Milinda Hewagama
Group Chief Financial Officer

The Directors are responsible for these Financial Statements.

Signed for and on behalf of the Board.

Mohan Pandithage
Chairman & Chief Executive

Sarath Ganegoda
Director

19th May 2023

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2023		Capital Reserves		Other components	
	Stated capital	Reserve on scrip issue	Other capital reserve	Revaluation reserve	Fair value reserve of financial assets at FVOCI
Consolidated	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 31st March 2022	1,575,000	175,636	535,760	24,091,156	15,645
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022 (Note 39)	-	-	-	-	-
Balance as at 1st April 2022 - Adjusted	1,575,000	175,636	535,760	24,091,156	15,645
Profit for the year	-	-	-	-	-
Other comprehensive income					
Net exchange differences on translation of foreign operations	-	-	-	-	-
Share of other comprehensive income of equity accounted investees	-				
Net loss on cash flow hedges	-	-	-	-	-
Net change on equity instruments designated at fair value through other comprehensive income	-	-	-	-	14,942
Realised gain on timber	-	-	-	-	-
Actuarial loss on employee benefit obligations	-	-	-	-	-
Tax on other comprehensive income	-	-	-	(1,121,904)	-
Total other comprehensive income	-	-	-	(1,121,904)	14,942
Total comprehensive income for the year	-	-	-	(1,121,904)	14,942
Transactions with owners, recorded directly in equity					
Dividends to equity holders	-	-	-	-	-
Transfers	-	-	48,591	(5,285)	-
Total contributions by and distributions to owners	-	-	48,591	(5,285)	-
Changes in ownership interests in subsidiaries					
Adjustment on changes to non-controlling interest in subsidiaries	-	52	305	32,540	364
Acquisition of subsidiaries	-	-	-	-	-
Total changes in ownership interests in subsidiaries	-	52	305	32,540	364
Total transactions with owners	-	52	48,896	27,255	364
Balance as at 31st March 2023	1,575,000	175,688	584,656	22,996,507	30,951

Notes from pages 317 to 423 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

of equity		Revenue Reserves						
Cash flow hedge reserve	Foreign currency translation reserve	General reserve	Timber reserve	Bearer Biological reserve	Retained earnings	Shareholders' funds	Non-controlling interest	Total equity
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
(2,439,613)	8,410,171	2,280,540	129,106	11,705	32,604,745	67,389,851	37,896,875	105,286,726
-	-	-	-	-	(1,915,963)	(1,915,963)	(553,417)	(2,469,380)
(2,439,613)	8,410,171	2,280,540	129,106	11,705	30,688,782	65,473,888	37,343,458	102,817,346
-	-	-	41,665	6,246	16,303,934	16,351,845	11,320,455	27,672,300
-	1,700,985	-	-	-	-	1,700,985	1,093,503	2,794,488
	664,591				56	664,647	(7)	664,640
117,835	-	-	-	-	-	117,835	36,182	154,017
-	-	-	-	-	-	14,942	1,160	16,102
-	-	-	(9,120)	-	9,120	-	-	-
-	-	-	-	-	(248,659)	(248,659)	(70,716)	(319,375)
-	-	-	-	-	72,965	(1,048,939)	(171,386)	(1,220,325)
117,835	2,365,576	-	(9,120)	-	(166,518)	1,200,811	888,736	2,089,547
117,835	2,365,576	-	32,545	6,246	16,137,416	17,552,656	12,209,191	29,761,847
-	-	-	-	-	(4,012,500)	(4,012,500)	(6,361,116)	(10,373,616)
-	-	-	-	-	(43,306)	-	-	-
-	-	-	-	-	(4,055,806)	(4,012,500)	(6,361,116)	(10,373,616)
(25,369)	8,455	11,620	-	-	(111,707)	(83,740)	(96,016)	(179,756)
-	-	-	-	-	-	-	680,836	680,836
(25,369)	8,455	11,620	-	-	(111,707)	(83,740)	584,820	501,080
(25,369)	8,455	11,620	-	-	(4,167,513)	(4,096,240)	(5,776,296)	(9,872,536)
(2,347,147)	10,784,202	2,292,160	161,651	17,951	42,658,685	78,930,304	43,776,353	122,706,657

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2022		Capital Reserves		Other component	
	Stated capital	Reserve on scrip issue	Other capital reserve	Revaluation reserve	Fair value reserve of financial assets at FVOCI
Consolidated	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April, 2021	1,575,000	175,432	512,979	21,708,907	76,471
Profit for the year	-	-	-	-	-
Other Comprehensive income					
Net exchange differences on translation of foreign operations	-	-	-	-	-
Share of other comprehensive income of equity accounted investees	-				
Net loss on cash flow hedges	-	-	-	-	-
Net change on equity instruments designated at fair value through other comprehensive income	-	-	-	-	57,781
Realised gain on timber	-	-	-	-	-
Revaluation of land	-			2,963,118	
Actuarial loss on employee benefit obligations	-	-	-	-	-
Tax on other comprehensive income	-	-	-	(533,279)	448
Total other comprehensive income	-	-	-	2,429,839	58,229
Total comprehensive income for the year	-	-	-	2,429,839	58,229
Transactions with owners, recorded directly in equity					
Dividends to equity holders	-	-	-	-	-
Transfers	-	-	22,175	(116,685)	(120,513)
Total contributions by and distributions to owners	-	-	22,175	(116,685)	(120,513)
Changes in ownership interests in subsidiaries					
Adjustment on changes to non-controlling interest in subsidiaries	-	204	606	69,095	1,458
Disposal of subsidiaries	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-
Total changes in ownership interests in subsidiaries	-	204	606	69,095	1,458
Total transactions with owners	-	204	22,781	(47,590)	(119,055)
Balance as at 31st March 2022	1,575,000	175,636	535,760	24,091,156	15,645

Notes from pages 317 to 423 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

of equity		Revenue Reserves						
Cash flow hedge reserve	Foreign currency translation reserve	General reserve	Timber reserve	Bearer Biological reserve	Retained earnings	Shareholders' funds	Non-controlling interest	Total equity
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
(849,098)	3,798,203	2,279,714	114,574	10,015	18,216,129	47,618,326	27,580,255	75,198,581
-	-	-	(2,170)	1,668	18,257,029	18,256,527	9,842,374	28,098,901
-	4,609,638	-	-	-	-	4,609,638	3,353,981	7,963,619
					(330)	(330)	(11)	(341)
(1,588,176)	-	-	-	-	-	(1,588,176)	(194,396)	(1,782,572)
-	-	-	-	-	-	57,781	36,482	94,263
-	-	-	16,444	-	(16,444)	-		-
					-	2,963,118	519,719	3,482,837
-	-	-	-	-	(427,344)	(427,344)	(28,021)	(455,365)
-	-	-	-	-	59,105	(473,726)	(66,912)	(540,638)
(1,588,176)	4,609,638	-	16,444	-	(385,013)	5,140,961	3,620,842	8,761,803
(1,588,176)	4,609,638	-	14,274	1,668	17,872,016	23,397,488	13,463,216	36,860,704
-	-	-	-	-	(3,000,000)	(3,000,000)	(3,656,018)	(6,656,018)
-	-	150	-	-	214,873	-	-	-
-	-	150	-	-	(2,785,127)	(3,000,000)	(3,656,018)	(6,656,018)
(2,339)	2,330	676	258	22	(698,273)	(625,963)	473,148	(152,815)
-	-	-	-	-		-	(6,000)	(6,000)
-	-	-	-	-		-	42,274	42,274
(2,339)	2,330	676	258	22	(698,273)	(625,963)	509,422	(116,541)
(2,339)	2,330	826	258	22	(3,483,400)	(3,625,963)	(3,146,596)	(6,772,559)
(2,439,613)	8,410,171	2,280,540	129,106	11,705	32,604,745	67,389,851	37,896,875	105,286,726

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March **Company**	Stated capital Rs.'000	Capital Reserve Other capital reserve Rs.'000	Revenue Reserve General reserve Rs.'000	Revenue Reserve Retained earnings Rs.'000	Total Rs.'000
Balance as at 1st April, 2022	1,575,000	13,226	382,087	14,645,696	16,616,009
Profit for the year	-	-	-	1,901,020	1,901,020
Other comprehensive income					
Actuarial loss on employee benefit obligations	-	-	-	(47,227)	(47,227)
Income tax on other comprehensive income	-	-	-	2,125	2,125
Total other comprehensive income	-	-	-	(45,102)	(45,102)
Total Comprehensive income for the year	-	-	-	1,855,918	1,855,918
Transactions with owners, recorded directly in equity					
Dividends to equity holders	-	-	-	(4,012,500)	(4,012,500)
Total contributions by and distributions to owners	-	-	-	(4,012,500)	(4,012,500)
Total transactions with owners	-	-	-	(4,012,500)	(4,012,500)
Balance as at 31st March 2023	1,575,000	13,226	382,087	12,489,114	14,459,427
Balance as at 1st April, 2021	1,575,000	13,226	382,087	14,136,884	16,107,197
Profit for the year	-	-	-	3,646,735	3,646,735
Other Comprehensive income					
Actuarial loss on employee benefit obligations	-	-	-	(140,653)	(140,653)
Income tax on other comprehensive income	-	-	-	2,730	2,730
Total other comprehensive income	-	-	-	(137,923)	(137,923)
Total comprehensive income for the year	-	-	-	3,508,812	3,508,812
Transactions with owners, recorded directly in equity					
Dividends to equity holders	-	-	-	(3,000,000)	(3,000,000)
Total contributions by and distributions to owners	-	-	-	(3,000,000)	(3,000,000)
Total transactions with owners	-	-	-	(3,000,000)	(3,000,000)
Balance as at 31st March 2022	1,575,000	13,226	382,087	14,645,696	16,616,009

Notes from pages 317 to 423 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	Consolidated		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Cash flows from operating activities					
Cash generated from operations	A	70,708,044	17,183,289	6,563,911	5,147,092
Employee benefit paid	28	(1,481,118)	(1,011,913)	(36,172)	(34,924)
Income tax paid	30	(9,963,868)	(6,635,021)	(62,132)	(667)
Surcharge tax paid	39	(2,469,380)	-	-	-
Net cash inflow from operating activities		56,793,678	9,536,355	6,465,607	5,111,501
Cash flows from investing activities					
Purchase and construction of property, plant & equipment		(17,128,378)	(14,040,140)	(151,959)	(19,908)
Investments in other non- current assets		(275,472)	(178,458)	-	-
Investments in other current financial assets	19	(9,665,751)	(10,594,939)	(1,450,168)	(7,278,000)
Investments in other non -current financial assets	19	(841,495)	(1,200)	-	-
Decrease due to harvest/(Development of biological assets)	16	16,168	1,059	-	-
Grants received - capital	26	19,110	38,950	-	-
Improvements to investment property	15	(94,768)	-	-	-
Proceeds from disposal of property, plant & equipment		663,580	166,971	245	30
Proceeds from insurance claims		1,662,991	-	-	-
Proceeds from disposal of intangible assets		2,181	49,722	-	-
Proceeds from disposal of current financial assets		10,382,342	9,731,452	1,450,000	7,308,563
Proceed from sale of investment properties		-	400,000		
Proceeds from disposal of subsidiaries		-	30,592	-	-
Purchase of intangible assets	17	(608,281)	(487,147)	(4,095)	(15,885)
Long term investments in group companies and others		(1,171,650)	(4,608,960)	(116,775)	(70,161)
Proceeds from disposal of subsidiary shares		-	-	-	249,921
Proceeds from sale of non-current financial assets		-	245,611	-	-
Interest received		4,531,247	1,301,488	554,193	99,828
Net movement in deferred revenue	29	335,523	126,707	-	-
Dividends received from Equity accounted investees		113,321	137,500	-	-
Dividends received from non-group companies	9	3,851	6,413	1,323	249
Net cash used in investing activities		(12,055,481)	(17,674,379)	282,764	274,637
Net cash inflow/(outflow) before financing		44,738,197	(8,138,024)	6,748,371	5,386,138
Cash flows from financing activities					
Payment on lease	25	(2,514,676)	(2,446,418)	(86,170)	(86,166)
Interest paid (including interest capitalised)		(27,219,377)	(9,955,142)	(5,213,789)	(2,173,690)
Dividend paid to non-controlling interest		(6,361,116)	(3,656,018)	-	-
Proceeds from interest-bearing borrowings	25	21,159,381	37,806,769	4,000,000	5,800,000
Repayment of interest-bearing borrowings net of issue costs		(27,604,264)	(28,099,956)	(5,305,998)	(6,188,834)
Net movement in financial liabilities		7,053,396	1,681,316	-	-
Net movement in Security deposits		6,045	95,782	-	-
Acquisition of non-controlling interest		(179,756)	(152,815)	-	-
Dividends paid to equity holders of parent		(596,105)	(3,132,708)	(596,105)	(3,132,708)
Net cash inflow / (outflow) from financing activities		(36,256,472)	(7,859,190)	(7,202,062)	(5,781,398)
Net increase / (decrease) in cash and cash equivalents		8,481,725	(15,997,214)	(453,691)	(395,260)
Cash and cash equivalents at beginning of the year		(33,487,960)	(17,490,746)	(2,079,657)	(1,684,397)
Cash and cash equivalents at end of the year	B	(25,006,235)	(33,487,960)	(2,533,348)	(2,079,657)

Notes from pages 317 to 423 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	Consolidated		Company	
		2023	2022	**2023**	2022
		Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
A. Cash generated from operations					
Profit before tax		42,749,068	35,716,745	2,098,166	3,506,756
Adjustments for:					
Net finance costs	9	18,817,401	(1,949,219)	4,667,128	2,030,962
Share of profits from Equity accounted investees	18	(540,978)	(226,794)	-	-
Depreciation on Property, plant & equipment	13	8,052,642	6,407,181	48,623	48,585
Impairment of Property, plant & equipment	13	1,448	97,620	-	-
Depreciation of Right-of-use assets	14	1,639,893	1,752,023	63,833	63,832
Change in fair value of Investment properties	15	(347,457)	(328,543)	(5,900)	(9,250)
Change in fair value of agricultural produce on bearer biological assets		(17,173)	(2,511)	-	-
Change in fair value of Biological assets	16	(138,628)	(67,692)	-	-
(Gain)/loss on the disposal of Property, plant & equipment		(57,808)	(37,258)	306	6,089
Gain on fire damages and claims		(673,025)	-	-	-
Write off of property, plant & equipment		8,082	-	-	-
Loss on the disposal of Intangible assets		173	-	-	-
Gain on disposal of subsidiary/subsidiary shares	7	-	(6,592)	-	(13,111)
Gain on the disposal of Investment properties	7	-	(7,378)	-	-
Amortisation of Intangible assets	17	317,937	259,642	13,160	2,606
Impairment of Goodwill	17	-	137,864	-	-
Net loss on translation of foreign currency		8,559,783	12,456,930	22,578	-
Impairment of Trade & other receivables	22	154,503	925,027	-	-
Provision for unrealised profit and write-down of inventories		1,923,455	1,915,933	-	-
Impairment/ amortisation of other non -current assets		100,386	95,904	-	-
Gain on bargain purchase	7	(209,690)	(12,305)	-	-
Provision for post employee benefit obligations	28	2,215,028	1,514,224	250,533	137,836
Grants amortised	7	(39,608)	(37,407)	-	-
		82,515,432	58,603,424	7,158,427	5,774,305
(Increase)/decrease in trade and other receivables and other current assets		11,564,451	(40,063,552)	(394,438)	(1,247,436)
(Increase)/decrease in inventories		(7,045,587)	(29,456,558)	(29,042)	(5,754)
Increase/(decrease) in trade and other payables		(16,326,252)	28,099,975	(171,036)	625,977
		70,708,044	17,183,289	6,563,911	5,147,092
B. Analysis of cash and cash equivalents					
Cash in hand and at bank		24,177,336	27,409,656	1,144,208	697,773
Short - term deposits		19,780,454	19,927,939	1,489,160	254,515
		43,957,790	47,337,595	2,633,368	952,288
Short-term interest bearing borrowings	31	(68,964,025)	(80,825,555)	(5,166,716)	(3,031,945)
Cash and cash equivalents		(25,006,235)	(33,487,960)	(2,533,348)	(2,079,657)

Notes from pages 317 to 423 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting Entity

Hayleys PLC is a Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. Corporate information, the address of the Company's registered office and the principal place of business are given on page 467 in this Annual Report.

1.2 Consolidated Financial Statements

The Financial Statements for the year ended 31 March 2023 comprise "the Company" referring to Hayleys PLC as the holding Company and the "Group" referring to companies that have been consolidated therein together with the group's interests in equity accounted investees.

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

Descriptions of the nature of operations and principal activities of the Company, its subsidiaries and equity accounted investees are given on pages 446 to 450 to the Financial Statements.

Hayleys PLC does not have an identifiable parent of its own. Hayleys PLC is the ultimate parent of the Group.

1.4 Approval of Financial Statements

The Consolidated Financial Statements of Hayleys PLC and its subsidiaries (collectively, the Group) for the year ended 31 March 2023 were authorised for issue by the Directors on 19 May 2023.

1.5 Responsibility for Financial Statements

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

2. BASIS OF PREPARATION

2.1. Statement of Compliance

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

2.2 Basis of Measurement

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

- Lands which are recognised as property plant and equipment which are measured at cost on initial recognition and subsequently carried at fair value.
- Land and buildings which are recognised as investment property which are measured at cost on initial recognition and subsequently carried at fair value.
- Financial instruments reflected as fair value through profit or loss which are measured at fair value.
- Financial instruments designated as fair value through other comprehensive income (OCI) which are measured at fair value.
- Consumable biological assets and agricultural produce from bearer biological assets which are measured at fair value, less costs to sell.

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

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

2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (Rs), which is also the Company's functional currency. Subsidiaries whose functional currencies are different as they operate in different economic environments are reflected in Note 34 to the Financial Statements.

2.4 Materiality and Aggregation

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

2.5 Comparative information

Comparative information including quantitative, narrative and descriptive information as relevant is disclosed in respect of previous period in the Financial Statements.

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

2.6 Rounding

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

2.7 Offsetting

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of Consolidation

The Consolidated Financial Statements encompass the Company, its subsidiaries (together referred to as the "Group") and the Group's interest in equity accounted investees (associates and joint ventures).

Subsidiaries and equity accounted investees are disclosed in Note 18 to the Financial Statements.

3.1.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3.1.2 Consolidation of subsidiaries with different accounting periods

The financial statements of all subsidiaries in the Group other than those mentioned in Note 36 to the Financial Statements are prepared for a common financial year, which ends on 31 March.

Most subsidiaries with 31 December financial year ends prepare for consolidation purposes, additional financial information as of the same date as the financial statements of the parent.

For subsidiaries which are unable to prepare additional financial information the parent uses the most recent financial statements of the subsidiaries and is adjusted for the effects of significant transactions or events that occur between the date of those financial statements and the date of the Consolidated Financial Statements. The difference between the date of the subsidiary's financial statements and that of the Consolidated Financial Statements will not be more than three months.

The Financial Statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit or loss of equity accounted investees' in the Statement of Profit or Loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the Statement of Profit or Loss.

3.2 Business Combination and Goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability

to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

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

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the Statement of Profit or Loss.

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

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

3.3 Foreign Currency

3.3.1 Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in Statement of Profit or Loss. Tax charges and credit attributable to exchange differences on those monetary items are also recognised in Other Comprehensive Income.

Non-monetary assets and liabilities which are measured in terms of historical cost in a foreign currency are translated using exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e., translation differences on items of which fair value gain or loss is recognised in OCI or Profit or Loss are also recognised in OCI or Profit or Loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

3.3.2 Foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into Sri Lanka Rupees at the rate of exchange prevailing at the reporting date and their Statements of Profit or Loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date

3.3.3 Current versus non-current classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is current when it is:

NOTES TO THE FINANCIAL STATEMENTS

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

3.4 Fair Value Measurement

The Group measures financial instruments such as investments which are designated as fair value through Other Comprehensive Income (OCI), financial assets at fair value through Profit or Loss and derivatives; non-financial assets such as owner-occupied land and investment properties, at fair value at each reporting date.

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

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

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

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

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

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

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

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

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

- Disclosures for valuation methods, significant estimates and assumptions - Note 19.
- Quantitative disclosures of fair value measurement hierarchy - Note 19.
- Property (land) under revaluation model - Note 13.
- Investment properties - Note 15.
- Financial instruments (including those carried at amortised cost) - Note 19.
- Biological assets (Consumable and agricultural produce) - Note 16.

3.5 Property, Plant & Equipment

The group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of the services or for administration purpose and are expected to be used for more than one year.

3.5.1 Basis of recognition

Property, plant and equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

3.5.2 Basis of measurement

Items of property, plant & equipment including construction in progress are measured at cost net of accumulated depreciation and accumulated impairment losses, if any, except for land which is measured at fair value.

3.5.3 Owned assets

The cost of property, plant & equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self- constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and includes the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

Revaluation of land is done with sufficient frequency to ensure that the fair value of the land does not differ materially from its carrying amount, and is undertaken by professionally qualified valuers.

Any revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the Statement of Profit or Loss, the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

3.5.4 Subsequent costs

The cost of replacing a component of an item of property, plant & equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised in accordance with the derecognition policy given below.

The costs of the repair and maintenance of property, plant & equipment are recognised in the Statement of Profit or Loss as incurred.

3.5.5 Permanent land development costs

Permanent land development costs which relate to the Group's Plantation Sector are those costs incurred in major infrastructure development and building new access roads on leased lands. The costs have been capitalised and amortised over the shorter of useful lives or remaining lease periods.

Permanent impairment to land development costs are charged to the Statement of Profit or Loss in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.5.6 Derecognition

The carrying amount of an item of property, plant & equipment is derecognised on disposal; or when no future economic benefits are expected from its use. Any gains and losses on derecognition are recognised (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in the Statement of Profit or Loss. Gains are not classified as revenue.

3.5.7 Depreciation

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

Description	Period
Buildings	20 – 50 years
Software	03 – 05 years
Plant & machinery	05 – 20 years
Stores equipment	05 – 10 years
Motor vehicles	04 – 10 years
Furniture, fittings & office equipment	02 – 13 years
Vessels	05 – 25 years
Mature/Immature plantation	20 – 33 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognised. The asset's residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end and adjusted prospectively, if appropriate.

3.5.8 Leases

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

3.5.8.1 Group as a lessee

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

3.5.8.1.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred,

NOTES TO THE FINANCIAL STATEMENTS

and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Description	Period
Land	02-50 years
Buildings	02-16 years
Machinery & store Equipment	20 years
Motor vehicles Furniture, fittings & office equipment	02-05 years
Vessels	01-02 years
Mature/Immature plantation	20-33 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment as more fully described In Note 3.13 Impairment of non-financial assets.

3.5.8.1.2 Lease liabilities

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

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

The Group's lease liabilities are included in Interest-bearing loans and borrowings in Note 25 to the Financial Statements.

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

The Group applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.5.8.2 Group as a lessor

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

3.6 Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair values of investment properties are included in the Statement of Profit or Loss in the year in which they arise, including the corresponding tax effect. Fair values are evaluated annually by an accredited external, independent valuer.

Investment properties are derecognised either when they have been disposed of, or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. The difference between the net disposal proceeds and the carrying amounts of the asset is recognised in Statement of Profit or Loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner occupied property the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3.7 Intangible Assets

3.7.1 Basis of recognition

An Intangible asset is recognised if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

3.7.2 Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following

initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the Statement of Profit or Loss in the year in which the expenditure is incurred.

3.7.3 Useful economic lives and amortisation

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with finite useful lives are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category that is consistent with the function of the intangible assets.

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

3.7.4 Derecognition of intangible assets

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

3.7.5 Research and development

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

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

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

3.7.6 Brand name

Brands acquired as part of a business combination, are capitalised if the Brand meets the definition of an intangible asset and the recognition criteria are satisfied. Brand Names, being determined to have an indefinite useful life, are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

3.7.7 Customer list

The present value of the income anticipated from repeat customer lists of travel agents as at the acquisition date is recognised as an intangible asset based on a valuation carried out by an independent valuer. Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses. Customer lists recognised at the acquisition date are amortised over the period over which income is anticipated to derive from repeat customers and reviewed annually for any impairment in value if there are indicators of impairment.

3.7.8 Trade mark

Trade marks purchased, being determined to have an indefinite useful life, are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

3.7.9 Other intangible assets

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

3.7.10 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in Profit or Loss as incurred.

3.7.11 Amortisation

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

Description	Period
Right to generate hydro power	15- 20 years
Right to generate solar power	20 years
Customer List	5 years
ERP Systems	5-10 years

NOTES TO THE FINANCIAL STATEMENTS

3.8 Biological Assets

Biological assets are classified as either mature biological assets or immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, rubber, other plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological assets include tea and rubber trees, being biological assets that are not intended to be sold or harvested, but are used to grow for purpose of harvesting agricultural produce from such biological assets. Consumable biological assets include managed timber trees those that are to be harvested as agricultural produce or sold as biological assets.

3.8.1 Bearer biological assets

Bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – Property Plant & Equipment.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilising, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea, Rubber) which comes into bearing during the year, is transferred to mature plantations.

3.8.2 Infilling cost on bearer biological assets

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, only where the number of plants per hectare exceeded 3,000 plants and, also if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalised have been charged to the Statement of Profit or Loss in the year in which they are incurred.

3.8.3 Consumable biological asset

Consumable biological assets include managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair values of timber trees are measured using discounted cash flow (DCF) method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 16.

The main variables in DCF model concerns

Variable	Comment
Timber content	Estimate based on physical verification of girth, height and considering the growth of each species in different geographical regions. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Group.
Economic useful life	Estimated based on the normal life span of each species by factoring the forestry plan of the Group.
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfil in bringing the trees in to saleable condition.
Planting cost	Estimated costs for the further development of immature areas are deducted.

The gain or loss arising on initial recognition of consumable biological assets at fair value less cost to sell and from a change in fair value less cost to sell of consumable biological assets are included in Statement of Profit or Loss for the period in which it arises.

Permanent impairments to biological asset are charged to the Statement of Profit or Loss in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

3.8.4 Nursery plants

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

3.9 Financial instruments

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

3.9.1 Financial assets

3.9.1.1 Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

3.9.1.1.1 Business model assessment in the context of Financial Services within the Consumer & Retail Sector

In relation to entities in the Group engaged in financial services, the Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

3.9.1.1.2 Assessment whether contractual cash flows is solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non- recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of

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the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3.9.1.2 Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

The Group's financial assets at amortised cost includes trade receivables, and loan to an associate and non-current trade and other receivables.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of Profit or Loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to Profit or Loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non- current financial assets.

Financial assets designated at fair value through OCI (equity instruments)

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

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

This category includes listed and non-listed equity instruments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through Profit or Loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the Statement of Profit or Loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through Profit or Loss. Embedded derivatives are measured at fair value with changes in fair value recognised in Profit or Loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through Profit or Loss category.

3.9.1.3 Derecognition

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

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the

risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

3.9.1.4 Impairment of financial assets

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

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

3.9.1.4.1 Impairment model for segments other than the Consumer & Retail sector

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

3.9.1.4.2 Impairment model for the Consumer & Retail sector (Excluding financial services)

The group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit- impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default in payments;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market or a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-offs

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering

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a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

3.9.1.4.3 Impairment model for the Financial Services within the Consumer & Retail sector;

The Company recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Lease & loan receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments.

Life-time ECL is the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The key inputs used for measurement of ECL are likely to be the term structures of the following variables:

Probability of Default (PD)

PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using various categories based on homogeneous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. The Group forecast PD by incorporating forward looking economic variables (unemployment, GDP growth, inflation, interest rate and using lag effect of these variables).

Loss Given Default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

The Group has used these parameters from internally–developed statistical models using historical data. All inputs were adjusted to reflect forward-looking information and future economic scenarios.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as main adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

- **Stage 1 :** The 12 month ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the

12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

- **Stage 2 :** When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- **Stage 3 :** For loans considered credit-impaired the Group recognises the lifetime expected credit losses. The method is similar to that of Stage 2 assets, with the PD set at 100%.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit- impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit- impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or another financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 180 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the Statement of Financial Position.

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

- Financial assets measured at amortised cost as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn components presented as a provision; and
- Debt instruments measured at FVOCI - no loss allowance is recognised in the Statement of Financial Position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

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Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the Statement of Profit or Loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3.9.2 Financial liabilities

3.9.2.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, amounts due to equity accounted investees and derivative financial instruments.

3.9.2.2 Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss so designated at the initial date of recognition, and only if criteria of SLFRS 9 are satisfied. The Group has not designated any financial liability at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

3.9.2.3 Derecognition

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

3.9.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if,

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.9.4 Derivative financial instruments and hedge accounting

3.9.4.1 Initial recognition and subsequent measurement

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

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability

in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

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

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

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

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

Cash flow hedges

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

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

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

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to Profit or Loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

3.10 Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 19 to the Financial Statements.

3.11 Non-Current Assets held for Sale and Discontinued Operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

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Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the Statement of Financial Position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan;
- to dispose of a separate major line of business or geographical area of operations; Or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Statement of Profit or Loss.

3.12 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

All inventory items, except manufactured inventories and work-in-progress are measured at weighted average directly attributable cost.

Manufactured inventories and work-in- progress are measured at weighted average factory cost which includes all direct expenditure and appropriate share of production overhead based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business less, the estimated cost of completion and the estimated costs necessary to make the sale.

3.12.1 Agricultural produce harvested from biological assets

Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agriculture produce are valued by adding the cost of conversion to the fair value of the agricultural produce.

3.13 Impairment of Non-Financial Assets

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

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

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

Impairment losses of continuing operations are recognised in the Statement of Profit or Loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to Other Comprehensive Income. For such properties, the impairment is recognised in Other Comprehensive Income up to the amount of any previous revaluation.

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

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.14 Cash and Cash Equivalents

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

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts and short-term borrowings as they are considered an integral part of the Group's cash management.

3.15 Employee Benefits

3.15.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

3.15.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 28. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. Actuarial gains or losses are recognised in full in the Other Comprehensive Income.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefits. However, for entities of the Group operating in Sri Lanka, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded. The settlement of the liability is based on legal liability method or the following basis as applied by the respective entities.

Length of each service (Years) No. of month's salary for completed year of service.

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

3.15.3 Short-term benefits

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

3.16 Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.17 Grants and Subsidies

Grants and subsidies are recognised where there is a reasonable assurance that the grant / subsidy will be received and all attaching conditions, if any, will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Grants and subsidies related to assets, including non- monetary grants at fair value are deferred in the Statement Financial Position and credited to the Statement of Profit or Loss over the useful life of the asset.

3.18 Warranties

The Group provides warranties for general repairs of defects that existed at the time of sale, as required by law. Provisions related to these assurance-type warranties are recognised when the product is sold or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

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3.19 Contingent Liabilities Recognised in a Business Combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

3.20 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.21 Regulatory Provisions

3.21.1 Deposit insurance scheme

In terms of the Finance Companies Direction No. 02 of 2010 – 'Insurance of Deposit Liabilities' issued on 27th September 2010 all Registered Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No. 01 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1st October 2010.

Deposits to be insured include demand, time and savings deposit liabilities and exclude the following:

- Deposit liabilities to member institutions.
- Deposit liabilities to Government of Sri Lanka.
- Deposit liabilities to Directors, Key Management Personnel and other related parties as defined in Finance Companies Act Direction No. 03 of 2008 on Corporate Governance of Registered Finance Companies.
- Deposit liabilities held as collateral against any accommodation granted.
- Deposit liabilities falling within the meaning of dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to the Central Bank of Sri Lanka.
- Registered Finance Companies are required to pay a premium of 0.15% on eligible deposit liabilities as at end of the month to be payable within a period of 15 days from the end of the respective month.

3.21.2 Reserve fund

Singer Finance (Lanka) PLC, a subsidiary of the Group maintains a reserve fund in compliance with Direction No. 01 of 2003 – Central Bank (Capital Funds) issued to Finance Companies and it will be used for only the purpose specified in the said Direction above. The details of the reserve fund are disclosed in Note 23.1.2.

3.22 Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has several operating segments which are described in Note 40 to these Financial Statements. In all operating segments, the Group has generally concluded that it is the principal in its revenue arrangements, except for agency services described in Note 3.22.2.3 below, because it typically controls the goods or services before transferring them to the customer.

3.22.1 Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

3.22.1.1 Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

3.22.1.2 Significant financing component

The Group receives short-term advances from its customers. Using the practical expedient for short term advances in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. Where long-term advances are received from customers, the transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

3.22.1.3 Warranty obligations

In several sectors, the Group provides warranties for general repairs of defects that existed at the time of sale. These assurance type warranties are accounted for under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Group also provides a warranty beyond fixing defects that existed at the time of sale in several sectors. These service-type warranties are sold either separately or bundled together with the sale of goods.

Contracts for bundled sales of goods and a service-type warranty comprise two performance obligations because the promises to transfer the equipment and to provide the service type warranty are capable of being distinct. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service type warranty and recognised as a contract liability. Revenue is recognised over the period in which the service-type warranty is provided based on the time elapsed.

3.22.1.4 Loyalty points programme

The Group has loyalty point programmes, in several sectors, which allows customers to accumulate points that can be redeemed against subsequent purchases. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimates of the points that will be redeemed on a quarterly basis and any adjustments to the contract liability balance are charged against revenue.

3.22.1.5 Non-cash considerations

Certain sectors of the Group have arrangements where customers are offered a scheme where new goods could be acquired through part exchange of old goods.

The Group estimates the fair value of the non-cash consideration by reference to its market price. If the fair value cannot be reasonably estimated, the non-cash consideration is measured indirectly by reference to the stand-alone selling price of the goods sold.

3.22.1.6 Consignment arrangements

Certain Sectors engage in business which includes the delivery of goods to another party but retain control of the goods. Examples of such arrangements may include the delivery of a good to a dealer or a distributor for sale to an end customer of the Group. Revenue on such arrangements are recognised at the point of sale to an end customer net of commission expenses incurred.

3.22.2 Rendering of services

Several entities within the Group engage in the provision of services to its customers. The Group recognises revenue from services over time, applying methods to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

3.22.2.1 Hospitality revenue

Accommodation revenue generated by the hospitality sector is recognised on the rooms occupied on a daily basis. Food and beverage revenue is recognised at the time of related sale.

3.22.2.2 Maintenance services

Certain sectors within the group provide customers with complementary servicing of consumer durable goods sold by the Group within a defined period. Such servicing arrangements are identified as separate performance obligations and revenue is recognised when the complementary services are provided to the customer.

3.22.2.3 Agency services

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount that it retains for its agency services.

3.22.3 Construction and installation contracts

In relation to contracts which involve the construction and installation of assets on behalf of its customers, the Group assesses the nature of the respective contracts as to whether such is reflective of goods or services transferred at a point in time or satisfied over a period of time.

The Group determines that arrangements include transfers of a good or service over time when any of the following criteria are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The entity's performance creates or enhances an asset (e.g., work in progress) that the customer controls as the asset is created or enhanced
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

When either of the above criteria is met, the Group recognises revenue on the respective contracts similar to the rendering of services. If an entity is unable to demonstrate that control transfers over time, the presumption is that control transfers at a point in time, and revenue is recognised similar to the sale of goods.

3.22.4 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

3.22.5 Contract liabilities

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

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or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3.22.6 Assets and liabilities arising from rights of return

3.22.6.1 Right of return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

3.22.6.2 Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from customers' right of return. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

3.22.6.3 Cost to obtain a contract

In several sectors, the Group pays sales commission to its employees and third party representative for sales carried out. The Group applies the optional practical expedient to immediately expense costs to obtain a contract if the amortisation period of the asset that would have been recognised is one year or less. As such, sales commissions are immediately recognised as an expense.

3.23 Income relating to Financial Services in Consumer and Retail Sector

3.23.1 Interest

Interest income and expense are recognised in Profit or Loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

The calculation of effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Interest income is presented in finance income in the Statement Profit or Loss.

3.23.2 Hire purchase, lease, loans and advances

The excess of aggregated contract receivables over the cost of the hired assets constitutes the total unearned income at the commencement of a contract. The unearned income is recognised as revenue as it is earned, using the effective interest rate method.

3.23.2.1 Service fee income on hire purchase

Service fee income is recognised over the length of hire purchase agreement using the effective interest rate method. In the event of early termination of the hire purchase contract or cash conversion remaining deferred, service income is recognised when such contract is recognised or converted.

3.23.3 Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, are recognised as the related services are performed.

3.24 Other Income

3.24.1 Dividends

Dividend income is recognised in profit or loss on the date the entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

3.24.2 Grants

Grants are recognised initially as deferred income when there is a reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

3.24.3 Gains and losses

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and are recognised net within "other income" in profit or loss.

3.24.5 Other income

Other income is recognised on an accrual basis.

3.25 Expenses

Expenses are recognised in the profit or loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year. For the purpose of presentation of the Statement of Profit or Loss, the function of expenses method is adopted.

Repairs and renewals are charged to Profit or Loss in the year in which the expenditure is incurred.

3.25.1 Borrowing costs

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

3.26 Finance income

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in the Statement of Profit or Loss. Interest income is recognised as it accrues in the Statement of Profit or Loss.

3.27 Finance Cost

Finance cost comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in the Statement of Profit or Loss.

3.28 Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Statement of Profit or Loss except to the extent that it relates to a business combinations, or items recognised directly in equity or in other comprehensive income.

3.28.1 Current tax

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

Current tax relating to items recognised directly in Other Comprehensive Income is recognised in Other Comprehensive Income and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.28.2 Deferred tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax relating to items recognised outside the Statement of Profit or Loss is recognised outside the Statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed.

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The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in the Statement of Profit or Loss.

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

3.28.3 Value added tax on financial services

VAT on financial services is calculated in accordance with the amended VAT Act No. 07 of 2013. The base for the computation of Value Added Tax on financial services is the accounting profit before income tax adjusted for the economic depreciation and emolument of employees computed on prescribed rate.

3.28.4 Crop insurance levy

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1st April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is Payable at 1% of the profit after tax.

3.28.5 Sales tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.

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

4. GENERAL

4.1 Events Occurring After the Reporting Date

All material post reporting date events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

4.2 Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.3 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "indirect method".

Interest paid is classified as financing cash flow. Grants received, which are related to purchase and construction of property, plant & equipment are classified as investing cash flows. Dividend and interest income are classified as cash flows from investing activities.

Dividends paid are classified as financing cash flows. Dividends received by Hayleys PLC, which is an investment company, are classified as operating cash flows and are not disclosed separately in the Company Cash Flow Statement.

4.4 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Chairman and the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chairman include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

4.5 Changes in Accounting Policies and Disclosures

4.5.1 New and amended standards and interpretations

No significant impact resulted on the financial statements of the Group due to changes in Accounting Standards and disclosures during the year.

4.6 Standards Issued but not yet Effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

4.6.1 SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued

in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2025, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

4.6.2 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.

4.6.3 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.

4.6.4 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with SLFRS/LKAS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

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

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

5.1 Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The assessment includes the existing and anticipated effects from the current economic crisis, the circumstances of the external environment on significant assumptions that are sensitive or susceptible to change, or are inconsistent with historical trends. As the economic effects continue to evolve, the management has considered a range of scenarios to determine the potential impact on the underlying performance and future

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funding requirements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

5.2 Measurement of the recoverable amount of cash-generating units containing goodwill

The Group tests annually whether goodwill requires impairment, in accordance with the accounting policy stated in Note 3.13. The basis of determining the recoverable amounts of cash generating units and key assumptions used are given in Note 17 to the financial statements.

5.3 Taxation

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

The Group has Rs. 11,919 mn (2022: Rs. 8,592 mn) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

On this basis, the Group has determined that it cannot recognise deferred tax assets on tax losses carried forward and described in Note 11 to the financial statements.

5.4 Measurement of the employee benefit obligations

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

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

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

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates. Further details about employee benefit obligation are provided in Note 28 to the financial statements.

5.5 Revaluation of property, plant and equipment and investment properties

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

The Group engaged a valuation specialist to assess fair values as at 31 March 2022 for the freehold lands and at 31 March 2023 for the investment properties. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Notes 13 and 15 to the financial statements.

5.6 Valuation of inventories

The Group has applied judgment in the determination of impairment in relation to inventories that are slow moving or obsolete. The Group's impairment assessment in relation to such inventories take into account factors such as the use of significant judgement over identifying inventories requiring write down to NRV, including consideration of product life cycles, nature of inventories, future inventory demand and quality/ grading assessments, and the existence of significant estimates applied in the determination of NRV, considering expected sales prices and allowance policies based on historical sales.

5.7 Impairment allowance for current and non-current trade and other receivables in the Consumer & Retail segment of the Group

The Group uses a provision matrix to calculate ECLs for loans and trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the relevant sectors, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's loans and trade receivables is disclosed in Note 22 to the financial statements.

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6. REVENUE

6.1 Industry Segment Revenue

For the year ended 31st March	Consolidated							
	Revenue from contracts with customers			Total revenue	Revenue from contracts with customers			Total revenue
	Sale of goods	Rendering of services	Interest Income		Sale of goods	Rendering of services	Interest Income	
	2023				2022			
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Eco solutions	15,221,016	-	-	15,221,016	11,131,215	-	-	11,131,215
Hand protection	51,376,331	-	-	51,376,331	37,857,909	-	-	37,857,909
Purification	60,357,169	-	-	60,357,169	32,750,593	-	-	32,750,593
Textiles	60,014,435	-	-	60,014,435	31,668,189	-	-	31,668,189
Construction materials	10,124,084	-	-	10,124,084	9,517,691	-	-	9,517,691
Plantations	28,621,669	-	-	28,621,669	17,369,398	-	-	17,369,398
Agriculture	32,998,003	-	-	32,998,003	24,089,400	-	-	24,089,400
Consumer & retail	54,300,546	1,425,921	8,166,252	63,892,719	75,273,987	776,319	7,492,561	83,542,867
Leisure	-	6,686,614	-	6,686,614	-	3,419,504	-	3,419,504
Industry inputs	7,388,571	-	-	7,388,571	5,748,535	-	-	5,748,535
Power & energy	-	1,329,346	-	1,329,346	-	1,292,079	-	1,292,079
Transportation & logistics	-	134,294,791	-	134,294,791	-	69,272,861	-	69,272,861
Others	13,046,747	2,079,386	-	15,126,133	8,834,686	1,514,653	-	10,349,339
	333,448,571	145,816,058	8,166,252	487,430,881	254,241,603	76,275,416	7,492,561	338,009,580

6.2 Geographical Segment Revenue

For the year ended 31st March	Consolidated	
	2023 Rs.'000	2022 Rs.'000
Asia (excluding Sri Lanka)	154,655,189	66,638,547
Australia	6,828,789	3,819,452
Europe	52,172,893	38,360,508
United States of America	32,191,684	20,500,428
Africa	8,146,679	3,601,767
Indirect exports	50,129,386	41,195,295
Sri Lanka	183,306,261	163,893,583
	487,430,881	338,009,580

6.3 Gross Revenue

For the year ended 31st March	Company	
	2023 Rs.'000	2022 Rs.'000
Rent and building related income	608,270	497,642
	608,270	497,642

6.4 Contract Balances

For the year ended 31st March		Consolidated	
		2023 Rs.'000	2022 Rs.'000
Contract Assets			
Retention receivables		546,124	207,449
		546,124	207,449
Contract Liabilities			
Advances received	29.3	6,011,168	6,122,182
Deferred revenue	29.4	954,310	618,787
Maintenance warranties	29.1	516,643	410,364
		7,482,121	7,151,333

7. OTHER INCOME

For the year ended 31st March	Consolidated		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Grants amortised*	39,608	37,407	-	-
Write back of creditors	30,050	-	-	-
Gain on disposal of property, plant & equipment	83,887	77,699	-	-
Gain on disposal of investment property	-	7,378	-	-
Change in fair value of biological assets	155,801	70,202	-	-
Gain on disposal of subsidiary/subsidiary investments	-	6,592	-	13,111
Sundry Income/Scrap sales	1,219,404	1,261,492	-	-
Rent income	192,118	156,666	-	-
Gain on bargain purchase	209,690	12,305	-	-
Income on insurance claim	1,662,991	-	-	-
Income from financial services	229,324	199,027	-	-
Indent commission	456,728	168,833	-	-
	4,279,601	1,997,601	-	13,111

* Details of the grants are given in Note 26 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER EXPENSES

For the year ended 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Loss on disposal of property, plant & equipment	26,079	40,441	306	6,089
Loss on fire damages	989,966	-	-	-
Impairment/write-off of property, plant & equipment	1,448	60,512	-	-
Amortisation of intangible assets	159,642	172,085	-	-
Impairment of goodwill	-	137,864	-	-
Loss on write off of assets held for sale	-	2,690	-	-
Loss on disposal of intangible assets	173	-	-	-
Loss on fair valuation of equity accounted investees	-	7,151	-	-
	1,177,308	420,743	306	6,089

9. NET FINANCE INCOME/COST

9.1 Finance Income

For the year ended 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Interest income on loans and receivables	2,143,782	602,075	554,143	99,776
Interest income on bank deposits/ unit trust income	2,387,344	715,706	-	-
Guarantee income	121	11,703	53	53
Dividend income from equity instruments	3,851	6,413	1,323	327
Change in fair value of financial assets at fair value through profit or loss	176,129	77,491	8,250	30,563
Foreign exchange gain	16,009,639	15,418,601	45,287	57,691
	20,720,866	16,831,989	609,056	188,410

9.2 Finance Cost

For the year ended 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Interest on long term loans	10,902,003	4,107,126	3,719,979	2,063,631
Interest on short term loans	16,710,523	4,924,667	1,501,392	117,049
Finance charges payable under leases	1,000,278	951,347	23,309	30,660
Change in fair value of financial assets at fair value through profit or loss	4,234	4,079	1,233	374
Impairment of financial assets	7,562	7,563	7,562	7,563
Foreign exchange loss	10,913,667	4,887,988	22,709	95
	39,538,267	14,882,770	5,276,184	2,219,372
Net finance income/cost	(18,817,401)	1,949,219	(4,667,128)	(2,030,962)

10. PROFIT BEFORE TAX

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

For the year ended 31st March	Notes	Consolidated		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Directors' emoluments		3,568,726	2,801,680	780,438	640,751
Auditors' fees (includes overseas subsidiaries)					
Audit services					
- Ernst & young		69,171	60,125	2,591	2,313
- Other auditors		64,497	39,593	-	-
Non audit services					
- Ernst & young		51,623	40,615	2,769	2,034
- Other auditors		39,812	19,757	-	-
Depreciation on property, plant & equipment	13	8,052,642	6,407,181	48,623	48,585
Donations		53,034	37,114	9,535	5,164
Impairment for bad trade and other receivables	22	154,503	925,057	-	-
Provision for unrealised profit and write-down of inventories	21	1,923,455	1,915,933	-	-
Staff cost					
Defined contribution plan cost		3,045,964	2,926,465	166,593	139,558
Employee benefit plan cost	28	2,215,028	1,514,224	250,532	137,836
Other Staff cost (excluding defined contributions & defined benefits)		34,847,467	29,353,138	2,119,988	1,934,506
Staff training and development cost		186,039	68,811	5,321	2,898
Legal fees		318,950	132,860	-	-
Research and development cost		313,723	94,748	-	-

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11 TAXATION

11.1 Tax Expense

For the year ended 31st March	Consolidated	
	2023	2022
	Rs.'000	Rs.'000
Consolidated Statement of Profit or Loss		
Current income tax		
Current income tax		
Parent	248,893	-
Subsidiaries	11,570,576	7,062,080
	11,819,469	7,062,080
Under / (Over) provision in respect of previous years	67,923	(173,742)
Irrecoverable ESC/(reversal of provision on ESC)	3,407	28,065
	11,890,799	6,916,403
Deferred tax expense		
Origination of temporary differences		
Parent	(51,747)	12,484
Subsidiaries	2,767,416	497,029
	2,715,669	509,513
Tax on dividend income	470,300	191,928
Tax expense reported in the Statement of Profit or Loss	15,076,768	7,617,844

11.2 Consolidated Statement of Other Comprehensive Income

For the year ended 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Deferred tax related to items charged or credited directly to other comprehensive income during the year:				
Actuarial loss on employee benefit obligation	(95,287)	(70,702)	(2,125)	(2,730)
Revaluation of land	1,315,212	611,842	-	-
Net change on equity instruments designated at fair value through other comprehensive income	400	(502)	-	-
Tax charged/(reversed) directly to other comprehensive income	1,220,325	540,638	(2,125)	(2,730)

11.3 Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31st March	Consolidated		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Profit before tax	42,749,068	35,716,745	2,098,166	3,506,756
Share of profit of equity accounted investees	(540,978)	(226,794)	-	-
Intra-group adjustments	20,861,601	12,288,411	-	-
	63,069,691	47,778,362	2,098,166	3,506,756
Disallowable expenses	28,237,673	21,635,515	647,972	1,424,606
Tax deductible expenses	(25,005,073)	(23,538,548)	(171,028)	(224,214)
Tax exempt income	(10,271,797)	(7,812,021)	(1,303,481)	(2,569,191)
Tax loss b/f	(8,592,144)	(9,895,797)	(138,407)	(2,725,145)
Adjustment for tax loss b/f	(351,701)	(832,770)	13,072	448,780
Tax loss c/f	11,919,298	8,592,144	-	138,408
Taxable income	59,005,947	35,926,885	1,146,294	-
Income tax @ 14%	3,817,731	1,847,275	84,265	-
Income tax @ 15%	587,094	53,517	4,346	-
Income tax @ 18%	20,537	368,372	-	-
Income tax @ 20%	294,104	460,781	-	-
Income tax @ 24%	1,847,645	3,732,430	-	-
Income tax @ 30%	4,251,181	-	160,282	
Income tax at other tax rates	1,001,177	599,705	-	-
Income tax on current year profit	11,819,469	7,062,080	248,893	-
Under / (Over) provision in respect of previous years	67,923	(173,742)	-	(162,506)
Irrecoverable ESC/(reversal of provision on ESC)	3,407	28,065	-	10,043
	11,890,799	6,916,403	248,893	(152,463)
Origination of temporary differences	2,715,669	509,513	(51,747)	12,484
Tax on dividend income	470,300	191,928	-	-
Tax expense	15,076,768	7,617,844	197,146	(139,979)
Effective tax rate	36%	21%	9%	(4%)

11.3.1 Change in Income Tax Rate

Entities operating in Sri Lanka of the Group have used the new tax rate introduced by 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, 24% for trading and other income and 10.5% for agro processing 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 (unless another act supersedes this amendment).

As a result, the Rate of 30% has been used for Deferred Tax and the resultant impact has been recognised in the Statement of Profit or Loss and Other Comprehensive Income. Income tax rates used in FY 2021/22 were 18% for manufacturing business profits, 14% for export profits, 24% for trading and other income and 10.5% for agro processing.

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11.3.2 Impact of change in tax rates on the origination of temporary differences

For the year ended 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Recognised in Statement of Profit or Loss due to during the year transactions	(15,903)	509,513	(48,054)	12,484
Recognised in Statement of Profit or Loss due to change in tax rate	2,731,572	-	(3,693)	-
Deferred tax expense/(reversal) recorded in Statement of Profit or Loss	2,715,669	509,513	(51,747)	12,484
Recognised in Other Comprehensive Income during the year transactions	58,194	540,638	(2,125)	(2,730)
Recognised in Other Comprehensive Income due to change in tax rate	1,162,131	-	-	-
Deferred tax expense/(reversal) recorded in Other Comprehensive Income	1,220,325	540,638	(2,125)	(2,730)

11.4 General Provisions

Corporate Income Taxes of companies resident in Sri Lanka have been computed in accordance with the Inland Revenue Act No. 24 of 2017 as amended. Corporate Taxes of non-resident companies in the Group have been computed in keeping with the domestic statutes in their respective countries.

Irrecoverable Economic Service Charge has been charged to the Statement of Profit or Loss.

11.5 Tax Exemptions

11.5.1 In terms of the Inland Revenue Act

Solar One Ceylon (Pvt) Ltd is entitled for a 10 year income tax holiday. Tax holiday period has commenced during the Y/A 2016/17.

Fentons Limited is entitled for an income tax exemption for its undertaking associated with information technology and enabled services. The tax holiday period ends on 31st March 2023.

Alumex PLC is entitled for an income tax exemption for a period of 10 years for its undertaking associated with sale of construction materials recycled in a site established in Sri Lanka to recycle materials which were already used in the construction industry. The tax holiday period has commenced during the Y/A 2022/23.

Following resident companies in Sri Lanka are enjoying an income tax exemption on profits earned from farming of agricultural produce for a period of 5 years. The tax holiday period has commenced during the Y/A 2019/20.

Kelani Valley Plantations PLC
Talawakelle Tea Estates PLC
Hayleys Agro Bio Tech (Pvt) Ltd.
Quality Seeds (Pvt) Ltd.
Horana Plantations PLC.

Following resident companies in Sri Lanka are enjoying an income tax exemption on profits earned from qualifying foreign service income:

Civaro International (Pvt) Ltd.
Hayleys Energy Services (Pvt) Ltd.
Sharaf Shipping Agency (Pvt) Ltd
Sri Lanka Shipping Company Ltd.
Haycarb PLC
Intermarc Marine (Pvt) Ltd.
Hayleys Business Solutions International (Pvt) Ltd
Innovative Solutions Lanka (Pvt) Ltd

Following resident companies are entitled for an income tax exemption to the extent that the profits derived from qualifying foreign source:

Bonterra Ltd.
Chas P Hayley & Company (Pvt) Ltd.
Hayleys Fibre PLC

11.5.2 In terms of BOI Agreements

Companies enjoying Tax Holidays under BOI Law are as follows:

Hayleys Neluwa Hydro Power (Pvt) Ltd	5 year tax holiday ended August 2022.
Martin Bauer Hayleys (Pvt) Ltd.	10 year tax holiday ending March 31, 2028
Sun Tan Beach Resorts Ltd.	15 year tax holiday ending March 31, 2030
Hayleys Free Zone Ltd.	Indefinitely

11.5.3 On Investment Income

Dividend Income

Many resident companies in Sri Lanka receiving dividend income enjoy the tax exemption on qualifying quantum of such dividend based on the following exemptions:

(a) Dividend receipt from non-resident person;

(b) A dividend paid by a resident company which has entered into an agreement with the BOI and which is engaged in offshore business and/or entrepot trade.

(c)
(i) For dividends received in the 6 months ending 30th September 2022 - A dividend paid by a resident company to a member to the extent that dividend payment is attributable to, or derived from, gains and profits from dividend received by that resident company;
(ii) For dividends received in the 6 months ending 31st March 2023 - A dividend paid by a resident company to a member to the extent that such dividend payment is attributable to, or derived from, another dividend received by that resident company or another resident company

Interest accrued on foreign currency deposits

Many resident companies in Sri Lanka are enjoying an income tax exemption on interest income accruing or deriving on moneys lying to its credit in foreign currency in a foreign currency account opened by such company, in any commercial bank or in any specialised bank, with the approval of the Central Bank of Sri Lanka.

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11.6. Concessionary Tax Rates

11.6.1. On Business Profits

(A) In terms of the Inland Revenue Act

In terms of the Inland Revenue Act No. 24 of 2017 as amended, the profits/losses of companies listed below are subject to the income tax concessionary rates of 14% / 18%* for the mentioned undertaking for the 6 month period ending 30th September, 2022:

Sunfrost (Pvt) Ltd.	Agro processing
Hayleys Agriculture Holdings Ltd.	Manufacturing of goods
Hayleys Agro Farms (Pvt) Ltd.	Agro processing
Hayleys Agro Fertilizers (Pvt) Ltd.	Manufacturing of goods
Quality Seeds (Pvt) Ltd.	Agro processing
HJS Condiments Ltd.	Agro processing
Hayleys Agro Biotech (Pvt) Ltd	Export of goods
Kelani Valley Plantations PLC	Agro processing
Talawakelle Tea Estates PLC	Agro processing
Haycolour (Pvt) Ltd.	Export of goods / Manufacturing of goods
Haycarb PLC	Export of goods
Haycarb Value Added products (Pvt) Ltd.	Export of goods
Puritas (Pvt) Ltd.	Construction / Manufacturing of goods
Ultracarb (Pvt) Ltd.	Export of goods
Mabroc Teas (Pvt) Ltd.	Export of goods / Manufacturing of goods
Meridian Exports (Pvt) Ltd.	Export of goods
Blue Mountain Tea Exports (Pvt) Ltd.	Export of goods
Hayleys Fabric PLC	Direct/indirect Export of goods / Manufacturing of goods
South Asia Textiles Ltd.	Direct/indirect Export of goods / Manufacturing of goods
Hayleys Fibre PLC	Export of goods
Ravi Industries Ltd.	Export of goods / Manufacturing of goods
Rileys (Pvt) Ltd.	Export of goods
Haymat (Pvt) Ltd.	Export of goods
Toyo Cushion Lanka (Pvt) Ltd.	Export of goods / Manufacturing of goods
Chas P Hayley & Co (Pvt) Ltd.	Export of goods
Bonterra Ltd.	Export of goods
Hanwella Rubber Products Ltd.	Export of goods / Manufacturing of goods
Dipped Products PLC	Export of goods / Manufacturing of goods
DPL Universal Gloves Limited	Export of goods/ Manufacturing of goods
Creative Polymats (Pvt) Ltd.	Manufacturing of goods
Hayleys Tours (Pvt) Ltd.	Promotion of tourism
Kelani Valley Resorts (Pvt) Ltd.	Promotion of tourism
The Kingsbury PLC	Promotion of tourism
Culture Club Resorts (Pvt) Ltd.	Promotion of tourism
Kandyan Resorts (Pvt) Ltd.	Promotion of tourism
Bhagya Hydro (Pvt) Ltd.	Operating project for renewable energy
Kalupahana Power Company (Pvt) Ltd.	Operating project for renewable energy
Regnis Lanka PLC	Manufacturing of goods
Singer Industries (Ceylon) PLC	Manufacturing of goods
Alumex PLC	Export of goods / Manufacturing of goods
Star Lanka Shipping (Pvt) Ltd.	Qualifying services provided as a shipping agent / Transshipment operations
Horana Plantations PLC	Agro processing
Sharaf Shipping Agency (Pvt) Ltd.	Qualifying services provided as a shipping agent
Advantis Freight (Pvt) Ltd.	Freight forwarding
CEVA Logistics Lanka (Pvt) Ltd.	Freight forwarding

CMA CGM Lanka (Pvt) Ltd.	Qualifying services provided as a shipping agent
Cosco Shipping Lines Lanka (Pvt) Ltd.	Qualifying services provided as a shipping agent
Expelogix (Pvt) Ltd.	Freight forwarding
Hayleys Energy Services (Pvt) Ltd.	Qualifying services provided as a shipping agent/Freight forwarding
Logistic International Ltd.	Refurbishment of containers
Clarion Shipping (Pvt) Ltd	Qualifying services provided as a shipping agent
Mountain Hawk (Pvt) Ltd.	Freight forwarding
NYK Lanka (Pvt) Ltd.	Qualifying services provided as a shipping agent / Transshipment operations
Yusen Logistics & Kusuhara Lanka (Pvt) Ltd.	Freight forwarding
Advantis Projects & Engineering (Pvt) Limited	Construction / Manufacturing of goods / Export of goods
Sri Lanka Shipping Company Ltd.	Qualifying services provided as a shipping agent
Ocean Network Express Lanka (Pvt) Ltd.	Qualifying services provided as a shipping agent
Unisyst Engineering PLC	Manufacturing of goods
Diamond Shipping Services (Pvt) Ltd.	Qualifying services provided as a shipping agent
Intermarc Marine (Pvt) Ltd.	Other specified undertakings

*18% rate is applicable for manufacturing, whilst 14% would apply for all other detailed undertakings above

(B) BOI Companies

As per agreements signed with the Board of Investment, the business income of the Companies listed below would be subject to the following concessionary tax rates. Periods indicated below:

Hayleys Neluwa Hydro Power (Pvt) Ltd.	10% up to August, 2024 (Rate applied from September, 2022)
Lanka Bunkering Services (Pvt) Ltd.	15% indefinitely
Hayleylines Ltd.	15% Indefinitely
Moceti International Pvt Ltd.	15% Indefinitely
Nirmalapura Wind Power (Pvt) Ltd.	15% indefinitely
TTEL Somerset Hydro Power (Pvt) Ltd.	20% Indefinitely
TTEL Hydro Power Company (Pvt) Ltd.	20% Indefinitely
Regnis Appliances (Pvt) Ltd	20% Indefinitely
Neluwa Cascade Hydro Power (Pvt) Ltd	20% indefinitely

11.6.2. On Investment Income

Dividend Income

In terms of the Inland Revenue Act No. 24 of 2017 as amended, resident companies in Sri Lanka receiving liable dividend income are subject to tax on the same at the following rates:

(a) For dividends received in the 6 months ending 30th September 2022 - 14%;

(b) For dividends received in the 6 months ending 31st March 2023 - 15%*.

*Liable dividends declared after 1st January 2023, would be subject to a mandatory final Advance Income Tax of 15% at source.

NOTES TO THE FINANCIAL STATEMENTS

11.7 Non Resident Companies

Corporate income tax rates of the active non-resident companies are:

Company	Income tax rate
Haychem (Bangladesh) Ltd.	30%
PT Mapalus Makawanua Charcoal Industry.	22%
Haycarb USA Inc	30%
Logiwiz Logistics India (Pvt) Ltd.	25%
Eurocarb Products Ltd.	19%
Haycarb Holding Australia (Pty) Ltd.	30%
Carbokarn Co. Ltd.	20%
ICOGUANTI S.p.A.	27.9%
CK Regen Systems Co.Ltd.	20%
Haylex Ltd.	19%
Haylex BV	15%
Haylex Japan	22%
Charles Fibre (Pvt) Ltd.	25%
PT Haycarb Palu Mitra	22%
Dipped Products (Thailand) Ltd.	20%
Total Transport Solutions Maldives (Pvt) Ltd.	15%
Nautical Maldives (Pvt) Ltd.	15%
One World Logistics Maldives (Pvt) Ltd.	15%
Advantis Kusuhara Sedate Myanmar (Private) Ltd.	22%
Advantis Sedate Myanmar (Private) Ltd.	22%
Advantis Singapore (Pte) Ltd.	17%
Advantis Sabang Raya Lines (Pte) Ltd.	17%
PT Advantis Akaza Indonesia	22%
Advantis Intasl Bangladesh (Pvt) Ltd.	30%
Super Logistics (Pvt) Ltd.	15%
Shizuka Co.Ltd.	20%
Puricarb Pte. Limited	17%
Luxury Resorts (Pvt) Ltd.	15%
Hayleys Aventura BD Ltd	30%
DPL France SAS	25%
ROZENBAL POLSKA Sp. z.o.o	19%

12. EARNINGS PER SHARE AND DIVIDENDS PER SHARE

12.1 Earnings Per Share

Basic Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to owners of the parent and the weighted average number of ordinary shares outstanding during the year.

Diluted Earnings per Share

The calculation of diluted earnings per share is based on the profit attributable to owners of the parent and the weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares.

There were no potentially dilutive ordinary shares outstanding at any time during the year /previous year.

Basic/diluted earning per share calculated as follows.

For the year ended 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
Profit attributable to equity holders of the Parent (Rs.'000)	16,351,845	18,256,527	1,901,020	3,646,735
Weighted average number of ordinary shares of the parent (No.)	750,000,000	750,000,000	750,000,000	750,000,000
Basic/diluted earnings per share (Rs.)	21.80	24.34	2.53	4.86

12.2 Dividends

For the year ended 31st March	Company	
	2023	2022
	Rs.'000	Rs.'000
Interim/final dividend (Rs'000)	4,012,500	3,000,000
Dividend per ordinary share (Rs.)	5.35	4.00

NOTES TO THE FINANCIAL STATEMENTS

13 PROPERTY, PLANT & EQUIPMENT

13.1 Consolidated

As at 31st March	Freehold Land	Mature/ immature plantations	Buildings	Plant, machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Vessels	**Total 2023**	Total 2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Cost or valuation:									
Gross book value									
At the beginning of the year	35,193,627	7,854,781	35,069,908	62,000,263	2,091,957	9,547,355	10,426,333	162,184,224	130,429,126
Revaluation of land	-	-	-	-	-	-	-	-	3,482,837
Acquisition through business combinations	-	3,244,510	387,082	426,042	217,987	298,588	-	4,574,209	3,711,585
Additions	451,075	469,830	5,509,357	10,522,674	415,231	1,416,468	59,488	18,844,123	9,973,600
Write-offs	-	(8,082)	-	-	-	-	-	(8,082)	-
Transfer from/(to) Investment Properties	681,000		414,000			-		1,095,000	158,989
Transferred to Mature/Immature Plantation	-	-	-	-	-	-	-	-	(1,888)
Transfer to Intangible Assets	-	-	-	-	-	-	-	-	(45,905)
Disposals	-	-	(228,635)	(1,286,327)	(69,476)	(235,028)	(250)	(1,819,716)	(977,480)
Effect of movements in exchange rates	100,098		1,517,882	2,598,438	31,935	261,965	483,762	4,994,080	15,453,360
At the end of the year	36,425,800	11,561,039	42,669,594	74,261,090	2,687,634	11,289,348	10,969,333	189,863,838	162,184,224
Depreciation:									
At the beginning of the year	156,378	2,213,259	9,312,219	36,107,838	1,312,303	5,721,386	2,510,295	57,333,678	43,110,661
Acquisition through business combinations	-	948,463	136,162	307,071	198,898	133,776	-	1,724,370	1,530,400
Depreciation for the year	6,615	263,372	1,294,432	4,116,862	185,139	1,216,909	969,313	8,052,642	6,407,181
Transfer to Intangible Assets	-	-	-	-	-	-	-	-	(43,572)
Disposals	-	-	(54,599)	(542,190)	(25,630)	(183,624)	-	(806,043)	(822,374)
Effect of movements in exchange rates	3,415	-	333,920	1,438,754	24,813	105,170	58,997	1,965,069	7,151,382
At the end of the year	166,408	3,425,094	11,022,134	41,428,335	1,695,523	6,993,617	3,538,605	68,269,716	57,333,678
Impairment :									
At the beginning of the year	2,260	-	78,653	151,153	-	4,307	-	236,373	146,776
Effect of movements in exchange rates	-	-	-	11,042	-	-	-	11,042	17,518
Disposals	-	-	-	(96,382)	-	-	-	(96,382)	(25,541)
Impairment for the year	-	-		1,448	-	-	-	1,448	97,620
At the end of the year	2,260	-	78,653	67,261	-	4,307	-	152,481	236,373
Net book value as at 31st March	36,257,132	8,135,945	31,568,807	32,765,494	992,111	4,291,424	7,430,728	121,441,641	104,614,173
Capital work -in progress								4,865,344	6,575,678
Carrying amount as at 31st March								126,306,985	111,189,851

13.2 Company

As at 31st March	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Total 2023	Total 2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost or valuation:						
At the beginning of the year	226,410	38,907	108,285	258,377	631,979	768,194
Transfer to intangible assets	-	-	-	-	-	(45,905)
Additions	-	27,610	38,600	50,832	117,042	19,397
Disposals	-	-	-	(3,728)	(3,728)	(109,707)
At the end of the year	226,410	66,517	146,885	305,481	745,293	631,979
Depreciation :						
At the beginning of the year	202,108	32,938	88,228	210,225	533,499	632,075
Transfer to intangible assets	-	-	-	-	-	(43,572)
Depreciation for the year	11,624	1,945	17,141	17,913	48,623	48,585
Disposals	-	-	-	(3,180)	(3,180)	(103,589)
At the end of the year	213,732	34,883	105,369	224,958	578,942	533,499
Net book value as at 31st March	12,678	31,634	41,516	80,523	166,351	98,480
Capital work in progress					36,532	1,615
Carrying amount as at 31st March					202,883	100,095

13.3 Carrying Value

As at 31st March	Consolidated		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At cost	90,049,853	76,154,862	202,883	100,095
At valuation	36,257,132	35,034,989	-	-
	126,306,985	111,189,851	202,883	100,095

13.4 No borrowing costs have been capitalised under property, plant and equipment during the year ended 31 March 2023 (2022 - Nil).

NOTES TO THE FINANCIAL STATEMENTS

13.5 Group Property, plant & equipment includes buildings on leasehold lands. The carrying amount of these assets are:

As at 31st March	Consolidated			
	Cost	Accumulated depreciation/ amortisation	**Carrying value 2023**	Carrying value 2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Buildings	11,013,388	1,220,801	9,792,587	7,673,751
Total	11,013,388	1,220,801	9,792,587	7,673,751

13.6 Amounts by which values have been increased in respect of land revalued by independent qualified valuers are indicated below, together with the last date of revaluation:

As at 31st March	Location/Date of valuation	Revaluation surplus	
		2023	2022
		Rs.'000	Rs.'000
Darley Property Holdings (Pvt) Ltd/ Hayleys PLC	Colombo (31.03.2022)	3,110,691	3,110,691
World Export Center Ltd.	Colombo (31.03.2022)	13,055,466	13,055,466
Volanka (Pvt) Ltd.	Katana (31.03.2022)	400,006	400,006
	Galle (31.03.2022)	285,027	285,027
Chas P. Hayley & Co. (Pvt) Ltd.	Galle (31.03.2022)	1,124,788	1,124,788
	Kuliyapitiya (31.03.2022)	45,721	45,721
	Madampe (31.03.2022)	63,736	63,736
Dipped Products PLC	Kottawa/Kiribathgoda/Khuan Niang (31.03.2022)	334,617	334,617
Alumex PLC	Gonawala (31.03.2022)	92,336	92,336
	Ekala (31.03.2022)	136,960	136,960
	Makola (31.03.2022)	404,106	404,106
	Makola (31.03.2022)	23,525	23,525
Haycarb PLC	Badalgama & Madampe (31.03.2022)	109,536	109,536
	Wewalduwa (31.03.2022)	325,579	325,579
Recogen (Pvt) Ltd.	Badalgama (31.03.2022)	99,950	99,950
Carbokarn Co. Ltd	Thailand (31.03.2022)	207,636	207,636
Shizuka Co. Ltd	Ratchaburi (31.03.2022)	86,917	86,917
PT Mapalus Makawanua	Bitung (31.03.2022)	251,064	251,064
PT Haycarb Palu Mitra	Palu City (31.03.2022)	113,396	113,396
Hayleys Agriculture Holdings Ltd	Dambulla (31.03.2022)	11,122	11,122
	Kottawa (31.03.2022)	178,690	178,690
Haychem Bangladesh Ltd	Mymensingh (31.03.2022)	62,292	62,292
Hayleys Industrial Solutions (Pvt) Ltd.	Malabe (31.03.2022)	298,935	298,935
Haycolour (Pvt) Ltd.	Kalutara (31.03.2022)	65,636	65,636
Hayleys Fibre PLC	Kuliyapitiya & Mahagama (31.03.2022)	207,473	207,473
Hayleys Advantis Ltd.	Welisara/Kelaniya/Seeduwa/Sedawatte (31.03.2022)	2,946,063	2,946,063
	Kotugoda (31.03.2022)	1,277,531	1,277,531
Singer (Sri Lanka) PLC	Ambalantota (31.03.2022)	4,800	4,800
	Balangoda (31.03.2022)	2,450	2,450
	Bandarawela (31.03.2022)	3,748	3,748
	Borella (31.03.2022)	16,500	16,500
	Chilaw (31.03.2022)	2,513	2,513
	Colpetty (31.03.2022)	6,800	6,800
	Eheliyagoda (31.03.2022)	2,746	2,746
	Gampaha (31.03.2022)	9,435	9,435
	Hikkaduwa (31.03.2022)	2,685	2,685
	Katugastota (31.03.2022)	1,819	1,819
	Kiridiwella (31.03.2022)	2,075	2,075
	Middeniya (31.03.2022)	613	613
	Mount Lavinia (31.03.2022)	7,550	7,550

As at 31st March	Location/Date of valuation	Revaluation surplus 2023 Rs.'000	Revaluation surplus 2022 Rs.'000
	Mount Lavinia-Mega (31.03.2022)	13,935	13,935
	Negombo (31.03.2022)	4,000	4,000
	Pussellawa (31.03.2022)	2,686	2,686
	Trincomalee (31.03.2022)	3,290	3,290
	Wellawatta (31.03.2022)	10,464	10,464
	Galle (31.03.2022)	5,700	5,700
	Embilipitiya (31.03.2022)	1,400	1,400
	Kadawatha (31.03.2022)	13,700	13,700
	Kandy (31.03.2022)	300	300
	Kurunegala (31.03.2022)	2,200	2,200
	Maharagama (31.03.2022)	2,800	2,800
	Matara (31.03.2022)	2,200	2,200
	Nawalapitiya (31.03.2022)	100	100
	Panadura (31.03.2022)	100	100
	Piliyandala (31.03.2022)	200	200
Reality Lanka Ltd.	Ahangama (31.03.2022)	500	500
	Attidiya (31.03.2022)	3,400	3,400
	Moratuwa (31.03.2022)	6,730	6,730
	kandy (31.03.2022)	5,025	5,025
	Galle (31.03.2022)	6,000	6,000
	Kadawatha (31.03.2022)	8,600	8,600
	Kalawana (31.03.2022)	2,000	2,000
	Maradana (31.03.2022)	4,500	4,500
	Trincomalee (31.03.2022)	5,000	5,000
	Ambanpola (31.03.2022)	4,000	4,000
Regnis (Lanka) PLC	Ratmalana (31.03.2022)	69,100	69,100
Singer Industries (Ceylon) PLC	Ratmalana (31.03.2022)	204,290	204,290
Ravi Industries (Pvt) Ltd.	Ekala (31.03.2022)	544,000	544,000
Volanka Exports (Pvt) Ltd.	Welipanna (31.03.2022)	61,214	61,214
Rileys Ltd	Ja-Ela (31.03.2022)	408,838	408,838
Toyo Cushion Lanka (Pvt) Ltd.	Katana (31.03.2022)	61,640	61,640
Sunfrost (Pvt) Ltd.	Allawwa (31.03.2022)	49,785	49,785
	Padiyatalawa (31.03.2022)	22,119	22,119
Bhagya Hydro (Pvt) Ltd.	Gomala Oya (31.03.2022)	1,700	1,700
Neluwa Cascade Hydro Power (Pvt) Ltd.	Neluwa (31.03.2022)	3,140	3,140
Hayleys Neluwa Hydro Power Pvt (Ltd).	Mawanana (31.03.2022)	1,006	1,006
Hayleys Fabric PLC	Neboda (31.03.2022)	182,319	182,319
Unisyst Engineering PLC	Kotugoda (31.03.2022)	23,719	23,719
Kandyan Resorts (Pvt) Ltd.	Kandy (31.03.2022)	532,999	532,999
Culture Club Resorts (Pvt) Ltd.	Dambulla (31.03.2022)	5,264	5,264
		27,662,496	27,662,496
Income tax on revaluation		(3,148,510)	(2,226,631)
Revaluation reserve attributable to Non controlling interest		(1,895,053)	(1,695,030)
		22,618,932	23,740,835
Adjustment due to change in holding		377,576	350,321
		22,996,507	24,091,156

NOTES TO THE FINANCIAL STATEMENTS

13.7 Land owned by the Group was revalued as at 31st March 2022 by an independent Chartered Valuation Surveyor. The fair value of the land was determined based on transaction observed in the market, appropriately adjusted for differences in the nature, location or condition of the specific property.

Directors believe that there are no significant differences in the market value compared to last year.

13.8 Lands owned by the Group other than that mentioned above have been stated at cost as the appreciation in value is insignificant. Further information is provided on page 434 to 437.

13.9 There has been an impairment of property, plant & equipment amounting to Rs. 1.45 mn (2022 - 97.62 mn). Details are as follows.

	Consolidated	
	2023 Rs.'000	2022 Rs.'000
Buildings	-	11,571
Machinery & Stores Equipment	1,448	86,049
Total impairment	1,448	97,620

The impairment losses were recognised in Hayleys Fabric PLC (Rs. 1.45 mn) in respect of obsolete machinery in the year 31st March 2023.

The Group disposed property, plant and equipment with a carrying value of Rs. 311.52 mn during the year 31st March 2023 due to a fire outbreak that occurred in February 2023.

13.10 Property, plant & equipment with a carrying value of Rs. 26.732 mn (2022 - Rs. 21,874 mn) and Rs. Nil (2022 - Nil) for the Group and Company respectively have been pledged as security for term loans obtained. The details are shown in Note 25 to the Financial Statements.

13.11 The carrying value of revalued lands given above, had the said lands been included at cost, would amount to Rs. 7,992 mn (2022 -Rs. 7,811 mn) for the Group and Rs Nil (2022- Nil) to the Company.

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

For the year ended 31st March	Consolidated		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Buildings	1,226,431	1,072,447	-	-
Plant, & machinery and store equipment	18,197,909	15,354,650	30,416	29,330
Furniture, fittings and office equipment	3,894,971	3,190,548	174,870	168,760
Motor vehicles and vessels	2,714,960	1,303,172	86,782	23,507
	26,034,271	20,920,817	292,068	221,597

13.13 Capital Expenditure Commitments

The approximate amounts of capital expenditure approved by the Directors as at 31st March, 2023 were:

- Capital expenditure contracted for which no provision is made in the Financial Statements for the Group - Rs. 785 mn (2022 - Rs. 1,082 mn) and for the Company Rs. Nil (2022 - Nil).

- Capital expenditure approved by the Directors but not contracted for the Group Rs. 1,185 mn (2022 - Rs. 2,062 mn) and for the Company Rs. Nil (2022 - Nil).

13.14 Unobservable Inputs used in Measuring Fair Value

The table below sets out information about significant unobservable inputs used in measuring fair vale of land as of 31 March 2023 and 31 March 2022.

Category	District	Valuation Technique	Significant Unobservable Input	Range of Estimate (Weighted Average) for Unobservable Input Rs'000	Fair Value Measurement Sensitivity to Unobservable Input
Freehold land	Ampara	Open Market basis	Land -Rate per perch	11 to 13	Significant increases / (decreases) in estimated price per perch in isolation would result in a significantly higher / (lower) fair value.
	Matale			22 to 31	
	Puttalam			30 to 3,500	
	Gampaha			45 to 5,500	
	Kurunegala			50 to 600	
	Colombo			90 to 22,000	
	Kegalle			100 to 125	
	Kalutara			100 to 3,500	
	Trincomalee			100 to 3,750	
	Galle			1,000 to 6,000	
	Kandy			1,175 to 5,000	
	Hambantota			1,500 to 3,000	
	Ratnapura			2,000 to 4,000	
	Badulla			2,500 to 3,500	
	Matara			3,500 to 4,500	
	Nuwara Eliya			4,000 to 4,500	

14 RIGHT-OF-USE ASSETS

14.1 Consolidated

As at 31st March	Land	Mature/ Immature Plantations	Building	Motor vehicles	Furniture, fittings & office equipment	**Total 2023**	Total 2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
At the beginning of the year	5,301,729	90,560	5,786,753	196,383	13,662	11,389,087	9,934,309
Acquisition through business combinations	158,721	9,422	10,249	-	354	178,746	159,617
Increase/Decrease to recognised assets	220,380	-	(103,064)	-	-	117,316	(37,804)
Additions	55,027	-	1,945,710	37,019	-	2,037,756	2,218,515
Derecognition	(53,453)		(113,915)	-	-	(167,368)	(41,183)
Depreciation for the year	(214,330)	(14,791)	(1,320,605)	(82,772)	(7,395)	(1,639,893)	(1,752,023)
Effect of movements in exchange rates	309,939	-	(25,987)	(9,203)	-	274,749	907,656
At the end of the year	5,778,013	85,191	6,179,141	141,427	6,621	12,190,393	11,389,087

NOTES TO THE FINANCIAL STATEMENTS

14.2 Company

As at 31st March	Building	Total 2023 Rs.'000	Total 2022 Rs.'000
At the beginning of the year	191,497	191,497	255,329
Depreciation for the year	(63,833)	(63,833)	(63,832)
At the end of the year	127,664	127,664	191,497

15 INVESTMENT PROPERTIES

As at 31st March	Consolidated		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Carrying value :				
At the beginning of the year	2,601,101	2,824,180	88,850	79,600
Additions	94,768	-	-	-
Transfer to Property Plant & Equipment	(1,095,000)	(158,989)	-	-
Disposals	-	(392,633)	-	-
Change in fair value during the year	347,457	328,543	5,900	9,250
At the end of the year	1,948,326	2,601,101	94,750	88,850

15.1 Rental Income

For the year ended 31st March	2023 Rs.'000	2022 Rs.'000
Rental income derived from investment properties	85,457	90,486
Direct operating expenses generating rental income	(8,550)	(5,241)
Net profit arising from investment properties	76,907	85,245

15.1.1 The Group as a lessor

The Group has entered into operating leases on its investment property portfolio consisting of certain office and manufacturing buildings. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 31st March are as follows

For the year ended 31st March	2023 Rs.'000	2022 Rs.'000
Within one year	46,400	81,842
After one year but not more than five years	70,915	83,759

15.1.2 The Company as a lessor

The Company has entered into operating leases on its building rented as office space to other related and non-related companies. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions Rental income recognised by the Company during the year is Rs. 509 mn (2022 - Rs. 432 mn).

Future minimum rentals receivable under non-cancellable operating leases as at 31st March are as follows

For the year ended 31st March	2023 Rs.'000	2022 Rs.'000
Within one year	537,375	449,342
After one year but not more than five years	2,149,502	1,797,367

15.2 Investment properties are stated at fair value. The fair values of investment properties as at 31st March, 2023 based on valuation performed by Mr. P.B. Kalugalgedara (Chartered Valuation Surveyor), an accredited independent, industry specialist are given below. The valuations had been carried out based on transactions observed in the market

The details of fair value of investment properties of the Group as follows:

Company	Location	Building area (Sq Ft)	Land in acres	Value of building Rs '000	Value Of land Rs '000	Total Rs'000 2023
Eastern Hotels (Pvt) Ltd.	Nilakarai Estate, Nilaweli, Trincomalee	600	23.47	1,380	845,120	846,500
Hayleys Advantis Group	No 121, Sir James Peiris Mawatha, Colombo 2	1,932	-	173,300	-	173,300
Rileys (Pvt) Ltd.	131,Minuwangoda Road, Ekala	91,582	3.80	226,286	607,490	833,776
Hayleys PLC	Kaluwamodara, Bentota	-	0.28	-	94,750	94,750
				400,966	1,547,360	1,948,326

Category	District	Valuation Technique	Range of Estimate Rs'000 2023	Unobservable Input Rs'000 2022
Freehold land	Colombo	Open market basis (Land Rate per perch)	15,000 to 18,000	13,000 to 16,000
	Gampaha		750 to 1250	700 to 1,000
	Kalutara		2,000 to 3,000	2,000 to 2,500
	Trincomalee		200 to 215	200 to 215

15.3 The Group has no restriction on the realisability of its investment properties and has no contractual obligations to purchase, construct or develop its investment properties or for maintenance and enhancement.

16 BIOLOGICAL ASSETS

As at 31st March	Consolidated 2023 Rs.'000	Consolidated 2022 Rs.'000
At the beginning of the year	599,064	530,543
Increase due to development	16,654	19,131
Change in fair value of biological assets	138,628	67,692
Decrease due to harvest	(32,823)	(20,190)
Acquisition of subsidiaries	591,546	-
Transfer from immature/mature plantation	-	1,888
At the end of the year	1,313,069	599,064

NOTES TO THE FINANCIAL STATEMENTS

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

Talawakelle Tea Estates PLC

The fair value of matured managed trees were ascertained in accordance with LKAS 41. The valuation was carried by Messer's FRT Valuation Services (Pvt) Ltd, chartered valuation surveyors, using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber, a physical verification was carried out covering all the estates.

Kelani Valley Plantations PLC

The fair value of matured managed trees was ascertained in accordance with LKAS 41. The valuation was carried out by Messer's FRT Valuation Services (Pvt) Ltd, using Market Approach. In ascertaining the fair value of timber, a physical verification was carried out covering the estates on sample basis.

Horana Plantations PLC

The fair value of managed trees was ascertained in accordance with LKAS 41. The valuation was carried by Chartered Valuer Mr.A.A.M.Fathihu - Proprietor of FM Valuers for 2022/23 using Discounted Cash Flow (DCF) method .

16.1 Information About Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Talawakelle Tea Estates PLC

Non Financial Asset	Valuation technique	Unobservable inputs	Range of unobservable inputs (Probability weighted average.)		Relationship of Unobservable Inputs to Fair Value
			2023	2022	
Consumable managed biological assets	Discounted cash flows	Discounting Rate	19.5%	15.4%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	15-25 Years	25-25 Years	Lower the rotation period, the higher the fair value
		Volume at rotation	25 – 140 cu. Ft	25-140 cu. ft	The higher the volume, the higher the fair value
		Price per cu. ft.	Rs. 80/- to Rs. 6,000/-	Rs.50/- to Rs.3,000/-	The higher the price per cu. ft., the higher the fair value

Other key assumptions used in valuation

1 The harvesting is approved by the PMMD and the Forest Department based on the Forestry Development Plan.

2 The prices adopted are net of expenditure

3 Though the replanting is a condition precedent for harvesting' yet the costs are not taken in to consideration.

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable. The Board of Directors is of the opinion that the sensitivity analysis regarding selling price and discount rate variations are as follows;

It does, nevertheless, concern the directors that no estimate of fair value can ever be completely accurate. Moreover, in the case of the group's biological assets, small differences in valuation assumptions can have a quite disproportionate effect on results. Another concern is that, as shown from an international benchmark, there is currently no uniform approach within the plantation sector when it comes to defining the major variables, such as selling price and/or discount rates, in the DCF models resulting in the LKAS 41 values.

The carrying amount of biological assets pledged as securities for liabilities as at the date of the statement of Financial Position is Rs. nil. (2022 - Rs. nil).

Kelani Valley Plantations PLC

Non Financial Asset	Valuation technique	Unobservable inputs	Range of unobservable inputs (Probability weighted average.)		Relationship of Unobservable Inputs to Fair Value
			2023	2022	
Consumable managed biological assets	Market Approach	Discounting Rate	17.5%	15.4%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	25-35 Years	25-25 Years	Lower the rotation period, the higher the fair value
		Volume at rotation	25-85 cu.ft	25-140 cu.ft	The higher the price per cu. dcm., the higher the fair value
		Price per cu.ft.	Rs.450/- to Rs.9,000/-	Rs.50/- to Rs.3,000/-	The higher the price per cu. ft., the higher the fair value

Other key assumptions used in valuation

1. It is assume that the felling of trees will be undertaken at maturity for the period not covered under the Forestry Management Plan. Majority of the timber trees which have reached their maturity at the date of valuation are valued using the adjusted market prices based on the location and accessibility. Remaining timber trees which have not come up to a harvestable age are valued considering their future incremental growth in the coming years and discounting the future value of such trees by appropriate present value discount ratio, which is assumed as the Expected Rate of Return (ERR) of a rationale investor.
2. The price adopted could vary based on the species and the girth of the respective species and are on the spare net of expenditure.
3. Though the replanting is a condition precedent for harvesting, yet the cost are not taken in to consideration.
4. Pre commercial stand are valued on cost approach and 15 years is taken as per merchantable depending on the growth.

The valuations, as presented in the external valuation models based on market values, take into account the possible market conditions and long-term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the active market prices and other variables, their carrying value may differ from their realisable value. The Board of Directors retains their view that commodity markets are inherently volatile and that active market price projections are highly unpredictable. The sensitivity analysis regarding selling price and discount rate variations are as follows,

Horana Plantations PLC

Non Financial Asset	Valuation technique	Unobservable inputs	Range of unobservable inputs (Probability weighted average.)		Relationship of Unobservable Inputs to Fair Value
			2023	2022	
Consumable managed biological assets	Discounted Cash flows	Discounting Rate	17.5% - 19.5%	15.4%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	25-35 Years	20-25 Years	Lower the rotation period, the higher the fair value
		Volume at rotation	15-65 cu.mt	23-95 cu.ft	The higher the price per cu. dcm., the higher the fair value
		Price per cu.ft.	Rs. 325/- to Rs. 1,685/-	Rs.50/- to Rs.2,860/-	The higher the price per cu. ft., the higher the fair value

Other key assumptions used in valuation

1. The price adopted could vary based on the on timber location, mi girth, elevation, length and restrictions of the respective species.
2. The prices adopted are net of expenditure

The valuation, as presented in the external valuation model based on the net present value, takes into accounts the long-term exploitation of the timber plantation. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisation value. The Board of Directors retains their view that commodity markets are inherently volatile and their long-term price projection are highly unpredictable.

NOTES TO THE FINANCIAL STATEMENTS

16.2 Sensitivity Analysis

Sensitivity variation sales price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

Sales Price fluctuation Managed Timber	+10% Rs.'000	-10% Rs.'000
Talawakelle Tea Estates PLC		
As at 31 March 2023	41,257	(41,257)
As at 31 March 2022	32,039	(32,039)
Kelani Valley Plantations PLC		
As at 31 March 2023	23,760	(23,760)
As at 31 March 2022	21,269	(21,269)
Horana Plantations PLC		
As at 31 March 2023	56,860	(56,860)

Sensitivity variation discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber show that an increase or decrease by 1% (2022 - 1.5%) of the discount rate has the following effect on the net present value of biological assets:

Discount rate fluctuation Managed Timber	1% Rs.'000	-1% Rs.'000
As at 31 March 2023		
Talawakelle Tea Estates PLC	(1,091)	1,211
Kelani Valley Plantations PLC	(73)	76
Horana Plantations PLC	(22,999)	26,067

Discount rate fluctuation Managed Timber	1.5% Rs.'000	-1.5% Rs.'000
As at 31 March 2022		
Talawakelle Tea Estates PLC	(1,187)	1,244
Kelani Valley Plantations PLC	(511)	481

17 INTANGIBLE ASSETS

As at 31st March	Consolidated						
	Right to generate Hydro/ solar power/ development cost	Goodwill	ERP system	Brand name/ trade mark	Customer list	Total 2023	Total 2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost :							
At the beginning of the year	237,231	14,336,232	3,040,208	320,128	152,420	18,086,219	15,080,016
Acquisition through business combinations	-	538,424	-	-	-	538,424	89,304
Additions	-	-	474,356	103,153	-	577,509	2,650,820
Transferred from Property Plant & Equipment	-	-	-	-	-	-	45,905
Disposals	-	-	(7,485)	-	-	(7,485)	(67,416)
Effect of movements in exchange rates	-	-	92,979	-	-	92,979	287,590
At the end of the year	237,231	14,874,656	3,600,058	423,281	152,420	19,287,646	18,086,219
Amortisation :							
At the beginning of the year	109,975	145,959	1,965,345	32,000	152,420	2,405,699	1,868,410
Acquisition through business combinations	-	-	-	-	-	-	18,504
Amortisation for the year	11,732	-	288,683	17,522	-	317,937	259,642
Transferred from Property Plant & Equipment	-	-	-	-	-	-	43,572
Disposals	-	-	(5,131)	-	-	(5,131)	(17,694)
Effect of movements in exchange rates	-	-	87,373	-	-	87,373	233,265
At the end of the year	121,707	145,959	2,336,270	49,522	152,420	2,805,878	2,405,699
Impairment :							
At the beginning of the year	-	137,864	-	-	-	137,864	-
Impairment for the year	-	-	-	-	-	-	137,864
Amortisation for the year	-	137,864	-	-	-	137,864	137,864
Net book value	115,524	14,590,833	1,263,788	373,759	-	16,343,904	15,542,656
Capital work in progress						32,147	1,375
Carrying amount						16,376,051	15,544,031

NOTES TO THE FINANCIAL STATEMENTS

17.1 Company

As at 31st March	Company		
	ERP system	**Total 2023**	Total 2022
	Rs.'000	**Rs.'000**	Rs.'000
Cost :			
At the beginning of the year	114,980	114,980	-
Transferred from Property Plant & Equipment	-	-	45,905
Additions	-	-	73,208
Disposals	-	-	(4,133)
At the end of the year	114,980	114,980	114,980
Amortisation :			
At the beginning of the year	42,045	42,045	-
Transferred from Property Plant & Equipment	-	-	43,572
Amortisation for the year	13,160	13,160	2,606
Disposals	-	-	(4,133)
At the end of the year	55,205	55,205	42,045
Net book value	59,775	59,775	72,935
Capital work in progress	5,470	5,470	1,375
Carrying amount	65,245	65,245	74,310

17.2 Rs. 138.86 mn of Goodwill has been impaired from the Hayleys Leisure Group in the year ended 31st March 2022.

17.3 Right to Generate Hydro/Solar Power and Development Costs

The details of remaining amortisation period of right to generate hydro power, solar power and development cost.

Company	Category	Remaining amortisation period	**2023 (RS.'000)**	2022 (RS.'000)
Neluwa Cascade Hydro Power (Pvt) Ltd.	Hydro power	-	-	175
TTEL Somerset Hydro Power (Pvt) Ltd.	Hydro power	0.6 years	440	1,320
TTEL Hydro Power Company (Pvt) Ltd.	Hydro power	0.6 years	440	1,320
Nirmalapura Wind Power (Pvt) Ltd.	Development cost	8 years	24,008	26,833
Solar One Ceylon (Pvt) Ltd.	Solar power	13 years	90,636	97,608
			115,524	127,256

17.4 Goodwill

The aggregate carrying amount of goodwill allocated to each unit is as follows;

As at 31st March	2023 Rs. mn	2022 Rs. mn	Recoverable amount is based on
Dipped Products PLC	97	97	FVLCD*
Dipped Products' Group Companies	33	33	VIU**
Advantis Group Companies	634	538	VIU**
Haycarb Group Companies	202	202	VIU**
The Kingsbury PLC	633	633	VIU**
Hayleys Plantation Services (Pvt) Ltd.	664	220	VIU**
Alumex PLC	1,052	1,052	VIU**
Hayleys Leisure Group Companies	1,415	1,415	VIU**
Unisyst Engineering PLC	20	20	VIU**
Fentons Group Companies	532	532	VIU**
Singer (Sri Lanka) PLC	7,205	7,205	VIU**
South Asia Textiles Limited	2,104	2,104	VIU**
	14,591	14,052	

17.4.1 CGUs in which the carrying amount of goodwill is 'significant' in comparison with the entity's total carrying amount

As at 31st March	2023		2022	
	Discount Rate	Terminal Growth Rate	Discount Rate	Terminal Growth Rate
Singer (Sri Lanka) PLC	14%-23%	3.0%	13.0%	3.0%
Hayleys Leisure Group Companies	14%-23%	4.0%	15.0%	3.0%
The Kingsbury PLC	14%-23%	4.0%	15.0%	3.0%
Alumex PLC	14%-23%	2.0%	15.0%	3.0%
South Asia Textiles Ltd.	14%-23%	3.0%	11.0%	2.5%

17.4.2 CGUs in which the carrying amount of goodwill is not "significant" individually in comparison with the entity's total carrying amount:

	2023	2022
Discount rate	14%-23%	15%-17%
Terminal growth rate	2%-4%	2%-4%

NOTES TO THE FINANCIAL STATEMENTS

Projected adjusted EBITDA

Projected adjusted EBITDA has been based on past experience adjusted for the following;

- Revenue is expected to continue to grow as increase in market share along with higher margins, and new products and services are introduced.
- Margins are expected to be impacted by negative factors such as the cost of acquiring and retaining customers in increasingly competitive markets and by positive factors such as the efficiencies expected from the implementation of Group initiatives.

Terminal growth rate

For the purposes of the Group's value in use calculations, a long-term growth rate into perpetuity is applied immediately at the end of the five year forecast period and is based on the lower of

- the nominal GDP growth rate forecasts for the country of operations; and
- the long-term compound annual growth rate in adjusted EBITDA as estimated by management

Long-term compound annual growth rates determined by management may be lower than forecast nominal GDP growth rates due to the following market-specific factors: competitive intensity levels, maturity of business, regulatory environment or sector-specific inflation expectations.

Discount rates

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate

17.5 Brand Name / Trade Mark

17.5.1 The Group has recognised an intangible asset for the Amaya chain of hotels from the acquisition of Hayleys Leisure PLC.

" Amaya" brand name is a well established name in the leisure sector. Management is of the opinion that the brand name will be a key attraction in the future booming leisure sector.

17.5.2 Group has recognised an intangible asset in respect of brand name, trade mark, distribution rights through the acquisition of Singer (Sri Lanka) PLC.

SISIL trademark

The company had acquired the "SISIL" trade mark in December 2000, amounting to Rs. 55 mn. The management is of the opinion that the aforementioned trademark has an indefinite useful life as their associated brand awareness and recognition has existed over 30 years and the company intends to utilise the said trademark for the foreseeable future. There are no legal, regulatory, contractual, competitive, economic or other factors that may limit its useful life and accordingly, the carrying amount of this trademark is determined after testing for impairment annually. Following assumptions are made to test for any impairment as at 31st March 2023:

	2023	2022
Annual sales growth for next five years	10%	10%
Gross margin	26%	26%
Discount rate	22%	10%
Indefinite growth rate after Year 2025/2026	2%	2%

UNIC trademark

The company had acquired the 'UNIC' Trade mark in 2006 amounting Rs. 38.51 mn. This trade mark is also considered to have an indefinite useful life due to the factors mentioned in the preceding paragraph and accordingly, the carrying amount of this trademark is determined after testing for impairment annually. Following assumptions are made to test for impairment as at 31st March 2023:

	2023	2022
Annual sales growth for next five years	8%	8%
Gross margin	27%	29%
Discount rate	22%	10%
Indefinite growth rate after Year 2025/2026	2%	2%

SONY distribution rights

The company had acquired the distribution rights of brand 'SONY' in 2014 amounting Rs. 46.43 mn. This assets are now carried at cost subject to annual impairment test and carrying amount as at 31st December 2015 is Rs. 46.43 mn. This distribution right also considered to have an indefinite useful life due to the factors mentioned in the preceding paragraph accordingly, the carrying amount of this trademark is determined after testing for impairment annually. Following assumptions are made to test for impairment as at 31st March 2023:

	2023	2022
Annual sales growth for next five years	5%	5%
Gross margin	20%	20%
Discount rate	22%	10%
Indefinite growth rate after Year 2025/2026	2%	2%

17.6 Customer List

Group has recognised an intangible asset in respect of customer relationship through the acquisition of Amaya Leisure PLC.

The established customer lists of Amaya Hotels is acknowledged as a key component in generation of revenue through travel agents and tour operators. The management is of the opinion that the company is capable of retaining the travel agents through business relationship strategies and this would ensure retention and lead to repeat business over the future years and inflow of future economic benefits from them.

NOTES TO THE FINANCIAL STATEMENTS

18 INVESTMENTS

18.1 Company Investment in Subsidiaries

As at 31st March	% Holding		No. of Shares			Value		
	2023	2022	2023	Addition/ Disposal	2022	2023 Rs.'000	Movement Rs.'000	2022 Rs.'000
Investee								
Quoted investments*								
Haycarb PLC (Rs. 11,330 Mn)	68	68	201,251,030	-	201,251,030	47,204	-	47,204
Hayleys Fibre PLC (Rs. 782 Mn)	65	65	15,600,000	-	15,600,000	3,575	-	3,575
Dipped Products PLC (Rs. 6,983 Mn)	42	42	252,109,380	-	252,109,380	408,490	-	408,490
Hayleys Fabric PLC (Rs. 6,173 Mn)	59	59	244,974,046	-	244,974,046	1,355,791	-	1,355,791
Amaya Leisure PLC (Rs. 1,121 Mn)	43	43	46,690,587	-	46,690,587	2,302,080	-	2,302,080
Alumex PLC (Rs. 2,582 Mn)	53	53	314,826,064	-	314,826,064	1,381,879	-	1,381,879
Singer (Sri Lanka) PLC (Rs. 11,757 Mn)	70	70	783,801,111	-	783,801,111	12,375,298	-	12,375,298
The Kingsbury PLC (Rs. 1,729 Mn)	36	36	174,614,114	-	174,614,114	1,449,123	-	1,449,123
			2,033,866,332	-	2,033,866,332	19,323,440	-	19,323,440
Unquoted Investments								
Chas P. Hayley & Company (Pvt) Ltd.	100	100	999,920	-	999,920	698	-	698
Ravi Industries (Pvt) Ltd.	86	86	10,853,727	2,250	10,851,477	18,456	106	18,350
Hayleys Group Services Ltd.	100	100	10,000	-	10,000	100	-	100
Dean Foster (Pvt) Ltd.	98	98	11,764,706	-	11,764,706	104,620	-	104,620
Hayleys Advantis Ltd.	91	90	33,154,553	364,649	32,789,904	404,019	99,037	304,930
Volanka Exports (Pvt) Ltd.	4	4	130,800	1,306	129,494	2,107	3	2,104
Sunfrost (Pvt) Ltd.	5	5	423,300	-	423,300	4,233	-	4,233
Rileys (Pvt) Ltd.	4	4	5,000,000	-	5,000,000	10,333	-	10,333
Volanka (Pvt) Ltd.	62	62	6,440	-	6,440	23,107	-	23,107
Toyo Cushion Lanka (Pvt) Ltd.	19	18	1,243,870	209	1,243,661	14,361	17	14,344
Hayleys Produce Marketing Ltd.	100	100	250,000	-	250,000	2,532	-	2,532
Carbotels (Pvt) Ltd.	75	75	27,578,769	-	27,578,769	308,004	-	308,004
HJS Condiments Ltd.	10	10	1,274,548	1,460	1,273,088	19,734	125	19,609
Hayleys Agriculture Holdings Ltd.	98	98	23,282,625	74,968	23,207,657	790,007	17,487	772,520
Hayleys Consumer Products Ltd.	99	99	19,489,742	-	19,489,742	252,707	-	252,707
Hayleys Aventura (Pvt) Ltd.	100	100	38,748,400	-	38,748,400	387,484	-	387,484
Hayleys Business Solutions International (Pvt) Ltd.	100	100	15,000,000	-	15,000,000	150,000	-	150,000
Nirmalapura Wind Power (Pvt) Ltd.	30	30	29,900,000	-	29,900,000	154,204	-	154,204
Fentons Ltd.	100	100	120,442,630	61,000,000	59,442,630	1,420,953	610,000	810,953
Hayleys Tours (Pvt) Ltd.	100	100	500,000	-	500,000	5,000	-	5,000
Luxury Resort (Pvt) Ltd.	100	100	18,349,800	-	18,349,800	1,780,934	-	1,780,934
World Export Center Ltd.	100	100	1,055,641,700	-	1,055,641,700	10,556,417	-	10,556,417
Hayleys Fabric Solutions Ltd.	100	100	6	-	6	-	-	-
MIT Global Solutions (Pvt) Ltd.	2	2	25,500	-	25,500	52	-	-
Haylex BV	100	100	1,000	-	1,000	25,734	-	25,734
Darley Property Holdings (Pvt) Ltd.	100	100	394,630,388	-	394,630,388	3,946,303	-	3,946,303
			1,808,702,424	61,444,842	1,747,257,582	20,382,098	726,774	19,750,959
Company investment in subsidiaries (at cost)			3,842,568,756	61,444,842	3,781,123,914	39,705,538	726,774	38,978,712
Provision for fall in value of investment made by the company								
Hayleys Business Solutions International (Pvt) Ltd.						(75,000)	-	(75,000)
Company investment in subsidiaries						39,630,538	726,774	38,903,712

* Figures in brackets indicate market value of quoted investments.

18.2 Investment in Equity Accounted Investees

Investor	Investee	Consolidated							
		% Holding		No. of Shares			Value Rs.'000		
As at 31st March		**2023**	2022	**2023**	Movement	2022	**2023**	Movement	2022
Hayleys Advantis Group	Yusen Logistics & Kusuhara (Pvt) Ltd.	30	30	195,000	-	195,000	1,950	-	1,950
Puritas (Pvt) Ltd.	Lakdiyatha (Pvt) Ltd.	49	49	2,450,000	-	2,450,000	24,500	-	24,500
Hayleys Aventura (Pvt) Ltd.	Joule Power (Pvt) Ltd.	25	25	26,250,000	-	26,250,000	262,500	-	262,500
Hayleys Aventura (Pvt) Ltd.	Beta Power (Pvt) Ltd.	25	25	26,250,000	-	26,250,000	262,500	-	262,500
Kelani Valley Plantations PLC	Martin Bauer Hayleys (Pvt) Ltd.	10	10	39,091,550	-	39,091,550	390,920	-	390,920
Hayleys PLC	Martin Bauer Hayleys (Pvt) Ltd.	39	39	150,484,550	-	150,484,550	1,504,863	-	1,504,863
Group investments in equity accounted investees (at cost)					-		2,447,233	-	2,447,233

Investor	Investee	Company							
		% Holding		No. of Shares			Value Rs.'000		
As at 31st March		**2023**	2022	**2023**	Movement	2022	**2023**	Movement	2022
Unquoted Investments									
Hayleys PLC	Martin Bauer Hayleys (Pvt) Ltd.	39	39	150,484,550	-	150,484,550	1,504,863	-	1,504,863
Company Investment in equity accounted investees (at cost)					-		1,504,863	-	1,504,863

18.2.1 Net Assets of Equity Accounted Investees as follows

As at 31st March	Consolidated							
	Investment at Cost		Profit/(Loss)		Others		Net Assets	
	2023 Rs.'000	2022 Rs.'000	**2023 Rs.'000**	2022 Rs.'000	**2023 Rs.'000**	2022 Rs.'000	**2023 Rs.'000**	2022 Rs.'000
Yusen Logistics & Kusuhara (Pvt) Ltd.	1,950	1,950	25,780	23,596	(5,943)	(3,143)	57,916	38,079
S & T Interiors (Pvt) Ltd.	-	-	-	4,386	-	(19,331)	-	-
Lakdiyatha (Pvt) Ltd.	24,500	24,500	(8,607)	(39,425)	-	-	16,316	24,923
Joule Power (Pvt) Ltd.	262,500	262,500	64,380	87,910	-	(50,000)	610,153	545,773
Beta Power (Pvt) Ltd.	262,500	262,500	78,505	103,353	-	(87,500)	580,617	502,112
Martin Bauer Hayleys (Pvt) Ltd.	1,895,783	1,895,783	380,920	46,974	664,961	(209)	2,099,371	1,053,490
Group Investments in equity accounted investees	2,447,233	2,447,233	540,978	226,794	659,018	(160,183)	3,364,373	2,164,377

NOTES TO THE FINANCIAL STATEMENTS

18.2.2 Summarised financial information of equity accounted investees which has not been adjusted for the Group's share.

As at 31st March	Consolidated	
	2023	2022
	Rs.'000	Rs.'000
Assets and Liabilities		
Current Assets	3,804,874	2,234,679
Non-current Assets	6,794,621	5,677,976
Current Liabilities	683,470	654,216
Non-current Liabilities	960,676	1,099,961

For the year ended 31st March	Consolidated	
	2023	2022
	Rs.'000	Rs.'000
Revenue and Profit		
Revenue from contracts with customers	5,842,032	3,912,002
Profit After Tax	1,257,686	887,185
Total Comprehensive Income	1,257,838	886,257

For the year ended 31st March	Consolidated	
	2023	2022
	Rs.'000	Rs.'000
Cash Flows		
Cash flows from operating activities	773,726	929,808
Cash flows from Investing activities	(37,452)	(189,445)
Cash flows from financing activities	(266,054)	(908,789)

18.2.3 The Company has neither contingent liabilities nor capital commitments in respect of it's equity accounted investees.

18.3 There are no equity accounted investees incorporated outside of Sri Lanka

18.4 Inter-Company Shareholdings

Investor As at 31st March	Investee	% Holding 2023	 2022	No. of Shares 2023	 2022
Agro Technica Ltd.	Sunfrost (Pvt) Ltd.	1	1	75,000	75,000
Chas P. Hayley & Co. (Pvt) Ltd.	Toyo Cushion Lanka (Pvt) Ltd.	3	3	169,267	169,267
	Charles Fibre (Pvt) Ltd.	100	50	20,000	10,000
Dean Foster (Pvt) Ltd.	Volanka (Pvt) Ltd.	38	38	3,920	3,920
	Hayleys Advantis Ltd.	1	1	488,369	488,369
	Chas P. Hayley & Company (Pvt) Ltd.	0	0	80	80
	Alumex PLC	5	5	28,427,800	28,427,800
	Hayleys Leisure PLC	21	21	23,049,088	23,049,088
Dipped Products PLC	Venigros (Pvt) Ltd.	100	100	8,000,000	8,000,000
	Feltex (Pvt) Ltd.	100	100	1,500,000	1,500,000
	DPL Plantations (Pvt) Ltd.	100	100	55,000,000	55,000,000
	Dipped Products (Thailand) Ltd.(100 Bhat)	99	99	4,516,250	4,516,250
	ICOGUANTI S.p.A (Italy) (€1 - each)	100	100	3,150,000	3,150,000
	Hanwella Rubber Products Ltd.	73	73	18,152,000	18,152,000
	D P L Premier Gloves Ltd.	100	100	45,000,000	45,000,000
	D P L Universal Gloves Ltd.	100	100	350,000,000	200,000,000
	D P L International Ltd.	100	100	1	1
ICOGUANTI S.p.A (Italy)	DPL France SAS	80	-	800,000	-
	ROZENBAL POLSKA Sp. z.o.o.	97	-	1,779	-
DPL Plantations Ltd.	Kelani Valley Plantations PLC	72	72	49,253,800	49,253,800
	Hayleys Plantation Services (Pvt) Ltd.	67	67	13,400,000	13,400,000
Haycarb PLC	Dipped Products PLC	7	7	40,687,460	40,687,460
	Eurocarb Products Ltd.(UK) (£1 - each)	100	100	100,000	100,000
	Haycarb Holdings Australia (Pty) Ltd. (Aus $1 - each)	100	100	150,000	150,000
	Carbotels (Pvt) Ltd.	25	25	9,290,341	9,290,341
	Carbokarn Co. Ltd.(100 Bhat, 100% paid-up)	50	50	250,000	250,000
	Puritas (Pvt) Ltd.	100	100	700,000	700,000
	Recogen (Pvt) Ltd.	100	100	37,000,000	37,000,000
	Haycarb USA Inc.	100	100	1,285,000	1,285,000
	Haycarb Holdings Bitung Ltd. ($1 - each)	100	100	1,400,000	1,400,000
	PT Mapalus Makawanua Charcoal Industry (IDR 1,000,000)	2	2	707	707
	Ultracarb (Pvt) Ltd.	100	100	25,000,000	25,000,000
	Quality Seed Company (Pvt) Ltd.	6	6	147,000	147,000
	PT Haycarb Palu Mitra	60	60	1,290,000	1,290,000
Carbokarn Co. Ltd.	CK Regen Systems Co. Ltd.	100	100	75,000	75,000
	Shizuka Co. Ltd.	100	100	137,500	137,500
Puritas (Pvt) Ltd.	Lakdiyatha (Pvt) Ltd.	49	49	2,450,000	2,450,000
	Puricarb Pte Ltd.	100	100	50,000	50,000

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Investor As at 31st March	Investee	% Holding		No. of Shares	
		2023	2022	**2023**	2022
Haycarb Holdings Bitung Ltd .	PT Mapalus Makawanua Charcoal Industry (IDR 1,000,000)	98	98	36,935	36,935
Hayleys Agriculture Holdings Ltd.	Agro Technica Ltd.	100	100	2,499,994	2,499,994
	Hayleys Agro Fertilizers (Pvt) Ltd.	100	100	14,999,999	14,999,999
	Hayleys Agro Farms (Pvt) Ltd.	100	100	1,500,000	1,500,000
	Hayleys Agro Bio-Tech (Pvt) Ltd.	100	100	7,499,999	7,499,999
	HJS Condiments Ltd.	59	59	7,399,343	7,399,343
	Sunfrost (Pvt) Ltd.	93	93	7,445,000	7,445,000
	Haychem (Bangladesh) Ltd.	100	100	90,702	90,702
	Hayleys Fabric PLC	2	2	6,944,514	6,944,514
	Aquagri (Pvt) Ltd.	51	51	1,275,000	1,275,000
	Singer (Sri Lanka) PLC	3	3	28,404,255	28,404,255
	Quality Seed Company (Pvt) Ltd.	94	94	2,378,000	2,378,000
Hayleys Fibre PLC	Toyo Cushion Lanka (Pvt) Ltd.	16	16	1,015,602	1,015,602
	Bonterra Ltd.	50	50	803,394	803,394
	Creative Polymats (Pvt) Ltd.	74	74	22,500,001	22,500,001
	Rileys (Pvt) Ltd.	12	12	15,500,000	15,500,000
Hayleys Aventura (Pvt) Ltd.	Haycolour (Pvt) Ltd.	100	100	60,000	60,000
	Hayleys Lifesciences (Pvt) Ltd.	100	100	3,000,001	3,000,001
	Innovative Solutions Lanka (Pvt) Ltd.	100	100	320,001	320,001
	Nirmalapura Wind Power (Pvt) Ltd.	21	21	21,100,000	21,100,000
	Hayleys Power Ltd.	100	100	46,767,241	46,767,241
	Joule Power (Pvt) Ltd.	25	25	26,250,000	26,250,000
	Beta Power (Pvt) Ltd.	25	25	26,250,000	26,250,000
	Singer (Sri Lanka) PLC	3	3	31,595,745	31,595,745
	Solar One Ceylon (Pvt) Ltd.	50	50	35,085,952	35,085,952
Hayleys Hydro Energy (Pvt) Ltd.	Neluwa Cascade Hydro Power (Pvt) Ltd.	100	100	11,910,001	11,910,001
Hayleys Plantation Services (Pvt) Ltd.	Talawakelle Tea Estates PLC	75	75	35,500,000	35,500,000
	Horana Plantations PLC	51	-	12,750,000	-
Talawakelle Tea Estates PLC	TTEL Hydro Power Company (Pvt) Ltd.	51	51	3,519,000	3,519,000
	TTEL Somerset Hydro Power (Pvt) Ltd.	51	51	3,060,000	3,060,000
Hayleys Advantis Group	Sunfrost (Pvt) Ltd.	1	1	50,000	50,000
	Singer (Sri Lanka) PLC	10	10	111,382,980	111,382,980
	Unisyst Engineering PLC	65	63	28,739,393	27,582,356
	Hayleys Fabric PLC	2	2	10,073,700	10,073,700
Ravi Industries Ltd.	Rileys (Pvt) Ltd.	19	19	24,500,000	24,500,000
	Dipped Products PLC	1	1	5,670,000	5,670,000
	Ravi Marketing Services (Pvt) Ltd.	100	100	9,994	9,994
Rileys (Pvt) Ltd.	Haymat (Pvt) Ltd.	54	54	215,998	215,998
	Creative Polymats (Pvt) Ltd.	26	26	8,034,098	8,034,098
Toyo Cushion Lanka (Pvt) Ltd.	Dean Foster (Pvt) Ltd.	2	2	235,294	235,294
	Hayleys Leisure PLC	2	2	1,835,420	1,835,420

Investor As at 31st March	Investee	% Holding		No. of Shares	
		2023	2022	2023	2022
Volanka (Pvt) Ltd.	Dipped Products PLC	8	8	48,736,400	48,736,400
	Toyo Cushion Lanka (Pvt) Ltd.	22	22	1,455,832	1,455,832
	Volanka Exports Ltd.	100	100	2,899,994	2,899,994
	Volanka Insurance Brokers (Pvt) Ltd.	100	100	58,994	58,994
	Singer (Sri Lanka) PLC	3	3	34,787,235	34,787,235
	Ravi Industries Ltd.	14	14	1,732,720	1,732,720
	Rileys (Pvt) Ltd.	65	65	85,000,000	85,000,000
Carbotels (Pvt) Ltd.	Eastern Hotel (Pvt) Ltd.	96	96	894,304	894,304
	Singer (Sri Lanka) PLC	3	3	29,042,553	29,042,553
	The Kingsbury PLC	23	23	113,250,000	113,250,000
Volanka Exports Ltd.	O E Techniques Ltd.	100	100	9,993	9,993
	Hayleys Leisure PLC	1	1	1,445,358	1,445,358
Kelani Valley Plantations PLC	Kalupahana Power Company (Pvt) Ltd.	60	60	1,800,000	1,800,000
	Mabroc Teas (Pvt) Ltd.	100	100	9,000,000	9,000,000
	Kelani Valley Resorts (Pvt) Ltd.	100	100	5,000,000	5,000,000
	Martin Bauer Hayleys (Pvt) Ltd.	10	10	39,091,550	39,091,550
Hayleys Aviation and Projects (Pvt) Ltd.	Air Global (Pvt) Ltd.	100	100	999,994	999,994
	Millennium Transportation (Pvt) Ltd.	100	100	99,999	99,999
	North South Lines (Pvt) Ltd.	100	100	134,999	134,999
	Hayleys Travels (Pvt) Ltd.	100	100	1,779,999	1,779,999
	S & T Interiors (Pvt) Ltd.	60	60	1,560,000	1,560,000
Alumex PLC	Alco Industries (Pvt) Ltd.	100	100	3,000,002	3,000,002
Hayleys Electronics Ltd.	Global Consumer Brands (Pvt) Ltd.	100	100	17,599,999	17,599,999
	Hayleys Electronics Manufacturing (Pvt) Ltd.	100	100	499,999	499,999
Hayleys Consumer Products Ltd.	International Consumer Brands (Pvt) Ltd.	100	100	3,000,000	3,000,000
	Hayleys Electronics Lighting (Pvt) Ltd.	100	100	599,999	599,999
Hayleys Leisure PLC	Kandyan Resorts (Pvt) Ltd.	100	100	23,215,547	23,215,547
	Culture Club Resorts (Pvt) Ltd.	100	100	23,822,393	23,822,393
	Connaissance Air Travels Ltd.	100	100	100,003	100,003
	Sun Tan Beach Resorts Ltd.	82	82	366,734,905	366,734,905
	Hayleys Hotel Management Services (Pvt) Ltd.	100	100	1,200,002	1,200,002
	C D C Convensions (Pvt) Ltd.	100	100	1,000,002	1,000,002
Hayleys Power Ltd.	Bhagya Hydro (Pvt) Ltd.	100	100	3,499,999	3,499,999
	Hayleys Hydro Energy (Pvt) Ltd.	51	51	6,120,001	6,120,001
	TTEL Hydro Power (Pvt) Ltd.	49	49	3,366,300	3,366,300
	TTEL Summerset Hydro Power (Pvt) Ltd.	49	49	2,940,000	2,940,000
	Hayleys Neluwa Hydro Power (Pvt) Ltd.	100	100	29,700,000	29,700,000
	Neluwa Upper Hydro Power (Pvt) Ltd.	100	100	100,000	100,000

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Investor As at 31st March	Investee	% Holding		No. of Shares	
		2023	2022	**2023**	2022
Fentons Ltd.	Fentons Smart Facilities (Pvt) Ltd.	100	100	1	1
	Energynet (Pvt) Ltd.	100	100	10,900,344	10,900,344
	Nex-Gen Asia (Pvt) Ltd.	100	100	100	100
	Hayleys Electronics (Pvt) Ltd.	100	100	966,828	966,828
Energynet (Private) Ltd.	Hayleys Electronics (Pvt) Ltd.	-	-	1	1
Singer (Sri Lanka) PLC	Singer Finance (Lanka) PLC	80	80	161,513,035	161,513,035
	Singer Industries (Ceylon) PLC	88	88	17,544,628	17,544,628
	Regnis (Lanka) PLC	58	58	13,137,154	13,137,154
	Singer Business School (Pvt) Ltd	100	100	1,000,000	1,000,000
	Reality Lanka Ltd.	60	60	11,015,083	11,015,083
Singer Industries (Ceylon) PLC	Reality Lanka Ltd.	30	30	5,400,000	5,400,000
Regnis (Lanka) PLC	Reality Lanka Ltd.	10	10	1,800,000	1,800,000
	Regnis Appliances (Pvt) Ltd	100	100	15,000,000	15,000,000
Hayleys Fabric PLC	South Asia Textiles Ltd.	100	100	357,361,456	357,361,456
Hayleys Group Services (Private) Ltd.	Hayleys Electronics (Pvt) Ltd.	0	0	1	1
	Air Global (Pvt) Ltd.	0	0	1	1
	Connaissance Air Travels Ltd.	0	0	2	2
	Kandyan Resorts (Pvt) Ltd.	0	0	2	2
	C D C Convensions (Pvt) Ltd.	0	0	2	2
	Hayleys Hotel Management Services (Pvt) Ltd.	0	0	2	2

19 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

19.1 Other Non-Current Financial Assets

As at 31st March	Consolidated					Company		
	Fair value through OCI		Amortised cost	**Total 2023**	Total 2022	Fair value through OCI	**Total 2023**	Total 2022
	Unquoted equity shares	Quoted equity shares	Treasury Bonds			Unquoted shares		
	Rs.'000	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
At the beginning of the year	85,420	5,779	-	91,199	248,805	57,125	57,125	64,687
Additions	-	-	841,495	841,495	1,200	-	-	-
Acquisition through business Combination	-	-	-	-	-	-	-	-
Impairment for the year	(7,562)	-	-	(7,562)	(7,562)	(7,562)	(7,562)	(7,562)
Disposals	-	-	-	-	(245,611)	-	-	
Effect of movement in exchange rate	58	-	-	58	105	-	-	-
Change in fair value	15,336	766	-	16,102	94,262	-	-	-
At the end of the year	93,252	6,545	841,495	941,292	91,199	49,563	49,563	57,125

19.1.1 Investment details

Investor As at 31st March	Investee	Number of shares		Value	
		2023	2022	**2023 Rs.'000**	2022 Rs.'000
Hayleys PLC	Sojitz Kelanitissa (Pvt) Ltd.	15,125,103	15,125,103	7,566	15,125
	Sri Lanka Institute of Nanotechnology (Pvt) Ltd.	4,200,000	4,200,000	42,000	42,000
Hayleys Aventura (Pvt) Ltd.	Hydro Trust lanka (Pvt) Ltd.	350,000	350,000	3,500	3,500
Dipped Products PLC	Wellassa Rubber Company Ltd	255,000	255,000	2,550	2,550
	Impairment in Wellassa Rubber Company Ltd.	-	-	(2,550)	(2,550)
Haycarb Group	Barrik Gold Corporation - Aus 27.20 each	3,456	3,456	341	340
Hayleys Advantis Group	SLAFFA Cargo Services Ltd.	120,901	120,901	16,175	1,530
	CMA Ships Lanka (Pvt) Ltd.	2	2	25	25
Singer (Sri Lanka) PLC	Equity Investment Lanka Ltd.	1,665,000	1,665,000	21,525	22,859
	Credit Information Bureau of Sri Lanka	100	100	2,120	41
				93,252	85,420
Quoted equity shares - at fair value through OCI					
Dipped Products PLC	Royal Ceramics Lanka PLC	220	220	63	89
Hayleys Advantis Group	Comtrust Equity Fund	200,000	200,000	5,237	4,564
	Union Bank PLC	100,000	100,000	900	781
Fentons Ltd.	Hotel Sigiriya PLC	5,500	5,500	345	345
				6,545	5,779
Investments at amortised cost					
Hayleys Agro Fertilizers (Pvt) Ltd.	Treasury bonds			841,495	-
				841,495	-

NOTES TO THE FINANCIAL STATEMENTS

19.2 Other Current Financial Assets

As at 31st March	Consolidated					Company			
	Fair value through profit or loss	Amortised cost		**Total 2023**	Total 2022	Financial instruments at fair value through profit or loss	Amortised cost	**Total 2023**	Total 2022
	Quoted equity shares	Unit trust	Treasury bills			Quoted equity shares	Unit trust		
	Rs.'000	Rs.'000		**Rs.'000**	Rs.'000	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
At the beginning of the year	13,943	1,386,480	-	1,400,423	463,524	7,706	-	7,706	8,002
Additions	204	9,665,547	-	9,665,751	10,594,939	168	1,450,000	1,450,168	7,278,078
Disposals	-	(10,382,342)	-	(10,382,342)	(9,731,452)	-	(1,450,000)	(1,450,000)	(7,308,563)
Change in fair value	(489)	171,896	-	171,407	73,412	(1,233)	8,250	7,017	30,563
At the end of the year	13,658	841,581	-	855,239	1,400,423	6,641	8,250	14,891	7,706

19.2.1 Investment details

Investor As at 31st March	Investee	Number of shares		Value	
		2023	2022	**2023 Rs.'000**	2022 Rs.'000
Quoted equity shares - Fair value through profit or loss					
Hayleys PLC	Central Industries PLC	18,891	17,540	1,479	1,720
	Kelani Tyres PLC	17,200	17,200	1,022	996
	Lanka Orix Leasing Company PLC	1,404	1,404	527	839
	National Development Bank PLC	26,153	24,573	1,412	1,368
	Three Acre Farms PLC	1,840	1,840	241	347
	Hatton National Bank PLC - Non Voting	23,646	23,190	1,961	2,435
Dean Foster (Pvt) Ltd.	ACL Cables PLC	16,480	16,480	1,356	940
	Blue Diamonds Jewellery Worldwide PLC	13	13	-	-
	Lanka Orix Leasing Company PLC	3,280	3,280	1,230	1,960
	Three Acre Farms PLC	2,000	2,000	261	377
Hayleys Advantis Ltd.	DFCC Bank PLC	8,414	8,007	387	405
	Hatton National Bank PLC	8,692	8,692	1,145	949
	National Development Bank PLC	2,900	2,900	162	161
	Beruwala Resort PLC	344,474	344,474	482	310
	Union Bank PLC	400	400	3	3
Amaya Leisure PLC	The Fortress Resorts PLC	90,075	90,075	1,982	1,122
	LB Finance PLC	160	40	9	11
				13,658	13,943
Unit trust - Fair value through profit or loss					
Carbotels (Pvt) Ltd.	NDB Wealth Money Fund	179,678	179,678	4,891	10,643
	NDB Wealth Money plus Fund	4,626,026	5,119,141	138,536	122,288
Hayleys PLC	NDB Wealth Money Fund	303,116	-	8,250	-
Hayleys Advantis Ltd.	NDB Wealth Money Fund	25,439,000	56,594,000	689,904	1,253,549
				841,581	1,386,480

19.3 Other Financial Liabilities

As at 31st March	Financial Liabilities at amortised cost - deposits	Consolidated Total 2023	Consolidated Total 2022
	Rs.'000	**Rs.'000**	Rs.'000
At the beginning of the year	12,146,514	12,146,514	10,465,198
Incurred	20,457,691	20,457,691	7,784,415
Settlements	(14,311,442)	(14,311,442)	(6,491,470)
Derecognition on acquisition of NCI	-	-	-
Charge/capitalisation of interest	907,147	907,147	388,371
At the end of the year	19,199,910	19,199,910	12,146,514
Other Current Financial Liabilities		13,355,662	9,828,666
Other Non Current Financial Liabilities		5,844,248	2,317,848

19.3.1 Deposit Classification

As at 31st March	Consolidated 2023	Consolidated 2022
	Rs.'000	Rs.'000
Fixed deposits	18,824,612	11,999,219
Savings	375,298	147,261
	19,199,910	12,146,480

NOTES TO THE FINANCIAL STATEMENTS

19.4 Fair Value Hierarchy

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

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

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

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

As at 31 March 2023, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

Assets measured at fair value

As at 31st March	Notes	2023 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Fair value through OCI					
Quoted equity shares	19.1.1	6,544	6,544	-	-
Financial assets at fair value through profit or loss:					
Quoted equity shares	19.2	13,658	13,658	-	-
Unit trust	19.2	841,581	841,581	-	-
Property, plant & equipment					
Freehold land	13	36,257,132	-	-	36,257,132
Investment Properties					
Land and buildings	15	1,948,326	-	-	1,948,326
Financial liabilities at amortised cost					
Deposit	19.3	19,199,910	-	19,199,910	-

As at 31st March	Notes	2022 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Fair value through OCI					
Quoted equity shares	19.1.1	5,779	5,779	-	-
Financial assets at fair value through profit or loss:					
Quoted equity shares	19.2	13,943	13,943	-	-
Unit trust	19.2	1,386,480	1,386,480	-	-
Property, plant & equipment					
Freehold land	13	35,034,989	-	-	35,034,989
Investment Properties					
Land and buildings	15	2,601,101	-	-	2,601,101
Financial liabilities at amortised cost					
Deposit	19.3	12,146,514	-	12,146,514	-

During the reporting period ended 31 March 2023, there were no transfers between Level 1 and Level 2 fair value measurements.

Fair Values

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

As at 31st March	Notes	Consolidated		Company	
		Carrying value	Fair value	Carrying value	Fair value
		2023		2023	
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets					
Other non- current financial assets					
Fair value through OCI	19.1	99,797	99,797	49,563	49,563
Amortised cost	19.1	841,495	841,495	-	-
Non- current trade and other receivables	22	8,359,072	8,359,072	-	-
Other current financial assets					
Financial instruments at fair value through profit or loss	19.2	13,658	13,658	6,640	6,640
Amortised cost	19.2	841,581	841,581	8,251	8,251
Trade and other receivables	22	98,651,672	98,651,672	36,558	36,558
Amounts due from subsidiaries	38.4	-	-	4,264,131	4,264,131
Amounts due from equity accounted investees	38.5	159,463	159,463	986	986
Short term deposits		19,780,454	19,780,454	1,489,160	1,489,160
Cash and cash equivalents		24,177,336	24,177,336	1,144,208	1,144,208
		152,924,528	152,924,528	6,999,497	6,999,497
Financial Liabilities					
Interest-bearing borrowings*	25	90,731,596	92,660,179	22,265,855	23,091,672
Other financial liabilities					
Financial liabilities at amortised cost	19.3	19,199,910	19,199,910	-	-
Trade and other payables	29	66,405,057	66,405,057	4,843,225	4,843,225
Amounts due to subsidiaries	38.4	-	-	305,479	305,479
Amounts due to equity accounted investees	38.5	456	456	385	385
Short-term interest-bearing borrowings	31	68,964,025	68,964,025	5,166,716	5,166,716
		245,301,044	247,229,627	32,581,660	33,407,477

* Include fixed interest loans carried at amortised cost.

The fair value of the financial assets and liabilities is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date. The following methods and assumptions were used to estimate the fair values:

- The carrying value of available for sale financial instruments at fair value through OCI and financial instruments at fair value through profit or loss at fair value.
- Cash and cash equivalents, short term deposits, trade and other , amounts due to/from subsidiaries, amounts due from equity accounted investees and trade and other payables approximate their carrying values largely due to the short term maturities of these instruments.
- The Fair value of financial assets at amortised cost and financial liabilities at amortised cost is not significantly different from the value based on amortised cost methodology.

NOTES TO THE FINANCIAL STATEMENTS

20. OTHER NON CURRENT ASSETS

As at 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Prepayments	4,252,176	3,277,905	56,203	31,555
Lease rental paid in advance			-	-
Formers	1,297,215	962,827	-	-
Pre paid staff benefit	216,340	190,139	-	-
VAT receivable	1,131,371	816,050	-	-
Other tax receivables	219,492	471,962	-	-
Provision for amortisation/impairment	(656,763)	(556,377)	-	-
	6,459,831	5,162,506	56,203	31,555
Other Current Assets	5,508,223	4,179,463	56,203	31,555
Other Non Current Assets	951,608	983,043	-	-

21. INVENTORIES

As at 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Raw materials & consumables	37,219,573	30,779,078	36,535	7,493
Produce stocks	1,572,665	784,986	-	-
Produce on bearer biological assets	61,438	34,417	-	-
Nurseries	76,313	31,928	-	-
Work-in-progress	13,434,124	10,000,004	-	-
Finished goods	41,645,384	44,142,787	-	-
Goods-in-transit	528,645	1,737,111	-	-
	94,538,142	87,510,311	36,535	7,493
Provision for slow moving and obsolete of inventories	(5,519,094)	(4,288,354)	-	-
Provision for unrealised profit and write- down of inventories	(1,516,725)	(824,010)	-	-
	87,502,323	82,397,947	36,535	7,493

21.1 Carrying amount of inventories pledged as security for bank facilities obtained amounted to Rs. 13,753 mn (2022 - Rs. 9,918 mn).

21.2 Inventory carried at net realisable value as at 31st March 2023 Rs. 5,290 mn (2022 - Rs. 3,299 mn).

22. TRADE AND OTHER RECEIVABLES

As at 31st March	Consolidated		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Trade receivables	53,013,085	63,783,222	-	-
Bills receivables	8,715,006	11,679,613	-	-
Hire debtors	6,003,396	6,751,382	-	-
Lease rental receivable	9,594,904	5,228,685	-	-
Loan debtors	16,020,142	11,393,521	-	-
	93,346,533	98,836,423	-	-
Payment in advance, deposits and other receivables	16,975,643	26,490,942	67,938	64,115
Duty rebate receivable	3,021,262	525,165		
Employee loans	435,105	175,004	802	974
Provision for impairment	(6,767,799)	(6,613,296)	(32,182)	(32,182)
	107,010,744	119,414,238	36,558	32,907
Current Trade and Other Receivables	98,651,672	107,082,528	36,558	32,907
Non- Current Trade and Other Receivables	8,359,072	12,331,710	-	-

22.1. Movement in the Provision for Impairment

As at 31st March	Consolidated		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
At the beginning of the year	6,613,296	5,688,269	32,182	32,182
Charge for the year	154,503	925,027	-	-
At the end of the year	6,767,799	6,613,296	32,182	32,182

22.1.1 The Aging Analysis of Trade and Bills Receivable is as follows,

As at 31st March Consolidated	Total Rs.'000	Neither past due nor impaired Rs.'000	0-60 days Rs.'000	61-120 days Rs.'000	121-180 days Rs.'000	181-365 days Rs.'000	1-2 years Rs.'000	2-5 years Rs.'000
Balance as at 31st March 2023	93,346,533	36,655,675	31,111,380	5,794,348	3,651,470	8,879,290	3,929,978	3,324,392
Balance as at 31st March 2022	98,836,423	36,816,221	23,455,827	5,702,332	5,228,051	13,946,103	6,842,690	6,845,199

NOTES TO THE FINANCIAL STATEMENTS

22.1.2 Currency-wise Analysis of Trade and Other Receivables

As at 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Sri Lankan Rupees	68,040,619	86,758,522	36,558	32,907
Australian Dollars	380,058	507,937	-	-
Pounds Sterling	175,570	625,119	-	-
United States Dollars	25,802,205	20,665,323	-	-
Euro	6,564,913	6,196,440	-	-
Thai Baht	1,088,380	907,815	-	-
Indian Rupees	292,696	133,080	-	-
Maldivian Rufiyaa	968,333	332,826	-	-
Bangladesh Taka	2,522,820	2,206,329	-	-
Others	1,175,150	1,080,847	-	-
	107,010,744	119,414,238	36,558	32,907

23. STATED CAPITAL

As at 31st March		Company	
		2023	2022
		Rs.'000	Rs.'000
Issued & fully paid - ordinary shares			
At the beginning of the year	(1st April 2022 - 750,000,000)	1,575,000	1,575,000
At the end of the year	(31st March 2023 - 750,000,000)	1,575,000	1,575,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

23.1 Other Capital Reserves & Retained Earnings

23.1.1 Other Capital Reserves

As at 31st March Consolidated	Capital profit on redemption of debentures Rs.'000	Fixed asset replacement reserve Rs.'000	Capital reserve on sale of property, plant & equipment Rs.'000	Capital redemption reserve fund Rs.'000	Statutory reserve fund Rs.'000	Debenture redemption reserve fund Rs.'000	Reserve on amalgamation Rs.'000	Total Rs.'000
Balance as at 1st April 2021	109	11,750	37,038	69,043	76,000	1,047	317,992	512,979
Acquisition of non-controlling interest in subsidiaries	-	-	598	-	9	-	-	607
Transfers	-	-	-	-	22,174	-	-	22,174
Balance as at 31st March 2022	109	11,750	37,636	69,043	98,183	1,047	317,992	535,760
Acquisition of non-controlling interest in subsidiaries	-	-	197	-	108	-	-	305
Transfers	-	-	-	-	48,591	-	-	48,591
Balance as at 31st March 2023	109	11,750	37,833	69,043	146,882	1,047	317,992	584,656

As at 31st March Company	Capital profit on redemption of debentures Rs.'000	Fixed asset replacement reserve Rs.'000	Capital reserve on sale of property, plant & equipment Rs.'000	Debenture redemption reserve fund Rs.'000	Total Rs.'000
Balance as at 31st March 2022	109	11,750	320	1,047	13,226
Balance as at 31st March 2023	109	11,750	320	1,047	13,226

23.1.2 Statutory Reserves

As at 31st March	Notes	Consolidated 2023 Rs.'000	Consolidated 2022 Rs.'000
Reserve Fund	23.1.2.1.	146,882	98,183

23.1.2.1 Reserve Fund

As at 31st March	Consolidated 2023 Rs.'000	Consolidated 2022 Rs.'000
Balance as at the beginning of the year	98,183	76,000
Transfers made during the year	48,591	22,174
Statutory reserve attributable to non-controlling interest	108	9
Balance as at the end of the year	146,882	98,183

The balance in the reserve fund will be used only for the purposes specified in the Central Bank Direction No.1 of 2003.

The Reserve Fund is maintained in compliance with direction No 1 of 2003 Central Bank of Sri Lanka (Capital Funds) issued to Finance Companies.

As per the said Direction , every Licensed Finance Company shall maintain a Reserve Fund and transfer to such reserve fund out of the net profits of the each year after due provisions has been made for taxation and bad and doubtful debts on following basis.

Capital Funds to Deposit Liabilities	Transfer to Reserve Fund
Not less than 25%	5%
Less than 25% and not less than 10%	20%
Less than 10%	50%

Accordingly, Singer Finance (Lanka) PLC has transferred 5% of its net profit after taxation to the Reserve Fund as Company's Capital Funds to Deposit Liabilities, belongs to not less than 25% .

NOTES TO THE FINANCIAL STATEMENTS

23.1.3 Retained Earnings

As at 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Balance as at the beginning of the year- As previously stated	32,604,745	18,216,129	14,645,696	14,136,884
Impact on surcharge tax	(1,915,963)	-	-	-
Balance as at the beginning of the year	30,688,782	18,216,129	14,645,696	14,136,884
Profit for the year	16,303,934	18,257,029	1,901,020	3,646,735
Total other comprehensive income	(166,518)	(385,013)	(45,102)	(137,923)
Dividends to equity holders	(4,012,500)	(3,000,000)	(4,012,500)	(3,000,000)
Transfers	(43,306)	214,873	-	-
Acquisition of non-controlling interest in subsidiaries	(111,707)	(698,273)	-	-
Balance as at the end of the year	42,658,685	32,604,745	12,489,114	14,645,696

23.1.4 Cash Flow Hedge Reserve

As at 31st March	Consolidated	
	2023	2022
	Rs.'000	Rs.'000
Balance as at the beginning of the year	(2,439,613)	(849,098)
Loss on cash flow hedge	(969,558)	(1,963,084)
Adjustment on changes to non-controlling interest in subsidiaries	(25,369)	(2,339)
Transfer of cash flow hedge reserve to revenue	1,087,393	374,908
Balance as at the end of the year	(2,347,147)	(2,439,613)

Several entities within the Group have borrowings in foreign currencies, the settlements of which are naturally hedged against foreign currency remittances through sales generated by the respective entities.

Subsidiaries in the sectors detail below elected to use their USD remittances to mitigate the exchange risk and ave treated the said transaction as a 'Cash flow Hedge" in the Financial Statements of the Group.

Sector	Borrowings hedged USD'000	Year of final repayment	**Amount deferred as at 31 March 2023** **Rs. mn**
Transportation and Logistics	12,147	2031	2,425,469
Eco Solutions	1,352	2027	419,851

24. SECURITY DEPOSITS

As at 31st March	Consolidated	
	2023 Rs.'000	2022 Rs.'000
At the beginning of the year	1,462,347	1,366,565
Contribution during the year	153,710	187,737
Interest charges	134,854	132,330
Shortages recovered	(213,871)	(127,660)
ESD releases	(68,648)	(96,625)
At the end of the year	1,468,392	1,462,347

25. INTEREST BEARING BORROWINGS

25.1 Total Non-Current Portion of Interest Bearing Borrowings

As at 31st March	Notes	Consolidated		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Lease obligations	25.3	8,531,008	7,894,135	96,277	151,787
Debentures	25.5	5,000,668	9,523,518	2,995,670	6,515,519
Long-term borrowings	25.8	45,626,531	46,122,540	10,093,571	11,597,972
Total non- current interest-bearing borrowings		59,158,207	63,540,193	13,185,518	18,265,278

25.2 Current Portion of Interest Bearing Borrowings

As at 31st March	Notes	Consolidated		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Lease obligations	25.3	1,569,175	1,318,527	55,506	62,856
Debentures	25.5	4,974,664	263,854	3,525,837	-
Long-term borrowings	25.8	25,029,550	25,986,206	5,498,994	5,298,997
Total current interest-bearing borrowings		31,573,389	27,568,587	9,080,337	5,361,853

25.3 Lease Obligations

As at 31st March	Consolidated		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
At the beginning of the year	9,212,662	8,102,306	214,643	270,145
New leases obtained	2,070,029	2,137,356	-	-
Acquisition of subsidiaries	187,088	62,500		
Interest charged	1,084,116	1,047,076	23,310	30,664
Increase to recognised assets	(19,466)	20,089	-	-
Exchange difference	80,428	289,753	-	-
Repayments	(2,514,676)	(2,446,418)	(86,170)	(86,166)
At end of the year	10,100,183	9,212,662	151,783	214,643
Repayable within one year	1,569,175	1,318,527	55,506	62,856
Repayable after one year	8,531,008	7,894,135	96,277	151,787

NOTES TO THE FINANCIAL STATEMENTS

25.4 Currency wise Analysis of Lease Obligations

As at 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Sri Lankan Rupees	8,472,983	8,133,698	151,783	214,643
United States Dollars	1,444,736	955,239	-	-
Maldivian Rufiyaa	78,688	7,239	-	-
Bangladesh Taka	103,776	116,486	-	-
	10,100,183	9,212,662	151,783	214,643

25.5 Debentures

As at 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
At the beginning of the year	9,787,372	8,273,106	6,515,519	6,509,531
Issued during the year	-	2,000,000	-	-
Accrued interest	485,123	152,369	-	-
Repayments during the year	(307,326)	(656,800)	-	-
At the end of the year	9,965,169	9,768,675	6,515,519	6,509,531
Amortisation of debenture issue expense	10,163	18,697	5,988	5,988
Net Debenture	9,975,332	9,787,372	6,521,507	6,515,519
Repayable within one year	4,974,664	263,854	3,525,837	-
Repayable after one year	5,000,668	9,523,518	2,995,670	6,515,519

25.5.1 Details of the debentures

As at 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Listed, rated, senior, unsecured, redeemable, debentures, Type A- Fixed rate at 12.50% p.a. payable semi annually redeemable on 31st July 2023 Type B- Floating rate AWPLR+1% p.a. payable semi annually redeemable on 31st July 2023	3,525,838	3,522,895	3,525,838	3,522,895
Listed, rated, senior, unsecured, redeemable, debentures, Type A- Fixed rate at 13.00% p.a. payable semi annually redeemable on 26th August 2024 Type B- Floating rate AWPLR+2% p.a. payable semi-annually redeemable on 26th August 2024	2,995,669	2,992,624	2,995,669	2,992,624
Listed, Rated, Unsecured, Fixed rate 9.25% p.a.,Subordinated Debenture Redeemable on 25th June, 2026	621,482	620,838	-	-
Listed, Rated, Unsecured, 1 Year T-Bill Rate + 3.75%,Subordinated Debenture Redeemable on 25th June, 2026	1,689,752	1,538,225	-	-
Listed, rated, senior, unsecured, redeemable, debentures at 13.25% p.a redeemable on 19th May, 2025	5,553	5,548	-	-
Listed, rated, senior, unsecured, redeemable, debentures at Fixed rate 13.00% p.a. redeemable on 9th April, 2023	846,507	844,882	-	-
Listed, rated, senior, unsecured, redeemable, debentures at 6 Months T-Bill+3.75% redeemable on 19th May, 2023	290,531	262,360	-	-
	9,975,332	9,787,372	6,521,507	6,515,519

* Details regarding the listed debentures are given in page 441 to the Financial Statements.

25.6 Currency wise Analysis of Debentures

As at 31st March	Consolidated		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Sri Lankan Rupees	9,975,332	9,787,372	6,521,507	6,515,519
	9,975,332	9,787,372	6,521,507	6,515,519

25.7 Analysis of Debentures by Year of Repayment

As at 31st March	Consolidated		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Long term loans repayable between 1 and 2 years from year-end	3,000,668	7,523,518	2,995,670	6,515,519
Long term loans repayable between 2 and 5 years from year-end	2,000,000	2,000,000	-	-
	5,000,668	9,523,518	2,995,670	6,515,519

25.8 Long term Borrowings

As at 31st March	Consolidated		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
At the beginning of the year	72,108,746	59,806,198	16,896,969	17,370,966
Acquisition through business combinations	1,196,982	261,054	-	-
Effect of movements in exchange rates	3,502,481	3,848,947	-	-
Adjustment for loan facility fee	(4,408)	1,097	(4,404)	1,003
New loans obtained*	21,159,381	35,806,769	4,000,000	5,800,000
	97,963,182	99,724,065	20,892,565	23,171,969
Repayments	(27,307,101)	(27,615,319)	(5,300,000)	(6,275,000)
At the end of the year	70,656,081	72,108,746	15,592,565	16,896,969
Repayable within one year	25,029,550	25,986,206	5,498,994	5,298,997
Repayable after one year	45,626,531	46,122,540	10,093,571	11,597,972

*Consist of loan obtained for Consumer & Retails sector (Rs. 8.2 bn), Textiles sector (Rs. 1.6 bn), Others sector (Rs. 4.3 bn), Transportation & Logistics sector (Rs. 2.5 bn) and Hand Protection sector (Rs. 3.5 bn) during the year.

25.9 Currency wise Analysis of Long Term Borrowings

As at 31st March	Consolidated		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Sri Lankan Rupees	49,859,990	52,964,323	15,592,565	16,896,969
United States Dollars	17,203,248	16,987,536	-	-
Euro	3,579,690	2,141,380	-	-
Bangladesh Taka	6,965	7,840	-	-
Australian Dollar	6,188	7,667	-	-
	70,656,081	72,108,746	15,592,565	16,896,969

NOTES TO THE FINANCIAL STATEMENTS

25.10 Analysis of Long Term Borrowings by Year of Repayment

As at 31st March	Consolidated		Company	
	2023 Rs.'000	2022 Rs.'000	**2023** Rs.'000	2022 Rs.'000
Long term loans repayable between 1 and 2 years from year-end	21,454,534	19,527,984	5,198,982	4,898,992
Long term loans repayable between 2 and 5 years from year-end	19,503,101	24,638,170	4,894,589	6,698,980
Long term loans repayable later than 5 years from year-end	4,668,896	1,956,386	-	-
	45,626,531	46,122,540	10,093,571	11,597,972

25.11 Long Term Borrowings Repayable After One Year

As at 31st March	Notes	Consolidated		Company	
		2023 Rs.'000	2022 Rs.'000	**2023** Rs.'000	2022 Rs.'000
Long term loans	25.11.1	45,064,531	44,642,940	10,093,571	11,597,972
Syndication loans	25.11.2	400,000	800,000	-	-
Securitisation loans	25.11.3	162,000	679,600	-	-
		45,626,531	46,122,540	10,093,571	11,597,972

25.11.1 Long term loans

Company	Lender/rate of interest (p.a.)	**2023** Rs. '000	2022 Rs. '000	Repayment	Security
Hayleys PLC.	Bank of Ceylon	-	400,000	Bi annually in equal installments of Rs. 200 mn	None
	Sampath Bank PLC	-	99,528	Bi annually in equal installments of Rs. 200 mn	None
	Commercial Bank of Ceylon PLC	900,000	600,000	Bi annually in equal installments of Rs. 200 mn	None
	Bank of Ceylon	400,000	800,000	Bi annually in equal installments of Rs. 200 mn	None
	Commercial Bank of Ceylon PLC	200,000	1,500,000	Bi annually in equal installments of Rs. 300 mn	None
	Hatton National Bank PLC (AWPLR)	1,500,000	2,500,000	Bi annually in equal installments of Rs. 500 mn	None
	Sampath Bank PLC - (AWPLR)	1,198,981	1,798,447	Bi annually in equal installments of Rs. 300 mn	None
	Bank of Ceylon - (AWPLR)	1,200,000	1,800,000	To be paid bi annually in equal Installments of Rs.300 mn	None
	Commercial Bank of Ceylon -	1,500,000	2,100,000	To be paid bi annually in equal Installments of Rs.300 mn	None
	Hatton National Bank PLC	3,194,589	-	To be paid bi annually in equal Installments of Rs.400 mn	None

Company	Lender/rate of interest (p.a.)	2023 Rs. '000	2022 Rs. '000	Repayment	Security
ICOGUANTI S.p.A	Alessandria Financing (Euro 1 mn)	36,174	55,741	Repayment over 2 years	None
	INTESA SAN PAOLO (Euro 1 mn)	130,723	328,185	Repayment over 2 years	None
	BNL - BNP PARIBAS (Euro 3 mn)	-	591,724	Repayment over 2 years	None
	BANCO BPM (Euro 3 mn)	723,821	-	Repayment over 2 years	None
	BNL - BNP PARIBAS (EURO 3 mn)	89,644	-	Repayment over 2 years	None
	INTESA (Euro 1 mn)	100,477	-	Repayment over 1 year and 3 months	None
	CREDEM (Euro 1.2 mn)	387,264	-	Repayment over 3 years	None
Hanwella Rubber Products Ltd.	Standard Chartered Bank (USD 2 mn)	-	199,335	27 monthly installments	None
DPL Premier Gloves Ltd.	Standard Chartered Bank (USD 1.6 mn)	-	95,681	30 monthly installments	None
Mabroc Teas (Pvt) Ltd.	Sampath Bank PLC	-	75,000	48 monthly installments	None
	Hatton National Bank	1,644	11,652	36 monthly installments	None
	Hatton National Bank	12,438	29,021	36 monthly installments	None
Kelani Valley Resorts (Pvt) Ltd	Pan Asia Banking Corporation PLC	-	1,234	24 monthly installments	None
Kelani Valley Plantations PLC	Amana Bank PLC	-	789	60 monthly installments	None
	National Development Bank PLC	2,730	6,366	72 monthly installments	Fixed deposit for a value of Rs. 16 mn
	National Development Bank PLC	645	1,509	72 monthly installments	
Haycarb PLC	Standard Chartered Bank	49,350	102,858	60 monthly installments	None
	Hatton National Bank PLC	-	210,000	60 monthly installments	None
	Hatton National Bank PLC	-	358,050	60 monthly installments	None
	The Hongkong & Shanghai Banking Corporation Ltd	77,777	-	36 monthly installments	Primary mortgage over land and building for Rs. 140 mn at Epaladeniya, Kuliyapitiya.
	The Hongkong & ShanghaiBanking Corporation Ltd	8,333	-	16 monthly installments	None
Haycarb Holding Australia Pte Ltd.	Power Torque Finance	4,733	6,244	48 monthly installments	None
Hayleys Agriculture Holdings Ltd.	Sampath Bank PLC	-	181,000	48 monthly installments	None
	Hatton National Bank PLC	449,989	649,993	9 monthly installments	None
Hayleys Advantis Ltd.	The Hongkong & Shanghai Banking Corporation Ltd	-	200,000	20 quarterly installments	None
	Commercial Bank of Ceylon PLC	100,000	300,000	10 bi annual Installments	None
	Commercial Bank of Ceylon PLC	400,000	800,000	10 bi annual Installments	None

NOTES TO THE FINANCIAL STATEMENTS

25.11.1 Long term loans (Contd.)

Company	Lender/rate of interest (p.a.)	2023 Rs. '000	2022 Rs. '000	Repayment	Security
Expelogix (Pvt) Ltd	National Development Bank PLC	-	8,667	18 monthly installments	None
Logiwiz (Pvt) Ltd.	People's Bank	1,029,822	1,194,340	72 monthly installments	Mortgage over project assets including Land and Building.
	People's Bank	-	6,762	72 monthly installments	
	Commercial Bank of Ceylon PLC	445,879	484,379	72 monthly installments	None
	DFCC Bank PLC	104,545	129,545	66 monthly installments	None
	Hatton National Bank PLC	1,506,626	171,590	59 installments	Mortgage over project assets including Building
	DFCC Bank PLC USD Loan	1,635,102	1,623,290	120 monthly installments	None
Advantis Kusuhara Sadate Myanmar (Private) Limited	UAB Bank	104,750	-	36 Monthly installments	SBSL LC Facility
Hayleylines Limited	Commercial Bank of Ceylon PLC	1,270,598	-	60 Monthly installments	Vessel
Maritime Agencies (Private) Limited	National Development Bank PLC	-	6,507	18 monthly installments	None
Clarion Shipping (Private) Limited	National Development Bank PLC	-	8,215	18 monthly installments	None
Sri Lanka Shipping Company Limited	DFCC Bank PLC	638,340	859,754	96 monthly installments	Vessel
	Bank of Ceylon	609,323	833,700	96 monthly installments	Vessel
	Commercial Bank of Ceylon PLC	112,388	224,250	60 monthly installments	Vessel
Total transport Solutions Maldives (Pvt) Ltd.	Sampath Bank PLC	-	20,972	60 monthly installments	Two landing crafts
Advantis Intasal Bangladesh Pvt Ltd	Commercial Bank of Ceylon PLC	3,491	7,840	48 monthly installments	None
Advantis Projects & Engineering (Pvt) Ltd	The Hongkong & Shanghai Banking Corporation Ltd	-	80,128	36 monthly installments	Corporate guarantee from Hayleys Advantis Ltd.
Colombo Cargo Express (Private) Limited	Seylan Bank Term Loan	1,342	-	48 Monthly installments	Fixed Deposits
	Mercantile Investment and Finance PLC	168	-	48 Monthly installments	Motor Vehicle
Hayleys Aventura (Pvt) Ltd.	Bank of Ceylon	12,500	62,500	20 Quarterly installments	Negative pledge over Stocks and book debts and Letter of Comfort from Hayleys PLC
	Commercial Bank of Ceylon PLC	159,700	209,500	60 monthly installments	None
	Bank of Ceylon	52,771	168,880	36 monthly installments	Negative pledge over Stocks and book debts
Haycolour (Pvt) Ltd.	Hatton National Bank PLC	-	3,819	18 monthly installments	None
Hayleys Lifesciences (Pvt) Ltd	Hatton National Bank PLC	55,540	138,880	36 monthly installments	Negative pledge over Stocks

Company	Lender/rate of interest (p.a.)	2023 Rs. '000	2022 Rs. '000	Repayment	Security
Hayleys Fabric PLC	Sampath Bank PLC	173,344	346,449	60 monthly installments	Mortgage over machinery
	Sampath Bank PLC - 3 M	493,500	617,138	48 monthly installments	Mortgage over machinery and building
	Standard Chartered Bank	344,657	559,153	48 monthly installments	Mortgage over machinery
	Bank of Ceylon	66,755	181,556	36 monthly installments	None
	DFCC Bank PLC	1,213,759	1,549,485	72 monthly installments	Negative pledge over all immovable asset of Hayleys Fabric PLC & over the shares of South Asia Textiles Ltd
South Asia Textiles Ltd	Sampath Bank PLC	1,101,048	1,328,531	84 monthly installments	Negative pledge over Shares of South Asia Textiles Ltd owned by Hayleys Fabric
	Nations trust Bank PLC	-	53,776	Bi-annually in equal installments	None
	Seylan Bank PLC	1,731,746	435,224	60 monthly installments	None
	People's Bank	43,378	-	24 monthly in equal installments of USD 26,800	None
Talawakelle Tea Estates PLC	National Development Bank PLC	2,619	6,112	72 monthly installments	Fixed deposits of Rs. 24 mn.
Horana Plantations PLC	Hatton National Bank PLC	409,684	-	72 /48 monthly installments	Primary Floating Mortgage for Rs.550 mn, over leasehold rights of Frocester Estate. Primary Floating Mortgage for Rs.400 mn, over leasehold rights of Bambrakelly Estate.
	Commercial Bank of Ceylon PLC	31,890	-	72 monthly installments, after a grace period twenty four (24) months	Primary Floating Mortgage for Rs.120 mn, over the leasehold rights land and buildings of Stockholm Estate.
	Sampath Bank PLC	65,600	-	72 monthly installments, after a grace period twenty four (24) months	Primary Mortgage for Rs.200 mn, over the leasehold rights land and buildings of Gouravilla Estate. Primary Mortgage for Rs.150 mn, over the leasehold rights land and buildings of Alton Estate.
	Commercial Bank of Ceylon PLC	139,976	-	60 monthly installments	Primary Mortgage Bond over receivables of Tea sales routed through Forbes and Workers Tea Brokers (Pvt) Ltd and John Keels PLC.
	Hatton National Bank PLC	48,550	-	36 monthly installments	Primary mortgage over leasehold rights of Bambarakelly, Eildon Hall and Frocester Estates.

NOTES TO THE FINANCIAL STATEMENTS

25.11.1 Long term loans (Contd.)

Company	Lender/rate of interest (p.a.)	2023 Rs. '000	2022 Rs. '000	Repayment	Security
	Commercial Bank of Ceylon PLC	50,239	-	60 monthly installments, after a grace period of six (06) months	Primary mortgage bond over Solar Panels and related equipment of Alton, Fairlawn, Stockholm, Gouravilla & Mahanilu Estates.
Hayleys Fibre PLC	Hatton National Bank PLC	-	166,664	41 monthly installments	None
Bonterra Limited	The Hongkong & Shanghai Banking Corporation Ltd	-	27,258	24 monthly installments	Primary mortgage over machinery
Ravi Industries (Pvt) Ltd.	Standard Chartered Bank	3,247	37,898	60 monthly installments	Primary Mortgage of USD 585,000 over an allotment of land and building
	Standard Chartered Bank	1,667	21,667	60 monthly installments	Primary Mortgage of LKR 100,000,000 over an allotment of land and building
	Hatton National Bank PLC-	90,000	130,000	9 monthly instalments	None
Chas P. Hayley & Co. (Pvt) Ltd.	Hatton National Bank PLC-	10,000	40,000	60 monthly installments	Corporate guarantee for Rs.150 mn from Volanka Ltd.
	Commercial Bank of Ceylon PLC	23,575	-	18 monthly installments	None
Toyo Cushion Lanka Pvt Ltd.	The Hongkong & Shanghai Banking Corporation Ltd	76,630	88,393	48 monthly installments	Primary mortgage over Land and building at Thimbirigaskatuwa and machinery
	Hatton National Bank PLC	-	6,890	17 monthly installments	None
	Commercial Bank of Ceylon PLC	20,923	-	48 monthly installments	Generator Imported
Rileys (Pvt) Ltd.	Hatton National Bank PLC	100,000	170,000	60 monthly installments	Corporate guarantee from Volanka Ltd.
	The Hongkong & Shanghai Banking Corporation Ltd	38,981	95,306	48 monthly installments	Corporate guarantee from Hayleys Fibre PLC
	Hatton National Bank PLC	129,600	-	48 monthly installments	Corporate guarantee from Volanka Ltd.
Creative Polymats (Pvt) Ltd.	Seylan Bank PLC	-	3,393	18 monthly installments	None
Alumex PLC	Standard Chartered Bank	-	66,667	48 monthly installments	None
	Commercial Bank of Ceylon PLC	281,900	351,794	60 monthly installments	None
	Sampath Bank PLC	-	5,750	18 monthly installments	None
	Hatton National Bank	19,000	118,000	36 monthly installments	None
	Hatton National Bank	313,000	439,000	60 monthly installments	Plant and fixed assets at factory premises in Ekala and Makola
	Bank of Ceylon	42,222	147,778	36 monthly installments	None

Company	Lender/rate of interest (p.a.)	2023 Rs. '000	2022 Rs. '000	Repayment	Security
The Kingsbury PLC	Bank of Ceylon	-	113,021	36 monthly installments	Existing Concurrent mortgage bond no 364 over lease holdright of the hotel property and existing mortgage bond of 1416 dated 27th July 2001 for Rs. 100 mn and 166 dated 09th May 2013 for Rs. 1,335mn over lease hold rights of the property.
	Bank of Ceylon	295,455	406,250	Monthly installments over 7 years including 18 months grace period.	
	Bank of Ceylon	-	5,208	Monthly installments over 2 years including 6 months grace period	
	Bank of Ceylon	-	8,929	Monthly installments over 2 years including 9 months grace period	
	Bank of Ceylon	109,375	185,547	Monthly installments over 2 years including 12 months grace period	
	Bank of Ceylon	-	1,560	Monthly installments over 2 years including 3 months grace period	
	Bank of Ceylon	-	363	Monthly installments over 2 years including 3 months grace period	
	Bank of Ceylon	-	1,036	Monthly installments over 2 years including 3 months grace period	
	Bank of Ceylon	-	100,497	30 monthly installments including 6 months moratorium period	
	Bank of Ceylon	-	97,260	30 monthly installments including 6 months moratorium period	
	Bank of Ceylon	19,561	-	32 monthly installments including 8 months moratorium period	
	Bank of Ceylon	57,364	-	44 monthly installments including 8 months moratorium period	
	Bank of Ceylon	230,575	-	36 monthly installments	
	Bank of Ceylon	206,250	117,188	60 monthly installments including 12 months grace period	Additional Mortgage over lease hold rights of the property.
Sun Tan Beach Resorts Ltd.	DFCC Bank PLC	-	49,330	60 monthly installments	Leasehold Right of the land and Hotel building.
	DFCC Bank PLC	1,476		24 monthly installments	
	DFCC Bank PLC	81,544		24 monthly installments	
	DFCC Bank PLC	6,284		24 monthly installments	
	Hatton National Bank PLC	-	658,617	60 monthly installments	
	Hatton National Bank PLC	1,017	8,656	24 monthly installments including 6 months grace period	Leasehold Right of the land and Hotel building and Corporate Guarantee from Amaya Leisure PLC
	Hatton National Bank PLC	195,676	-	24 monthly installments	Leasehold Right of the land and Hotel building.
	Hatton National Bank PLC	705,865	-	84 monthly installments	
	Hatton National Bank PLC	616,116	-	54 monthly installments	

NOTES TO THE FINANCIAL STATEMENTS

25.11.1 Long term loans (Contd.)

Company	Lender/rate of interest (p.a.)	2023 Rs. '000	2022 Rs. '000	Repayment	Security
Amaya Leisure PLC	Pan Asia Banking Corporation PLC	-	8,440	24 monthly installments including 6 months grace period	None
Kandyan Resorts (Pvt) Ltd	Pan Asia Banking Corporation PLC	-	10,500	24 monthly installments including 6 months grace period	None
	Bank of Ceylon	-	10,938	24 monthly installments including 6 months grace period	Corporate Guarantee of Amaya Leisure PLC
	Sampath Bank PLC	193,000	229,000	24 monthly installments including 6 months grace period	Corporate Guarantee of Hayleys Leisure PLC
Culture Club Resorts (Pvt) Ltd	Pan Asia Banking Corporation PLC	-	13,850	24 monthly installments including 6 months grace period	None
	Bank of Ceylon	-	14,063	24 monthly installments including 6 months grace period	Corporate Guarantee of Hayleys Leisure PLC
Hayleys Neluwa Hydro Power (Pvt) Ltd.	DFCC Bank PLC	-	48,611	72 monthly installments including 2 years grace period	A Primary Mortgage Bond for Rs. 500 mn over 30mn ordinary shares of the company held by promoters.
Fentons Ltd.	Sampath Bank PLC	63,800	50,200	60 monthly installments	Corporate Guarantee from Hayleys PLC
	Cargills Bank	77,500	105,000	60 monthly installments	Letter of comfort from Hayleys PLC
	Bank of Ceylon	202,460	240,000	60 monthly installments	Letter of comfort from Hayleys PLC
	Sanasa Development Bank PLC	95,982	-	60 monthly installments	Letter of comfort from Hayleys PLC
	Sanasa Development Bank PLC	126,426	-	60 monthly installments	Letter of comfort from Hayleys PLC
Energynet (Pvt) Ltd	Sampath Bank PLC	4,325	4,325	14 monthly installments	None
Solar One Ceylon (Pvt) Ltd.	Sampath Bank PLC	623,900	651,100	33 equal monthly installments	Mortgage over land of the project
Luxury Resorts (Pvt) Ltd.	Sampath Bank PLC	5,995,886	4,839,112	90 equal monthly installments	Leasehold Right of the land and Hotel building
Singer (Sri Lanka) PLC	Hatton National Bank PLC	-	750,000	Quarterly installments commenced in February 2021	Clean basis
	Hatton National Bank PLC	2,000,000	-	Quarterly installments commenced in June 2023	Clean basis
	Hatton National Bank PLC	2,000,000	-	Quarterly installments commencing June 2023	Negative Pledge

Company	Lender/rate of interest (p.a.)	2023 Rs. '000	2022 Rs. '000	Repayment	Security
	Commercial Bank of Ceylon PLC	1,500,000	2,100,000	Semi Annually installments commenced in January 2022	Negative Pledge
	Hatton National Bank PLC	1,800,000	2,400,000	Quarterly installments commencing April 2022	Clean basis
	Sampath Bank PLC	250,000	1,250,000	Quarterly installments commencing September 2021	Negative Pledged
Singer Finance (Lanka) PLC	Seylan Bank PLC	125,000	375,000	Monthly installments commenced in February 2019	Mortgage over lease
	Bank of Ceylon	-	158,333	Monthly installments commenced in November 2019	Mortgage over lease
	Seylan Bank PLC	-	83,500	Quarterly installments commenced in September 2020	Mortgage over lease
	Nations Trust Bank PLC	-	164,000	Quarterly installments commenced in March 2021	Mortgage over lease
	Bank of Ceylon	-	343,750	Monthly installments commenced in January 2022	Mortgage over lease
		45,064,531	44,642,940		

NOTES TO THE FINANCIAL STATEMENTS

25.11.2 Syndication loans

Company	Lender/rate of interest (p.a.)	Trustee	2023 Rs. '000	2022 Rs. '000	Repayment	Security
Singer Finance (Lanka) PLC	Syndication 02-Tranche 01	Hatton National Bank PLC	-	200,000	Pay at maturity, interest pay monthly, commenced in May 2020	Mortgage over lease
	Syndication 02-Tranche 02	Hatton National Bank PLC	-	200,000	Pay at maturity, interest pay monthly, commenced in May 2020	Mortgage over lease
	Syndication 02-Tranche 03	Hatton National Bank PLC	200,000	200,000	Pay at maturity, interest pay monthly, commenced in May 2020	Mortgage over lease
	Syndication 02-Tranche 04	Hatton National Bank PLC	200,000	200,000	Pay at maturity, interest pay monthly, commenced in May 2020	Mortgage over lease
			400,000	800,000		

25.11.2 Securitisation loans

Company	Lender/rate of interest (p.a.)	Trustee	2023 Rs. '000	2022 Rs. '000	Repayment	Security
Singer Finance (Lanka) PLC	Securitisation 03 -Trust 03	Hatton National Bank PLC	-	12,000	Monthly installments commenced in December 2019	Mortgage over lease
	Securitisation 07 -Trust 01 -Tranche 01	National Savings Bank	162,000	122,600	Monthly installments commenced in December 2020	Mortgage over lease
	Securitisation 08 -Trust 01	Hatton National Bank PLC	-	545,000	Monthly installments commenced in July 2020	Mortgage over lease
			162,000	679,600		

26. GRANTS

As at 31st March	Consolidated	
	2023 Rs.'000	2022 Rs.'000
At the beginning of the year	838,161	836,618
Grants received during the year	19,110	38,950
Acquisition of subsidiaries	106,475	-
Amortised during the year	(39,608)	(37,407)
At the end of the year	924,138	838,161

26.1 Grants Received for the Group is as follows:

Talawakelle Tea Estates PLC- Grants were received from the Tea Board during the year. The receipt of funding in prior years are included under the relevant classification of property, plant & equipment and the grant component is reflected under Deferred Grants and Subsidies.

Kelani Valley Plantations PLC - Grants were received from the Rubber Development Board during the year for Rubber Plantations.

Horana Plantations PLC - Horana Plantations PLC - Grants were received from Sri Lanka Tea Board and Rubber Development Department for Tea replanting and Rubber replanting respectively.

26.2 There are no conditions or contingencies attached to these grants. .

27 DEFERRED TAXATION

As at 31st March	Consolidated		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Deferred tax assets	(3,411,813)	(2,803,644)	(68,643)	(14,771)
Deferred tax liabilities	12,602,194	7,433,449	-	-
Net Deferred Tax Liabilities	9,190,381	4,629,805	(68,643)	(14,771)

27.1 Net Deferred Tax liabilities

As at 31st March	Consolidated		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
At the beginning of the year	4,629,805	3,046,320	(14,771)	(24,525)
Amount originating during the year- Statement of Profit or Loss	2,715,669	509,513	(51,747)	12,484
Amount originating during the year- Other Comprehensive Income	1,220,325	540,638	(2,125)	(2,730)
Acquisition through business combinations	583,026	184,990	-	-
Effect of movements in exchange rates	41,556	348,344	-	-
At the end of the year	9,190,381	4,629,805	(68,643)	(14,771)

NOTES TO THE FINANCIAL STATEMENTS

27.2 Net Deferred Tax Liabilities are attributable to the following as at the year end

As at 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Deferred tax assets				
Tax effect of employee benefit obligations	(3,047,898)	(1,527,134)	(70,201)	(28,046)
Tax effect of tax loss carried forward	(686,043)	(826,776)	-	-
Tax effect of provisions	(2,277,946)	(2,877,305)	(461)	13,422
	(6,011,887)	(5,231,215)	(70,662)	(14,624)
Deferred tax liabilities				
Tax effect of property, plant & equipment	13,481,670	8,462,817	249	(3,242)
Tax effect of unrealised exchange differences	991,639	1,097,966	-	-
Tax effect of investment properties	728,959	300,237	1,770	3,095
	15,202,268	9,861,020	2,019	(147)
Net deferred tax liabilities	9,190,381	4,629,805	(68,643)	(14,771)

28 EMPLOYEE BENEFIT OBLIGATIONS

As at 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Present value of unfunded gratuity	12,845,248	11,208,145	1,560,016	1,298,429
At the beginning of the year	11,208,145	9,777,004	1,298,429	1,055,971
Acquisition through business combinations	466,007	151,036	-	-
Transfers	-	-	(1,532)	(1,107)
Effect of movements in exchange rates	117,811	322,429	-	-
Benefits paid by the during the year	(1,481,118)	(1,011,913)	(34,640)	(34,924)
Current Service costs	715,271	817,836	58,481	54,800
Interest cost	1,499,757	696,388	192,051	83,036
Actuarial loss	319,375	455,365	47,227	140,653
At the end of the year	12,845,248	11,208,145	1,560,016	1,298,429

For the year ended 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
The expense is recognised in the following line items in the Statement of Profit or Loss				
Cost of sales	118,253	191,646	4,902	4,289
Administrative expenses	2,083,209	1,285,900	245,630	133,547
Distribution expenses	13,566	36,678	-	-
	2,215,028	1,514,224	250,532	137,836

An actuarial valuation of the retirement gratuity payable was carried out as at March 31, 2023 by Mr M Poopalanathan, AIA, of Messrs. Actuarial & Management Consultants (Pvt) Ltd. and Mr. Pushpakumar Gunasekara, AIA, of Messrs. Smiles Global (Pvt) Ltd., firms of professional Actuaries. The valuation method used by the actuaries to value the liability is the "Projected Unit Credit Method (PUC)", the method recommended by the Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits.

28.1 Actuarial assumptions

The following key assumptions were made in arriving at the above figure.

	Others		Plantations		Overseas Subsidiaries	
As at 31st March	2023	2022	2023	2022	2023	2022
Rate of discount	18.0%	15%	20%	15%	3%-8%	3%-8%
Salary increase	16.0%	13.5%	15% - 16%	8% - 13.5%	3%-9%	3%-8%

Assumptions regarding future mortality are based on the A1967/70 for Staff/Executive and A1949/52 for Worker, issued by the Institute of Actuaries, London.

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

28.2 The Group's and Company employee benefit obligations would have been Rs. 12,323 mn (2022- Rs. 9,663 mn) and Rs. 1,359 mn (2022- Rs. 1,161 mn) respectively, as at the reporting date had the Group calculated its retirement benefit obligation as per the requirements of the Payments of Gratuity Act no 12 of 1983, applying the basis of computation given in page 333 to the Financial Statements.

28.3 Sensitivity Analysis - Salary Escalation Rate/Discount Rate

Values appearing in the Financial Statements are very sensitive to the changes in financial and non financial assumptions used.

A Sensitivity was carried out as follows,

A one percentage point change in the salary escalation rate

	Consolidated		Company	
	+1%	-1%	+1%	-1%
The present value of defined benefit obligation (Rs.'000)	13,536,340	12,107,406	1,605,389	1,517,188

A one percentage point change in the discount rate

	Consolidated		Company	
	+1%	-1%	+1%	-1%
The present value of defined benefit obligation (Rs.'000)	12,155,405	13,493,877	1,527,552	1,595,215

NOTES TO THE FINANCIAL STATEMENTS

28.4 Distribution of Employee Benefit Obligation over Future Working Lifetime

As at 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Less than or equal 1 year	2,135,500	2,220,775	866,406	727,983
Over 1 year and less than or equal 5 years	4,909,075	4,008,628	541,568	375,955
Over 5 year and less than or equal 10 years	3,330,911	2,914,198	75,582	138,923
Over 10 years	2,469,762	2,064,544	76,460	55,568
	12,845,248	11,208,145	1,560,016	1,298,429

29 TRADE AND OTHER PAYABLES

As at 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Trade payables	29,336,614	44,346,117	-	-
Bills payable	586,496	723,730	-	-
Other payables including accrued expenses	32,866,204	30,422,326	4,716,538	1,179,240
Unclaimed dividends	510,500	822,765	126,687	89,260
Provision	3,105,243	2,941,673	-	-
	66,405,057	79,256,611	4,843,225	1,268,500

29.1 Provisions

As at 31st March	Consolidated			
	Maintenance warranties **	Other	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
At the beginning of the year	410,364	2,531,309	2,941,673	1,513,326
Arising during the year	587,894	3,612,552	4,200,446	2,226,155
Transfer from accruals	-	793,736	793,736	170,818
Utilised	(481,615)	(4,348,997)	(4,830,612)	(968,626)
At the end of the year	516,643	2,588,600	3,105,243	2,941,673

**Maintenance warranties

A provision for maintenance warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of possible outcomes against their associated probabilities.

Alumex PLC - Provision is recognised for expected warranty claims on wood finished product sold.

Singer Group - Warranty provision has cover both manufacturing defects & defects of imported Products.

Hayleys Lifesciences (Pvt) Ltd - Provision is recognised for equipment sold.

Hayleys Aventura (Pvt) Ltd - provision for warranty for generators

Fentons Ltd - Provision is recognised for expected warranty claims on projects completed

Quality Seeds Company (Pvt) Ltd – Provision exists for production orders and landscape projects.

29.2 Currency wise Analysis of Trade and Other Payables

As at 31st March	Consolidated		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Sri Lankan Rupees	40,430,926	52,439,037	4,843,225	1,268,500
Pounds Sterling	102,927	146,453	-	-
United States Dollars	18,172,130	18,193,720	-	-
Euro	2,706,864	4,015,401	-	-
Thai Baht	2,523,971	2,959,333	-	-
Bangladesh Taka	804,979	456,506	-	-
Maldivian Rufiyaa	571,812	203,924	-	-
Others	929,368	862,827	-	-
	66,405,057	79,256,611	4,843,225	1,268,500

29.3 Other Liabilities

As at 31st March	Consolidated		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Other tax payable	1,443,708	731,765	67,602	29,704
Other payable	2,444,698	2,509,270	-	-
Payments received in advance	6,011,168	6,122,182	-	-
	9,899,574	9,363,217	67,602	29,704
Other Current Liabilities	7,815,736	7,725,691	67,602	29,704
Other Non Current Liabilities	2,083,838	1,637,526	-	-

29.4 Deferred Revenue

As at 31st March	Consolidated	
	2023 Rs.'000	2022 Rs.'000
At the beginning of the year	618,787	492,080
Amounts recognised during the year	1,888,810	957,029
Amounts transferred during the year	(1,553,287)	(830,322)
At the end of the year	954,310	618,787

Deffered Revenue includes maintenance service agreements for Industrial Products & Services, Health Equipment, and ITO & Software services.

30 INCOME TAX

30.1 Income Tax Recoverable

As at 31st March	Notes	Consolidated		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
At the end of the year	30.2	944,281	837,838	-	68,645

NOTES TO THE FINANCIAL STATEMENTS

30.2 Income Tax Payable

As at 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
At the beginning of the year	2,689,340	2,107,182	(68,645)	84,485
Subsidiaries'/ parents' taxation on current year's profit	11,819,469	7,062,080	248,893	-
Irrecoverable economic service charge	3,407	28,065	-	10,043
Under provision in respect of previous years	67,923	(173,742)	-	(162,506)
Tax on dividend	470,301	191,928	-	-
Acquisition through business combinations	(5,210)	(67,844)	-	-
Set off against ESC	-	(6,789)	-	-
Tax credits received	55,434	1,100	-	-
Effect of movements in exchange rates	(40,661)	182,381	-	-
Payments made during the year	(9,963,868)	(6,635,021)	(62,132)	(667)
Net Income Tax payable/(recoverable)	5,096,135	2,689,340	118,116	(68,645)
Income tax recoverable	944,281	837,838	-	68,645
At the end of the year	6,040,416	3,527,178	118,116	-

31. SHORT-TERM INTEREST BEARING BORROWINGS

As at 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Sri Lankan Rupees	44,615,300	63,221,254	5,166,716	3,031,945
Pounds Sterling	199,677	180,794	-	-
United States Dollars	16,640,328	10,325,575	-	-
Euro	1,950,643	2,021,454	-	-
Indonesian Rupiah	2,343,255	2,313,438	-	-
Bangladesh Taka	2,409,169	1,959,563	-	-
Others	805,653	803,477	-	-
	68,964,025	80,825,555	5,166,716	3,031,945

32. CONTINGENT LIABILITIES AND COMMITMENTS

32.1 Contingent Liabilities

Company

The contingent liability as at 31st March, 2023 on guarantees given by Hayleys PLC, to third parties amounted to Rs. 1,057 mn (2022 - Rs. 1,057 mn). This relates to facilities obtained by subsidiaries.

Group

- The contingent liability as at 31st March 2023 on guarantees given by Haycarb Group to third parties amounted to Rs. 7,876.93 mn (2021/22 – Rs. 7,850.42 mn). Of this sum, Rs. 7,123.51 mn (2021/22 – Rs. 6,406.26 mn) relates to facilities obtained by subsidiaries.
- The contingent liabilities as at 31st March, 2023 on guarantees given by Alumex PLC to third parties amounted to Rs 56.7 mn (2022 - Rs. 31.8 mn)

Singer Sri Lanka PLC

- Commissioner General of Inland Revenue has issued an assessment notice on Singer (Sri Lanka) PLC pertaining to an additional VAT on Financial Services Liability for the taxable period of 01st January 2016 to 31 December 2016. The assessment was for a VAT on Financial Services payment of Rs. 27 mn and penalty of Rs. 16 mn, totalling to Rs. 43 mn. Subsequently, Commissioner General of Inland Revenue had given the determination on the appeal. As per the same, Rs . 26 mn of VAT on Financial Services liability and a penalty of Rs. 26 mn totalling to Rs. 52 mn is payable as a VAT on Financial Services liability for the period 1st January 2016 to 31st December 2016. The Company after carefully reviewing the situation and based on the advice of tax consultants, was of the opinion that the Company has strong grounds on which to contest the CGIR's determination. Accordingly, the Company decided to appeal to the Tax Appeal Commission against the determination on 17th August 2021. Further, the Company has provided a bank guarantee amounting to Rs.13 mn to the Commissioner General of Inland Revenue - Tax Appeal Commission on 03rd December 2021.
- Commissioner General of Inland Revenue has issued assessment notices on Singer Digital Media (Pvt) Ltd which has been amalgamated with Singer (Sri Lanka) PLC pertaining to an additional Income Tax Liability for the Year of Assessment 2018/2019. The assessment was for an income tax payment of Rs. 86 mn and interest and penalty of Rs. 44 mn and Rs. 17 mn respectively, totalling Rs. 147 mn. Since, the Commissioner General of Inland Revenue has failed to make the determination on the appeal, the Company has decided to appeal to the Tax Appeal Commission against the assessment dated 25th May 2022. Further, Company has provided a bank guarantee amounting of Rs. 37 mn to the Commissioner General of Inland Revenue - Tax Appeal Commission on 02nd March 2023.
- Singer (Sri Lanka) PLC has provided bank guarantees amounting to Rs. 337 mn to Director General of Customs to clear imports during the years 2008 to December 2022. The bank guarantee related to alleged additional duty payable on imports, claimed by the customs and is being contested by the Company in courts. The Court of Appeal ordered that the Director General of Customs continue with the investigations. The Company being aggrieved by the decision has filed an appeal, which is pending before the Supreme Court. The Company lawyers are of the opinion that there is no basis that the Company is liable for the additional duty. Based on assessment of the probability is higher that the Company would not be required to settle the liabilities. Hence, no provision is made in the Financial Statements.
- Singer Finance (Lanka) PLC has provided letters of guarantee totalling to Rs. 1.5 mn against fixed deposits of Rs. 1.5 mn.
- Case bearing No. 404 has been filled against Singer Finance (Lanka) PLC by a customer in the District Court of Ampara claiming Rs. 2 mn as damages caused by repossessing and selling of a vehicle leased through the Company. The case will be called on 31st July 2023 for further trial. Further, the Company has received summons for case number 004674/21DMR clamming Rs. 3.8 mn as damages. The case will be called on 25th January 2024 for proxy and answer. The lawyers of the Company are of the view that the ultimate resolution of these litigations would not likely to have a material impact.
- Regnis (Lanka) PLC has provided corporate guarantees to banks on behalf of Regnis Appliances (Private) Limited amounting to Rs. 410 mn for the purpose of obtaining banking facilities
- Regnis (Lanka) PLC cleared a shipment of imported goods during the year 2008 on provision of a bank guarantee to the Director of Custom amounting to Rs. 7 mn. The bank guarantee relates to alleged additional duty payable on imports which is contested by the Company. The customs inquiry initiated in 2008 is still pending. The Management is of the opinion that there is no basis that the Company is liable for the additional duty and hence, no provision is made in the Financial Statements additional duty payable on imports which is contested by the Company. The customs inquiry initiated in 2008 is still pending. The Management is of the opinion that there is no basis that the Company is liable for the additional duty and hence, no provision is made in the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

The Kingsbury PLC

- The application filed by legal counsel on behalf of the Company objecting the order made by the Learned Magistrate of Maligakanda Magistrate Court for the Company to pay 1% of the turnover of the Hotel as license fees to the Colombo Municipal Council (CMC). The Company filed a petition of appeal on 27th January 2011 in the court of appeal. The Court of appeal has abated the matter pending the decision of the court in the writ Application filed challenging the levying of 1% of Turnover as License Duty.
- There are ten cases filed by the Colombo Municipal Council at the Maligakanda Magistrate Court for operating a restaurant without obtaining a requisite license in the years 2009 (13219/M), 2010 (14158/M), 2011(15464/R), 2013 (28930/14), 2014 (16397/15), 2015 (15580/16), 2016 (15689/17), 2017 (16909/18), 2018(16251/19), 2019 (4689/20), 2020 (7579/21) and 2021 (11639/2022). All cases, apart from the one filed for 2021(11639/22)have concluded in the Magistrate's Court with the Hon. Magistrate holding against the Company and fining the Company LKR100/-, for each case, which fine has been paid, as of date. The case filed for 2021 (11639/22) judgment has been given against the company but is pending sentencing on 16th June 2023. There are no appeals pending as of date for the above Maligakanda Magistrate's Court cases.
- The writ application (766/2010) filed by the company challenging, inter alia, the decision taken by Colombo Municipal Council to levy license fees equivalent to 1% of the total annual turnover as a pre-condition to the issue of the Annual Trade License for the years 2008, 2009 and 2010 in respect of the restaurant operated at hotel premises. Judgment was delivered on 19th September 2019, and their Lordships of the Court of Appeal dismissed the application and ordered costs. Costs have not been determined as of date. The case was appealed to the Supreme Court, however, the appeal has yet to be supported.

32.2 Commitments

In terms of the operating lease agreements entered in to, minimum future lease payments payable by the Group is as follows.

As at 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Repayable within one year	1,575,855	1,318,524	70,493	62,856
Repayable after one year less than 5 years	5,796,265	4,249,253	81,294	151,787
Repayable after 5 years	2,728,063	3,644,885	-	-
	10,100,183	9,212,662	151,787	214,643

33 FOREIGN CURRENCY TRANSLATION

The principal exchange rates used for translation purposes were:

As at 31st March	Average		As at 31st March	
	2023	2022	**2023**	2022
United States Dollar	360.16	210.81	329.00	293.88
Australian Dollar	246.01	155.63	220.89	220.33
Pound Sterling	434.15	287.06	407.50	385.56
Thai Baht	10.20	6.44	9.66	8.81
Bangladesh Taka	3.67	2.47	3.07	3.42
Euro	375.26	244.39	358.58	328.18
Indian Rupee	4.47	2.83	4.00	3.88
Indonesian Rupiah	0.02	0.01	0.02	0.02
Maldivian Rufiyaa	23.64	13.66	21.36	19.02

34 Functional Currency

The Group's functional currency is Sri Lankan Rupee, except in the following subsidiaries and equity accounted investees where the functional currency is different as they operate in different economic environments.

Company	Functional Currency
Charles Fibre (Pvt) Ltd.	Indian Rupees
Dipped Products (Thailand) Ltd.	Thai Baht
ICOGUANTI S.p.A	Euro
DPL France SAS	Euro
ROZENBAL POLSKA Sp. z.o.o	Euro
Haycarb Holdings Bitung Ltd.	USD
Haycarb USA Inc.	USD
Carbokarn Co. Ltd.	Thai Baht
CK Regen Systems Co. Ltd.	Thai Baht
Shizuka Co. Ltd.	Thai Baht
Eurocarb Products Ltd.	Pounds Sterling
Haycarb Holdings Australia (Pty) Ltd.	Australian Dollars
PT Mapalus Makawanua Charcoal Industry	Indonesion Rupiah
PT Haycarb Palu Mitra	Indonesion Rupiah
Puricarb Pte Ltd.	Euro
Haycarb India	Indian Rupees
Hayleys Fabric PLC	USD
South Asia Textile Ltd	USD
Martin Bauer Hayleys (Pvt) Ltd.	USD
Haychem (Bangladesh) Ltd.	Taka
Nautical Maldives (Pvt) Ltd.	Maldivian Rufiyaa
One World Logistics Maldives (Pvt) Ltd.	Maldivian Rufiyaa
Super Logistics (Pvt) Ltd.	Maldivian Rufiyaa
Total Transport Solutions Maldives (Pvt) Ltd.	Maldivian Rufiyaa
Advantis Singapore Pte Ltd.	USD
Advantis Kusuhara Sedate Myanmar (Pvt) Ltd.	Kyat
Luxury Resorts (Pvt) Ltd.	USD
Advantis Sedate Myanmar (Pvt) Ltd.	Kyat
Advantis Intasl Bangladesh (Pvt) Ltd.	Taka
PT Advantis Akaza Indonesia	Indonesion Rupiah
Civaro Freight India (Pvt) Ltd.	Indian Rupees
Hayleylines Limited	USD
Logiwiz Logistics India (Pvt) Ltd.	Indian Rupees
Moceti International (Pvt) Ltd	USD
Lanka Maritime Services (Pvt) Ltd	USD
Lanka Bunkering services (Pvt) Ltd	USD
Logiwiz logistic india Limited	Indian Rupees
Advnatis Sabang Raya Lines (Pvt) Ltd	USD
Haylex BV Group	Euro, Yen & USD
Haylex USA	USD

NOTES TO THE FINANCIAL STATEMENTS

35. EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the Financial Statements.

36. COMPANIES WITH DIFFERENT ACCOUNTING YEARS

The Financial Statements of, Haylex BV Group has been prepared for the year ended 31st December and ICOGUANTI S.p.A, DPL France SAS and ROZENBAL POLSKA Sp. z.o.o. has prepared for the year ended 28th February. These Companies have been consolidated based on the Financial Statements drawn up to 31st December and 28th February since these subsidiaries are not material to the Group.

37. ACQUISITION OF SUBSIDIARIES

37.1 Summary of Acquisitions

During the year, the Group acquired three companies; Horana Plantations PLC, Colombo Cargo Express (Pvt) Ltd. and ROZENBAL POLSKA Sp. z.o.o. On March 29, 2023, Hayleys Plantations Services (Pvt) Ltd. acquired a stake of 51% in Horana Plantations PLC for a consideration of Rs. 699.98 mn. Incorporated in 1992, Horana Plantations PLC has grown to become one of Sri Lanka's premier Plantation Companies and diversified into a broad-based agribusiness entity specialised in production, processing and marketing.

In April 14, 2022, ICOGUANTI S.p.A (Italy) acquired a stake of 96.5% in ROZENBAL POLSKA Sp. z.o.o. for a consideration of Rs. 373 (EUR 1.00). The acquiree operates in Poland and acts as a new marketing arm to the Dipped Products Group further consolidating its stronghold in the EU.

In November 30, 2022, Hayleys Advantis Ltd. acquired a 100% stake in Colombo Cargo Express (Pvt) Ltd. for a consideration of Rs. 106.79 mn. The Company offers their customers new avenues in the handling and customs clearance of Courier and Air express shipments, as a common provider. The fair values of assets acquired and liabilities assumed through the business. combinations are given below.

As at 31st March	Horana Plantations PLC (Provisional amounts)*	Colombo Cargo Express	ROZENBAL POLSKA Sp. z.o.o.	**Total**
	Rs'000	Rs'000	Rs'000	**Rs'000**
Property, plant & equipment	2,848,327	6,923	-	2,855,250
Right-of-use assets	168,496	10,250	-	178,746
Biological Assets	591,546	-	-	591,546
Inventories	486,233	-	157,286	643,519
Trade and other receivables	176,624	20,713	154,001	351,338
Other current assets	30,319	1,007	-	31,326
Income tax receivable	-	1,022	-	1,022
Deferred tax liability	(583,026)	-	-	(583,026)
Grants	(106,475)	-	-	(106,475)
Employee benefit obligations	(458,832)	(7,175)	-	(466,007)
Trade and other payables	(343,062)	(14,305)	(176,792)	(534,159)
Other current liabilities	(53,496)	(1,762)	-	(55,258)
Interest Bearing Borrowings	(1,367,075)	(16,995)	-	(1,384,070)
Net identifiable assets and liabilities	1,389,579	(322)	134,495	1,523,752
Non-controlling interests	(673,231)	-	(7,605)	(680,836)
Goodwil acquired	443,251	95,173	-	538,424
Gain on bargain purchase	-	-	(209,690)	(209,690)
	1,159,599	94,851	(82,800)	1,171,650

*As of the reporting date the management is in the process of obtaining information pertaining to the acquisition of Horana Plantations PLC, particularly information supporting the determination of fair value of assets acquired and liabilities assumed through the acquisition. As the process pertaining to initial accounting of the investment was incomplete, management has used provisional amounts in determining the goodwill arising from the acquisition and intends on making the required adjustments retrospectively in accordance with the provisions of Sri Lanka Accounting Standards.

37.2 Satisfied by

As at 31st March	Horana Plantations PLC Rs'000	Colombo Cargo Express Rs'000	ROZENBAL POLSKA Sp. z.o.o Rs'000	Total Rs'000
Cash consideration	(699,975)	(106,786)	-	(806,761)
Short term deposits acquired	22,681	40,986	-	63,667
Cash in hand and bank acquired	14,698	8,306	82,800	105,804
Short term borrowings acquired	(497,003)	(37,357)	-	(534,360)
	(1,159,599)	(94,851)	82,800	(1,171,650)

37.3 Revenue and Profits of acquirees

From the date of acquisition, ROZENBAL POLSKA Sp. z.o.o and Colombo Cargo Express (Pvt) Ltd. contributed to revenue an amount of Rs. 663 mn and Rs. 42 mn; and contributed Rs. (60) mn and Rs. 7 mn to profit before tax (PBT) respectively to the consolidated results of the Group.

37.4 Principal subsidiaries with material non-controlling interests

Summarised financial information in respect of Hayleys PLC's subsidiaries that have material non-controlling interest, reflecting amounts before inter-company eliminations, is set out below.

	Dipped Products PLC Rs'000	Haycarb PLC Rs'000	Hayleys Advantis Ltd Rs'000	Singer (Sri Lanka) PLC Rs'000
Non-controlling interest in %	44	32	7	11
Non-current assets	26,669,799	12,808,714	27,997,180	22,277,203
Current assets	36,320,985	27,382,477	41,592,841	56,520,711
Total assets	62,990,784	40,191,191	69,590,021	78,797,914
Non-current liabilities	10,350,891	1,713,605	14,641,139	23,850,388
Current liabilities	19,124,583	13,265,020	36,204,416	42,857,542
Total liabilities	29,475,474	14,978,625	50,845,555	66,707,930
Equity attributable to the owners of the company	26,975,061	22,141,821	15,697,705	10,143,080
Non-controlling interests	6,540,249	3,070,746	3,046,762	1,946,904
For the year ended 31st March				
Revenue from contracts with customers	80,099,311	60,943,256	134,901,048	54,767,234
Profit after tax	8,502,424	6,505,488	9,814,666	95,931
Profit attributable to the owners of the company	6,507,083	5,823,160	6,542,525	7,082
Profit attributable to the non-controlling interests	1,995,341	682,328	3,272,141	88,849
Total comprehensive income	9,157,673	7,057,662	9,500,023	(136,459)
Dividend paid to non controlling interests	(638,735)	(460,970)	1,348,346	32,449
Net cash inflow from operating activities	12,476,702	10,121,954	4,622,222	1,241,087
Net cash (outflow) from investing activities	(4,475,287)	(1,619,141)	(4,899,485)	(1,634,291)
Net cash (outflow)/inflow from financing activities	(5,674,380)	(3,143,634)	(3,966,040)	1,405,428
Total net cash (outflow))/inflow	2,327,035	5,359,179	(4,243,303)	1,012,224

NOTES TO THE FINANCIAL STATEMENTS

38 RELATED PARTY TRANSACTIONS

38.1 Parent and Ultimate Controlling Party

Company does not have an identifiable parent of its own.

38.2 Transactions with Key Management Personnel

38.2.1 Loans to Directors

No loans have been given to the Directors of the Company.

38.2.2 Key Management Personnel Compensation

Key management personnel comprise the Directors of the company and details of compensation are given in Note 10 to the Financial Statements.

For the year ended 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Short term employee benefit	3,568,726	2,801,680	780,438	640,751
	3,568,726	2,801,680	780,438	640,751

38.2.3 Other Transactions With Key Management Personnel

38.2.3.1 The names of Directors of Hayleys PLC, who are also directors of subsidiaries joint ventures and equity accounted investees companies are stated on pages 289 to 291 to the Financial Statements.

38.2.3.2 Details of directors and their spouses' share holdings are given on page 440. There were no other transactions with key management personnel other than those disclosed in Note 38 to the Financial Statements.

38.3 Transactions with Subsidiaries , Equity Accounted Investees & Other Related Companies

Relationships with subsidiaries and equity accounted investees are explained in Note 18 and also under Group Companies in pages 446 and 450. Business segment classification is also given under Group Companies.

38.3.1 Companies within the Group engage in trading transactions under relevant commercial terms and condition.

38.3.2 Hayleys PLC. provides office space to its subsidiary and equity accounted investees and charges rent. In addition the Company incurs common expenses such as on finance, export shipping, secretarial, data processing, personnel and administration functions. Such costs are allocated to subsidiary and equity accounted investees. Details are given below.

For the year ended 31st March	Company					
	2023			2022		
	Rs.'000			Rs.'000		
Business segment	Rent	Common expenses	Purchase of goods and services	Rent	Common expenses	Purchase of goods and services
Eco solutions	29,752	403,683	359	19,690	254,850	4,182
Hand protection	39,348	696,122	13,737	33,647	454,374	5,487
Purification	67,038	449,213	269	57,325	312,891	142
Textiles	-	287,780	-	-	264,917	-
Construction materials	-	201,934	14	-	210,670	513
Agriculture	33,713	305,711	8,236	31,624	237,423	5,219
Plantations	44,384	381,020	1,612	37,954	298,237	2,983
Industry inputs	51,196	116,831	16,772	42,871	103,890	2,909
Power & energy	-	46,964	-	-	32,520	920
Transportation & logistics	170,657	629,501	22,330	146,690	494,835	16,738
Consumer & retail	18,562	550,539	22,136	15,872	503,474	7,884
Leisure	572	689,028	75,724	-	314,068	31,830
Others	35,358	336,619	331,530	30,235	238,435	189,381
	490,580	5,094,945	492,719	415,908	3,720,584	268,188

38.4 Amount Due From/Due To Subsidiaries

As at 31st March	Company				
	2023		2022		
	Rs.'000		Rs.'000		
Business segment	Receivable-current	Payables	Receivable-non-current	Receivable-current	Payables
Eco solutions	108,131	(457)	-	98,351	(63)
Hand protection	103,846	(2,096)	-	188,950	(3,267)
Purification	58,657	-	-	279,657	-
Textiles	24,730	-	-	101,485	-
Construction materials	296,450	-	-	148,795	-
Agriculture	675,138	(1,351)	-	836,022	(1,082)
Plantations	76,705	(113)	-	44,309	(316,487)
Industry inputs	222,145	(583)	-	255,423	(973)
Power & energy	36,256	-	-	20,236	-
Transportation & logistics	455,931	(9,428)	-	632,049	(6,849)
Consumer & retail	232,439	(727)	-	321,494	(732)
Leisure	1,479,721	(6,308)	-	756,315	(2,270)
Others	493,982	(284,416)	610,000	214,754	(341,084)
Total	4,264,131	(305,479)	610,000	3,897,840	(672,807)

NOTES TO THE FINANCIAL STATEMENTS

38.5 Amount due from/due to Equity Accounted Investees

As at 31st March	Consolidated				Company			
	2023		2022		2023		2022	
	Receivable	Payable	Receivable	Payable	Receivable	Payable	Receivable	Payable
Business segment	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Purification	101,896	-	60,111	-	72	-	123	-
Transportation & logistics	5,869	-	1,214	-	317	-	218	-
Plantations	51,698	(456)	4,479	(322)	597	(385)	849	(322)
Power & energy	-	-	77,087	-	-	-	-	-
	159,463	(456)	142,891	(322)	986	(385)	1,190	(322)

38.6 Transactions With Other Related Companies

Company	Relationship	Name of director	Nature of transaction	Amount Rs.000
LB Finance PLC	Significant Share holder	K.D.D. Perera	Sale/(Purchase) of goods and services	15,301
Pan Asia Banking Corporation PLC	Significant Share holder	K.D.D. Perera	Sale/(Purchase) of goods and services	1,491
Royal Ceremics Lanka PLC	Significant Share holder	K.D.D. Perera	Amount Receivable/(Payable)	18,444
			Sale/(Purchase) of goods and services	157,816
Vallibel Finance PLC	Significant Share holder	K.D.D. Perera	Sale/(Purchase) of goods and services	2,570
Vallibel One PLC	Significant Share holder	K.D.D. Perera	Amount Receivable/(Payable)	6,662
			Sale/(Purchase) of goods and services	239,792
Uni-Dil Packaging Limited	Significant Share holder	K.D.D. Perera	Amount Receivable/(Payable)	(17,122)
			Sale/(Purchase) of goods and services	(537,231)
Delmege Forsyth & Company Limited	Significant Share holder	K.D.D. Perera	Amount Receivable/(Payable)	25,355
			Sale/(Purchase) of goods and services	997,347
Lanka Tiles PLC	Significant Share holder	K.D.D. Perera	Amount Receivable/(Payable)	454
			Sale/(Purchase) of goods and services	26,668
Vallibel Power Erathna PLC	Significant Share holder	K.D.D. Perera	Sale/(Purchase) of goods and services	5,479
Valible Plantation Management Limited	Significant Share holder	K.D.D. Perera	Sale/(Purchase) of goods and services	(8,353)
			Consideration paid for purchase of investment	(699,975)
Delmege Insurance Brokers (Pvt) Ltd.	Significant Share holder	K.D.D. Perera	Sale/(Purchase) of goods and services	71,144
Swisstek (Ceylon) PLC	Significant Share holder	K.D.D. Perera	Amount Receivable/(Payable)	5,669
			Sale/(Purchase) of goods and services	36,975

Company	Relationship	Name of director	Nature of transaction	Amount Rs.000
Vallibel Properties Ltd	Significant Share holder	K.D.D. Perera	Amount Receivable/(Payable)	12,127
			Sale/(Purchase) of goods and services	18,556
Grip Delmege (Pvt) Ltd	Significant Share holder	K.D.D. Perera	Amount Receivable/(Payable)	3,235
			Sale/(Purchase) of goods and services	78,986
Uni-Dil Packaging Solutions Limited	Significant Share holder	K.D.D. Perera	Sale/(Purchase) of goods and services	(121,377)
Lanka Ceramics PLC	Significant Share holder	K.D.D. Perera	Sale/(Purchase) of goods and services	163
Rocell Bathware Ltd	Significant Share holder	K.D.D. Perera	Amount Receivable/(Payable)	3,235
			Sale/(Purchase) of goods and services	78,986

38.7 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 Group as per financial statements ending March 31, 2023, which require additional disclosures in the 2022/23 annual report under the Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practice on Related Party Transactions under the Securities and Exchange Commission Directive issued under section 13(c) of the Securities and Exchange Commission Act.

38.8 There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue Group as per financial statements ending March 31, 2023, which require additional disclosures in the 2022/23 annual report under the Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practice on Related Party Transactions under the Securities and Exchange Commission Directive issued under section 13(c) of the Securities and Exchange Commission Act.

38.9 Details of guarantees given in respect of related parties are given in Note 32 to the Financial Statements.

38.10 No provision was made in respect of related party receivables.

38.11 No security has been obtained for related party receivables and all related party dues are payable on demand.

38.12 Interest on related party dues are decided based on the inter bank lending rates, associated risk and purpose for which funds are used.

38.13 There are no related parties or related party transactions other than those disclosed in Note 38 to the Financial Statements.

39 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, which exceeds Rs. 2.00 bn, 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 liability of Rs. 2.47 bn was recognised 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.

The Group was liable to pay Surcharge Tax on the respective individual entity level. The Group share of total Surcharge Tax liability of Rs. 2.47 mn has been included in Surcharge Tax charge recognised in the Group Statement of Changes in Equity as an adjustment to the 01 April 2022 opening retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

40. SEGMENT ANALYSIS

The segment information is based on two segmental formats. The business segment is considered as the primary format and based on the management structure of the Group. The management are of the view that the Chairman is considered the Chief Operating decision maker and resources are allocated and performance assessed based on the sectors, Therefore each sector which falls under the purview of a different GMC member is considered a separate segment.

In Rs '000	Eco Solutions		Hand Protection		Purifications		Textiles		Construction Materials		Plantation		Agriculture	
For the year ended 31st March,	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenue														
Total	18,437,162	13,754,453	51,384,330	37,917,943	60,943,256	33,160,474	61,740,020	32,677,481	10,214,848	9,595,225	28,648,463	17,601,741	34,427,007	24,393,352
Intra Group	(3,216,145)	(2,623,238)	(7,999)	(60,034)	(586,087)	(409,881)	(1,725,585)	(1,009,292)	(90,764)	(77,534)	(26,796)	(232,343)	(1,429,004)	(303,951)
External	15,221,016	11,131,215	51,376,331	37,857,909	60,357,169	32,750,593	60,014,435	31,668,189	10,124,084	9,517,691	28,621,667	17,369,398	32,998,004	24,089,402
Segment results														
Results from operating activities	2,429,978	717,994	4,072,380	2,896,253	8,274,284	3,079,056	4,128,866	1,756,662	1,222,479	1,487,728	5,516,783	2,450,344	7,378,599	3,011,320
Finance income	1,612,788	1,315,142	4,257,325	3,634,235	3,392,719	2,324,626	1,391,288	1,984,245	721,330	162,165	1,576,663	1,059,699	1,727,233	2,008,160
Finance cost	(1,478,640)	(330,914)	(3,078,346)	(1,525,593)	(3,411,388)	(722,727)	(2,506,686)	(583,707)	(1,790,268)	(268,138)	(770,879)	(710,827)	(4,096,240)	(2,717,042)
Share of profit of equity accounted investees (net of tax)	-	-	-	-	(8,608)	(39,425)	-	-	-	-	380,920	46,974	-	-
Change in fair value of Investment Properties	91,844	65,899	-	-	-	-	-	-	-	-	-	-	-	-
Value added tax on financial services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit before tax	2,655,970	1,768,121	5,251,360	5,004,895	8,247,007	4,641,530	3,013,468	3,157,199	153,541	1,381,755	6,703,488	2,846,190	5,009,592	2,302,438
Tax	185,090	267,637	974,790	955,183	1,752,544	934,848	2,610,255	463,525	163,750	229,849	1,736,795	224,360	1,477,813	587,837
Depreciation on property, plant & equipment	220,824	158,874	964,549	624,497	834,335	604,623	1,404,479	721,103	330,949	239,386	561,427	507,592	128,841	112,682
Impairment of goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment of property, plant & equipment	-	-	-	-	-	-	1,448	43,837	-	42,212	-	-	-	-
Amortisation of intangible assets	12,524	12,837	46,820	14,822	15,682	13,719	41,227	19,432	18,224	16,464	4,045	3,035	12,641	12,656
Total assets (excl. equity accounted investees)	18,693,540	17,515,057	34,611,182	34,906,503	38,550,792	38,135,393	40,174,624	36,709,604	10,502,630	12,070,275	28,294,872	19,031,717	26,323,003	25,826,318
Investment in equity accounted investees	-	-	390,983	390,920	16,315	24,921	-	-	-	-	203,526	(842,292)	-	-
Additions to Property Plant & equipment	1,011,216	497,755	3,938,286	1,644,639	1,860,853	723,454	3,486,314	1,201,249	662,184	654,475	585,265	707,276	1,629,001	139,310
Improvements to Biological assets	-	-	-	-	-	-	-	-	-	-	16,655	19,131	-	-
Additions to Intangible assets	2,802	414	102,448	10,056	46,110	38,077	165,612	2,110,780	15,013	3,842	-	9,427	-	-
Current portion of interest bearing borrowings	376,947	476,300	2,459,672	1,547,342	205,693	316,347	1,684,134	1,464,423	589,012	668,693	471,995	164,321	478,765	595,110
Non-current portion of interest bearing borrowings	516,082	809,793	2,363,564	1,501,161	333,935	677,152	5,221,356	5,126,823	935,695	1,415,035	1,199,047	990,191	789,677	1,135,007
Goodwill	-	-	33,308	33,308	202,041	202,041	2,103,885	2,103,885	-	-	663,872	220,621	-	-
Non Interest bearing liabilities														
Deferred tax Liability	804,293	592,858	157,891	171,938	136,709	368,658	3,134,141	1,235,690	444,218	238,321	2,119,477	604,011	122,134	90,280
Employee benefit obligations	429,234	414,405	1,263,489	1,092,156	1,230,526	1,143,283	997,561	864,439	206,975	166,261	2,333,480	1,902,357	765,020	761,445
Trade and other payables	1,961,666	1,643,500	5,426,288	5,879,868	5,246,803	5,062,252	10,027,181	11,002,468	1,328,042	2,316,782	3,165,756	1,636,169	3,504,908	5,714,469
Cash Flow														
Segment cash flows from Operating Activities	3,554,744	(435,537)	7,718,213	6,135,180	10,121,954	(2,814,470)	481,140	2,113,599	541,829	(820,451)	4,758,489	1,672,409	996,112	(2,973,346)
Segment cash flows from Investment Activities	(895,000)	(165,447)	(3,710,040)	(2,603,260)	(1,619,141)	(1,504,780)	(1,770,270)	(7,871,365)	(534,972)	(751,326)	(370,347)	(554,710)	(1,321,093)	190,312
Segment cash flows from Financing Activities	(1,738,635)	(145,693)	(3,939,838)	2,439,167	(3,143,634)	(816,259)	(1,279,938)	7,276,523	(894,389)	(58,640)	(2,161,207)	(386,358)	(3,035,922)	(600,922)

The transactions between the segments are conducted under arm's length.

*Non-segment adjustments relate to the intercompany transactions which includes intercompany eliminations and reclassifications done at the Hayleys PLC group level.

	Consumer & Retail		Leisure		Industry Inputs		Power and Renewable Energy		Transportation & Logistics		Others		Non Segment Adjustments		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	64,014,134	83,576,024	7,052,550	3,481,706	8,316,875	6,170,713	1,329,346	1,315,222	134,746,066	71,662,766	17,636,801	12,525,639	-	-	498,890,860	347,832,739
	(121,415)	(33,157)	(365,935)	(62,202)	(928,304)	(422,178)	-	(23,143)	(451,275)	(2,389,905)	(2,510,668)	(2,176,301)	-	-	(11,459,979)	(9,823,159)
	63,892,719	83,542,868	6,686,614	3,419,504	7,388,571	5,748,535	1,329,346	1,292,079	134,294,791	69,272,860	15,126,132	10,349,338	-	-	487,430,881	338,009,580
	7,457,327	8,502,120	(901,149)	(1,018,772)	1,689,825	509,809	565,272	693,956	15,737,195	8,421,628	9,572,946	6,521,785	(6,072,043)	(5,436,124)	61,072,747	33,593,759
	1,052,832	251,243	94,036	131,121	168,905	147,843	3,930	7,459	4,153,470	3,693,262	1,631,598	803,999	(1,063,253)	(691,210)	20,720,866	16,831,989
	(7,424,640)	(2,600,963)	(1,620,962)	(811,376)	(917,292)	(251,778)	(172,781)	(78,736)	(5,120,268)	(1,467,111)	(7,312,859)	(2,819,756)	162,986	5,898	(39,538,267)	(14,882,770)
	-	-	-	-	-	-	142,885	191,263	25,781	27,983		-		-	540,978	226,794
	-	-	-	-	-	-	-	-	212,213	196,974	43,400	65,670	-	-	347,457	328,543
	(394,713)	(381,570)	-	-	-	-	-	-	-	-	-	-	-	-	(394,713)	(381,570)
	690,807	5,770,830	(2,428,075)	(1,699,026)	941,438	405,874	539,306	813,942	15,008,391	10,872,737	3,935,085	4,571,697	(6,972,310)	(6,121,436)	42,749,068	35,716,745
	198,066	1,470,866	(42,914)	(24,267)	210,096	99,284	63,661	72,803	5,381,198	2,261,298	271,100	74,621	94,525	-	15,076,768	7,617,844
	764,655	755,732	772,946	1,008,690	4,288	37,473	272,149	273,332	1,632,530	1,225,497	160,669	137,700	-	-	8,052,642	6,407,181
	-	-	-	137,864	-	-	-	-	-	-	-	-	-	-	-	137,864
	-	-	-	-	-	-	-	-	-	-	-	11,571	-	-	1,448	97,620
	60,593	50,196	10,883	11,598	9,295	9,591	11,732	11,883	51,190	74,053	23,081	9,357	-	-	317,937	259,642
	80,835,563	91,027,565	19,493,769	18,662,105	8,334,439	8,217,687	6,216,243	5,935,524	70,267,255	67,929,342	81,560,625	77,950,337	(54,480,937)	(53,006,012)	409,377,600	400,911,415
	-	-	-	-	525,000	525,000	665,769	522,885	57,917	38,081	1,504,863	1,504,863	-	-	3,364,373	2,164,377
	914,249	843,561	679,384	292,099	23,965	63,837	1,123	9,116	3,673,236	3,049,173	379,262	147,871	(214)	(214)	18,844,124	9,973,600
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,655	19,131
	38,755	282,538	26,384	26,171	-	-	-	-	164,910	87,414	15,474	82,101	-	-	577,509	2,650,820
	9,470,684	8,342,231	2,220,294	1,792,612	363,431	367,380	87,664	113,807	3,916,999	6,101,159	9,248,098	5,618,862	-	-	31,573,389	27,568,587
	14,491,800	16,690,277	9,578,310	7,638,556	280,512	583,579	637,108	711,832	9,043,609	7,680,491	13,767,512	18,580,296	-	-	59,158,207	63,540,193
	-	-	-	-	-	-	-	-	633,283	538,113	10,954,441	10,954,441	-	-	14,590,830	14,052,409
	661,060	399,674	689,790	648,001	17,795	19,107	6,579	2,466	3,175,122	2,174,089	1,132,985	888,357	-	-	12,602,194	7,433,449
	1,126,468	1,100,815	132,165	103,068	152,165	137,697	17,106	15,832	2,404,244	2,001,208	1,786,815	1,505,177	-	-	12,845,248	11,208,145
	7,755,112	20,202,323	2,258,083	1,303,762	943,543	1,207,699	250,134	163,614	16,288,581	18,978,802	8,675,850	4,165,540	(426,890)	(20,637)	66,405,057	79,256,611
	874,230	(7,453,480)	183,399	(1,221,764)	164,489	(240,596)	203,630	221,519	4,295,631	14,822,812	7,988,821	1,883,540	14,910,998	(1,353,060)	56,793,678	9,536,355
	(1,635,470)	(924,149)	(605,289)	229,848	(124,794)	426,500	-	1,375	(4,871,643)	(5,994,158)	402,998	1,110,263	4,999,580	736,518	(12,055,481)	(17,674,379)
	1,598,150	11,757,411	391,670	944,600	(799,289)	219,385	63,603	(361,550)	(3,933,176)	(2,242,128)	(8,387,164)	(4,051,074)	(8,996,703)	(21,563,652)	(36,256,472)	(7,589,190)

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41 FINANCIAL RISK MANAGEMENT

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

1 Credit risk

2 Liquidity risk

3 Market risk

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

Financial Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's financial risk management framework which includes developing and monitoring the Group's Financial risk management policies.

The Group's Financial risk management policies are established to identify, quantify and analyse the financial risks faced by the Group, to set appropriate risk limits and controls, and to monitor Financial risks and adherence to limits. Financial Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All derivative activities for risk management purposes are carried out by Group Treasury that have the appropriate skills and experience.

The Group Audit Committee oversees how management monitors compliance with the Group's financial risk management policies and procedures, and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by the Management Audit System Review Department(MASRD). MASRD undertakes both regular and ad hoc reviews of Financial risk management policies and procedures, the results of which are reported to the Group Audit Committee.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily from trade receivables) and from its financing activities, investments in Government Securities including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade and other receivables

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

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Management; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. Outstanding customer receivables are regularly monitored at the individual sector and Group Management Committee (GMC) level. Further SLECIC cover or other forms of credit insurance is obtained for most exports or in the instance this is not obtained, specific GMC approval is obtained prior to the export.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers. Customers that are considered as "high risk" are placed on a restricted customer list and future sales are made on a prepayment basis.

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

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs. 98.65 bn (2022 - Rs. 107.08 bn) which is recorded at Note 22 to the Financial Statements

Investments

Credit risk from invested balances with the financial institutions are managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty depending on its credit rating. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

Treasury bills

Singer Finance (Lanka) PLC invests not less than 7.5% of the public deposits in Treasury Bills to comply with the Central Bank of Sri Lanka Direction No. 4 of 2013.

Cash and cash equivalents

The Group held cash in hand and at bank equivalents of Rs. 24.17 bn at 31 March 2023 (2022 -Rs. 27.40 bn) which represents its maximum credit exposure on these assets.

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

- People's Bank – A (lka)
- Standard Chartered Bank – AAA (lka)
- Commercial Bank of Ceylon PLC – A (lka)
- Sampath Bank PLC – A (lka)
- Nations Trust Bank PLC – A(lka)
- Pan Asia Banking Corporation PLC Bank– BBB- (lka)
- Hatton National Bank PLC– A (lka)
- Bank of Ceylon– A(lka)
- DFCC Bank– A- (lka)
- Citibank -AAA(lka)
- Seylan Bank PLC -A-(lka)
- National Development Bank PLC - A- (lka)
- Union Bank of Colombo PLC- BBB- (lka)

Source - http://www.fitchratings.lk

Liquidity Risk

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

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

Group Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The liquidity requirements of business units and subsidiaries are met through central cash management by Group Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements. The Group Treasury monitors the cash flows in subsidiary and Group level and obtains adequate bank facilities to meet the funding requirements. The Group does not concentrate on a single financial institution, thereby minimising the expose to liquidity risk through diversification of funding sources. The Group aims to fund investment activities of the individual and group level by funding the long term investment with long term financial sources in terms of equity, debenture or long term loans. Short term investments and working capital are funded using short term loans. Group has been successful in arranging long term funding from overseas lenders as a measure to diversify its funding sources which enabled reducing the sole dependency on domestic market for project financing. The Group also issues debentures in domestic market as

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a measure to reduce its dependency on local banking system for all its financing requirement and thereby freeing available banking lines for future projects.

The monthly liquidity position is monitored by the Group Treasury. All liquidity policies and procedures are subject to review and approval by Board of Directors. Daily reports cover the liquidity position of both the Group and operating subsidiaries .

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31st March 2023	On demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 months Rs.'000	1 to 5 years Rs.'000	>5 years Rs.'000	Total Rs.'000
Consolidated						
Interest-bearing loans and borrowings	20,762,992	50,311,818	29,469,286	51,754,570	7,396,955	159,695,621
Trade and other payables	18,301,632	32,940,427	11,697,056	3,403,089	62,853	66,405,057
Security deposit	-	-	-	-	1,468,392	1,468,392
Other financial liabilities	1,130,754	7,790,220	4,434,689	5,825,648	18,599	19,199,910
	40,195,378	91,042,465	45,601,031	60,983,307	8,946,799	246,768,980

As at 31st March 2023	On demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 months Rs.'000	1 to 5 years Rs.'000	>5 years Rs.'000	Total Rs.'000
Company						
Interest-bearing loans and borrowings	2,585,814	9,476,235	2,281,291	13,089,231	-	27,432,571
Trade and other payables	3,925,675	1,679	765,763	150,108	-	4,843,225
	6,511,489	9,477,914	3,047,054	13,239,339	-	32,275,796

As at 31st March 2022	On demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 months Rs.'000	1 to 5 years Rs.'000	>5 years Rs.'000	Total Rs.'000
Consolidated						
Interest-bearing loans and borrowings	40,766,213	46,342,135	21,285,794	57,938,927	5,601,266	171,934,335
Trade and other payables	22,958,027	46,330,929	8,886,857	1,029,087	51,711	79,256,611
Security deposit	-	-	-	-	1,462,347	1,462,347
Other financial liabilities	313,796	3,744,075	5,948,761	2,122,713	17,169	12,146,514
	64,038,036	96,417,139	36,121,412	61,090,727	7,132,493	264,799,807

As at 31st 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
Company						
Interest-bearing loans and borrowings	3,031,945	690,546	4,671,307	18,265,278	-	26,659,076
Trade and other payables	568,590	696,696	183	3,031	-	1,268,500
	3,600,535	1,387,242	4,671,490	18,268,309	-	27,927,576

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 designated at fair value through OCI, financial assets at fair value through profit or loss and derivative financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The sensitivity analyses in the following sections relate to the position as at 31 March 2023 and 2022.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group mainly borrows in the short term to fund its working capital requirement which are linked to floating interest rates. For other funding needs the Group maintains a proper mix of interest rate based on the basis of the predictability of future cash flows. Group Treasury closely monitors the interest rate fluctuations in the market and advices the sectors of the Group on a regular basis on risk mitigatory strategies. The Group hedges its exposure to interest rate risk by using Interest Rate Swaps as appropriate.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

For the year ended 31st March	Increase/ decrease in base point	Consolidated	Company
		Effect on profit before tax	Effect on profit before tax
		Rs.'000	Rs.'000
2023	+ 1500	(20,575,063)	(3,888,469)
	- 1500	20,575,063	3,888,469
2022	+ 1500	(21,234,393)	(2,833,071)
	- 1500	21,234,393	2,833,071

Foreign currency risk

"Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk on sales, purchases and borrowings and net investments in foreign subsidiaries that are denominated in a currency other than the respective functional currencies of the Group. These currencies primarily are the Euro, US Dollars (USD), Bangladesh Taka, Chinese Yuan (CNY), Pound Sterling (GBP), Indonesia Rupiah and Thailand Baht.

The Group hedges its exposure to fluctuations on the translation of its foreign operations by holding net borrowings in foreign currencies and by using foreign currency swaps, forwards contracts and hedge accounting. Group Treasury closely monitors the exchange rate fluctuations and advices the sectors on a regular basis on hedging strategies and their timing.

NOTES TO THE FINANCIAL STATEMENTS

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar and Euro exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

The Group's exposure to foreign currency changes for all other currencies is not material.

For the year ended 31st March		Increase/ decrease in base point	Consolidated		Company
			Effect on profit before tax	Effect on Foreign currency translation reserve	Effect on profit before tax
			Rs.'000	Rs.'000	Rs.'000
2023	USD	+ 30%	(8,347,928)	4,360,251	-
	Euro	+ 30%	(501,685)	1,116,329	-
	USD	- 30%	8,347,928	(4,360,251)	-
	Euro	- 30%	501,685	(1,116,329)	-
2022	USD	+ 30%	(1,714,993)	4,304,319	-
	Euro	+ 30%	(106,538)	1,278,521	-
	USD	- 30%	1,714,993	(4,304,319)	-
	Euro	- 30%	106,538	(1,278,521)	-

Commodity Risk

The Group is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase and manufacturing process. Due to the significantly increased volatility of the price of the underlying, the management has developed and enacted a risk management strategy regarding commodity price risk and its mitigation. The sectors constantly monitor the Raw material price B204 of Charcoal, Rubber, Aluminum and Yarn for downwards trends and invest in bulk purchase when low prices are prevalent. Management may revise the selling price based on the commodity prices whenever possible.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the GMC. Equity price risk is not material to the financial statements.

Capital Management

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

The gearing ratio at the reporting date was as follows

As at 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Interest Bearing borrowing	59,158,207	63,540,193	13,185,518	18,265,278
Current portion of Long term interest bearing borrowings	31,573,389	27,568,587	9,080,337	5,361,853
Short term interest bearing borrowings	68,964,025	80,825,555	5,166,716	3,031,945
	159,695,621	171,934,335	27,432,571	26,659,076
Equity	122,706,657	105,286,726	14,459,427	16,616,009
Equity and debts	282,402,278	277,221,061	41,891,998	43,275,085
Gearing ratio	57%	62%	65%	62%

The Regulatory Capital requirements for the Finance Companies are set by the Central Bank of Sri Lanka. The details of the computation of risk weighted assets, capital and the ratios of the Singer Finance PLC are given below:

Capital Adequacy of Singer Finance PLC

Capital adequacy is a measure of financial institutions financial strength and stability. This widely accepted concept tries to specify the limit up to which a business can expand in terms of its risk – weighted assets. Finance companies in pursuit of business expansion, could engage themselves in activities that regularly change their risk profile. In light of this, regulatory capital requirements have been established to avoid undue expansion beyond specified limits keeping a hold on companies' exposure to risk. Capital serves as a comfort to absorb unexpected losses, providing a degree of security to depositors and other key stakeholders.

This measure has been introduced by the Central Bank of Sri Lanka to protect the interest of the various stakeholders of the Company while ensuring the maintenance of confidence and stability of the financial system.

The capital adequacy ratio is calculated as a percentage on company's capital to its risk weighted assets as specified by the direction No 03 of 2018 with the effect from 1st July 2018 .

Based on the Direction No. 03 of 2018 the Listed Finance Companies which are having asset base less than 100 Billion need to be have minimum Core Capital Ratio (Tier-I) of 7% and 11% based on the Total Capital Ratio (Tier-II) . This minimum requirement increased to 8.5% and 12.5% respectively with the effect from 1st July 2022.

The core capital represents the permanent shareholders', equity and reserves created or increase by appropriations of retained earnings or other surpluses and the total capital includes in addition to the core capital, the revaluation reserves, general provisions and other hybrid capital instruments and unsecured subordinated debts.

The Risk Weighted Assets have been calculated by multiplying the value of each category of asset using the risk weight specified by the Central Bank of Sri Lanka.

NOTES TO THE FINANCIAL STATEMENTS

Details of the computation and the resulting rations are given below:

As at 31st March Total Risk-Weighted Assets Computation	Balance		Risk-Weighted Factor	Risk-Weighted Balance	
	2023 **Rs.'000**	2022 Rs.'000		**2023** **Rs.'000**	2022 Rs.'000
Assets					
Risk Weighted Amount for Credit Risk					
Notes and Coins	254,314	124,401	0%	-	-
Cash Items in the Process of Collection	103,196	50,364	20%	20,639	10,073
Fixed Assets	1,298,311	1,090,340	1.00	1,298,311	1,090,340
Other Assets/Exposures	309,182	263,410	1.00	309,182	263,410
Investment in Government Securities	2,013,992	1,412,979	0%	-	-
Claims on Banks					
AAA to BBB-	3,563,383	823,323	20%	712,677	164,665
Below B-	4,012	15,203	150%	6,019	22,805
Claims on Corporates					
AAA to AA-	-	15,992	20%	-	3,198
Unrated	2,120	41	100%	2,120	41
Retail claims in respect of motor vehicles and machinery	8,936,390	13,372,894	100%	8,936,390	13,372,894
Outstanding claim portion up to 70% of the market value	6,380,721	3,526,049	0%	-	-
Remaining outstanding claim portion over 70% of the market value	1,192,944	97,230	100%	1,192,944	97,230
Retail claims secured by immovable property					
Retail claims that do not qualify for regulatory capital purposes	78,067	101,713	100%	78,067	101,713
Other retail claims	4,269,349	7,991,317	125%	5,336,686	9,989,146
Non-performing retail claims secured by immovable property					
Specific provisions are equal or more than 20%	-	2,972	50%	-	1,486
Other Non-Performing Assets					
Specific provisions are equal or more than 20%	297,823	322,042	100%	297,823	322,042
Specific provisions are less than 20%	1,271,638	40,839	150%	1,907,457	61,259
Total Risk - Weighted Assets	29,975,441	29,251,109		20,098,315	25,500,301
Risk Weighted Amount for Operational Risk					
Interest Income	5,081,737	4,260,976	15%	762,261	639,146
Interest Expenses	(2,758,426)	(1,916,866)	15%	(413,764)	(287,530)
Non-interest income	828,945	670,248	15%	124,342	100,537
	3,152,256	3,014,358		472,838	452,154
Risk-Weighted Amount for operational Risk under the Basic Indicator Approach				3,782,708	4,110,488
Total Risk - Weighted Assets	33,127,698	32,265,467		23,881,022	29,610,789
Total Capital Base Computation					
Stated Capital				1,996,444	1,996,444
Reserved Fund				254,564	234,112
Published Retained Earnings				2,722,160	2,544,092
Less:-					
Deferred tax				113,392	
Other Intangible Assets (net)				80,387	69,459
Total Core Capital				4,779,389	4,705,189
Supplementary Capital				1,333,333	1,733,333
Total Supplementary Capital				1,333,333	1,733,333
Capital Base				6,112,722	6,438,522

Capital Adequacy ratio

As at 31st March		2023 Rs. '000	2022 Rs. '000
Core Capital Ratio	Core Capital	20.01%	15.89%
	Risk- Weighted Assets		
Total Capital Ratio	Capital Base	25.60%	21.74%
	Risk- Weighted Assets		

Collateral

The Group has not pledged its debtors as collateral for long term borrowings at 31 March 2023 and 2022, other than those mentioned in Note 25.11 to the Financial Statements.

TEN YEAR SUMMARY

As at 31st March	10-Year Compound Growth (%)	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
Results											
Revenue	21%	487,430,881	338,009,580	241,275,661	210,307,003	219,181,960	163,249,467	111,383,076	92,274,683	92,561,865	80,478,609
Profit before taxation	24%	42,749,068	35,716,745	19,233,789	5,504,052	5,475,513	5,763,498	7,025,162	6,951,538	6,399,915	5,082,621
Taxation	27%	(15,076,768)	(7,617,844)	(5,187,582)	(2,609,260)	(2,725,596)	(2,491,060)	(1,976,840)	(1,756,478)	(1,513,581)	(1,373,628)
Profit after tax	23%	27,672,300	28,098,901	14,046,207	2,894,792	2,749,917	3,272,438	5,048,322	5,195,060	4,886,334	3,708,993
Non-controlling Interest	21%	(11,320,455)	(9,842,374)	(6,408,976)	(2,522,360)	(2,484,532)	(2,248,546)	(2,264,389)	(2,077,507)	(2,305,036)	(1,900,470)
Profit attributable to owners of the parent	25%	16,351,845	18,256,527	7,637,231	372,432	265,385	1,023,892	2,783,933	3,117,553	2,581,298	1,808,523
Funds Employed											
Stated capital***	0%	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000
Employee share trust		-	-	-	-	-	-	-	-	(148,558)	(488,261)
Capital reserves	-6%	760,344	711,396	688,411	676,104	636,039	887,340	943,608	1,067,819	1,303,980	1,429,680
Other component of equity	13%	31,464,513	30,077,359	24,734,483	23,644,932	23,072,120	20,978,486	19,013,131	11,576,897	11,573,045	8,969,910
Revenue reserves	15%	45,130,447	35,026,096	20,620,432	13,808,523	14,958,752	16,208,311	19,333,998	16,875,824	14,957,837	12,236,713
Equity attributable to equity holders of the parent	13%	78,930,304	67,389,851	47,618,326	39,704,559	40,241,911	39,649,137	40,865,737	31,095,540	29,261,304	23,723,042
Non-controlling Interest	15%	43,776,353	37,896,875	27,580,255	23,151,943	21,636,556	20,158,629	17,173,230	15,817,529	15,220,068	12,614,224
Borrowings (short- and long-term)	18%	159,695,621	171,934,335	114,462,349	123,555,392	113,283,872	92,641,002	44,747,594	33,123,190	29,062,183	25,825,466
Assets Employed											
Non-current assets	15%	175,162,982	159,697,107	133,825,255	130,678,344	120,767,143	114,202,537	78,161,061	60,815,269	56,060,498	46,796,361
Current assets	23%	237,578,991	243,378,685	145,558,205	117,630,744	110,979,551	95,564,364	51,840,953	42,381,041	37,595,289	34,508,725
Current liabilities net of borrowings	23%	(94,571,637)	(100,957,255)	(68,627,373)	(41,644,452)	(38,474,385)	(40,159,237)	(19,010,302)	(15,187,278)	(13,019,464)	(12,520,090)
Security deposit	100%	(1,468,392)	(1,462,347)	(1,366,565)	(1,394,611)	(1,388,434)	(1,199,128)	-	-	-	-
Other non current liabilities	100%	(2,083,838)	(1,637,526)	(1,666,017)	(1,730,000)	(1,448,000)	(2,717,541)	-	-	-	-
Other non current financial liabilities	100%	(5,844,248)	(2,317,848)	(2,091,132)	(1,979,089)	(804,556)	(403,056)	-	-	-	-
Provisions	15%	(25,447,442)	(18,641,594)	(15,134,825)	(14,361,049)	(13,691,130)	(12,067,024)	(7,461,764)	(7,233,096)	(6,379,273)	(5,880,186)
Grants	1%	(924,138)	(838,161)	(836,618)	787,993	(777,850)	(772,147)	(743,387)	(739,677)	(713,495)	(742,077)
Capital Employed	19%	282,402,278	277,221,061	189,660,930	186,411,894	175,162,339	152,448,769	102,786,562	80,036,259	73,543,555	62,162,733
Cash Flow											
Net cash inflow/(outflow) from operating activities		56,793,678	9,536,355	32,928,432	18,848,308	1,187,067	7,451,001	7,441,702	7,863,808	8,631,365	5,553,098
Net cash inflow/(outflow) from investing activities		(12,055,481)	(17,674,379)	(4,492,620)	(8,062,517)	(5,260,764)	(18,291,318)	(11,051,489)	(7,190,966)	(6,339,994)	(3,688,499)
Net cash inflow/(outflow) from financing activities		(36,256,472)	(7,859,190)	(13,293,929)	(8,265,370)	(7,989,127)	(1,126,681)	1,311,974	(1,718,516)	(233,279)	1,480,014
Increase/(decrease) in cash and cash equivalents		8,481,725	(15,997,214)	15,141,883	2,520,421	(12,062,824)	(11,966,998)	(2,297,813)	(1,045,674)	2,058,092	3,344,613
Key Indicators											
Earnings per share (basic) (Rs.) ***		21.80	24.34	10.18	0.50	0.35	1.37	3.71	4.16	3.44	2.41
Dividend per share (basic) (Rs.) ***		5.35	4.00	1.30	-	0.50	0.50	0.75	0.65	0.60	0.50
Net assets per share (Rs.) ***		105.24	89.85	63.49	52.94	53.66	52.87	54.49	41.46	39.02	31.63
Market price per share (Rs.)		72.00**	76.90**	60.80**	123.60*	168.00*	200.70*	265.00*	245.70	300.00*	285.00*
% change in All Share Price Index		4.46	2.72	89.61	(17.74)	(14.20)	6.84	(0.16)	(10.97)	14.28	4.06
Return on average shareholders' funds (%)		20.72	27.09	16.04	0.94	0.66	2.58	6.81	10.03	8.82	7.62
Return on average capital employed (%)		21.63	14.85	13.80	9.04	9.76	8.94	10.58	11.08	12.54	12.08
Price earnings ratio (times)		3.30	3.12	5.97	24.89	47.48	14.70	7.14	5.91	8.72	11.82
Interest cover (times covered)		2.15	3.37	3.00	1.39	1.47	1.77	3.05	4.20	3.98	3.01
Dividend payout Ratio (%)		24.54	16.43	12.77	-	141.30	36.63	20.21	15.64	17.43	20.74

*Market price before share split of 10 shares for every one ordinary share held.

**Market price after share split of 10 shares for every one ordinary share held.

***Earning per share, Dividend per share and Net asset per share in all reporting periods were adjusted based on post sub-division of 10 shares for every one ordinary share held.

INDICATIVE US DOLLAR FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS FOR INFORMATION PURPOSES ONLY

For the year ended 31st March	Consolidated		Company	
	2023 USD '000	2022 USD '000	2023 USD '000	2022 USD '000
Revenue	1,353,363	1,603,355	1,689	2,361
Cost of sales	(1,010,022)	(1,227,221)	(1,298)	(1,799)
Direct Interest Cost	(12,285)	(9,110)	-	-
Gross profit	331,056	367,024	391	562
Group dividend	-	-	16,375	24,408
Other income	11,883	9,476	-	62
Distribution expenses	(38,219)	(59,364)	-	-
Administrative expenses	(131,881)	(155,787)	2,003	1,222
Other expenses	(3,269)	(1,996)	(1)	(29)
Results from operating activities	169,570	159,353	18,768	26,225
Finance income	57,532	79,843	1,691	894
Finance cost	(109,779)	(70,597)	(14,649)	(10,528)
Net finance cost	(52,247)	9,246	(12,958)	(9,634)
Change in fair value of investment property	965	1,558	16	44
Share of profit of equity accounted investees (net of tax)	1,502	1,076	-	-
Value added tax on financial service	(1,096)	(1,810)	-	-
Profit before tax	118,694	169,423	5,826	16,635
Tax expense	(41,861)	(36,135)	(547)	664
Profit for the year	76,833	133,288	5,279	17,299
Profit for the period attributable to:				
Owners of the parent	45,401	86,601	5,279	17,299
Non-controlling interest	31,432	46,687	-	-
Profit for the year	76,833	133,288	5,279	17,299
Average exchange rate	360.16	210.81	360.16	210.81

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS.

The above should be read together with the Auditors' opinion and the notes to the Financial Statements.

INDICATIVE US DOLLAR FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION FOR INFORMATION PURPOSE ONLY

As at 31st March	Consolidated		Company	
	2023	2022	**2023**	2022
	USD '000	USD '000	**USD '000**	USD '000
Assets				
Non-current assets				
Property, plant & equipment	383,912	378,358	617	341
Right of use assets	37,053	38,755	388	652
Investment Properties	5,922	8,851	288	302
Biological assets	3,991	2,038	-	-
Intangible assets	49,775	52,893	198	253
Investments in subsidiaries	-	-	120,458	132,382
Investments in equity accounted investees	10,226	7,365	4,574	5,121
Other non- current financial assets	2,861	310	151	194
Non- current trade and other receivables	25,408	41,962	-	-
Other non-current assets	2,892	3,345	-	-
Deferred tax assets	10,370	9,540	209	50
Amounts due from subsidiaries	-	-	-	2,076
Total non-current assets	532,410	543,417	126,883	141,371
Current assets				
Inventories	265,965	280,384	111	25
Amounts due from subsidiaries	-	-	12,961	13,264
Amounts due from equity accounted investees	485	486	3	4
Trade and other receivables	299,853	364,381	111	112
Other current assets	16,742	14,222	171	107
Income tax recoverable	2,870	2,851	-	234
Other current financial assets	2,600	4,765	45	26
Short term deposits	60,123	67,811	4,526	866
Cash and cash equivalents	73,486	93,269	3,478	2,374
Assets classified as held for sale	-	-	-	-
Total current assets	722,125	828,170	21,406	17,012
Total assets	1,254,535	1,371,587	148,289	158,383
Equity and Liabilities				
Stated capital	20,314	20,314	20,314	20,314
Capital reserves	2,311	2,421	40	45
Other components of equity	80,109	87,390	(15,526)	(14,954)
Revenue reserves	137,175	119,187	39,122	51,137
Total equity attributable to equity holders of the company	239,909	229,312	43,950	56,542
Non-controlling interest	133,059	128,956	-	-
Total equity	372,968	358,268	43,950	56,542

As at 31st March	Consolidated		Company	
	2023 USD '000	2022 USD '000	2023 USD '000	2022 USD '000
Non-current liabilities				
Interest-bearing borrowings	179,812	216,215	40,078	62,153
Grants	2,809	2,852	-	-
Deferred tax liability	38,305	25,295	-	-
Security deposit	4,463	4,976	-	-
Other non current Liabilities	6,334	5,572	-	-
Other non current financial liabilities	17,764	7,887	-	-
Employee benefit obligations	39,043	38,139	4,742	4,418
Total non-current liabilities	288,530	300,936	44,820	66,571
Current liabilities				
Trade and other payables	201,839	269,695	14,721	4,316
Other current liabilities	23,756	26,289	205	101
Deferred revenue	2,901	2,106	-	-
Other current financial liabilities	40,595	33,445	-	-
Amounts due to subsidiaries	-	-	929	2,289
Amounts due to equity accounted investees	1	1	1	1
Income tax payable	18,360	12,002	359	-
Current portion of long term interest-bearing borrowings	95,968	93,811	27,600	18,245
Short-term interest-bearing borrowings	209,617	275,034	15,703	10,318
Total current liabilities	593,037	712,383	59,519	35,270
Total liabilities	881,567	1,013,319	104,339	101,841
Total equity and liabilities	1,254,535	1,371,587	148,289	158,383
Closing exchange rate	329.00	293.88	329.00	293.88

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS.

The above should be read together with the Auditors' opinion and the notes to the Financial Statements.

STATEMENT OF PROFIT OR LOSS - HORIZONTAL ANALYSIS

For the year ended 31st March	Consolidated									
	2023		2022		2021		2020		2019	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Revenue	487,430,881	44%	338,009,580	40%	241,275,661	15%	210,307,003	(4%)	219,181,960	34%
Cost of sales	(363,772,324)	41%	(258,715,354)	45%	(178,244,709)	13%	(158,324,525)	(6%)	(168,941,516)	33%
Direct interest cost	(4,424,524)	130%	(1,920,345)	3%	(1,872,405)	2%	(1,829,082)	45%	(1,265,014)	122%
Gross profit	119,234,033	54%	77,373,881	27%	61,158,547	22%	50,153,396	2%	48,975,430	37%
Other income	4,279,601	114%	1,997,601	36%	1,467,771	(12%)	1,672,923	(33%)	2,495,977	174%
Distribution expenses	(13,764,885)	10%	(12,514,847)	14%	(10,949,210)	2%	(10,687,848)	8%	(9,889,236)	36%
Administrative expenses	(47,498,694)	45%	(32,842,133)	28%	(25,561,250)	5%	(24,247,578)	(4%)	(25,188,277)	40%
Other expenses	(1,177,308)	180%	(420,743)	160%	(162,060)	(61%)	(418,013)	3%	(404,613)	157%
Results from operating activities	61,072,747	82%	33,593,759	29%	25,953,798	58%	16,472,880	3%	15,989,281	40%
Finance income	20,720,866	23%	16,831,989	430%	3,175,954	56%	2,038,444	(21%)	2,565,712	132%
Finance cost	(39,538,267)	(366%)	(14,882,770)	48%	(10,051,725)	(23%)	(13,047,348)	0%	(13,077,319)	86%
Net finance cost	(18,817,401)	(1065%)	1,949,219	(128%)	(6,875,771)	(38%)	(11,008,904)	5%	(10,511,607)	77%
Change in fair value of investment properties	347,457	6%	328,543	68%	195,638	125%	86,882	(24%)	113,899	(38%)
Share of profit of equity accounted investees (net of tax)	540,978	139%	226,794	(10%)	252,611	(4%)	264,061	50%	176,096	(23%)
Value added tax on financial services	(394,713)	3%	(381,570)	30%	(292,487)	(6%)	(310,867)	6%	(292,156)	145%
Profit before tax	42,749,068	20%	35,716,745	86%	19,233,789	249%	5,504,052	1%	5,475,513	(5%)
Tax expense	(15,076,768)	98%	(7,617,844)	47%	(5,187,582)	99%	(2,609,260)	(4%)	(2,725,596)	9%
Profit for the year	27,672,300	(2%)	28,098,901	100%	14,046,207	385%	2,894,792	5%	2,749,917	(16%)

STATEMENT OF PROFIT OR LOSS - VERTICAL ANALYSIS

For the year ended 31st March	Consolidated									
	2023		2022		2021		2020		2019	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Revenue	487,430,881	100%	338,009,580	100%	241,275,661	100%	210,307,003	100%	219,181,960	100%
Cost of sales	(363,772,324)	(75%)	(258,715,354)	(77%)	(178,244,709)	(74%)	(158,324,525)	(75%)	(168,941,516)	(77%)
Direct interest cost	(4,424,524)	(1%)	(1,920,345)	(1%)	(1,872,405)	(1%)	(1,829,082)	(1%)	(1,265,014)	(1%)
Gross profit	119,234,033	24%	77,373,881	23%	61,158,547	25%	50,153,396	24%	48,975,430	22%
Other income	4,279,601	1%	1,997,601	1%	1,467,771	1%	1,672,923	1%	2,495,977	1%
Distribution expenses	(13,764,885)	(3%)	(12,514,847)	(4%)	(10,949,210)	(5%)	(10,687,848)	(5%)	(9,889,236)	(5%)
Administrative expenses	(47,498,694)	(10%)	(32,842,133)	(10%)	(25,561,250)	(11%)	(24,247,578)	(12%)	(25,188,277)	(11%)
Other expenses	(1,177,308)	0%	(420,743)	0%	(162,060)	0%	(418,013)	0%	(404,613)	0%
Results from operating activities	61,072,747	13%	33,593,759	10%	25,953,798	11%	16,472,880	8%	15,989,281	7%
Finance income	20,720,866	4%	16,831,989	5%	3,175,954	1%	2,038,444	1%	2,565,712	1%
Finance cost	(39,538,267)	8%	(14,882,770)	(4%)	(10,051,725)	(4%)	(13,047,348)	(6%)	(13,077,319)	(6%)
Net finance cost	(18,817,401)	(4%)	1,949,219	1%	(6,875,771)	(3%)	(11,008,904)	(5%)	(10,511,607)	(5%)
Change in fair value of investment properties	347,457	0%	328,543	0%	195,638	0%	86,882	0%	113,899	0%
Share of profit of equity accounted investees (net of tax)	540,978	0%	226,794	0%	252,611	0%	264,061	0%	176,096	0%
Value added tax on financial services	(394,713)	0%	(381,570)	0%	(292,487)	0%	(310,867)	0%	(292,156)	0%
Profit before tax	42,749,068	9%	35,716,745	11%	19,233,789	8%	5,504,052	3%	5,475,513	2%
Tax expense	(15,076,768)	(3%)	(7,617,844)	(2%)	(5,187,582)	(2%)	(2,609,260)	(1%)	(2,725,596)	(1%)
Profit for the year	27,672,300	6%	28,098,901	8%	14,046,207	6%	2,894,792	1%	2,749,917	1%

STATEMENT OF FINANCIAL POSITION - HORIZONTAL ANALYSIS

For the year ended 31st March	Consolidated									
	2023		2022		2021		2020		2019	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Assets										
Non-current assets										
Property, plant & equipment	126,306,985	14%	111,189,851	24%	89,685,742	1%	88,485,496	2%	86,885,736	3%
Right-of-use assets	12,190,393	7%	11,389,087	15%	9,934,309	3%	9,613,729	-	-	-
Investment properties	1,948,326	(25%)	2,601,101	(8%)	2,824,180	4%	2,719,260	36%	2,006,528	3%
Biological assets	1,313,069	119%	599,064	13%	530,543	5%	505,240	12%	449,926	11%
Intangible assets	16,376,051	5%	15,544,031	17%	13,272,669	0%	13,293,849	(6%)	14,174,114	0%
Investments in equity accounted investees	3,364,373	55%	2,164,377	3%	2,097,766	(1%)	2,113,980	7%	1,967,409	133%
Other non- current financial assets	941,292	932%	91,199	(63%)	248,805	(1%)	252,027	(3%)	259,195	(11%)
Non- current trade and other receivables	8,359,072	(32%)	12,331,710	4%	11,912,418	5%	11,333,929	(2%)	11,611,815	24%
Other non-current assets	951,608	(3%)	983,043	(2%)	1,007,322	(10%)	1,119,034	(55%)	2,486,134	2%
Deferred tax assets	3,411,813	22%	2,803,644	21%	2,311,501	86%	1,241,800	34%	926,286	13%
Total non-current assets	175,162,982	10%	159,697,107	19%	133,825,255	2%	130,678,344	8%	120,767,143	6%
Current assets										
Inventories	87,502,323	6%	82,397,947	55%	53,100,096	26%	42,225,729	6%	39,742,514	21%
Amounts due from equity accounted investees	159,463	12%	142,891	(55%)	318,905	112%	150,137	46%	102,677	(15%)
Trade and other receivables	98,651,672	(8%)	107,082,528	59%	67,226,195	14%	59,115,893	7%	55,138,266	14%
Other current assets	5,508,223	32%	4,179,463	44%	2,893,143	25%	2,318,473	0%	2,319,599	(12%)
Income tax recoverable	944,281	13%	837,838	10%	764,443	(49%)	1,497,885	93%	777,540	44%
Other current financial assets	855,239	(39%)	1,400,423	202%	463,524	12%	412,536	119%	187,948	17%
Short term deposits	19,780,454	(1%)	19,927,939	153%	7,876,500	125%	3,495,891	(5%)	3,684,941	1%
Cash in hand and at bank	24,177,336	(12%)	27,409,656	112%	12,912,378	54%	8,411,179	(6%)	8,971,145	20%
Assets classified as held for sale	-		-	(100%)	3,021	0%	3,021	(94%)	54,921	1718%
Total current assets	237,578,991	(2%)	243,378,685	67%	145,558,205	24%	117,630,744	6%	110,979,551	16%
Total assets	412,741,973	2%	403,075,792	44%	279,383,460	13%	248,309,088	7%	231,746,694	10%
Equity and liabilities										
Stated capital	1,575,000	0%	1,575,000	0%	1,575,000	0%	1,575,000	0%	1,575,000	0%
Capital reserves	760,344	7%	711,396	3%	688,411	2%	676,104	6%	636,039	(28%)
Other components of equity	31,464,513	5%	30,077,359	22%	24,734,483	5%	23,644,932	2%	23,072,120	10%
Revenue reserves	45,130,447	29%	35,026,096	70%	20,620,432	49%	13,808,523	(8%)	14,958,752	(8%)
Total equity attributable to equity holders of the company	78,930,304	17%	67,389,851	42%	47,618,326	20%	39,704,559	(1%)	40,241,911	1%
Non-controlling interest	43,776,353	16%	37,896,875	37%	27,580,255	19%	23,151,943	7%	21,636,556	7%
Total equity	122,706,657	17%	105,286,726	40%	75,198,581	20%	62,856,502	2%	61,878,467	3%

For the year ended 31st March	Consolidated									
	2023		2022		2021		2020		2019	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Non-current liabilities										
Interest-bearing borrowings	59,158,207	(7%)	63,540,193	23%	51,503,754	(1%)	52,239,814	32%	39,661,994	15%
Grants	924,138	10%	838,161	0%	836,618	6%	787,993	1%	777,850	1%
Deferred tax liabilities	12,602,194	70%	7,433,449	39%	5,357,821	5%	5,120,949	(1%)	5,191,022	10%
Security deposits	1,468,392	0%	1,462,347	7%	1,366,565	(2%)	1,394,611	0%	1,388,434	16%
Other non-current liabilities	2,083,838	27%	1,637,526	(2%)	1,666,017	(4%)	1,730,000	19%	1,448,000	(47%)
Other non-current financial liabilities	5,844,248	152%	2,317,848	11%	2,091,132	6%	1,979,089	146%	804,556	100%
Employee benefit obligations	12,845,248	15%	11,208,145	15%	9,777,004	6%	9,240,100	9%	8,500,108	16%
Total non-current liabilities	94,926,265	7%	88,437,669	22%	72,598,911	0%	72,492,556	25%	57,771,964	12%
Current liabilities										
Trade and other payables	66,405,057	(16%)	79,256,611	50%	52,983,547	65%	32,019,839	12%	28,540,236	(1%)
Other current liabilities	7,815,736	1%	7,725,691	98%	3,897,687	13%	3,447,003	(7%)	3,690,060	(8%)
Deferred revenue	954,310	54%	618,787	26%	492,080	28%	383,218	40%	273,972	11%
Other current financial liabilities	13,355,662	36%	9,828,666	17%	8,374,066	66%	5,035,956	(3%)	5,196,568	(20%)
Amounts due to equity accounted investees	456	42%	322	(96%)	8,036	155%	3,152	(31%)	4,557	-
Income tax payable	6,040,416	71%	3,527,178	23%	2,871,625	280%	754,952	(2%)	768,660	27%
Current portion of long term interest-bearing borrowings	31,573,389	15%	27,568,587	12%	24,677,856	(8%)	26,774,764	4%	25,811,627	8%
Short-term interest-bearing borrowings	68,964,025	(15%)	80,825,555	111%	38,280,739	(14%)	44,540,814	(7%)	47,810,251	40%
Liabilities directly associated with assets classified as held for sale	-	-	-	(100%)	332	0%	332	0%	332	0%
Total current liabilities	195,109,051	(7%)	209,351,397	59%	131,585,968	16%	112,960,030	1%	112,096,263	14%
Total liabilities	290,035,316	(3%)	297,789,066	46%	204,184,879	10%	185,452,586	9%	169,868,227	13%
Total equity and liabilities	412,741,973	(2%)	403,075,792	44%	279,383,460	13%	248,309,088	7%	231,746,694	10%

STATEMENT OF FINANCIAL POSITION - VERTICAL ANALYSIS

For the year ended 31st March	Consolidated									
	2023		2022		2021		2020		2019	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Assets										
Non-current assets										
Property, plant & equipment	126,306,985	31%	111,189,851	28%	89,685,742	32%	88,485,496	36%	86,885,736	37%
Right-of-use assets	12,190,393	3%	11,389,087	3%	9,934,309	4%	9,613,729	4%	-	0%
Investment properties	1,948,326	0%	2,601,101	1%	2,824,180	1%	2,719,260	1%	2,006,528	1%
Biological assets	1,313,069	0%	599,064	0%	530,543	0%	505,240	0%	449,926	0%
Intangible assets	16,376,051	4%	15,544,031	4%	13,272,669	5%	13,293,849	5%	14,174,114	6%
Investments in subsidiaries	-	0%	-	0%	-	0%	-	0%	-	0%
Investments in equity accounted investees	3,364,373	1%	2,164,377	1%	2,097,766	1%	2,113,980	1%	1,967,409	1%
Other non- current financial assets	941,292	0%	91,199	0%	248,805	0%	252,027	0%	259,195	0%
Non- current trade and other receivables	8,359,072	2%	12,331,710	3%	11,912,418	4%	11,333,929	5%	11,611,815	5%
Other non-current assets	951,608	0%	983,043	0%	1,007,322	0%	1,119,034	0%	2,486,134	1%
Deferred tax assets	3,411,813	1%	2,803,644	1%	2,311,501	1%	1,241,800	1%	926,286	0%
Total non-current assets	175,162,982	42%	159,697,107	40%	133,825,255	48%	130,678,344	53%	120,767,143	52%
Current assets										
Inventories	87,502,323	21%	82,397,947	20%	53,100,096	19%	42,225,729	17%	39,742,514	17%
Amounts due from equity accounted investees	159,463	0%	142,891	0%	318,905	0%	150,137	0%	102,677	0%
Trade and other receivables	98,651,672	24%	107,082,528	27%	67,226,195	24%	59,115,893	24%	55,138,266	24%
Other current assets	5,508,223	1%	4,179,463	1%	2,893,143	1%	2,318,473	1%	2,319,599	1%
Income tax recoverable	944,281	0%	837,838	0%	764,443	0%	1,497,885	1%	777,540	0%
Other current financial assets	855,239	0%	1,400,423	0%	463,524	0%	412,536	0%	187,948	0%
Short term deposits	19,780,454	5%	19,927,939	5%	7,876,500	3%	3,495,891	1%	3,684,941	2%
Cash in hand and at bank	24,177,336	6%	27,409,656	7%	12,912,378	5%	8,411,179	3%	8,971,145	4%
Assets classified as held for sale	-	0%	-	0%	3,021	0%	3,021	0%	54,921	0%
Total current assets	237,578,991	58%	243,378,685	60%	145,558,205	52%	117,630,744	47%	110,979,551	48%
Total assets	412,741,973	100%	403,075,792	100%	279,383,460	100%	248,309,088	100%	231,746,694	100%
Equity and liabilities										
Stated capital	1,575,000	0%	1,575,000	0%	1,575,000	1%	1,575,000	1%	1,575,000	1%
Capital reserves	760,344	0%	711,396	0%	688,411	0%	676,104	0%	636,039	0%
Other components of equity	31,464,513	8%	30,077,359	7%	24,734,483	9%	23,644,932	10%	23,072,120	10%
Revenue reserves	45,130,447	11%	35,026,096	9%	20,620,432	7%	13,808,523	6%	14,958,752	6%
Total equity attributable to equity holders of the company	78,930,304	19%	67,389,851	17%	47,618,326	17%	39,704,559	16%	40,241,911	17%
Non-controlling interest	43,776,353	11%	37,896,875	9%	27,580,255	10%	23,151,943	9%	21,636,556	9%
Total equity	122,706,657	30%	105,286,726	26%	75,198,581	27%	62,856,502	25%	61,878,467	27%

For the year ended 31st March	Consolidated									
	2023		2022		2021		2020		2019	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Non-current liabilities										
Interest-bearing borrowings	59,158,207	14%	63,540,193	16%	51,503,754	18%	52,239,814	21%	39,661,994	17%
Grants	924,138	0%	838,161	0%	836,618	0%	787,993	0%	777,850	0%
Deferred tax liabilities	12,602,194	3%	7,433,449	2%	5,357,821	2%	5,120,949	2%	5,191,022	2%
Security deposits	1,468,392	0%	1,462,347	0%	1,366,565	0%	1,394,611	1%	1,388,434	1%
Other non-current liabilities	2,083,838	1%	1,637,526	0%	1,666,017	1%	1,730,000	1%	1,448,000	1%
Other non-current financial liabilities	5,844,248	1%	2,317,848	1%	2,091,132	1%	1,979,089	1%	804,556	0%
Employee benefit obligations	12,845,248	3%	11,208,145	3%	9,777,004	3%	9,240,100	4%	8,500,108	4%
Total non-current liabilities	94,926,265	23%	88,437,669	22%	72,598,911	26%	72,492,556	29%	57,771,964	25%
Current liabilities										
Trade and other payables	66,405,057	16%	79,256,611	20%	52,983,547	19%	32,019,839	13%	28,540,236	12%
Other current liabilities	7,815,736	2%	7,725,691	2%	3,897,687	1%	3,447,003	1%	3,690,060	2%
Deferred revenue	954,310	0%	618,787	0%	492,080	0%	383,218	0%	273,972	0%
Other current financial liabilities	13,355,662	3%	9,828,666	2%	8,374,066	3%	5,035,956	2%	5,196,568	2%
Amounts due to equity accounted investees	456	0%	322	0%	8,036	0%	3,152	0%	4,557	0%
Income tax payable	6,040,416	1%	3,527,178	1%	2,871,625	1%	754,952	0%	768,660	0%
Current portion of long term interest-bearing borrowings	31,573,389	8%	27,568,587	7%	24,677,856	9%	26,774,764	11%	25,811,627	11%
Short-term interest-bearing borrowings	68,964,025	17%	80,825,555	20%	38,280,739	14%	44,540,814	18%	47,810,251	21%
Liabilities directly associated with assets classified as held for sale	-	0%	-	0%	332	0%	332	0%	332	0%
Total current liabilities	195,109,051	47%	209,351,397	52%	131,585,968	47%	112,960,030	45%	112,096,263	48%
Total liabilities	290,035,316	70%	297,789,066	74%	204,184,879	73%	185,452,586	75%	169,868,227	73%
Total equity and liabilities	412,741,973	100%	403,075,792	100%	279,383,460	100%	248,309,088	100%	231,746,694	100%

VALUE OF REAL ESTATE

As at 31st March 2023

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn 2023
Eco Solutions						
Hayleys Fibre PLC	Kuliyapitiya	"Biginhill Estate", Karagahagedara, Kuliyapitiya	2.88	47,389	15	32
	Mahagama	Siri Sumangala Mawatha,Mahagama North,Chilaw	3.00	20,200	2	15
	Mahagama	Siri Sumangala Mawatha,Mahagama North,Chilaw	4.00	45,000	7	20
Volanka (Pvt) Ltd.	Galle	No.153/1, Robosgewatta,Matara road,Magalle, Galle	1.22	32,644	8	351
	Katana	No.B 28,Divulapitiya road, Dissagewatte,Katana	14.51	305,212	29	406
Chas P. Hayley & Co. (Pvt) Ltd.	Galle	No.153,Robosgewatta,Matara road,Magalle, Galle	0.55	9,795	2	200
	Galle	No 161 "Thurnburn / stores",No.195,Bandaranayake Mawatha,Magalle, Galle	2.41	67,277	9	735
	Galle	No.193/2,193/2A, 193/4,Bandaranayke Mawatha,Magalle, Galle	1.10	15,833	7	206
Lignocell (Pvt) Ltd.	Madampe	Sellam Pathaha, Melawagara, Madampe.	7.03	118,547	10	67
	Kuliyapitiya	"Biginhill Estate",Karagahagedera,Kuliyapitiya	4.13	47,499	7	47
Ravi Industries (Pvt) Ltd.	Ekala	252A,Kurunduwatte road,Ekala,Ja-ela.	6.19	111,227	16	544
Volanka Exports (Pvt) Ltd.	Nattandiya	Wathugahamulla,Welipannagahamulla	7.20	80,165	13	63
Rileys (Pvt) Ltd.	Ekala	131,Minuwangoda road, Ekala, Ja-ela	3.80	91,582	12	608
Toyo Cushion Lanka (pvt) Ltd.	Katana	105,Thimbirigaskatuwa,Katana	3.37	40,000	15	148
Hand Protection						
Dipped Products PLC	Kottawa	Brahmanagama , Kottawa	10.67	149,544	22	295
Dipped Products (Thailand) Limited	Khuan Niang	82/2 MOO9,Tumbon Rattapum,Amphur, Khuan Niang, Songkhla, Thailand 90220.	13.05	210,197	6	175
Purification						
Haycarb PLC	Badalgama	Katana Road, Beatrice Estate, Badalgama.	28.08	261,337	22	269
	Madampe	Kuliyapitiya road, New town, Pothuwila, Madampe	29.92	276,175	18	233
	Wewalduwa	333/25, New road Hunuputiya Wattala.	2.48	41,463	6	333
	Madampe	Kuliyapitiya road, New town, Pothuwila, Madampe	0.31	0	0	5
	Kuliyapitiya	Heenagara State, Epaladeniya	10.00	2,015	2	57
Recogen (Pvt) Ltd.	Badalgama	Katana Road, Beatrice Estate, Badalgama.	10.84	35,090	4	111

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn 2023
PT Haycarb Palu Mitra	Palu City - Indonesia	Thaipa, Palu Utara,Palu, Sulawesi Tengah 94147, Indonesia	6.98	75,351	18	172
PT Mapalus Makawanua Charcoal Industry	Bitung City - Indonesia	Tanjung Merah, Bitung, Sulawesi Utara 95547, Indonesia	8.93	103,409	8	325
	Bitung City - Indonesia	Tanjung Merah, Bitung, Sulawesi Utara 95547, Indonesia	2.93	-	-	120
Shizuka Co. Ltd.	Ratchaburi Province - Thailand	190/1, Moo 1, Anghin, Paktho,Ratchaburi 70140,Thailand.	24.49	65,980	12	191
Carbokarn Co. Ltd.	Chonburi Province - Thailand	35/2, Moo 3, Nareuk, Phanat Nikhom, Chonburi-20140, Thailand	15.64	284,300	22	341
Textiles						
Hayleys Fabric PLC	Neboda	Narthupana Estate, Neboda	54.30	413,873	25	618
Construction Materials						
Alumex PLC	Makola	Pattiwila road, Sapugaskanda, Makola	6.24	118,673	11	549
	Gonawala	Maguruwila road, Gonawala	1.82	59,042	3	102
	Ekala	"Ekala Estate",Minuwangoda road,Ekala	6.30	91,442	5	554
	Makola	Pattiwila road, Sapugaskanda, Makola	1.13	34,618	2	103
Plantations						
Mabroc Teas (Pvt) Ltd	Kiribathgoda	57/3, New Hunupitiya Road, kiribathgoda.	1.94	75,960	4	542
Agriculture						
Hayleys Agriculture Holdings Ltd.	Dambulla	Athabadiwewa, Pahalawewa, Dambulla.	4.35	5,134	2	17
	Kottawa	No. 168/D, Brahmanagama, Kottawa, Pannipitiya.	4.97	47,506	7	179
Sunfrost (Pvt) Ltd.	Alawwa	Nelumdeniya road, Alawwa Waththa Road, Alawwa	5.18	19,112	9	91
	Padiyathalawa	Bogaharawa road, Kehelulla, Padiyathalawa	6.46	1,430	2	11
Haychem BD Limited.	Mymensingh	Plot no:-B-18, B-19(part) & A-3, A-4, S-1, Mashkanda BSCIC Industral Estate, Kotowali, Maymensingh	0.69	26,383	1	127
	Dhamrai	Plot no:-16, 15(part), BSCIC Industrial Estate, Kalampur, Dhaka	0.16	5,235	1	24
	Gobindogonj	Mouza-Madanpur, Gobingogoni	2.45	33,249	4	68
Consumer & Retail						
Singer (Sri Lanka) PLC	Ambalantota	Main Street,Ambalantota.	0.04	1,885	1	18
	Balangoda	Ratnapura Road,Balangoda.	0.04	2,080	1	21
	Bandarawela	Main Street,Bandarawela.	0.02	2,660	1	12
	Borella	D.S.Senanayaka Mawatha,Borella.	0.03	2,310	1	70
	Chilaw	Bazaar Street,Chilaw.	0.08	4,120	1	43
	Colpetty	No 143, Galle Road,Colombo 03.	0.02	1,440	1	57
	Eheliyagoda	Ratnapuara Road,Eheliyagoda.	0.04	1,660	1	13
	Galle	Main Street,Galle.	0.02	2,250	1	16

VALUE OF REAL ESTATE

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn 2023
	Gampaha	Colombo Road,Gampaha.	0.11	7,870	1	63
	Hikkaduwa	Galle Road,Hikkaduwa.	0.05	2,400	1	25
	Embilipitiya	Colombo Road,Pallegama,Embilipitiya.	0.03	2,070	1	18
	Kadawatha	Kandy Road, Kadawatha.	0.02	1,150	1	22
	Kandy- Mega	Sirimavo Bandaranayake Mawatha,Kandy.	0.10	12,840	1	37
	Katugastota	Madawala Road,Katugastota.	0.03	1,620	1	11
	Kiridiwella	Gampaha Road,Kirindiwela	0.05	2,940	1	20
	Kurunegala	Bodhiraja Mawatha,Kurunegala.	0.05	2,250	1	29
	Maharagama	High Level Road,Maharagama.	0.04	2,700	1	37
	Matara	Anagarika Dharmapala Mawatha,Matara.	0.06	3,520	1	40
	Middeniya	Katuwana Road,Middeniya.	0.05	2,670	1	15
	Mount Lavinia	Galle Road,Mount Lavinia.	0.05	1,900	1	38
	Mount Lavinia-Mega	Galle Road,Mount Lavinia.	0.13	12,985	1	92
	Nawalapitiya	Kotmale Road,Nawalapitiya.	0.03	2,760	1	13
	Negombo	Greens Road,Negombo.	0.04	2,040	1	25
	Nuwara-Eliya	Kandy street,Nuwara-Eliya.	0.03	1,700	1	19
	Panadura	Galle Road,Panadura.	0.04	2,940	1	19
	Piliyandala	Gonamaditta Road,Piliyandala.	7.15	118,450	9	229
	Pussellawa	Nuwaraeliya Road,Pussellawa.	0.08	3,295	1	25
	Rathnapura	Colombo road,Rathnapura.	0.04	2,750	1	20
	Tangalle	Matara Road, Tangalle.	0.03	1,285	1	14
	Trincomalee	North Coast Road,Trincomalee	0.03	3,150	1	20
	Wellawatta	Galle Road, Wellawatta.	0.03	2,700	1	55
Reality Lanka Ltd.	Ahangama	No 24A, Matara Rd, Ahangama	0.09	1,630	1	21
	Attidiya	No.190, Main Rd, Attidiya, Dehiwala	0.04	2,260	1	22
	Moratuwa	No. 17, New Galle Rd, Moratuwa	0.08	2,990	1	46
	kandy	No 129, Kotugodella Vediya, Kandy	0.06	2,900	1	48
	Galle	No 13&15, Wackwella Rd, Galle	0.08	-	-	60
	Kadawatha	Kandy Road, Kadawatha.	0.03	-	-	19
	Kalawana	No. J63A,Watapotha Road,Nivithigala,Rathnapura.	1.62	-	-	4
	Maradana	No.51/57,Brandiyawatta,Wellampitiya.	0.06	-	-	8
	Trincomalee	Nayanmarthidal, Thampalakamam, Trincomalee.	0.38	-	-	9
	Ambanpola	No.108 Yaluwewa,Ambanpola.	0.06	-	-	6
Regnis (Lanka) PLC	Ratmalana	No 52,Ferry Road, Off Borupona Road, Ratmalana.	4.41	123,320	16	492
Singer Industries (Ceylon) PLC	Ratmalana	No.02, 5th Lane Ratmalana	2.25	75,365	8	1,081
	Ratmalana	No.435 Galle Raod Ratmalana	0.31	12,440	1	302

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn 2023
Leisure						
Culture Club Resorts (Pvt) Ltd.	Dambulla	Kapela, Kandalama, Dambulla	1.00	-	-	6
Kandyan Resorts (Pvt) Ltd.	Kandy	Heerassagala, Kandy	11.91	126,684	10	895
Industry Inputs						
Hayleys Aventura (Pvt) Ltd.	Malabe	No: 59, Pothuarawa Road, Malabe	2.26	59,595	6	343
Haycolour (Pvt) Ltd.	Kalutara	Haycolour Factory, Ethanmadala, Kalutara	3.30	5,700	4	66
Power & Energy						
Bhagya Hydro (Pvt) Ltd.	Gomala oya	Gomala Oya Mini Hydro Power Plant,Godagampola,Rathnapura	1.38	2,246	3	4
Nelwa Cascade Hydro Power (Pvt) Ltd.	Neluwa	Lower Neluwa Mini Hydro Power Plant, Tawalama,Neluwa	3.08	2,530	1	9
Hayleys Neluwa Hydro Power Pvt (Ltd).	Mawanana	Embalegedara,Neluwa	1.03	4,752	3	2
Transportation & Logistics						
Hayleys Advantis Group	Liyanagemulla	No.710 Negombo road, Liyanagemulla,Seeduwa	0.62	8,036	1	177
	Colombo 2	No. 46/12, Sayuru Sevana, Nawam Mawatha, Colombo 2	0.24	45,980	1	672
	Kelaniya	No 408 A, Nungamugoda, Kelaniya	7.72	175,000	6	1,112
	Welisara	No. 309/18 & No. 317, Negombo road, Welisara	3.63	2,050	1	690
	Welisara	No. 309/15, Negombo road, Welisara	3.15	17,644	7	620
	Sedawatta	No. 148B, Nawalokapura, Sedawatta, Wellampitiya	2.49	11,610	1	598
	Sedawatte	No. 148/A1, Nawalokapura Sedawatte, Welampitiya	2.00	8,879	3	512
	Kotugoda	No.193,Minuwangoda road,Kotugoda	15.81	356,895	2	1,391
Unisyst Engineering PLC	Kotugoda	41B, Sasanathilaka road, Opatha, Kotugoda	2.4	35,785	3	45
Others						
Darley Property Holdings	Colombo	Foster Lane Colombo 10	1.56	65,240	3	4,147
World Export Centre Ltd	Colombo	Deans Rd. Colombo 10	4.48	-	-	13,475
Eastern Hotels (Pvt) Ltd	Trincomalee	Nilakarai Estate, Nilaweli, Trincomalee	23.48	600	3	845
Hayleys PLC	Bentota	Kaluwamodara, Bentota	0.28	-	-	95

QUARTERLY ANALYSIS

	Quarter 01		Quarter 02		Quarter 03		Quarter 04	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000	**Rs.'000**	Rs.'000	**Rs.'000**	Rs.'000
Revenue	123,641,304	70,610,764	129,931,777	79,438,158	116,350,572	92,217,650	117,507,228	95,743,008
Profit before tax	20,007,560	4,840,418	10,009,854	5,889,250	6,534,672	8,731,640	6,196,982	16,255,437
Tax expense	(3,711,611)	-1,250,008	(2,852,657)	-1,461,068	(5,709,782)	-2,104,970	(2,802,718)	(2,801,798)
Profit after tax	16,295,949	3,590,410	7,157,197	4,428,182	824,890	6,626,670	3,394,264	13,453,639
Profit attributable to owners of the parent	10,488,825	2,171,489	4,046,309	2,787,704	18,790	4,533,658	1,797,921	8,763,676
Profit attributable to non-controlling interest	5,807,124	1,418,921	3,110,888	1,640,478	806,100	2,093,012	1,596,343	4,689,963
Total comprehensive income for the year, net of tax	21,914,736	3,985,603	6,198,969	4,180,330	1,689,831	6,363,436	-41,689	22,331,335
Non Current Assets	167,816,952	139,331,253	168,576,491	140,820,203	170,548,707	144,133,999	175,162,982	159,697,107
Current Assets	296,646,828	172,239,808	279,366,094	188,723,225	267,930,215	194,642,542	237,578,991	243,378,685
Non current liabilities	93,064,226	79,670,301	85,819,409	83,538,480	90,314,810	83,043,500	94,926,265	88,437,669
Current liabilities	247,295,302	153,155,859	235,351,910	164,123,455	220,925,101	168,659,724	195,109,051	209,351,397

	Quarter 01		Quarter 02		Quarter 03		Quarter 04	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	Rs.	Rs.	**Rs.**	Rs.	**Rs.**	Rs.	**Rs.**	Rs.
Market Value of Shares								
Closing share price	64.00	74.90	97.00	107.50	68.00	130	72.00	76.90
Basic earnings per share	13.99	2.90	5.40	3.72	0.03	6.04	2.40	11.68
Diluted earnings per share	13.99	2.90	5.40	3.72	0.03	6.04	2.40	11.68
Highest price recorded for the three months ending	80.00	85.40	125.00	124.75	99.80	138.00	82.50	151.50
Lowest price recorded for the three months ending	50.00	61.10	59.00	73.80	63.80	94.50	63.50	74.00
Market capitalisation (Rs. Mn.)	48,000	56,175	72,750	80,625	51,000	97,500	53,925	57,000
Share Trading Information								
No. of transactions	15,590	32,083	19,230	50,179	36,304	44,520	22,987	43,523
No. of shares traded	19,519,228	75,939,911	26,974,199	138,565,462	33,305,134	94,645,481	40,660,995	56,064,860
Value of shares traded (Rs)	1,339,480,073	5,866,989,522	2,997,529,546	13,725,089,804	2,403,088,864	11,101,621,901	3,069,669,959	6,877,765,104

SHARE INFORMATION

No. of shareholders as at 31st March 2023 -16,392 (as at 31st March 2022 - 14,357)

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	8,831	2,953,199	0.39	42	18,200	0.01	8,873	2,971,399	0.40
1,001 - 10,000	5,312	19,588,657	2.61	55	270,777	0.04	5,367	19,859,434	2.65
10,001 - 100,000	1,764	48,995,340	6.53	45	1,955,927	0.26	1,809	50,951,267	6.79
100,001 - 1,000,000	266	77,505,143	10.33	34	6,640,266	0.89	300	84,145,409	11.22
OVER 1,000,000	38	575,097,911	76.68	5	16,974,580	2.26	43	592,072,491	78.94
	16,211	724,140,250	96.54	181	25,859,750	3.46	16,392	750,000,000	100.00
CATEGORY									
Individuals	15,406	633,834,070	84.51	163	18,805,260	2.51	15,569	652,639,330	87.02
Institutions	805	90,306,180	12.04	18	7,054,490	0.94	823	97,360,670	12.98
	16,211	724,140,250	96.55	181	25,859,750	3.45	16,392	750,000,000	100.00

FIRST TWENTY SHAREHOLDERS AS AT 31.03.2023

	Name of the Shareholder	No.of Shares as at 31.03.2023	%	No.of Shares as at 31.03.2022	%
1	Mr.K.D.D.Perera	382,596,970	51.01	382,596,970	51.01
2	Trustees of the D.S.Jayasundera Trust	86,980,170	11.60	86,980,170	11.60
3	McLarens Holdings Ltd	12,027,045	1.60	10,084,743	1.34
4	Hayleys Group Services (Pvt) Ltd No.02 A/C	11,170,900	1.49	11,170,900	1.49
5	Mrs.R.N.Ponnambalam	6,100,880	0.81	6,266,880	0.84
6	Mrs.R.M.Spittel	5,646,970	0.75	5,646,970	0.75
7	Seylan Bank PLC / Mr.M.N.Deen	4,881,889	0.65	4,881,889	0.65
8	Mrs.Y.M.Spittel (Deceased)	4,655,610	0.62	4,655,610	0.62
9	Mrs.S.D.Wickremasinghe	4,492,980	0.60	4,492,980	0.60
10	GF Capital Global Limited	4,454,000	0.59	2,729,000	0.36
11	Mrs.P.M Godamunne	4,434,470	0.59	4,434,470	0.59
12	Mrs.A.K.Wikramanayake	4,384,490	0.58	4,384,490	0.58
13	Mr.S.Rameshan	4,007,620	0.53	3,169,820	0.42
14	Senthilverl Holdings (Pvt) Ltd	3,988,845	0.53	-	0.00
15	Mrs.A.M.L.Johnpulle & Mr.B.J.M.Johnpulle	3,721,650	0.50	4,501,650	0.60
16	Mrs.S.R.D.Wikramanayake	3,239,320	0.43	3,214,320	0.43
17	Mrs.G.V.De Silva	2,850,830	0.38	-	0.00
18	Miss. S.H. De Silva	2,850,830	0.38	-	0.00
19	Miss.N.K.R.H.De Silva	2,834,010	0.38	2,834,010	0.38
20	Dr.D.Jayanntha	2,580,000	0.34	2,580,000	0.34
	TOTAL	557,899,479	74.36	544,624,872	72.60

There were no Non-voting shares as at 31.03.2023

SHARE INFORMATION

There were no Non-voting shares as at 31.03.2023

Name of Director	No. of Shares as at 31.03.2023	No. of Shares as at 31.03.2022
Mr. A.M. Pandithage	1,253,570	1,253,570
Mr. S.C. Ganegoda	250,000	250,000
Mr. H.S.R. Kariyawasan	94,270	94,270
Mr. L.R.V. Waidyaratne	379,300	379,300
Ms. J. Dharmasena	210,950	210,950
Dr. H. Cabral, PC	-	-
Mr. M.H. Jamaldeen	-	-
Mr. M.Y.A. Perera	-	-
Mr. R.J. Karunarajah	-	-
Mr. K.D.G. Gunaratne	-	-

Market Value of Shares

The market value of ordinary shares of Hayleys PLC was as follows;

	31.03.2023 Rs.	31.03.2022 Rs.
Closing price on	72.00	76.90
Highest Price recorded for the twelve months ending	125.00	151.50
Lowest Price recorded for the twelve months ending	50.00	61.10
Highest Price recorded for the three months ending	82.50	151.50
Lowest Price recorded for the three months ending	63.50	74.00
Market capitalisation	54,000,000,000.00	57,675,000,000.00
Share Trading from 1st April to 31st March		
No. of Transactions	94,111	169,738
No. of shares traded	120,459,556	363,503,122
Value of shares traded	9,809,768,441.90	37,404,715,216.90
The public Holding Percentage	37.10%	37.09%
Total number of shareholders representing the public	16,384	14,347

Float-adjusted market capitalisation (Rs.) 20,034,000,000.00

The Company complies with option 1 of the Listing Rules 7.13.1 (a) which requires no minimum public holding percentage

Debenture 1

Listed, rated, senior, unsecured, redeemable, debentures,

Type A - Fixed rate at 12.50% p.a. payable semi annually redeemable on 31st July 2023

Type B - Floating rate AWPLR+1% p.a. payable semi annually redeemable on 31st July 2023

DEBENTURE TRADING INFORMATION FOR THE THREE MONTHS ENDED - 31.03.2023

There were no transactions during the period.

DEBENTURE TRADING INFORMATION FOR THE 12 MONTHS ENDED - 31.03.2023

There were no transactions during the period.

Debenture 2

Listed, rated, senior, unsecured, redeemable, debentures,

Type A - Fixed coupon rate of 13% p.a. payable semi annually redeemable on 26th August 2024

Type B - Floting coupon rate of AWPLR +2% p.a. payable semi annually redeemable on 26th August 2024

DEBENTURE TRADING INFORMATION FOR THE THREE MONTHS ENDED - 31.03.2023

There were no transactions during the period.

DEBENTURE TRADING INFORMATION FOR THE 12 MONTHS ENDED - 31.03.2023

There were no transactions during the period.

HISTORY OF DIVIDENDS AND SCRIP ISSUES

Year ended 31st March	Issue	Basis	No. of shares '000	Cum. No. of shares '000	Dividend	Dividend Rs. '000
1952	Initial Capital		20	20		
1953	First dividend			20	80%	160
1954	Rights (at Rs. 10)	1:02	10	30	55%	165
1955				30	50%	150
1956	Bonus	05:06	25	55	33%	179
1957	Bonus	03:11	15	70	38%	330
1958	Bonus	03:07	30	100	20%	200
1959				100	10%	100
1960				100	18%	180
1961	Bonus	01:02	50	150	8%	262
1962	Bonus	01:03	50	200	15%	300
1963				200	15%	300
1964	Bonus	01:04	50	250	15%	375
1965				250	20%	500
1966				250	18%	450
1967				250	15%	375
1968				250	13%	313
1969				250	15%	375
1970				250	15%	375
1971				250	15%	375
1972				250	11%	275
1973				250	11%	275
1974	Bonus	01:01	250	500	11%	275
1975				500	18%	450
1976				500	10%	442
1977				500	11%	460
1978				500	15%	584
1979	Bonus	01:02	250	750	15%	852
1980				750	16%	958
1981	Bonus	01:03	250	1,000	20%	1,863
1982	Bonus	01:04	250	1,250	21%	2,385
1983	Bonus	01:05	250	1,500	25%	3,451
1984				1,500	27%	3,774
1985				1,500	28%	3,525
1986	Bonus	01:03	500	2,000	33%	6,600
1987	Bonus	01:02	1,000	3,000	33%	9,900
1988	Bonus	01:03	1,000	4,000	33%	13,200

Year ended 31st March	Issue	Basis	No. of shares '000	Cum. No. of shares '000	Dividend	Dividend Rs. '000
1989	Bonus	01:04	1,000	5,000	33%	16,500
1990	Bonus	01:05	1,000	6,000	33%	19,800
1991	Bonus	01:04	1,500	7,500	33%	24,750
1992	Bonus	01:05	1,500	9,000	33%	29,700
1993	Bonus	01:06	1,500	10,500	30%	31,500
1994	Bonus	04:21	2,000	12,500		
	Rights (at Rs. 160)	01:05	2,500	15,000	30%	40,500
1995	Bonus	01:05	3,000	18,000	30%	54,000
1996	Bonus	01:09	2,000	20,000	30%	60,000
1997	Bonus	01:10	2,000	22,000	30%	66,000
1998	Bonus	01:11	2,000	24,000		
	Share Trust (at Rs. 210)		2,400	26,400	30%	79,200
1999	Bonus	01:06	4,400	30,800	30%	92,400
2000	Bonus	01:14	2,200	33,000	30%	99,000
2001	Rights (at Rs. 10)	01:11	3,000	36,000	35%	126,000
2002	Rights (at Rs. 15)	01:09	4,000	40,000	35%	140,000
2003	Rights (at Rs. 20)	01:08	5,000	45,000	35%	157,500
2004	Rights (at Rs. 20)	01:09	5,000	50,000	35%	175,000
2005	Rights (at Rs. 20)	01:10	5,000	55,000		
	Bonus	04:11	20000	75,000	35%	262,500
2006				75,000	35%	262,500
2007				75,000	Rs.3.50 p.s	262,500
2008				75,000	Rs.3.00 p.s	225,000
2009				75,000	Rs.3.00 p.s	225,000
2010				75,000	Rs.4.00 p.s	300,000
2011				75,000	Rs.4.00 p.s	300,000
2012				75,000	Rs.4.00 p.s	300,000
2013				75,000	Rs.4.50 p.s	337,500
2014				75,000	Rs.5.00 p.s	375,000
2015				75,000	Rs.6.00 p.s	450,000
2016				75,000	Rs.6.50 p.s	487,500
2017				75,000	Rs.7.50 p.s	562,500
2018				75,000	Rs.5.00 p.s	375,000
2019				75,000	Rs.5.00 p.s	375,000
2020				75,000	Nil	-
2021				750,000	Rs.1.30 p.s	975,000
2022				750,000	Rs.4.00 p.s	3,000,000
2023				750,000	Rs.5.35 p.s	4,012,500

COUNTRY REPORT

POPULATION (2022)	22.2 Mn
LAND AREA	65,610 sq. km
LANGUAGES	Sinhalese, Tamil, and English
GDP PER CAPITA (2022)	USD 3,474 (CBSL)

Background

In 2022, the economic and social instability observed in the previous year deepened, creating a turbulent and highly uncertain environment. Several factors contributed to this situation, including pandemic-induced decline in foreign exchange earnings, tax reductions overnight shift to organic agriculture, the depletion of official reserves while attempting to maintain a flawless debt repayment record and delayed exchange rate adjustments Sri Lanka also grappled with long-standing structural economic imbalances, including twin deficits in the current and fiscal accounts.

As rippling effects cascaded across all sectors, economic activity was crippled reflecting shortages in energy, prolonged power cuts and escalating social unrest. These disruptions had broad-based implications across the economy, creating logistical bottlenecks, hampering production, and operations. The hardships faced by citizens prompted a degree of social unrest, which culminated in a change in political leadership in mid-2022.

With the change in leadership, the Government implemented unprecedented and coordinated policy measures to stem further scarring from the crisis. Resultantly, the Sri Lankan economy began a challenging journey towards recovery by mid-2022. The new leadership acknowledged the importance of implementing unpopular fiscal discipline measures, laying the groundwork for stability and initiating an International Monetary Fund (IMF)-led debt restructuring process. This process aimed to address the excessive debt levels and establish a framework for sustainable economic growth and financial stability in the future.

Political Climate & Policy Decisions

In 2023, it is expected that political equilibrium will be maintained in the country. The current government has displayed a strong determination to implement painful, yet necessary reforms, despite facing opposition and protests. A significant milestone was achieved in October 2022 when the 22nd amendment to the Constitution was passed. This amendment holds great significance for the government led by President Ranil Wickramasinghe, who assumed the position of Executive Presidency only in July 2022.

The current government, in coordination with the Central Bank Governor Dr. Nandalal Weerasinghe, has implemented coordinated policy actions since late 2022. This coordinated effort has helped the country transition to a functioning equilibrium, at least until the support from international financial institutions begins to materialise and has averted the feared outcomes of hyperinflation, a total collapse of the economy and complete disconnect from the rest of the world.

Overall, despite the challenges faced, the government's firm resolve to implement reforms, the passing of key constitutional amendments, and the coordinated policy actions taken by the government and the Central Bank have contributed to maintaining political stability in 2023.

Social Climate

During the first half of 2022, social unrest arose as a result of hardships faced by citizens, which included extended power cuts and shortages of essential commodities, causing instability and discontent among the population. To address vulnerabilities in the power and energy sector, the government implemented immediate measures such as revising electricity tariffs after eight years and introducing the National Fuel Pass QR Code System to optimise the distribution of the available fuel stocks.

Long-standing structural issues in crucial sectors like healthcare, law enforcement, government administration, and public transport have further weakened the country. These weaknesses have significantly impacted socio-economic conditions, exacerbating challenges for the population and leading to a decline in overall quality of life. The deterioration of these sectors has hindered the provision of essential services.

Economic Climate

In 2022, Sri Lanka's economy experienced a significant contraction of 7.8 percent, a stark contrast to the 3.5 percent growth seen in the previous year. This contraction affected all major sectors, with the manufacturing and construction industries being hit hardest due to input shortages and disruptions in the supply chain. Acute fuel shortages, resulting from a lack of foreign exchange, had a substantial negative impact on economic activities. Supply chains were hampered,

leading to prolonged power outages, scarcity of raw materials, and increased production costs.

The economy faced additional challenges from soaring global energy prices and the depreciation of the exchange rate, which further intensified supply-side pressures. Accelerated inflation and tax hikes reduced the disposable income of households. Headline inflation, as measured by the Colombo Consumers' Price Index reached a staggering 57.2 percent in 2022, peaking at an unprecedented 69.8 percent in September. These inflationary pressures were driven by elevated global commodity prices, fiscal deficits, currency depreciation, and the restriction on chemical fertilizers in 2021, causing constraints in agricultural supply.

In response to inflationary pressures, the Central Bank sought to tighten monetary policy, implementing measures to raise policy rates by a cumulative 1,050 basis points since January 2022. The economic contraction resulted in the loss of half a million jobs in the industry and services sectors. The unemployment rate stood at 4.7 percent, and the migration of skilled workers further exacerbated labour productivity challenges. The departure of skilled workers disrupted business operations and posed additional obstacles to the economy, necessitating continuous recruitment and training efforts that consume valuable resources.

Despite the economic challenges, there were some positive developments. The trade deficit decreased from US$ 8.1 billion in 2021 to US$ 5.2 billion in 2022, primarily due to faster growth in textile exports compared to imports. This reduction in the trade deficit helped lower the current account deficit, even though remittances and tourism receipts experienced declines. While the Sri Lankan Rupee depreciated between March and May 2022 a managed float policy limited the full-year depreciation. . Despite mandatory repatriation and conversion rules, low market confidence made it difficult to bring export earnings and remittances to Sri Lanka through formal channels. In March 2023, there was a sharp appreciation of the Sri Lankan rupee to LKR 330 / USD due to the unwinding of speculative dollar holdings and sluggish import demand, indicating a fluctuating foreign exchange landscape.

Economic Outlook

The Sri Lankan economy is expected to record a contraction in 2023, before recording a gradual recovery in 2024 as policy interventions and measures to restore macro-economic stability come to fruition. Inflationary pressures are expected to ease during the year, reflecting moderating external pressures, normalisation of supply-side dynamics and lower disposable income following the increases in tax. As evidenced by its downward trajectory in recent months, interest rates are also expected to decline gradually in coming months reflecting easing inflation. Meanwhile, the Sri Lankan Rupee is also expected to gradually stabilise towards the latter part of 2023, given more positive market sentiments, restoration of macro-economic stability and an anticipated improvement in external sector activity.

The International Monetary Fund (IMF) has emphasised that Sri Lanka cannot sustain an economic model driven by subsidies with the central bank financing the fiscal deficit. In response, the government is in the process of enacting a new Monetary Law Act (MLA) that assigns the primary objective of achieving and maintaining domestic price stability to the central bank. The new legislation will prohibit direct monetisation of the fiscal deficit by the central bank, although secondary-market purchases will be allowed as long as they do not result in direct monetisation of the deficit.

GROUP COMPANIES

Sub sector	Company	Nature of the Business	Country of Incorporation	Country of Operations
Eco Solutions	Ravi Industries Ltd	Industrial and household brushware	Sri Lanka	Sri Lanka
	Rileys (Private) Limited	Cleaning devices	Sri Lanka	Sri Lanka
	Haymat (Private) Limited	Coir fibre mats	Sri Lanka	Sri Lanka
	Creative Polymats (Private) Limited	Moulded rubber products	Sri Lanka	Sri Lanka
	Hayleys Fibre PLC	Value added coir-based products	Sri Lanka	Sri Lanka
	Bonterra Ltd	Value added coir-based products	Sri Lanka	Sri Lanka
	Ravi Marketing Services (Private) Limited	Services	Sri Lanka	Sri Lanka
	Chas P. Hayley & Company (Private) Limited	Coir and treated rubber timber products	Sri Lanka	Sri Lanka
	Volanka (Private) Limited	Investments	Sri Lanka	Sri Lanka
	Volanka Exports Ltd	Coir-based products and essential oil	Sri Lanka	Sri Lanka
	Toyo Cushion Lanka (Private) Limited	Needled and rubberised coir products	Sri Lanka	Sri Lanka
	Charles Fibres (Pvt) Ltd	Trading in coir-based products	India	India
Hand protection	Dipped Products PLC	General purpose and speciality rubber gloves	Sri Lanka	Sri Lanka
	Venigros (Private) Limited		Sri Lanka	Sri Lanka
	Feltex (Private) Limited		Sri Lanka	Sri Lanka
	Hanwella Rubber Products Limited		Sri Lanka	Sri Lanka
	DPL Premier Gloves Limited		Sri Lanka	Sri Lanka
	DPL Universal Gloves Limited		Sri Lanka	Sri Lanka
	DPL International Limited		Sri Lanka	Sri Lanka
	Icoguanti S.P.A		Italy	Italy
	Dipped Products (Thailand) Limited		Thailand	Thailand
	DPL France SAS		France	France
	ROZENBAL POLSKA Sp. z. o.o		Poland	Poland
Purification products	Haycarb PLC	Activated Carbon and Environmental Purification Solutions	Sri Lanka	Sri Lanka
	Puritas (Private) Limited		Sri Lanka	Sri Lanka
	Ultracarb (Private) Limited		Sri Lanka	Sri Lanka
	Lakdiyatha (Pvt) Ltd		Sri Lanka	Sri Lanka
	Recogen (Private) Limited		Sri Lanka	Sri Lanka
	Eurocarb Products Ltd		United Kingdom	United Kingdom
	Haycarb Holdings Australia (Pvt) Limited		Australia	Australia
	Carbokarn Company Limited		Thailand	Thailand
	CK Regen Systems Company Limited		Thailand	Thailand
	Haycarb USA, INC		USA	USA
	PT Mapalus Makawanua Charcoal Industry		Indonesia	Indonesia
	Haycarb Holdings Bitung Limited		British Virgin Islands	British Virgin Islands
	Shizuka Company Limited		Thailand	Thailand
	PT Haycarb Palu Mitra		Indonesia	Indonesia
	Puricarb Pte Ltd		Singapore	Singapore
	Haycarb Activated Carbon (Pvt) Ltd		India	India

Sub sector	Company	Nature of the Business	Country of Incorporation	Country of Operations
Construction material	Alumex PLC	Aluminium extrusions	Sri Lanka	Sri Lanka
Textiles	Hayleys Fabric PLC	Knitted fabric	Sri Lanka	Sri Lanka
	South Asia Textiles Limited		Sri Lanka	Sri Lanka
Plantations	DPL Plantations (Private) Limited	Plantation Management	Sri Lanka	Sri Lanka
	Hayleys Plantation Services (Private) Limited	Plantation Management	Sri Lanka	Sri Lanka
	Kelani Valley Plantations PLC	Processed tea and rubber	Sri Lanka	Sri Lanka
	Talawakele Tea Estates PLC	Processed black and green tea	Sri Lanka	Sri Lanka
	Mabroc Teas (Private) Limited	Export of bulk and retail packed tea	Sri Lanka	Sri Lanka
	Blue Mountain Tea Exports (Private) Limited	Export of bulk and retail packed tea	Sri Lanka	Sri Lanka
	Meridian Exports (Private) Limited	Export of bulk and retail packed tea	Sri Lanka	Sri Lanka
	Martin Bauer Hayleys (Private) Limited	Manufacturing instant tea and tea extract	Sri Lanka	Sri Lanka
	Kelani Valley Resorts (Private) Limited	Operating & managing Hotels and providing services.	Sri Lanka	Sri Lanka
	Hayleys Produce Marketing Limited		Sri Lanka	Sri Lanka
	Home for every Plantation worker Foundation (Guarantee) Ltd	Corporate Social Responsibility Projects	Sri Lanka	Sri Lanka
	Kalupahana Power Company (Private) Limited	Hydropower	Sri Lanka	Sri Lanka
	Horana Plantations PLC	Processed tea, rubber and palm oil	Sri Lanka	Sri Lanka
Agriculture	Hayleys Agriculture Holdings Limited	Crop production and protection materials, agricultural equipment and animal health products	Sri Lanka	Sri Lanka
	Agro Technica Limited	Agricultural machinery and equipment	Sri Lanka	Sri Lanka
	Haychem (Bangladesh) Ltd	Crop protection chemicals	Bangladesh	Bangladesh
	Sunfrost (Private) Limited	Fresh/processed vegetables	Sri Lanka	Sri Lanka
	HJS Condiments Limited	Retailed-packed, processed vegetables	Sri Lanka	Sri Lanka
	Hayleys Agro Farms (Private) Limited	Planting material	Sri Lanka	Sri Lanka
	Hayleys Agro Biotech (Private) Limited	Horticultural tissue culture products	Sri Lanka	Sri Lanka
	Quality Seed Company (Private) Limited	Hybrid flower seeds	Sri Lanka	Sri Lanka
	Hayleys Agro Fertilizers (Private) Limited	Fertiliser	Sri Lanka	Sri Lanka
Consumer & Retail	Singer (Sri Lanka) PLC	Retail and wholesale marketing of consumer products	Sri Lanka	Sri Lanka
	Regnis (Lanka) PLC	Manufacture of Refrigerators and bottle coolers.	Sri Lanka	Sri Lanka
	Singer Industries (Ceylon) PLC	Assembly of sawing machines & manufacture cabinets and stands for sawing machines	Sri Lanka	Sri Lanka
	Singer Finance (Lanka) PLC	Finance leasing, Mobilisation of Fixed & savings deposits, Financing consumer durables under loan schemes, factoring business including invoice discounting, granting loans including Micro Loans and credit card business.	Sri Lanka	Sri Lanka

GROUP COMPANIES

Sub sector	Company	Nature of the Business	Country of Incorporation	Country of Operations
	Regnis Appliances (Private) Limited	Manufacture and assemble home appliances.	Sri Lanka	Sri Lanka
	Reality Lanka Limited	Acquire, lease, sell and develop properties and contractors for constructions.	Sri Lanka	Sri Lanka
	Singer Business School (Private) Limited	Retail training education relating to business activities.	Sri Lanka	Sri Lanka
	Hayleys Consumer Products Limited	Lighting products and solutions, photo imaging, health care and FMCG products	Sri Lanka	Sri Lanka
	Hayleys Electronics Lighting (Pvt) Ltd	Lightning products and solutions	Sri Lanka	Sri Lanka
	Hayleys Fabric Solutions Limited	Designing, manufacturing and trading furniture	Sri Lanka	Sri Lanka
	Domus Lanka (Private) Limited		Sri Lanka	Sri Lanka
Leisure	The Kingsbury PLC	Leisure	Sri Lanka	Sri Lanka
	Culture Club Resorts (Private) Limited		Sri Lanka	Sri Lanka
	Kandyan Resorts (Private) Limited		Sri Lanka	Sri Lanka
	Sun Tan Beach Resorts Limited		Sri Lanka	Sri Lanka
	Hayleys Leisure PLC		Sri Lanka	Sri Lanka
	Hayleys Hotel Management Services (Private) Limited		Sri Lanka	Sri Lanka
	C D C Conventions (Private) Limited		Sri Lanka	Sri Lanka
	Connaissance Air Travels (Pvt) Ltd		Sri Lanka	Sri Lanka
	Luxury Resorts Pvt Ltd		Maldives	Maldives
	Hayleys Tours (Private) Limited	Travel Agency and Destination Management	Sri Lanka	Sri Lanka
Industry Inputs and Power & Energy-	Hayleys Aventura (Private) Limited	Engineering and projects, power generation, pigments and industrial raw materials	Sri Lanka	Sri Lanka
	Hayleys Lifesciences (Private) Limited	Supplying health care equipment	Sri Lanka	Sri Lanka
	Haycolour (Private) Limited	Textile dyestuff and binders	Sri Lanka	Sri Lanka
	Innovative Solutions Lanka (Pvt) Ltd	Marketing of power generating equipment	Sri Lanka	Sri Lanka
	Bhagya Hydro (Private) Limited	Hydropower	Sri Lanka	Sri Lanka
	Neluwa Cascade Hydro Power (Private) Limited		Sri Lanka	Sri Lanka
	Hayleys Hydro Energy (Private) Limited		Sri Lanka	Sri Lanka
	Hayleys Aventura BD Limited		Bangladesh	Bangladesh
	TTEL Somerset Hydro Power (Private) Limited		Sri Lanka	Sri Lanka
	TTEL Hydro Power Company (Private) Limited		Sri Lanka	Sri Lanka
	Hayleys Neluwa Hydro Power (Private) Limited		Sri Lanka	Sri Lanka
	Neluwa Upper Hydro Power (Private) Limited		Sri Lanka	Sri Lanka

Sub sector	Company	Nature of the Business	Country of Incorporation	Country of Operations
	Hayleys Power Limited	Hydropower investments	Sri Lanka	Sri Lanka
	Nirmalapura Wind Power (Private) Limited	Wind power	Sri Lanka	Sri Lanka
	Joule Power (Pvt) Ltd		Sri Lanka	Sri Lanka
	Beata Power (Pvt) Ltd		Sri Lanka	Sri Lanka
	Solar One Ceylon (Private) Limited	Solar power	Sri Lanka	Sri Lanka
Transportation & Logistics Transportation & Logistics	Hayleys Advantis Limited	Shipping agency, international freight forwarding, express freight, bunkering, husbanding and port agency, ship chartering, ocean container repairing and conversion, container yard operation, inland logistics, energy logistics, warehousing and third-party logistics, marine & shipping and Airline Representation	Sri Lanka	Sri Lanka
	Advantis Ships (Pvt) Ltd		Sri Lanka	Sri Lanka
	Civaro International Limited		Sri Lanka	Sri Lanka
	Colombo Cargo Express (Private) Limited		Sri Lanka	Sri Lanka
	Advantis Freight (Private) Limited		Sri Lanka	Sri Lanka
	Clarion Shipping (Private) Limited		Sri Lanka	Sri Lanka
	CMA- CGM Lanka (Pvt) Ltd		Sri Lanka	Sri Lanka
	Ceva Logistics Lanka (Private) Limited		Sri Lanka	Sri Lanka
	Hayleylines Limited		Sri Lanka	Sri Lanka
	MIT Global Solutions (Pvt) Ltd		Sri Lanka	Sri Lanka
	N.Y.K. Lanka (Private) Limited		Sri Lanka	Sri Lanka
	Yusen Logistics & Kusuhara Lanka (Pvt) Ltd		Sri Lanka	Sri Lanka
	Moceti International (Private) Limited		Sri Lanka	Sri Lanka
	Hayleys Energy Services Lanka (Private) Limited		Sri Lanka	Sri Lanka
	Expelogix (Private) Limited		Sri Lanka	Sri Lanka
	Ceylon Ocean Lines Limited		Sri Lanka	Sri Lanka
	COSCO Shipping Lines Lanka (Private) Limited		Sri Lanka	Sri Lanka
	COSCO Lanka Logistics (Private) Limited		Sri Lanka	Sri Lanka
	Lanka Bunkering Services (Private) Limited		Sri Lanka	Sri Lanka
	Umi Shipping (Private) Limited		Sri Lanka	Sri Lanka
	Sri Lanka Shipping Company Limited		Sri Lanka	Sri Lanka
	Cargo Star Limited		Sri Lanka	Sri Lanka
	Logistics International Limited		Sri Lanka	Sri Lanka
	Advantis Projects & Engineering (Pvt) Ltd		Sri Lanka	Sri Lanka
	Logiwiz Limited		Sri Lanka	Sri Lanka
	Maritime Agencies (Private) Limited		Sri Lanka	Sri Lanka
	International Consumer Brands Limited		Sri Lanka	Sri Lanka
	Hayleys Free Zone Limited		Sri Lanka	Sri Lanka
	Advantis Express (Private) Limited		Sri Lanka	Sri Lanka
	Mountain Hawk (Pvt) Ltd		Sri Lanka	Sri Lanka
	Lanka Maritime Services Limited		Sri Lanka	Sri Lanka
	Star Lanka Shipping (Pvt) Ltd		Sri Lanka	Sri Lanka
	Diamond Shipping Services (Private) Limited		Sri Lanka	Sri Lanka
	Sharaf Shipping Agency (Private) Limited		Sri Lanka	Sri Lanka
	IML Delivery Systems (Private) Limited		Sri Lanka	Sri Lanka
	Intermac (Private) Limited		Sri Lanka	Sri Lanka
	Ocean Network Express Lanka (Private) Limited		Sri Lanka	Sri Lanka

GROUP COMPANIES

Sub sector	Company	Nature of the Business	Country of Incorporation	Country of Operations
	Hayleys Aviation And Projects (Pvt) Ltd		Sri Lanka	Sri Lanka
	Hayleys Travels (Pvt) Ltd		Sri Lanka	Sri Lanka
	Millennium Transportation (Private) Limited		Sri Lanka	Sri Lanka
	Air Global (Private) Limited		Sri Lanka	Sri Lanka
	North South Lines (Private) Limited		Sri Lanka	Sri Lanka
	Total Transport Solutions (Pvt) Ltd		Maldives	Maldives
	Nautical Maldives Private Limited		Maldives	Maldives
	Super Logistics Private Limited		Maldives	Maldives
	One world Logistics Maldives Private Limited		Maldives	Maldives
	Advantis Kushara Sedate Myanmar (Pvt) Ltd		Myanmar	Myanmar
	Logiwiz Logistics India (Pvt) Ltd		India	India
	Advantis Singapore Pte Ltd		Singapore	Singapore
	Advantis Sedate Myanmar (PVT) Ltd		Myanmar	Myanmar
	PT Advantis Akaza Indonesia		Indonesia	Indonesia
	Advatis Sabang Raya Lines Pte. Ltd		Singapore	Singapore
	Advantis Intasl Bangladesh (Pvt) Ltd		Bangladesh	Bangladesh
	S&T Interiors (Private) Limited	Interior fit out contractors	Sri Lanka	Sri Lanka
	Unisyst Engineering PLC	Aluminium fabrication	Sri Lanka	Sri Lanka
Others	Dean Foster (Private) Limited	Investments	Sri Lanka	Sri Lanka
	Hayleys Business Solutions International (Private) Limited	Business Process Outsourcing and Centralised Shared Services	Sri Lanka	Sri Lanka
	Hayleys Group Services (Private) Limited	Secretarial/Investments	Sri Lanka	Sri Lanka
	Volanka Insurance Brokers (Private) Limited	Insurance Brokering	Sri Lanka	Sri Lanka
	Darley Property Holdings (Private) Limited	Property holding and development	Sri Lanka	Sri Lanka
	Carbotels (Private) Limited	Hotel Investment	Sri Lanka	Sri Lanka
	World Export Centre Limited	Construction of "A" grade Office Space	Sri Lanka	Sri Lanka
	Eastern Hotels Limited	Leisure	Sri Lanka	Sri Lanka
	Haylex Ltd (UK)	Marketing	United Kingdom	United Kingdom
	Haylex B V		Netherlands	United Kingdom
	Haylex Japan		Japan	Japan
	Hayleys Foundation (Guarantee) Limited	Corporate Social Responsibility Projects	Sri Lanka	Sri Lanka
	Fentons Limited	Solutions provider for building systems infrastructure and Solar power and information communication technology infrastructure	Sri Lanka	Sri Lanka
	Energynet (Private) Limited		Sri Lanka	Sri Lanka
	Nex-GenAsia (Private) Limited		Sri Lanka	Sri Lanka
	Fentons Smart Facilities (Private) Limited		Sri Lanka	Sri Lanka
	Hayleys Electronics Limited		Sri Lanka	Sri Lanka
	Hayleys Electronics Manufacturing (Private) Limited		Sri Lanka	Sri Lanka
	Global Consumer Brands (Private) Limited		Sri Lanka	Sri Lanka

GROUP VALUE ADDITION AND DISTRIBUTION

For the year ended 31st March	Consolidated			
	2023		2022	
		Rs. mn		Rs. mn
Value Created				
Revenue from contracts with customers		487,431		338,010
Other income		4,280		1,995
Change in fair value of investment properties		347		323
Share of profit of equity accounted investees		541		227
Finance income		20,721		16,832
Cost of materials and services bought in		(370,057)		(254,295)
		143,263		103,092

	Share		Share	
Value Distributed				
To Employees as remuneration	28%	40,233	34%	33,794
To Government revenue	20%	28,308	19%	20,136
Of Sri Lanka		24,326		17,052
Overseas		3,982	-	3,084
To Shareholders as dividend	2%	4,013	3%	3,000
To Lenders of capital	36%	50,859	24%	24,725
Interest on borrowings		39,538		14,883
Non- Controlling interest		11,320		9,842
	86%	123,413	80%	81,655
Value retained for expansion & growth				
Depreciation	6%	8,053	6%	6,407
Profit retained	8%	11,798	14%	15,030
	14%	19,851	20%	21,437
	100%	143,263	100%	103,092

AWARDS AND RECOGNITION

Overall Excellence	Hayleys PLC	Was ranked number 1 on the Business Today Top 40 for FY 2021/22
		Was ranked number 2 on the LMD Top 100 for FY 2021/22.
	Alumex PLC	National Gold Award and Top Ten Award at the CNCI Achiever Awards 2022
	Hayleys Fabric PLC	Recognised within the Top 10 products and Top 10 innovations for street sports at ISPO Texttrends Awards Spring/summer 2024 (Germany).
	Dipped Products PLC	The DPL Group won the Bronze Award for Industrial Excellence in the National Level Manufacturing Sector- Extra Large Category and was one of the Top 10 Award winners at the Ceylon National Chamber of Industries (CNCI) Achiever Awards 2022.
	Kelani Valley Plantations PLC	Was ranked No 1 Company in the Plantations Sector & was ranked No. 27 in the Overall Ranking for 2022 at LMD Top 100 for FY 2021/22
	Talawakelle Tea Estates PLC	Selected for LMD Top 100 Second Board.
		One of the winners at Asia's Best Company of the Year Awards 2022 by Berkshire Media
		Won several awards at the World Business Outlook Awards 2022 • Leading Tea Plantations in Sri Lanka 2022 • Best Quality Ceylon Tea Producer in Sri Lanka 2022 • Best Environmental & Sustainability Initiatives Sri Lanka 2022
		Won National Merit Award under - Extra Large Manufacturing Sector at the CNCI Achiever Awards 2022
	Haycarb PLC	Merit Award and Top 10 Award - National level Manufacturing Sector - Extra large category in CNCI Achievers Awards 2022 for Industrial Excellence
		Winner of the Best Innovation in Marketing Award organised by Business Leader of the Year Awards 2022
	Expelogix (Pvt) Ltd	Won Top Cargo Agent Award for 2021/2022 by American Airlines Cargo
	Logistics International Ltd	Won Best Container Depot at the Imports at ICS-ACDO Awards 2022
	COSCO Shipping Lines Lanka (Pvt) Ltd	Won Best Shipping Agent for Colombo/Indian Sub-Continent Trade 2022 at ICS Awards
	Total Transport Solutions Group	Won the "Gold 100"Award for the fourth consecutive year. The event was organised by Corporate Maldives which was graced by his Excellency Vice President Faisal Naseem.
	Advantis Engineering	Gold Award - National Level Extra Large Service Category at the CNCI achiever awards 2022.
Contribution to Exports	Eco Solutions	**Won the below Awards at the NCE Annual Export Awards in 2022** • Toyo Cushion Lanka (Pvt) Ltd. won Gold Award - Coconut & Coconut Products Sector Large Category • Hayleys Fibre PLC and Bonterra Ltd. won Silver Awards - Coconut & Coconut Products Sector Large Category • Chas P Hayley & Company (Pvt) Ltd and Ravi Industries Ltd. won Bronze Awards at the Coconut & Coconut products sector Extra Large Category • Rileys Ltd. Won Bronze Award - Coconut & Coconut Products Sector Large Category • Haymat Ltd. won Bronze Award - Coconut & Coconut Products Sector Medium Category

	HJS Condiments Ltd	Won Gold Award - Processed Food Products Sector, Extra Large Category at the NCE Export Awards 2022
	Quality Seed Co. (Pvt). Ltd & Hayleys Agro Biotech (Pvt) Ltd	Won Silver Awards for Floriculture & Horticulture Products Sector - Medium Category at the NCE Export Awards 2022
	Alumex Group	Won Gold Award - Machinery & Engineering Product Sector at the NCE Export Awards 2022
	Dipped Products PLC	Won Gold Award for the Rubber and Rubber Products Sector - Extra Large Category and won special awards for Challenge Trophy in the Best Ethical Trading Exporter - Extra Large category 2022 and Highest Foreign Exchange Earner at the NCE Export Awards 2022
	Mabroc	Gold Award - Extra-large Category of Tea & Tea Products at the NCE Export Awards 2022
	Haycarb PLC	Silver Award for Coconut and Coconut Products Sector - Extra Large Category at NCE Export Awards 2022
	Advantis Freight (Pvt) Ltd	Bronze Award - Extra Large Logistic Services Sector at the Annual Export Awards-2022
	Hayleys Free Zone Ltd	Won Large category Gold Award at the NCE Export Awards 2022
Corporate Reporting	Hayleys PLC	Gold Award - Overall Excellence in Corporate Reporting at the TAGS Awards 2022 organised by CASL
		Gold Award - category of Diversified Holdings (Group Turnover Above 50 Bn) at the TAGS Awards 2022 organised by CASL
		Gold Award in Best Presented Annual Report Awards - Diversified Holdings at SAFA Awards 2021
	Singer (Sri Lanka) PLC	Gold Award - Trading Companies at the TAGS Awards 2022 by CASL
	Alumex PLC	Gold Award - Manufacturing Sector category (Group Turnover Upto LKR 10 Bn) at the TAGS Awards 2022 by CASL
		Asia's Best Integrated Report (Category of Integrated Report -SME) - Bronze
	Fentons Limited	Silver Award - Construction Sector at the TAGS Awards 2022 by CASL
	DPL Group	Gold Award - Manufacturing Sector (Group Turnover above LKR 10 Bn) at the at the TAGS Awards 2022 by CASL
		Merit Award - Manufacturing Sector at SAFA BPA Award
	Regnis (Lanka) PLC	Silver Award - Manufacturing Sector (Group Turnover upto Rs 10 billion) at the TAGS Awards 2022 organised by CASL
	Haycarb PLC	Silver Award - Manufacturing Sector (Group Turnover above Rs. 10 billion) at the TAGS Awards 2022 by CASL
	Horana Plantations PLC	Bronze Award - Plantations category at the TAGS Awards 2022 by CASL
	Hayleys Fabric PLC	Silver Award - Manufacturing category online annual reports under at INOVA Awards- 2022
		Bronze Award - Specialty Reports : Combined Annual & Sustainability at the INOVA Awards 2022- USA
		Bronze Award - Manufacturing sector (Group Turnover Above LKR 10 Bn) at the TAGS Awards 2022 by CASL

AWARDS AND RECOGNITION

	Kelani Valley Plantations PLC	Gold Award - Plantations sector at the TAGS Awards 2022 by CASL
		Best Presented Annual Report Awards - Agriculture Category at the SAFA Awards 2021
	Talawakelle Tea Estates PLC	Won three Gold Awards at the Asia Integrated Reporting Awards 2022
		Asia's Best Integrated Report (CEO Message) - Gold Award
		Asia's Best Integrated Report (Integrated Thinking) – Gold Award
		Asia's Best Integrated Report (Value Creation) – Gold Award
		Asia's Best Integrated Report (Governance category) – Silver Award
		Asia's Best Integrated Report (Large companies category) – Bronze Award
		Silver Award in Best Presented Annual Report Awards - SAFA Awards 2021
		Silver Award - Plantations sector category at the TAGS Awards 2022 by CASL
	Hayleys Advantis Ltd	Gold Award - Service sector category at the TAGS Awards 2022 by CASL
	Hayleys Fibre PLC	Compliance Award - Manufacturing companies with (turnover up to Rs. 10 Bn) at the TAGS Awards 2022 by CASL
	Singer Finance PLC	Won the compliance award in the Non-Bank Financial Institutions category (Total Group Asset Above LKR 20Bn) at the TAGS Awards 2022 by CASL
HR Practices	Kelani Valley Plantations PLC	Was awarded the Great Place to Work Certification for 2nd consecutive year
		Was the 2nd plantation company in Sri Lanka to be ranked amongst the 15 best work places for women GPTW
		Was ranked amongst the 50 best work places in Sri lanka in best workplaces list 2022 by GPTW
		Ranked 30 in the best work places in Asia by GPTW
		Management Practices Company Awards 2022 • Best Management Practices - Gold Award • Best Management Practices Excellence Award
		Won the Most Innovative HR Practices Award at South Asian Business Excellence Awards 2022
	Talawakelle Tea Estates PLC	Was awarded the Great Place to Work Certification for 2023/24
		Was the winner in Work – Life Harmony in Asia Award 2022 Community Business
	Haycarb PLC	One of the Top ten Winners in Best Management Companies - Best Management Practices Company Awards 2023
	Dipped Products PLC	Won Merit Award in Women Friendly Work Place Awards
	Singer Finance (Lanka) PLC	Recognised as one of the Best Workplaces in Sri Lanka 2022 – by GPTW
		Singer Finance was ranked no 58 in Best Large Workplaces in Asia
		Great Place to Work – Certified for 2022/2023
	Advantis Express (Pvt) Ltd	Silver Award - Small enterprise under best workplaces in Sri Lanka by GPTW 2022
		Won Excellence Award in "Living the Values" by GPTW 2022
		FedEx recognised as Fortune World's best workplaces in 2022 by GPTW
		Is awarded as top 10 logistics companies in Sri Lanka by GPTW
		Is awarded as one of top 50 Best Workplaces in SriLanka by GPTW
	Hayleys Free Zone Ltd	Is awarded as one of top 50 Best Workplaces in SriLanka by GPTW

Brand & Quality	Kelani Valley Plantations PLC	Second Highest GSA in Tea Sector 2021 -Forbes & Walker Tea Brokers (Pvt) Ltd
		2nd Highest GSA in Tea Sector & 1st Runner up among Regional Plantation Companies (Both High Grown & Low Grown)
		Won following awards at the World Black Tea Quality Evaluation Competition by China Tea Marketing Association • Pedro – OPL – Award of excellence • FBOP – Award of excellence • BOP – Award of excellence • Pekoe – Silver award
	Talawakelle Tea Estates PLC	Won Bronze Award by Somerset Estate and Merit Award by Radella Estate at the Green Productivity Awards 2022 by Sri Lanka Association for the Advancement of Quality & Productivity
		Won following awards at the World Black Tea Quality Evaluation Competition by China Tea Marketing Association • Somerset – FBOP – Silver Award • Somerset - Sunny Blooms – Grand Gold Award • Dessford – Abbotsford Special Tea –Silver Award • Mattakelle - Golden Curls - Silver Award
	Mabroc	BRC certification was renewed successfully for year 2022.
		WCA Certification was obtained for Year 2022
		Renewal - Food Safety System Certification FSSC 22000
		ISO 22000 and 9001 - Surveillance audit was successfully completed for year 2022.
	Logiwiz Ltd	Won 10 awards at the NCPQ (National Convention of Quality & Productivity Awards Gold Awards – 7 Silver Awards – 2 Bronze Award - 1
	Hayleys Advantis Ltd	Silver Award - 'B2B Brand of the Year' category at the 21st SLIM Brand Excellence Awards
	Singer (Sri Lanka) PLC	Was the winner- SLIM Kantar people's durable brand of the year at SLIM Kantar Peoples Awards 2023
		Was the winner- SLIM Kantar People's Brand of the year of the year at SLIM Kantar Peoples Awards 2023
	Hayleys Fabric PLC	Silver Award - Advancement of quality and productivity category at Green Productivity Award 2021
	Dipped Products PLC	Silver Award - "Top Ten Companies" at the CPM - Best Management Practices
		Merit Award - Manufacturing (Large Scale) at the Sri Lanka National Quality Award
Sustainability	Hayleys PLC	Gold Award - Sustainability Reporting Category at the TAGS Awards 2022 organised by CASL
		Was the runners up – Conglomerates and Diversified Category at the ACCA Sri Lanka Sustainability Reporting Awards 2022
	Dipped Products PLC	Silver Award - Rubber Based Products Industries Category at Presidential Environment Awards 2021/22
	Kelani Valley Plantations PLC	Won the Energy Globe National Award 2022 for Rooftop Solar Projects and Steps Towards Carbon Neutrality in Austria

AWARDS AND RECOGNITION

	Talawakelle Tea Estates PLC	Winner - Category of Asia at Hallbars Sustainability Reports Awards 2022
		Gold Award - Asia's Best Stakeholder Reporting and Silver Award - Asia's Best Materiality Reporting at Asia Sustainability Reporting Awards 2022 organised by CSR Works International
		Winner - Retail & Trading at ACCA Sri Lanka Sustainability Reporting Awards 2022
		Was recognised as one of the 10 best Corporate Citizens at the Best Corporate Citizen Sustainability Awards 2022 by The Ceylon Chamber of Commerce. Further the Company was the winner in the categories of Corporate Environmental Commitment and in Agriculture Sector and became 1st Runner Up - less than 15bn turnover category.
		Silver Award by Somerset which was the highest Award for the sector and Merit Award by Radella under Plantation sector at the Presidential Environmental Awards 2021-22
	Hayleys Fabric PLC	Silver Award - Integrated AR & CSR and Sustainability Report at Mercury Awards
		Most Sustainable Textile Industry in Sri Lanka 2022 and Best Textile Manufacturer in Sri Lanka 2022 at the International Business magazine awards 2022 (Dubai)
		Winner - Sustainability Impact Award Category at the International Quality Awards 2022 held in United Kingdom.
	South Asia Textiles Limited	Winner of the Best Sustainability Projects Award 2022 for THE MIDNIGHT - Eco Friendly fabric prints range produced by waste charcoal at the Best Corporate Citizen Sustainability Awards 2022
Recognitions	Kelani Valley Plantations PLC	Recognised at the North American Tea Conference by Tea & Herbal Association of Canada
		UN Volunteers 50 Country Awards- In Recognition of promoting the value of volunteerism through citizen engagement within the corporate sector in Sri Lanka.
	Talawakelle Tea Estates PLC	Ecosystem Restoration Project selected as Special Recognised Project In the North American Tea Conference.

GLOSSARY OF FINANCIAL TERMS

Actuarial Gains and Losses

Gain or loss arising from the difference between estimates and actual experience in a company's pension plan.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Available for Sale

Non derivative financial asset that are designated as available for sale or are not classified as loans and receivable, held to maturity investment or financial assets at fair value through profit and loss.

Biological Asset

A living animal or plant

Capital Employed

Shareholders' funds plus non-controlling interests and interest bearing borrowings.

Capital Reserves

Reserves identified for specific purposes and considered not of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity available for distribution.

Cash Equivalents

Liquid investments with original maturity periods of three months or less.

Contingent Liability

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Current Ratio

Current assets divided by current liabilities. A measure of liquidity.

Current Service Cost

Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Deferred Taxation

The tax effect of timing differences deferred to/from other periods, which would only qualify for inclusion on a tax return at a future date.

Dividend Cover

Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

Dividend Payout

Dividend per share as a percentage of the earnings per share.

Dividend Yield

Dividend per share as a percentage of the market price. A measure of return on investment.

DPS

Dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding. The figure is calculated by dividing the total dividends paid out by a business by the number of outstanding ordinary shares issued.

EBIT

Earnings Before Interest and Tax.

EBITDA

Earnings before interest expense, tax, depreciation and amortisation (includes other operating income). Note that EBITDA includes interest income, fair value gains and losses on investment property and share of results of equity accounted investees, but excludes exchange gains or losses on its foreign currency denominated debt and cash.

Effective Tax Rate

Income tax expense divided by profit before tax.

EPS

Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock.

Equity

The value of an asset after all the liabilities or debts have been paid.

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value Through Profit and Loss

A financial asset/liability acquired/ incurred principally for the purpose of selling or repurchasing it in the near term.

Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

Financial Liability

Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Gain on Bargain Purchase

The amount of the identifiable assets acquired and liabilities assumed exceeds the aggregate consideration transferred.

GLOSSARY OF FINANCIAL TERMS

Gearing

Proportion of total interest bearing borrowings to capital employed.

Interest Cover

Profit before tax and net finance cost divided by net finance cost. Measure of an entity's debt service ability.

Key Management Personnel (KMP)

KMP are those persons having authority and responsibility for planning directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

Market Capitalisation

Number of shares in issue multiplied by the market value of a share at the reported date.

Net Assets Per Share

Total equity attributable to equity holders divided by the weighted average number of ordinary shares in issue. A basis of share valuation.

Non-controlling Interest

Equity in subsidiary not attributable, directly or indirectly, to a parent.

Other comprehensive income

An entry that is generally found in the shareholders' equity section of the balance sheet.

Price Earnings Ratio

Market price of a share divided by earnings per share as reported at that date.

Related Parties

A person or entity that is related to the entity that is preparing its Financial Statements.

Return on Capital employed

Profit before tax and net finance cost divided by average capital employed.

Revenue Reserves

Reserves considered as being available for distributions and investments.

Segments

Constituent business units grouped in terms of similarity of operations and location.

SoRP

Statement of Recommended Practice.

Value Addition

The quantum of wealth generated by the activities of the Group measured as the difference between turnover and the cost of materials and services bought in.

Working Capital

Capital required to finance day- to-day operations, computed as the excess of current assets over current liabilities.

Surcharge Tax

Surcharge Tax has been calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, which exceeds Rs. 2.00 bn, for the year of assessment 2020/2021.

INDEPENDENT LIMITED ASSURANCE REPORT

KPMG
[Chartered Accountants]
[illegible]
P O Box 186,
Colombo 00300, Sri Lanka

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Fax +94 - 11 244 5872
+94 - 11 2 [illegible]
Internet www.kpmg.com/lk

We have been engaged by the Directors of Hayleys PLC ("the Company") to provide limited assurance in respect of the Integrated Report for the year ended 31st March 2023 (the "Integrated Report"). The criteria used as a basis of reporting is the content elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) as disclosed in this Integrated Report.

Basis for Conclusion

We conducted our work in accordance with the Sri Lankan Standard on Assurance Engagements SLSAE 3000 (Standard). In accordance with the Standard we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the Company's Integrated Report, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Our Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

We have not been engaged to provide an assurance conclusion on the fitness for purpose or the operating effectiveness of the Company's strategy or how the Company creates value, including the governance, strategic management and other key business processes. The procedures we have performed in relation to the Company's strategy and how the Company creates value are outlined below.

Limited Assurance Integrated Report

Based on the limited assurance procedures performed and evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Integrated Report, as defined above, for the year ended 31st March 2022, has not in all material respects, been prepared in accordance with the Content Elements of the IIRC's International Integrated <IR> Framework.

Board of Directors and Management's responsibility

The Board of Directors and Management are responsible for:

- Determining that the criteria is appropriate to meet the needs of intended users, being the company's members and any other intended users.
- Preparing and presenting of the Integrated Report in accordance with the criteria set out in the IIRC's <IR> Framework. This includes disclosing the criteria, including any significant inherent limitations.
- Ensuring the Company's strategy is well presented in the Company's Integrated Report and reflects how the Company creates value as they operate in practice
- Identifying stakeholders and stakeholder requirements;
- Identifying material issues and reflecting those in the Company's Integrated Report; and
- Preparation and fair presentation of the Integrated reporting information; design and implementation of internal controls that the company determines necessary to enable the preparation and presentation of the Integrated Report that is free from material misstatement, whether due to fraud or error.
- Informing us of any known and/or contentious issues relating to the Integrated Report.
- Preventing and detecting of fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities;
- Process to ensure that the Company personnel involved with the preparation and presentation of the integrated reporting information are properly trained, systems are properly updated and that any changes in reporting is relevant to the Integrated Report information encompass all significant business units. This responsibility also includes informing us of any changes in the Company's operations.
- The responsibility also includes informing changes in the Company's Operations since the date of our most recent assurance report on the Integrated reporting information.

Our responsibility

Our responsibility is to perform an external assurance engagement in relation to the Integrated Report and to issue an assurance report that includes our conclusions.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

INDEPENDENT LIMITED ASSURANCE REPORT

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain limited assurance about whether the Integrated Report is free from material misstatement.

Our firm applies Sri Lanka Standard on Quality Control (SLSQC) 1 and maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Limited assurance on the Integrated Report

Our limited assurance engagement on the Integrated Report consisted of making enquiries, primarily of persons responsible for the preparation of the Integrated Report, and applying analytical and other procedures, as appropriate. These procedures included:

1. Interviews with executives, senior management and relevant staff to understand the internal controls, governance structure and reporting process relevant to the Integrated Report;
2. Reviewing of the relevant internal policies and procedures developed by the Company, including those relevant to determining what matters most to the Company's stakeholders, how the Company creates value, the Company's external environment, strategy, approaches to putting members first, governance and reporting.
3. Reviewing the description of the Company's strategy and how the Company creates value in the Integrated Report and enquiring of management as to whether the description accurately reflects their understanding;
4. Assessing of the suitability and application of the Content Elements of the <IR> Framework in the Integrated Report;
5. Assessing of the alignment between the Company's strategy, the disclosures on how the Company creates value and what matters most to the Company's stakeholders.
6 Reviewing Board minutes to ensure consistency with the content of the Integrated Report.
7. Reviewing the Integrated Report in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement.
8. Obtaining a letter of representation from management dated 19 May 2022 on the content of the Company's Integrated Report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Integrated Report.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Company.

Limitations of our review

The Integrated Report includes prospective information. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Integrated Report.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Integrated Report is prepared in accordance with the IIRC's International <IR> Framework and for no other purpose or in any other context.

Restriction of use of our report

This report has been prepared for the Company for the purpose of providing an assurance conclusion on the Integrated Report and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Company, or for any other purpose than that for which it was prepared.

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.

Chartered Accountants

Colombo

19 May 2023

KPMG a Sri Lankan partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee

C P Jayawardena FCA
Miss S Joseph FCA
S T D L Fernando FCA
Ms B K D T K Rajapaksha FCA
Ms C T K N Perera ACA

T J S Rajakarier FCA
Ms S M P Jayawickrama FCA
S A S Kanakaratne FCA
R H Rajah FCA
S M R P Jayatilleke ACA

W J C Perera FCA
W K D C Abeysekara FCA
P M D B Fernando FCA
Ms K Sivagnanasothy FCA
Ms P M K Senanayake FCA

Principals & Directors of the firm who are not Chartered Accountants are designated as Directors in relation to their services to Audit Clients of the firm

GRI CONTENT INDEX TOOL

Statement of use	Hayleys PLC has reported in accordance with the GRI Standards for the period from 1st April 2021 to 31st March 2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	[Titles of the applicable GRI Sector Standards]

Gri Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
General disclosures						
GRI 2: General Dis-closures 2021	2-1 Organisational details	8	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	2-2 Entities included in the organisation's sustainability reporting	8,446				
	2-3 Reporting period, frequency and contact point	8-9				
	2-4 Restatements of information	8				
	2-5 External assurance	459-460,8				
	2-6 Activities, value chain and other business relationships	12, 82-85				
	2-7 Employees	247,248				
	2-8 Workers who are not employees	247,248				
	2-9 Governance structure and composition	58				
	2-10 Nomination and selection of the highest governance body	63				
	2-11 Chair of the highest governance body	48				
	2-12 Role of the highest governance body in overseeing the management of impacts	71				
	2-13 Delegation of responsibility for managing impacts	71				
	2-14 Role of the highest governance body in sustainability reporting	71				
	2-15 Conflicts of interest	61				
	2-16 Communication of critical concerns	71				
	2-17 Collective knowledge of the highest governance body	63				
	2-18 Evaluation of the performance of the highest governance body	63				
	2-19 Remuneration policies	396				
	2-20 Process to determine remuneration	296				
	2-21 Annual total compensation ratio	72				

GRI CONTENT INDEX TOOL

Gri Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
	2-22 Statement on sustainable development strategy	39				
	2-23 Policy commitments	119				
	2-24 Embedding policy commitments	119				
	2-25 Processes to remediate negative impacts	70				
	2-26 Mechanisms for seeking advice and raising concerns	70				
	2-27 Compliance with laws and regulations	39				
	2-28 Membership associations	268				
	2-29 Approach to stakeholder engagement	86				
	2-30 Collective bargaining agreements	251				
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	93	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	3-2 List of material topics	96-97				
Economic performance						
GRI 3: Material Topics 2021	3-3 Management of material topics					
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	20				
	201-2 Financial implications and other risks and opportunities due to climate change	276				
	201-3 Defined benefit plan obligations and other retirement plans	333				
	201-4 Financial assistance received from government	-		Not applicable	The Group does not receive any financial benefit from the Government	
Indirect economic impacts						
GRI 3: Material Topics 2021	3-3 Management of material topics	262				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	262				
	203-2 Significant indirect economic impacts	22,33-35				
Procurement practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	259				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	259				

Gri Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
Tax						
GRI 3: Material Topics 2021	3-3 Management of material topics	337				
GRI 207: Tax 2019	207-1 Approach to tax	337				
	207-2 Tax governance, control, and risk management	337				
	207-3 Stakeholder engagement and management of concerns related to tax	86				
	207-4 Country-by-country reporting	18				
Materials	Materials					
GRI 3: Material Topics 2021	3-3 Management of material topics	287				
GRI 301: Materials 2016	301-1 Materials used by weight or volume	280				
	301-2 Recycled input materials used	280				
	301-3 Reclaimed products and their packaging materials			Not Relevant	Group does not use any reclaimed products and their packaging materials	
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	277				
GRI 302: Energy 2016	302-1 Energy consumption within the organisation					
	302-2 Energy consumption outside of the organisation	277				
	302-3 Energy intensity	277				
	302-4 Reduction of energy consumption	277				
	302-5 Reductions in energy requirements of products and services	277				
Water and effluents						
GRI 3: Material Topics 2021	3-3 Management of material topics	278				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	278				
	303-2 Management of water discharge-related impacts	278				
	303-3 Water withdrawal	278				
	303-4 Water discharge	282				
	303-5 Water consumption		303-5 a,b,c,d	Information not available	The Group does not have the measures in place to capture water consumption	

GRI CONTENT INDEX TOOL

Gri Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
Biodiversity						
GRI 3: Material Topics 2021	3-3 Management of material topics	282				
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	282				
	304-2 Significant impacts of activities, products and services on biodiversity	282				
	304-3 Habitats protected or restored	283				
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	283				
Emissions						
GRI 3: Material Topics 2021	3-3 Management of material topics	247				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	274				
	305-2 Energy indirect (Scope 2) GHG emissions	274				
	305-3 Other indirect (Scope 3) GHG emissions	274				
	305-4 GHG emissions intensity	275,121-234				
	305-5 Reduction of GHG emissions	275,121-324				
	305-6 Emissions of ozone-depleting substances (ODS)		305-6 a,b,c,d	Information not available	The Group currently does not monitor these emissions	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		305-7 a,b,c			
Waste						
GRI 3: Material Topics 2021	3-3 Management of material topics	281				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	281				
	306-2 Management of significant waste-related impacts	281				
	306-3 Waste generated	281				
	306-4 Waste diverted from disposal	281				
	306-5 Waste directed to disposal	281				

Gri Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
Employment						
GRI 3: Material Topics 2021	3-3 Management of material topics	247				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	247				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	247				
	401-3 Parental leave		401-3 a,b,c,d,e	Information not available	The Group currently does not monitor parental leave	
Labour/management relations						
GRI 3: Material Topics 2021	3-3 Management of material topics	251				
GRI 402: Labour/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	251				
Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	253				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	253				
	403-2 Hazard identification, risk assessment, and incident investigation	253				
	403-3 Occupational health services	254				
	403-4 Worker participation, consultation, and communication on occupational health and safety	253				
	403-5 Worker training on occupational health and safety	254				
	403-6 Promotion of worker health	254				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	254				
	403-8 Workers covered by an occupational health and safety management system	254				
	403-9 Work-related injuries	254				
	403-10 Work-related ill health	254				
Training and education						
GRI 3: Material Topics 2021	3-3 Management of material topics	250				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	250				

GRI CONTENT INDEX TOOL

Gri Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
	404-2 Programs for upgrading employee skills and transition assistance programs	250				
	404-3 Percentage of employees receiving regular performance and career development reviews	250				
Local communities						
GRI 3: Material Topics 2021	3-3 Management of material topics	263				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	263				
	413-2 Operations with significant actual and potential negative impacts on local communities	263				
Customer health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	257				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	258				
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	258				
Marketing and labelling						
GRI 3: Material Topics 2021	3-3 Management of material topics	258				
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling					
	417-2 Incidents of non-compliance concerning product and service information and labelling	258				
	417-3 Incidents of non-compliance concerning marketing communications	258				

Topics in the applicable GRI Sector Standards determined as not material

Topic	Explanation
[Title of GRI Sector Standard]	
[Topic]	[Explanation]
[Topic]	[Explanation]

CORPORATE INFORMATION

Name of Company

Hayleys PLC
(A public limited company, incorporated in Sri Lanka in 1952)

Company Number

PQ 22

Stock Exchange Listing

The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka

Registered Office

Hayley Building,
P.O. Box 70, 400, Deans Road,
Colombo 10, Sri Lanka
Telephone: (94-11) 2627000
Facsimile: (94-11) 2699299
Website: http://www.hayleys.com

Directors

A M Pandithage – Chairman & Chief Executive

K D D Perera - Co-Chairman (Non - Executive) - Resigned w.e.f 10.06.2022

S C Ganegoda

H S R Kariyawasan

Dr. H Cabral, PC

L R V Waidyaratne

M H Jamaldeen

M Y A Perera

Mrs. J Dharmasena

R J Karunarajah

K D G Gunaratne

Ms. A A K Amarasinghe
(Alternate to K D D Perera) - ceased w.e.f 10.06.2022

Group Management Committee

A M Pandithage – Chairman & Chief Executive

S C Ganegoda

H S R Kariyawasan

L R V Waidyaratne

Mrs. J Dharmasena

Dr. W G R Rajadurai

E R P Goonethileke

Mrs. D Talpahewa

N R Ranatunge

D W P N Dediwela

H Prematillake

M Wijewardene

R J Karunarajah

J A W M Jayasekara

M M A R P Goonetileke

R H P Janadheera - Appointed w.e.f 01.01.2023

T M Hewagama - Appointed w.e.f 31.01.2023

Ng Soon Huat - Resigned w.e.f 18.01.2023

C De Silva - Resigned w.e.f 10.02.2023

Audit Committee

M Y A Perera - Chairman

Dr H Cabral, PC

M H Jamaldeen

K D G Gunaratne

Remuneration Committee

Dr H Cabral, PC – Chairman

K D D Perera - Resigned w.e.f 10.06.2022

M H Jamaldeen

M Y A Perera

K D G Gunaratne - Appointed w.e.f 21.04.2023

Nomination Committee

A M Pandithage – Chairman

K D D Perera - Resigned w.e.f 10.06.2022

Dr H Cabral, PC

M Y A Perera - Appointed w.e.f 21.04.2023

Related Party Transaction Review Committee

Dr H Cabral, PC - Chairman

S C Ganegoda

M Y A Perera

Secretaries

Hayleys Group Services (Private) Limited
400, Deans Road, Colombo 10, Sri Lanka

Telephone: (94-11)2627650
E-mail: info.sec@hayleys.com

Please direct any queries about the administration of shareholdings to the Company Secretaries

Investor Relations

Please contact Strategic Business Development Unit

Telephone: (94-11)2627662

E-mail: lasantha.somaratne@sbdu.hayleys.com

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT THE SEVENTY SECOND ANNUAL GENERAL MEETING OF HAYLEYS PLC will be held on Friday, 30th June 2023 at 1.30 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 Statement of Accounts for the year ended 31st March 2023 with the Report of the Auditors thereon.
2. To re-elect as a Director Mr. K.D.G. Gunaratne, 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. M.H. Jamaldeen, 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 Ms. J. Dharmasena, 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.

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 as 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."

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 electronic means."

By Order of the Board,

HAYLEYS PLC

HAYLEYS GROUP SERVICES (PRIVATE) LIMITED

Secretaries

Colombo.

5th June 2023

Notes to shareholders:

1. The Annual Report of the Company for 2022/23 is available on the corporate website **https://www.hayleys.com/investor-relation** and on the Colombo Stock Exchange website - www.cse.lk.

2. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the office of the Company Secretaries at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the time fixed for the Meeting.

3. **For your reference, the existing Articles are available in the Colombo Stock Exchange website - www.cse.lk.**

4. A shareholder who requires a hard copy of the Annual Report must post or handover the duly completed 'Request Form - Annexure A' to the office of the Secretaries.

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FORM OF PROXY

I/We* ..... (full name of shareholder**)

NIC No./Reg. No. of Shareholder (**) .....

of .....

being Shareholder/Shareholders* of HAYLEYS PLC hereby appoint,

1. ..... (full name of proxyholder**)

NIC No. of Proxyholder (**) .....

of ..... or failing him/her

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our Proxy to attend and vote as indicated hereunder for me/us and on my/our behalf at the Seventy Second Annual General Meeting of the Company to be held on Friday, 30th June 2023 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	For	Against
1. To adopt the Annual Report of the Directors and the Statement of Accounts for the year ended 31st March 2023 with the Report of the Auditors thereon.	☐	☐
2. To re-elect as a Director Mr. K. D. G. Gunaratne, as set out in the Notice.	☐	☐
3. To re-elect as a Director Mr. M. H. Jamaldeen, as set out in the Notice	☐	☐
4. To re-elect as a Director Ms. J. Dharmasena, as set out in the Notice	☐	☐
5. To re-appoint Mr. A. M. Pandithage, in terms of Section 211 of the Companies Act No. 07 of 2007.	☐	☐
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 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 Resolution 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

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION :

1. The completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Private) Limited, at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the start of the meeting. Delayed Proxy Forms shall not be accepted.
2. A Shareholder entitled to attend and vote at the Annual General Meeting of the Company, is entitled to appoint a Proxy to attend and vote instead of him/her and the Proxy need not be a Shareholder of the Company.
3. Full name of Shareholder/Proxy holder and their NIC Nos. are mandatory. Your Proxy Form will be rejected if these details are not completed.
4. A Shareholder is not entitled to appoint more than one Proxy to attend on the same occasion.
5. The duly completed 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.

INVESTOR FEEDBACK FORM

To request information or submit a comment / query to the Company, please complete the following and return this page to -

Strategic Business Development Unit
Hayleys PLC
P.O Box 70 , No.400, Deans Road, Colombo 10, Sri Lanka.

Telephone : (94 -11)262 7662
E-mail : lasantha.somaratne@sbdu.hayleys.com

Name :

Permanent Mailing Address : .....

Contact Numbers - (Tel) : ....
County Code Area Code Number

- (Fax) : ....
County Code Area Code Number

E-mail : .....

Name of Company (If Applicable) : .....

Designation (If Applicable) : .....

Company Address (If Applicable) : .....

Queries / Comments :

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www.hayleys.com