

Matters**that**Matter





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Matters**that**Matter

This Annual Report is published within three months of the Statement of Financial Position date. The web and mobile HTML versions are also published on-line on the same date as the date of issue of this Annual Report at www.Hayleys.com

In the integrated world of Hayleys, it matters to us that value creation must reflect value derived as well as value delivered. It follows therefore that our stakeholders matter to us just as much as we matter to them.

Conducting our enterprise within such an environment behoves us to identify and define the levels of materiality attached to the various matters that substantively affect our ability to create value over time.

It is in accurately identifying and managing the matters that matter that mutual success lies.

This is an integrated **annual report** capturing economic, social and environmental value creation of **Hayleys PLC** in **2013/14**

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This is Hayleys

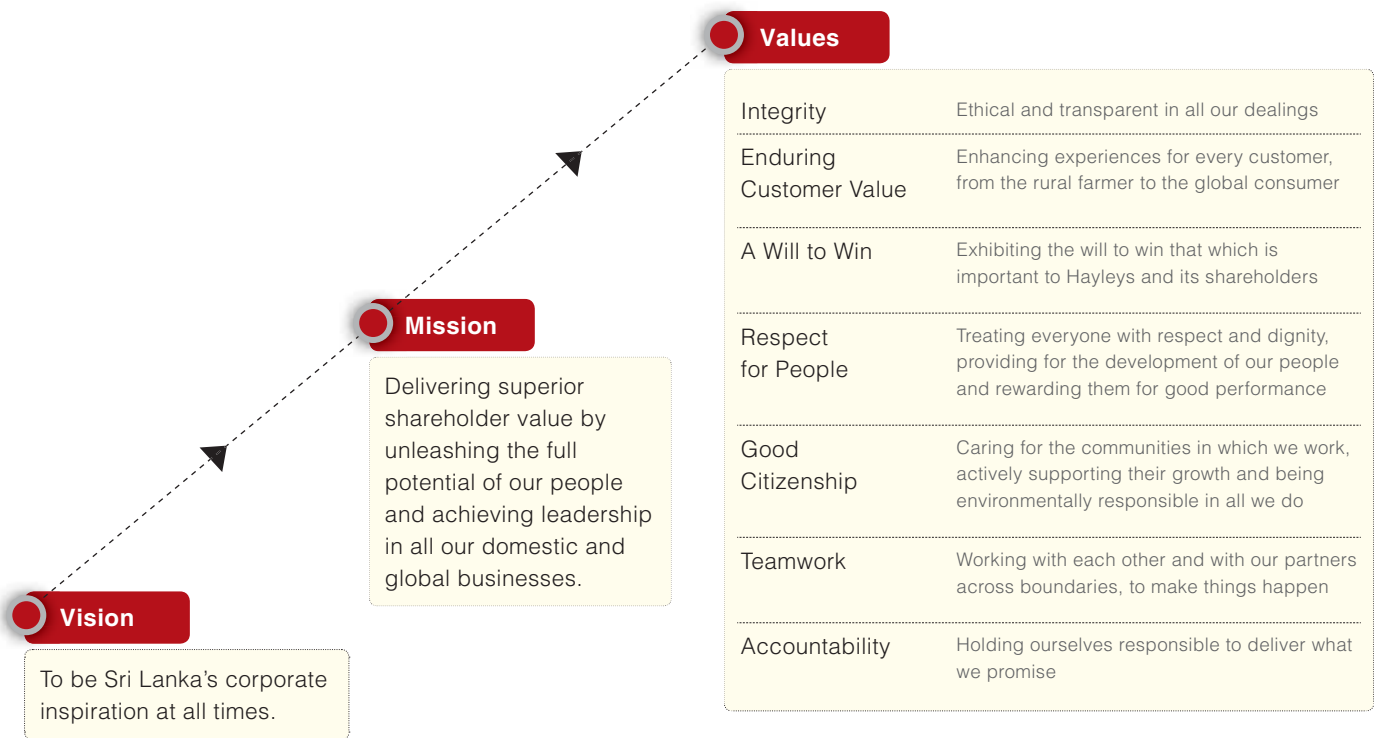
Hayleys is one of Sri Lanka’s largest multinational conglomerates.

With a history spanning 136 years, the Company and its subsidiaries in Sri Lanka and overseas drive a globally competitive business portfolio encompassing 12 diverse sectors of enterprise cutting across manufacturing, agriculture and services.

Commencing commercial operations in 1878 as Chas. P. Hayley and Company, we were incorporated as Hayleys Limited 62 years ago. Embracing innovation and entrepreneurship, we have created value for people

and businesses across the country and beyond. It is this spirit that has characterised our growth and the building of a strong and successful enterprise that is active in local and global markets.

In addition to Sri Lanka, Hayleys today has manufacturing facilities in Indonesia and Thailand, and marketing operations in Australia, India, Bangladesh, Italy, Japan, Netherlands, UK and USA. The Group accounts for 2.73% of Sri Lanka’s export income, and 4.12% of tea and 2.65% of rubber production. In global markets the Group accounts for 15% of coconut shell based activated carbon production and 5% of non-medical rubber gloves production.



Highlights

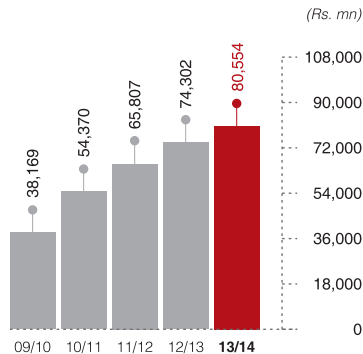
Financial Highlights

		2014	2013	% Change	2012
Earnings Highlights and Ratios					
Revenue	Rs. mn	80,554	74,302	8	65,806
Results from operating activities	Rs. mn	7,213	6,555	10	4,042
Profit before tax	Rs. mn	5,074	4,917	3	2,488
Profit after tax	Rs. mn	3,709	3,505	6	1,573
Profit attributable to owners of the Parent	Rs. mn	1,809	1,761	3	979
Dividends	Rs. mn	375	338	11	300
Gross profit	%	23.3	22.8	2	20.3
Operating profit margin	%	9.0	8.8	1	6.1
Net profit margin	%	4.6	4.7	(2)	2.4
Earnings per share (basic)	Rs.	24.11	23.48	3	13.06
Return on assets (ROA)	%	4.6	4.7	(3)	2.4
Return on capital (ROCE)	%	11.6	11.5	1	8.1
Interest cover	No. of times	3.0	2.4	23	2.7
Financial Position Highlights and Ratios					
Total assets	Rs. mn	81,355	74,743	9	65,809
Total debt	Rs. mn	25,878	23,563	10	21,729
Equity attributable to equity holders of the parent	Rs. mn	23,723	22,252	7	18,286
Gearing	%	41.6	41.3	1	43.4
Debt/equity	%	71.2	70.5	1	76.7
Equity asset ratio	%	44.7	44.7	(0)	43.1
Net assets per share	Rs.	316.31	296.69	7	243.54
Current ratio	No. of times	1.2	1.0	16	1.0
Quick asset ratio	No. of times	0.8	0.7	(25)	0.7
Shares in issue	No. mn	75	75	–	75
Market/Shareholder Information					
Market value per share as at 31st March	Rs.	285.00	298.70	(5)	360.00
Dividend per share	Rs.	5.00	4.50	11	4.00
Company market capitalisation as at 31st March	Rs. mn	21,375	22,403	(5)	27,000
Group market capitalisation as at 31st March	Rs. mn	48,208	45,710	5	49,361
Price earnings ratio	No. of times	11.82	12.72	(7)	27.57
Dividend yield ratio	%	1.8	1.5	16	1.1
Dividend payout ratio	%	20.7	19.2	8	30.6
Dividend cover	No. of times	4.8	5.2	(7)	3.3
Others					
Economic value created	Rs. mn	21,066	19,118	20	14,316
Economic value distributed	Rs. mn	17,553	14,269	23	12,048
Government	Rs. mn	1,615	1,584	2	1,081
Employees	Rs. mn	11,273	7,924	42	8,582
Others	Rs. mn	4,664	4,761	(2)	2,385
Value added per employee	Rs. mn	0.58	0.54	18	0.39
Group employment	Number	36,224	35,373	2	36,383

Revenue

Rs. 80,554 mn [▲]

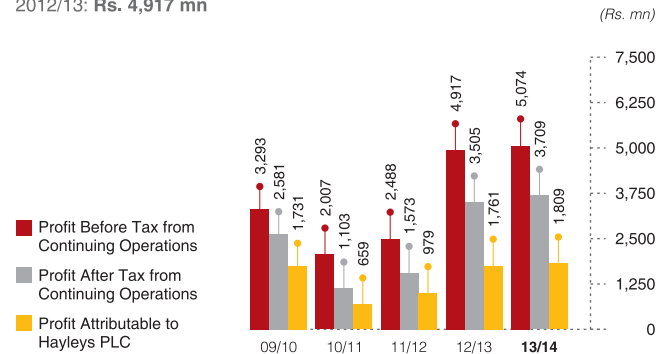
2012/13: Rs. 74,302 mn



Profit

Rs. 5,074 mn [▲]

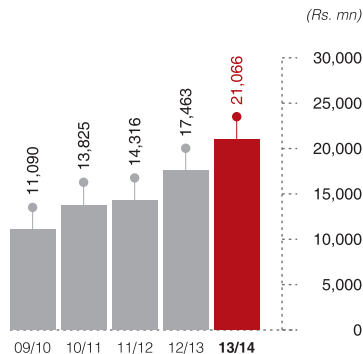
2012/13: Rs. 4,917 mn



Group Value Addition

Rs. 21,066 mn [▲]

2012/13: Rs. 17,463 mn



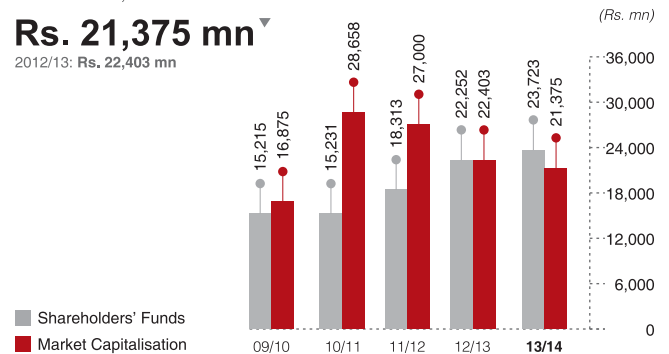
Shareholders' Funds and Market Capitalisation

Rs. 23,723 mn [▲]

2012/13: Rs. 22,252 mn

Rs. 21,375 mn [▼]

2012/13: Rs. 22,403 mn



Export Oriented

Our businesses contribute to 3% of national exports

Value Addition

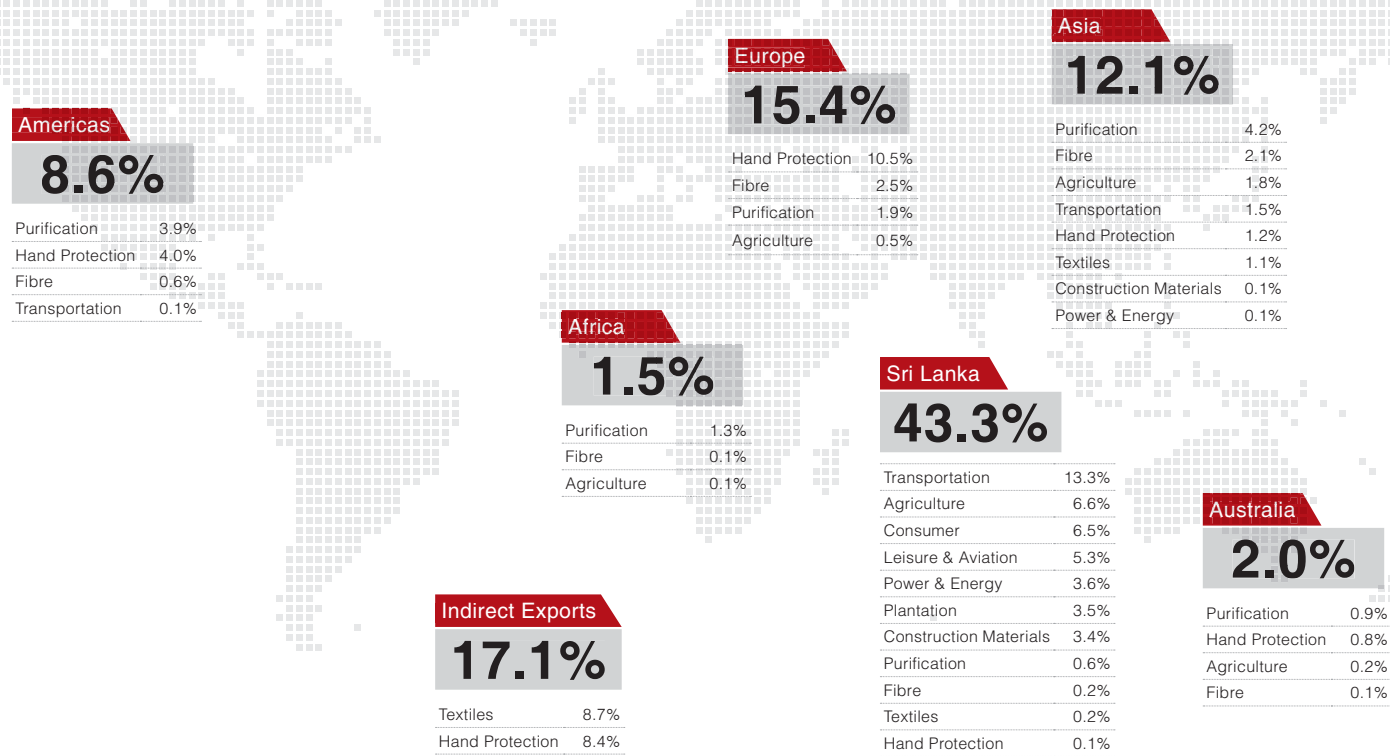
Our focus is on value addition and technological excellence in all our products and services

Presence

We have a significant presence in all three sectors of the economy - agriculture, manufacturing and services

Global Markets

Revenue



Employment

We provide employment to 36,224 people through our involvement in various sectors

Identifying Risks

We identify and manage all risks that may impact our operations

Portfolio Management

We constantly review and refine our portfolio of business

About this Report

Report Format

In this our second integrated Annual Report 2013/14 we are presenting a comprehensive and yet concise account of our performance during the year under review, as well as our expectations of the future in creating sustainable value for the Hayleys Group and its stakeholders. This Annual Report may be viewed across multiple formats.

The most comprehensive is the interactive online report

 <http://hayleys2013-14.annualreports.lk>, while the printed version focuses on brevity but fulfils all compliance requirements. The highly abridged mobile version  <http://hayleys2013-14.annualreports.lk/mobile.html> and the short video  <http://hayleys2013-14.annualreports.lk/video.html> complete the picture.

Concepts

Although we label this as our 'second' integrated Annual Report, some of you may recall the innovative approach we adopted over a decade ago when reporting for FY 2002/03 - our 125th anniversary, wherein we discussed value creation in the context of relationships and the interconnectedness of our tangible and intangible capital. It thus appears that these concepts, which lie at the core of integrated reporting, were conceived by Hayleys even before the term integrated reporting became common parlance!

Our approach to integrated reporting largely reflects integrated thinking and the way we do business, underpinned by the recognition that the value Hayleys derives for itself is linked to the value that Hayleys delivers to its stakeholders. In short, the dual aspects of sustainable value creation.

This also leads us to view 'sustainability' as a mindset that cuts across all business sectors and functions, impacting on all what we do. Hence, like in our Annual Report 2012/13, we have integrated our discussion on material economic, social and environmental aspects across the totality of the annual report. It is one cohesive report that also includes our approach to corporate governance, risk management and strategic priorities, presented with a focus on value creation and capital formation. These concepts are further discussed on page 48.

Report Profile

Reporting Cycle

This is an integrated Annual Report that covers the 12-month period from 1st April 2013 to 31st March 2014. Hayleys PLC adopts an annual reporting cycle, and hence, the last published report - also an integrated report - was in respect of financial year ended 31st March 2013.

Scope and Boundary

Unless otherwise stated the Annual Report 2013/14 covers the performance of constituent businesses of Hayleys Group, based in Sri Lanka and overseas, as discussed in Note 1 to the Financial Statements on page 121. Specific exceptions are our reporting on employees, society and environment where our discussion is limited to Sri Lanka operations and are noted accordingly in the relevant sections.

Compliance

The information contained in this report, as in the past, is in compliance with all applicable laws, regulations and standards as well as guidelines for voluntary disclosures. In particular, we are in compliance with the

financial reporting standards of the Institute of Chartered Accountants of Sri Lanka - including the requirements following the convergence of the Sri Lanka Accounting Standards (SLFRS/LKAS) with the International Financial Reporting Standards (IFRS), the laws and regulations of the Companies Act No. 7 of 2007, the Listing Rules of the Colombo Stock Exchange (CSE) and subsequent amendments. We continue to adhere to the requirements of the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

Hayleys PLC applies a precautionary principle across all Group companies with regard to social and environmental sustainability. We are aware of the social and environmental impact of our actions. Before embarking upon new ventures and initiatives we take necessary steps to assess any impacts through adequate risk management processes, which are discussed in pages 34 to 38.

Our Annual Report 2012/13 was based on Global Reporting Initiative GRI G3.1 sustainability reporting guidelines. This year we have adopted GRI G4 and this Report is prepared in accordance with the core criteria.

Queries

We welcome your comments on this Annual Report. Our contact details are as follows:

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info@cau.hayleys.com

Web:
www.hayleys.com

Mail:
Corporate Affairs Unit
Hayleys PLC, No. 400, Deans Road, Colombo 10,
Sri Lanka



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Letter from the Chairman

Our recent strategic investments are
delivering expected results, and going forward,
we will continue to ensure sustained growth
and superior value creation across
all our business sectors.



Dear Shareholders,

Hayleys continued its trend of successful performance both in terms of revenue and profit growth in the concluded financial year amidst its share of challenges, particularly in some of our traditional lines of business. Adversity also revealed opportunity, whilst yet again the benefits of diversification provided the anchor for the Group to emerge stronger and more resilient than ever before. Our recent strategic investments are delivering expected results, and going forward, we will continue to ensure sustained growth and superior value creation across all our business sectors.

Performance Underpinned by Resilience

Revenue growth during the year was a satisfactory 8.4% to reach Rs. 80.6 bn, whilst profit before tax grew 3.2% to Rs. 5.1 bn. The strong returns generated from the Transportation & Logistics and Purification sectors along

with recent investments in leisure, renewable energy and construction materials, drove the positive side of performance. The Hand Protection sector, despite facing many challenges including forced closure of a key manufacturing facility, posted meaningful results. Some of our established businesses, particularly the Fibre and Textiles sectors, faced operational challenges that are being addressed. Overall, an effective portfolio strategy provided the required resilience for the Group to post satisfactory results.

An Environment that Lends Optimism

The macroeconomic environment that prevailed during the year provided a blend of opportunities as well as challenges. The Sri Lankan economy moved favourably with interest rates on the decline, inflation managed at mid-single digit levels and the Rupee being largely allowed to move in line with market forces. There were also improvements in key global markets,

which are important for the Groups' export businesses. The United States made positive strides towards sustained economic recovery and tail risks in Europe diminished significantly. Challenges remain in certain emerging and frontier markets and Sri Lanka too faced some volatility in the first half of the financial year stemming from the US Federal Reserve's announcement of tapering quantitative easing. Overall, our prudent management of foreign exchange and interest rate risks coupled with effective business strategies across a diversified portfolio makes us view the unfolding global and domestic macroeconomic environment with optimism.

Manufacturing with Purpose

Hayleys enjoys a proud tradition of innovation, pioneering the manufacture of coconut shell-derived activated carbon in Sri Lanka - a high value product which goes into a range of applications from air and water purification to energy storage and gold mining. The Hayleys Purification sector faced two setbacks during the year - the rising cost of coconut shells, and a downturn in gold mining due to low gold prices. Nevertheless, the demand for other applications remains robust. To secure reliable, affordable raw material supplies Haycarb continues to expand its overseas manufacturing operations in Indonesia and Thailand. Overall, the Purification sector recorded profit before tax (PBT) of Rs. 1,033 mn for the year (FY 2012/13: Rs. 1,188 mn).

The Hand Protection sector, led by Dipped Products PLC (DPL), demonstrated tremendous resilience amidst severe undue adversity during the year under review. With a history of 38 years and a 5% global market share for non-medical rubber gloves, DPL has built relationships with buyers across 70 countries around the world. Yet, the year under review turned out to be the most difficult period for DPL, when it was compelled to suspend production at the factory in Rathupaswala following protests by local communities over an unfounded allegation that the factory was contaminating the groundwater. The factory has always surpassed the requirements of the environmental protection regulations, duly confirmed by subsequent independent investigations. Nevertheless, as attempts to resume production were hindered, DPL chose to invest in a new manufacturing location in the BOI industrial zone in Biyagama. I am pleased to note that production has commenced in Biyagama with the project being implemented within anticipated time lines and costs. The silver lining is that adversity makes us even more resolute in discovering our hidden strengths. Despite these setbacks the Hand Protection sector turned in a PBT of Rs. 910 mn for the year (FY 2012/13: Rs. 1,339 mn).

A growing domestic economy and the boom in the construction industry saw Hayleys entering the Construction Materials Sector through a strategic acquisition of Alumex in 2010. The Alumex Group today accounts for over 50% of the domestic demand for aluminium extrusions, which is increasingly becoming a viable alternative to timber for window, door frames and similar applications. Alumex became the eleventh listed company in the Hayleys Group in March 2014 following an initial public offering. The Construction Materials sector turned in a sound PBT of Rs. 464 mn during the year (FY 2012/13: Rs. 377 mn).

The Hayleys Textiles sector posted an encouraging 39% growth in revenue and made a positive operating profit during the year. Investments in enterprise resource planning systems have contributed to improved performance all round. The sector continues to focus on higher end product lines by taking advantage of unique capabilities in providing end to end solutions through integrated textile manufacturing. The Textiles sector recorded a pre tax loss of Rs. 172 mn during the year, significantly lower than the FY 2012/13 loss of Rs. 468 mn.

The Fibre sector, through innovative R&D, has captured export markets through a wide variety of eco-friendly products for domestic and industrial applications. However, in recent years the sector has not performed to full potential and we are currently restructuring this business. Whilst making an operating profit, the Fibre sector profit before tax was in the red with a loss of Rs. 112 mn for the year (FY 2012/13: loss of Rs. 2 mn).

Adding Value in Agriculture

The Agriculture sector of Hayleys has a strong track record of supporting national imperatives. Our gherkin and jalapeno peppers out-grower venture creates indirect employment opportunities for over 8,000 individuals. We have recently ventured into seaweed cultivation, which provides supplementary income to fishing communities in the Mannar and Killinochchi Districts. Hayleys is present along the entire value chain of the Agriculture sector, from providing seeds for the domestic sector to tissue culture and biotechnology for the export of flower seeds and plants. While moving up the value chain, we continue to make a strong social and economic impact in the local communities. The bottom line too has been rewarding, with a PBT of Rs. 638 mn during the year.

The Hayleys Plantation sector continued to grapple with the vagaries of the weather and escalating wages. As a labour intensive sector, we provide livelihoods and social services to over 23,000 individuals in some of the most economically

backward regions of the country. We invested over Rs. 2 bn in field development in our tea and rubber plantations during the past five years, with benefits to be reaped over the medium and long term. In spite of absorbing a wage hike this year, the Plantation sector recorded PBT of Rs. 699 mn. (FY 2012/13: Rs. 959 mn).

Developing Exportable Services

The Hayleys Transportation & Logistics sector continued to perform well with PBT of Rs. 1.12 bn, becoming the highest contributor to Group PBT this year. The sector continued to leverage several decades of experience in this industry and geared itself to take advantage of opportunities that are arising out of Sri Lanka's move towards becoming a vibrant maritime and aviation hub.

Hayleys is a significant player in the domestic distribution market, bringing world class brands to the growing Sri Lankan middle class. We work with some of the world's most renowned FMCG brands and selected high end products, incorporating modern distribution and supply chain systems. Despite overall slack demand in the market, the Consumer Products sector posted positive results, albeit lower than the previous year.

Aligning with the country's drive to promote tourism, our Leisure and Aviation sector received significant investments in recent years that are beginning to show positive results. The sector reported a PBT of Rs. 538 mn during the year (FY 2012/13: loss of Rs. 18 mn), with strong contributions coming from the Group's flagship city hotel, The Kingsbury, along with the resorts segment under the Amaya brand. The Aviation and Destination Management segments also contributed to the bottom line and provide the Group with a holistic exposure to the leisure industry.

The Hayleys Power and Energy sector aims to expand its footprint further. In addition to several mini-hydro power plants, our investment in a 10 MW wind farm is also generating a sound return. Along with our Industrial Inputs segment that primarily serves the local food, rubber, paint and textile industries, the sector performed well to post a PBT of Rs. 769 mn in 2013/14. (FY 2012/13: Rs. 497 mn).

The Hayleys BPO venture builds on capabilities developed under our shared services within the diverse businesses of the Group, to provide similar services to external customers as well. This business has turned profitable and is expected to grow, driven by offshore BPO clientele.

Results that Matter

We remain bullish on the sectors in which we have made significant investments over the recent past, whilst we are confident of seeing recovery in the sectors that are not meeting our expectations, through the remedial measures that are being implemented.

As a responsible corporate citizen, our strategies are aligned with sustainable business practices that balance the needs and aspirations of a multitude of stakeholders. When we step back and look at the contribution of the Hayleys Group to the broader community in which we operate, your Company is undoubtedly more than the sum of its parts. To us, they are matters that matter.

Given the results achieved this year while keeping a view on the future, the Board of Directors has proposed a first and final dividend of Rs. 5.00 per share for the year under review.

Acknowledgments

I thank all stakeholders who have stood by Hayleys over the years. The most valuable relationships are those that remain resolute under all circumstances, and we respect such relationships. In particular, I thank the staff of Hayleys who have worked hard amidst trying circumstances to deliver this year's results and our customers and business partners for their continued loyalty.

Mr. Ranil Pathirana resigned from the Board of Directors of Hayleys in January 2014. I take this opportunity to convey my appreciation for his contribution to Hayleys and I wish him success in the future. I am pleased to announce that Mr. Hisham Jamaldeen has been appointed to the Board of Directors of Hayleys as a Non-Executive Director as of 7th February 2014. Ms Shyamalie Weerasooriya has been appointed to the Board of Directors as an Alternate Director to Mr. Dhammika Perera as of 1st December 2013. We warmly welcome both.

Finally, I would like to express my sincere appreciation of the continued guidance provided by the Deputy Chairman and the Board of Directors of Hayleys PLC.



Mohan Pandithage
Chairman and Chief Executive

19th May 2014



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Stewardship

Conducting business successfully across the Hayleys Group requires complying with established best practices in corporate governance, and identifying and managing risks material to the business of the Group and its key stakeholders through effective stakeholder engagement.

Board of Directors



Mohan Pandithage

Chairman & Chief Executive

Joined Hayleys Group in 1969. Appointed to the Board in 1998. Chairman and Chief Executive of Hayleys PLC since July 2009. Fellow member of the Chartered Institute of Logistics & Transport. Member of the Presidential Committee on Maritime Matters. Serves as the Honorary Consul of United Mexican States (Mexico) to Sri Lanka, Committee Member of the Ceylon Chamber of Commerce, Council Member of the Employers' Federation of Ceylon, Member of the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka and Director, Sri Lanka Port Management & Consultancy Services Ltd.



Dhammika Perera

Deputy Chairman

Appointed to the Board in 2008. He is a quintessential strategist and business specialist with interests in a variety of key industries including Hydropower generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. He enriches the Board with over 25 years of experience in building formidable businesses through unmatched strategic foresight. He currently holds the position of Secretary to the Ministry of Transport, Sri Lanka. He is also a Member of the Board of Directors of Strategic Enterprise Management Agency (SEMA). He serves as the Chairman of Sampath Bank PLC, Vallibel One PLC, Vallibel Finance PLC, Vallibel Power Erathna PLC, The Fortress Resorts PLC and Delmege Limited. He is the Deputy Chairman of Royal Ceramics Lanka PLC, Horana Plantations PLC, Lanka Ceramic PLC and LB Finance PLC. He also serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys MGT Knitting Mills PLC, The Kingsbury PLC, Dipped Products PLC, Lanka Tiles PLC, Orit Apparels Lanka (Pvt) Ltd. and Sun Tan Beach Resorts Ltd.



Rizvi Zaheed

Joined Hayleys in 1981. Appointed to the Group Management Committee in 2001. Appointed to the Board in August 2004. Holds a BA (Hons.) Degree from the University of Kelaniya and an MBA Degree from the University of Colombo. Member of the Agri Cluster of the National Council for Economic Development. Represents Hayleys on the Board of Sri Lanka Institute of Nanotechnology (SLINTEC). Serves as Co-Chair of the Biotechnology Cluster of the Coordinating Secretariat for Technology & Innovation (COSTI) and is a Member of the University Grants Commission Standing Committee on Agriculture and Livestock and a Member of the Floriculture and Food & Beverage Advisory Committees of the Sri Lanka Export Development Board. Council Member of the Sri Lanka Council for Agricultural Policy Research (CARP). Member of the main committee of the Ceylon Chamber of Commerce and Chairman of the Agriculture & Livestock Steering Committee and Vice-Chairman of the Imports Section, Ceylon Chamber of Commerce, Director of CSR Sri Lanka. Has responsibility for the Agriculture sector.



Nimal Perera

Non-Executive Director

Appointed to the Board in July 2009. He counts for over 30 years' experience in Finance, Capital Market Operations, Manufacturing, Marketing and Management Services. He serves on Boards of Pan Asia Banking Corporation PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Lanka Ceramics PLC, Horana Plantations PLC, Swisstek Ceylon PLC, as the Chairman, Royal Ceramics Lanka PLC as the Managing Director, Vallibel One PLC as the Deputy Chairman, LB Finance PLC as Executive Director, Vallibel Power Erathna PLC and The Fortress Resorts PLC as Alternate Director. He also holds Directorships in The Kingsbury PLC, Haycarb PLC, Talawakelle Tea Estates PLC, Amaya Leisure PLC, and Vallibel Finance PLC. He is a renowned business magnate, stock trader and shareholder of many companies in Sri Lanka.



Sarath Ganegoda

Rejoined Hayleys in March 2007. Appointed to the Group Management Committee in 2007. Appointed to the Board in September 2009. Fellow Member of Institute of Chartered Accountants of Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Worked for Hayleys and Diesel & Motor Engineering PLC between 1987 and 2002, ultimately as an Executive Director of the latter. Subsequently, held several senior management positions in large private sector entities in Sri Lanka and overseas. Has responsibility for the Strategic Business Development Unit and the Consumer Sector.



Rajitha Kariyawasan

Joined Hayleys Group in January 2010. Appointed to the Group Management Committee in February 2010. Appointed to the Board in June 2010. Holds a B.Sc. Eng. (Electronics and Telecommunications) from the University of Moratuwa, Sri Lanka. Fellow Member of the Chartered Institute of Management Accountants, UK. Also a Six Sigma (Continuous Improvement Methodology) Black Belt, certified by the Motorola University, Malaysia. Before joining Hayleys, held the position of Director/General Manager of Ansell Lanka (Pvt) Ltd. Served as the Chairman of the Manufacturing Association of Export Processing Zone, Biyagama. Has responsibility for the Purification Products sector.

**Dr. Harsha Cabral, PC****Independent Non-Executive Director**

Appointed to the Board in February 2011. He is a President's Counsel with twenty-five years' experience in the field of Company Law, Intellectual Property Law, International Trade Law & Commercial Arbitration. Holds a Doctorate in Corporate Law from the University of Canberra, Australia. Member of the Law Commission of Sri Lanka, Advisory Commission on Company Law in Sri Lanka, Council of the University of Colombo, Board of Studies of the Council of Legal Education and Academic Board of Studies of the Institute of Chartered Accountants of Sri Lanka. He is one of the architects of the new Companies Act of Sri Lanka. Serves as Independent Non-Executive Director on the Boards of DIMO PLC, Alumex PLC, Union Bank PLC, Tokyo Cement PLC, Richard Pieris Distributors Ltd., Lanka Orix Finance PLC, Tokyo Super Cement Co. (Lanka) Ltd. & Fuji Cement Co. Commercial Leasing & Finance Ltd. Tokyo Power (Lanka) Ltd. Hambana Petrochemicals Ltd. Serves on several Audit Committees, Nomination Committees and Remuneration Committees, chairing some of them. Dr. Cabral is the author of several books on Corporate Law and Intellectual Property Law.

**Dr. Mahesha Ranasoma**

Joined Dipped Products Limited in August 2010 as an Executive Director and took over as Managing Director from April 2011. Appointed to Hayleys Group Management Committee in January 2011 and to the Board on 1st April 2011. Former Country Chairman/Managing Director of Shell Gas Lanka Ltd. and Shell Terminal Lanka Ltd. Holds First Class Honours Degree in Engineering from the University of Peradeniya, a Doctorate from Cambridge University, UK and an MBA with Distinction from Wales University, UK. Director of Kelani Valley Plantations PLC, Talawakelle Tea Estates PLC, Mabroc Tea and Hayleys Global Beverages (Pvt) Ltd. Has overall responsibility for the Hand Protection Sector.

**Mangala Goonathilake****Independent Non-Executive Director**

Appointed to the Board in June 2011. He is a Finance professional with over 25 years of post-qualification experience. He has held senior managerial positions in leading Public, Multinational and Private Companies during his career. He is an Associate Member of the Institute of Chartered Management Accountants (UK), passed finalist of Institute of Chartered Accountants of Sri Lanka and has a Post Graduate Diploma in Management from PIM of University of Sri Jayawardenepura. Currently serves as a Group Executive Director of DSL Group of Companies, independent Director of Colombo Land Development Company PLC, Pan Asia Bank, Royal Ceramic PLC and Vallibel Finance PLC.

**Lalin Samarawickrama**

Appointed to the Board and the Group Management Committee in June 2011. He is an internationally qualified Hotelier having gained most of his Management experience in the UK, working for large international hotel chains over a long period of time. First Sri Lankan Manager to be appointed by the Beaufort International Chain of Hotels to run the first seaside boutique resort. Member of the Institute of Hospitality, UK (formerly HCIMA) and of the Royal Society of Health, London. Has several years of experience in the trade. He is the Managing Director of the Amaya Hotels Group, The Kingsbury and Hunas Falls PLC. Director of The Fortress Resorts PLC, Royal Ceramics Lanka PLC and Kelani Valley Plantations PLC. Is responsible for the Hotels & Resorts in the Leisure & Aviation Sector.



Ruwan Waidyaratne

Joined Hayleys Advantis Group in 1985. Appointed to the Hayleys Group Management Committee in February 2011. Was appointed as the Managing Director of Hayleys Advantis Group in April 2011 and appointed as an Executive Director of the Hayleys PLC Board in April 2013. Former Chairman of the Sri Lanka Freight Forwarders' Association (SLFFA) and currently functions as a Member of the Advisory Council of the Association. Member of the Steering Committee on Ports, Shipping, Aviation and Logistics affiliated to the Ceylon Chamber of Commerce. 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. Has overall responsibility for the Transportation Sector.



Hisham Jamaldeen

Independent Non-Executive Director

Appointed to the Board in February 2014. Graduated from Warwick University UK in Engineering and Business Studies, has spent the last ten years working in the real estate industry. He has specialised in real estate investments with a focus in transactional analysis, financing, refinancing debt structures and tax structuring. He is a Fellow Member of the Association of Certified Chartered Accountants of UK. He currently serves as the Managing Director of Steradian Capital Investments (Pvt) Ltd. which specializes in financing, corporate structures, acquisitions and developments.

Ms. Shyamalie Weerasooriya

Alternate Director to Dhammika Perera

Appointed to the Board in December 2013 as an Alternate Director. Associate Member of the Institute of Chartered Accountants of Sri Lanka and holds a Bachelor's Degree in Science from the University of Colombo. She possesses 17 years of post-qualification experience and counts over 12 years of working experience in the finance sector. She is the Chief Financial Officer of The Fortress Resorts PLC and Vallibel One PLC and a Director of Amaya Leisure PLC. She serves as an Alternate Director of Dipped Products PLC, Hayleys MGT Knitting Mills PLC, Haycarb PLC, Delmege Limited and Orit Apparels Lanka (Pvt) Ltd.

Group Management Committee

Mohan Pandithage

Rizvi Zaheed

Sarath Ganegoda

Rajitha Kariyawasan

Dr. Mahesha Ranasoma

Lalin Samarawickrama

Ruwan Waidyaratne

 refer pages 14 to 17 for **profiles**



Chrishan Mendis

Joined Hayleys in 1983. Appointed to the Group Management Committee in 2001. Holds a B.Sc. (Hons.) Degree from the University of Colombo. Fellow, Chartered Institute of Management Accountants (UK) Fellow Chartered Institute of Marketing, (UK) and a Chartered Marketer. Was based in the UK from 2010 to 2013 being responsible for the marketing network of the Fibre Sector in the UK and Europe. Was appointed as Managing Director of all Fibre sector companies from 1st January 2014 and has overall responsibility for the sector.



Johann Wijesinghe

Joined the Group in 2008 and was appointed to the Group Management Committee in 2011. Currently serves as Managing Director of Airlines & Travel Companies. Holds an MBA from the University of Leicester (UK) and is a Member of the Chartered Institute of Marketing (UK). Holds over 20 years' experience in the Aviation Industry with the National Carrier SriLankan Airlines. Prior to joining Hayleys, served as the Head of Worldwide Cargo at SriLankan Airlines responsible for the entire air freight business sector of the organisation. Held several senior positions for the airline including management positions in Europe, Middle East and the Far East and the Head Office in Colombo. Possesses over 5 years' experience in the Hotel Industry, having served as the Director, Marketing and Sales at The Lanka Oberoi. Has responsibility for the Aviation, Destination Management & Hotel Development in Leisure & Aviation sector.



Dr. Arul Sivagananathan

Joined Hayleys in January 2011 as the Managing Director of Hayleys Business Solutions International (Pvt) Ltd. Appointed to Hayleys Group Management Committee in June 2011. Currently serves as the Managing Director of Hayleys Industrial Solutions Group. Prior to joining Hayleys, held a senior management position in a BPO company listed in the NYSE and overlooked operations across Chennai and Sri Lanka. Holds an Honours Degree in Civil Engineering from the University of London, an MBA from Cranfield University (UK), Doctorate from USA and is a Fellow Member of the Chartered Institute of Management Accountants (UK). Board Member of CIMA Sri Lanka, SLASSCOM and Board of Studies of Postgraduate Institute of Management (PIM). Has responsibility for the Power & Energy Sector and the Group's BPO business.



Dilhan De Silva

Joined Hayleys in November 2011 as the Group Chief Financial Officer. Appointed to Group Management Committee in January 2012. Prior to joining Hayleys PLC, served Delmege Ltd. as Group Finance Director and progressed to the position of Group Chief Executive Officer. Has over 20 years of experience in numerous industries. Member of the Chartered Institute of Management Accountants (UK), Institute of Chartered Accountants of Sri Lanka, Certified Management Accountants of Sri Lanka, Certified Management Accountants of Australia and Certified Practising Accountants of Australia. Has responsibility for Group Finance, Legal and other Group Services.



Roshan Rajadurai

Rejoined the Group in January 2013 as the Managing Director of Kelani Valley Plantations PLC and Talawakelle Plantations PLC and was appointed to Group Management Committee in the same month. Prior to rejoining Hayleys, served as Director/CEO of Kahawatta Plantations PLC and held Senior Plantation Management positions in Kelani Valley Plantations PLC from 1993 to 2001. Holds a BSc. in Plantation Management and holds an MBA from Post Graduate Institute of Agriculture, Peradeniya. Fellow Member of National Institute of Plantation Management. Currently serves as the Chairman of the Planters' Association of Ceylon. Member of the Sri Lanka Tea Board, Rubber Research Board, Tea Council of Sri Lanka and Director Tea Small Holdings Development Authority. Director of Mabroc Teas (Pvt) Ltd. and Hayleys Global Beverages (Pvt) Ltd. Has overall responsibility for the Plantations sector and Mabroc Teas.



Rohan Goonetilleke

Joined the Group as Managing Director/CEO of Hayleys MGT Knitting Mills PLC in March 2013, and was appointed to the Group Management Committee in the same month. Prior to Joining the Group, served as Director of Brandix X'pressions (Pvt) Ltd. and CLT Apparel (India) (Pvt) Ltd., a fully owned subsidiary of Brandix Lanka Ltd. Has held the posts of 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 PLC. Holds a degree in Engineering (B.Sc. Eng.) from the United Kingdom. Has responsibility for the Textile Sector.



Ajith Dandeniya

Joined Hayleys in January 2012 as the Group Chief Information Officer. Subsequently appointed as the Managing Director of Hayleys Business Solutions International (Pvt) Ltd. in November 2013. Appointed to Group Management Committee in April 2014. Prior to joining Hayleys, Served as a BPO Strategy Consultant for RSA, a leading UK based multinational Insurance Group. Held the post of Vice President of IT & Projects being instrumental in setting up Sri Lankan operations for leading outsourcing supplier WNS Global Services. Holds a First Class Honours Degree in Computer Engineering from University of Westminster (UK) and an MBA in International Finance from Bristol Business School (UK). Member of the Chartered Institute of Management (UK) and a certified Practitioner of PRINCE2, a structured Project Management Methodology. General Council Member of SLASSCOM. Has responsibility for Group Information Technology services & shared services.



Ms. Surani Amerasinghe

Joined Hayleys in May 2014 as Head of Group Human Resources and appointed to the Group Management Committee in the same month. Prior to joining Hayleys, served as Human Resources Director, Ceylon Tobacco Company and transferred to British American Tobacco Head Office in London as Senior HR Business Partner CORA and Legal, overlooking HR for global Corporate and Regulatory Affairs and Legal functions. Possesses experience heading Human Resources in numerous industries and in different markets including Singapore, China, the United Kingdom and India. Is an hotelier by profession with a Diploma in Hotel Management from Hotel Consult Cesar Ritz in Switzerland and Masters in Business Administration from American City University. Has responsibility for Group Human Resource Management, Corporate Communications/Sustainability and Group Security.

Corporate Governance

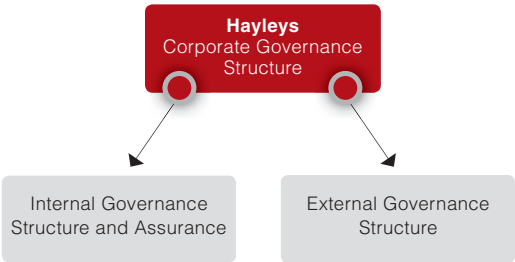
Highlights 2013/14

- Mr. L.R.V. Waidyaratne, appointed as a member of the Board after the 2011/12 Annual General Meeting was re-elected to the Board as a Director.
- Mr. H.R.S Kariyawasan, Mr. M.R. Zaheed and Dr. H. Cabral, re-elected to the Board as Directors at the 2012/13 Annual General Meeting who retired by rotation.
- Mr. M.H. Jamaldeen, appointed as an Independent Non-Executive Director to the Board.
- Mr. G.A. Dandeniya and Ms. D.S. Amerasinghe, appointed to the Hayleys Group Management Committee.
- Mr. R.P. Pathirana, a member of the Board since 2011 resigned during the year.
- Mr. M.M.M. De Silva, Mr. G.K. Seneviratne, Mr. S.P. Dissanayake, ceased to be members of the Hayleys Group Management Committee subsequent to their retirement.
- Mr. G.M.P. De Silva, resigned from the Hayleys Group Management Committee.

Hayleys has a policy of complying with established best practices in Corporate Governance. The Board has adopted core values and Group standards which set out the conduct of staff in their dealings with shareholders, colleagues, suppliers and other stakeholders of the Group which ensures positive workplace management, marketplace responsibility, environmental stewardship, community engagement and sustained financial performance. This involves the maintenance of;

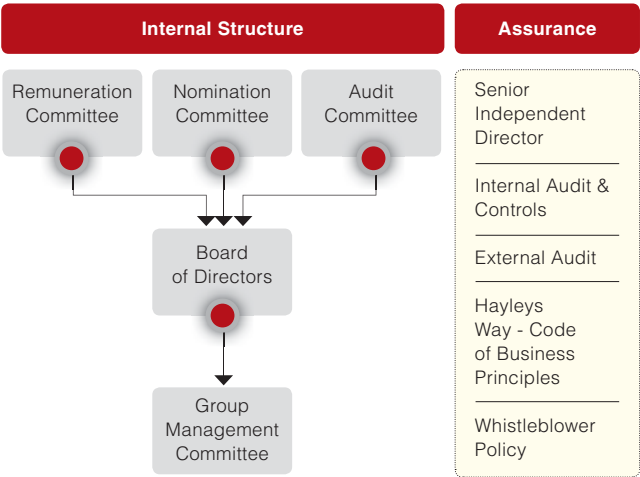
- an efficient organisational structure,
- systems for internal control and risk management,
- transparent internal and external reporting.

The Hayleys Governance Structure can be graphically shown as follows:



Internal Governance Structure & Assurance

Internal governance encompasses the system of policies, processes and rules created by the Hayleys Board of Directors for the business to follow. It includes the reasons for which the company operates and the roles various stakeholders play in pursuing and achieving those goals. Hayleys internal governance structure and assurance framework is depicted in the following diagram.



Internal Governance Structure

Hayleys Internal Governance Structure is established and overseen by the Board of Directors and designed to allow for effective and efficient decision-making and to meet corporate governance standards. The Board of Directors has delegated authority to its Committees on specific matters which are set out in written terms of reference in line with evolving best practice and the highest standards of corporate governance.

Group strategies are subjected to a comprehensive annual review by the Board and are discussed further as necessary during the year.

The Group Management Committee has been delegated authority to formulate strategies in respect of business units, and implement them within the policy framework established by the Board.

The sectors are required to align their strategies towards the achievement of the Group and Sector/Company Key Performance Indicators (KPIs). The annual budgeting process assists this and documents Sector strategies and short term objectives.

The achievement of targets through implementation of strategies formulated, current performance and the short-term outlook are reviewed at sector review meetings which are held monthly. Further, focused discussion takes place at monthly Group Management Committee meetings.

The Board in understanding current business performance strives to ensure there is transparency on significant risk exposures. It encourages a culture where there is open debate and discussion on the risks faced in achieving business objectives and on new projects and key investment initiatives.

In providing strategic direction, the Board will obtain and review all strategic options and initiatives under consideration. This will comprise an analysis of the options, resource constraints and related risk exposures to facilitate informed decision making.

Hayleys Group Management Committee (HGMC)

In keeping with the authority delegated to HGMC by the Hayleys Board, HGMC members are responsible for developing strategies and action plans in respect of the sectors and/or business units they manage. The members in charge of service units are responsible for formulation of policies and strategies in respect of these units. These are subject to approval by the Board.

Strategies in respect of sectors are presented in the annual budget planning process and are discussed and approved by the HGMC before submission to the Hayleys Board for approval.

All capital expenditure of business sectors are required to be approved by the Boards of the respective companies.

Companies falling within each sector are required to hold quarterly meetings at which all matters requiring the approval of the Boards of those companies will be tabled and considered.

The Responsibilities of the HGMC

- Recruitment, remuneration and discipline of all personnel
- Training and succession planning
- Negotiations with trade unions and manual and clerical personnel
- Approval of expenditure
- Supervision of financial authority

- Maintenance of safety and ethical standards
- Management of risk and following implicit and explicit guidelines set by the Group
- Protection and maintenance of assets
- Providing support to the Board in pursuing Hayleys Group objectives and standards

While Group Companies are subject to coverage by the Audit Committees, HGMC members are responsible to review risk management systems and internal control systems designed to protect assets, ensure proper records are maintained and information produced is reliable.

The members are also responsible for the recruitment, training and retention of senior management staff and ensuring succession for key functions. The Chairman and HGMC, in consultation with the Head of Group HR, have oversight for ensuring that succession plans are in place for all sectors.

The Group Management Committee meets monthly and reviews the actual financial performance against respective budgets and forecasts.

Copies of minutes of the Group Management Committee meetings and of other Review meetings are sent to all Directors including the Non-Executive Directors.

Internal Communication

Functional Clusters

The established Finance, Information Technology, Corporate Communications, & HR Clusters bring together representatives from the different parts of the Group. These Clusters serve as forums to communicate relevant matters, identify areas of special interest and concern, discuss these and share best practices.

All Financial Controllers of sectors are required to report in writing to the Group Financial Controller, on a quarterly basis, bringing to his notice any significant risk or

concern regarding business activities of their sector and the financial statements submitted by them. This reporting may be more frequent if circumstances warrant it. These are subject to active discussion at the CFO Forum which takes place every 6 weeks so that matters are debated among the CFOs of the Group.

CEO's Forum

The CEO's Forum chaired by the Chairman & Chief Executive is held quarterly. This forum brings together management staff of all companies, enabling dissemination of information and sharing of best practices within the Group. Guest speakers are also invited to make presentations on topical issues.

Assurance

Components of assurance ensure that the objectives of Corporate Governance are achieved and once achieved, they are used to realise the intended values.

Senior Independent Director

Since the role of Chairman and Chief Executive is combined, the appointment of the Senior Independent Director mitigates the risk of an over-concentration of decision making powers in one person. The Senior Independent Director is responsible for:

- Setting the Company's values and standards and ensuring that its obligations to shareholders and others are understood and met.
- Upholding high ethical standards of integrity and probity.
- Supporting executives in their leadership of the business, whilst monitoring their conduct.
- Promoting high standards of corporate governance and compliance with the provisions of the Combined Code whenever possible.
- Chair meetings with the other Non-Executive Directors (without the Chairman being present) encouraging open dialogue, particularly regarding the Chairman's performance.

- 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 shareholders, when requested, to understand their issues and concerns thereby assisting the Board to develop a balanced understanding.

Internal Audit & Control

The Board is responsible for the Groups’ internal control and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It covers all controls, including financial, operational and compliance control and risk management. It is important to state, that any system can ensure only reasonable, and not absolute, assurance that errors and irregularities are prevented or detected within a reasonable time.

The Groups’ Management Audit & System Review Department (MA&SRD) plays a significant role in assessing the effectiveness and successful implementation of existing controls, strengthening these and establishing new controls where necessary. The MA&SRD’s reports are made available to the Chairman & Chief Executive and the Chairman of the Audit Committee.

The Group also obtains the services of independent professional accounting firms other than the statutory auditors to carry out internal audits and reviews to supplement the work done by the MA&SRD.

The Board has reviewed the effectiveness of the system of financial controls for the period up to the date of signing accounts.

**Information Technology
IT Governance**

IT Governance at Hayleys continues to play a vital role in the way Information Technology related services are managed and controlled. It establishes standards that underpin Hayleys overall Vision for IT.

At Hayleys, IT governance is controlled on multiple fronts: firstly, the ‘Structural Component’ that pertains to Hayleys IT activities to support goals of the business and people who manage those activities. Secondly the ‘Processes Component’ that defines IT decision making processes as well as policies that measure and control the way IT is carried out at Hayleys.

With the introduction of the ‘SAP Transformation Programme’ and Sectors gradually coming on-board with SAP Business Systems - Hayleys is in the process of setting-up a SAP Governance Team (SGT) that will include both business and IT stakeholders from individual sectors.

The Hayleys IT Forum meets on a monthly basis. This provides an ideal platform for all IT representatives across Hayleys to meet and discuss common issues and share best practices across Hayleys Group.

Hayleys Preferred Supplier Programme (PSP) has been in operation successfully since last year. Through PSP, Hayleys has centralised the purchasing of hardware and negotiated rates with suppliers that provides the Group price advantage due to larger forecasted volumes.

Hayleys IT policies and procedures are reviewed at regular intervals to ensure that the changing needs of technology and business are aligned.

IT Value and Alignment

Investments for IT projects and systems within Hayleys are made after careful consideration of their suitability for related projects.

Cost Benefit Analysis is undertaken to ascertain aspects such as cost savings, improved customer satisfaction, timely information availability and balance between cost of investment and scale of operations. All significant IT related investments at Hayleys are put through a stringent assessment criterion and approved by the Sector Heads as well as the Group CIO for completeness and accountability.

Hayleys believes that business alignment with Information Technology is paramount to increase the value of IT.

IT Risk Management

The Risks associated with Information Technology at Hayleys are continually assessed as part of the Enterprise Risk Management Process.

The use of licensed software, closer monitoring of internet usage, compliance based email archival and other IT related operations (for compliance with the Hayleys 'IT User Policy') and the use of antivirus, firewall servers/software etc, are some of the critical practices deployed.

Hayleys through its Website Vulnerability Assessment Programme (WVAP) is in the process of testing each and every customer facing site to ensure that all vulnerabilities presented are addressed and resolved.

Business Critical Information is backed up or replicated at regular intervals and kept in secure offsite locations to meet statutory and other relevant compliances. In addition, Hayleys Business Critical Systems are duplicated (through Hayleys Disaster Recovery Programme) as a necessary cover for catastrophic failures.

External Audit

The external auditors of the holding company and all other local companies within the Group are Ernst & Young. They also provide non-assurance services to the Group. The restrictions provided in terms of rulings issued by CSE and other commitments were taken into consideration when entering engagements with the Group auditor.

The knowledge and experience of the Audit Committees ensure effective usage of the expertise of the auditors, while maintaining independence, in order to derive transparent Financial Statements. The Group maintains independence from financial and non-financial interests between auditors and re-assesses the same on a regular basis. The auditors certify this on an annual basis.

The fees paid for audit and non-audit services are separately disclosed in the Notes to the Financial Statements.

Code of Business Principles

For more than 135 years, Hayleys has demonstrated a commitment to doing business with integrity. It has expanded into new businesses and built a record of sustained growth, with diverse businesses in twelve different sectors of enterprise.

The Hayleys Way is an ethical roadmap that exists to guide the expectations of integrity of every employee of the Hayleys Group.

Principles & Scope

1. The Hayleys Group is committed to conducting its business operations with honesty, integrity and with respect to the rights and interests of all stakeholders.
2. All Hayleys companies and employees are required to comply with the laws and regulations of countries in which it operates.
3. Every employee shall be responsible for implementation of and compliance with the Code in his/her environment.

The statement provides guidelines by which the Hayleys Group conducts its businesses and operations in all the countries we operate in, within the following parameters



Whistleblower Policy

Hayleys Group is committed to the highest standards of ethical, moral and legal conduct in operating its businesses. In line with this commitment, the Whistleblower Policy exists to provide a mechanism for employees to raise concerns where the interests of the organisation are at risk and is expected to provide an assurance that employees raising such concerns will be protected from reprisals and victimisation. This Policy applies to all individuals working at all levels within Hayleys Group.

Principles & Scope

This Whistleblower Policy is intended to cover concerns raised by staff on the following matters.

Whistleblower Policy

Incorrect Financial Reporting

Financial Fraud

Unlawful or improper conduct

Breach of the Code of Business Conduct, Values and other Policies of the Group

Any other improper activity that may have a negative impact upon the ability of the Group to achieve its corporate objectives and which may cause damage to its image and reputation

External Governance Structure

As a responsible corporate body, the Group adheres to regulations, codes and best practices promulgated by different governing bodies.

- Companies Act No. 7 of 2007
- Code of Best Practice on Corporate Governance issued jointly by the CA Sri Lanka and the Securities & Exchange Commission of Sri Lanka
- Listing Rules of the Colombo Stock Exchange
- Inland Revenue Act No. 10 of 2006 and subsequent amendments
- Exchange Control Act
- Customs Ordinance

The Corporate Governance practices adopted by Hayleys, including the extent of adoption of the Code of Best Practice on Corporate Governance issued jointly by the CA Sri Lanka and the Securities and Exchange Commission of Sri Lanka and Rules set out in Section 7.10 of the Colombo Stock Exchange’s Listing Rules on Corporate Governance, are set out below.

Section A

This section covers Hayleys extent of adherence to the requirements of the Code of Best Practice on Corporate Governance issued by the CA Sri Lanka and the Securities and Exchange Commission of Sri Lanka. It reflects Hayleys' governance in the following six fundamental aspects.

- Directors
- Directors' Remuneration
- Relations with Shareholders
- Accountability and Audit
- Institutional Investors
- Other Investors
- Sustainability

Details of the extent to which Hayleys has complied with the above can be found in the online version of this Annual Report.

Section B

This section covers Hayleys' extent of adherence to requirements of the Continuing Listing Requirements Section 7.10 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange. This reflects Hayleys' level of conformance to CSE's Listing Rules which comprises of the following fundamental principles.

- Non-Executive Directors
- Independent Directors
- Disclosures relating to Directors
- Remuneration Committee
- Audit Committee

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys' Extent of Adoption
7.10.1(a)	Non-Executive Directors	Compliant	Five out of twelve Directors are Non-Executive Directors.
7.10.2(a)	Independent Directors	Compliant	Three out of five Non-Executive Directors are Independent.
7.10.2(b)	Independent Directors	Compliant	All NEDs have submitted their confirmations on Independence as per criteria set by Hayleys PLC, which is in line with regulatory requirements.
7.10.3(a)	Disclosure relating to Directors	Compliant	The Board assessed the independence declared by Directors and determined the Directors who are independent. The Board is of the opinion that Mr. M.H. Jamaldeen has the capability to conduct himself in an impartial manner on matters deliberated by the Board. The Board is therefore of the opinion that his independence will not be affected by his spouse, Mrs. I. Jamaldeen being an Alternate Director of the Kingsbury PLC.
7.10.3(b)	Disclosure relating to Directors	Compliant	The Board has determined that all Non-Executive Directors except for Mr. K.D.D. Perera and Mr. W.D.N.H. Perera satisfy criteria for 'independence' set out in the Listing Rules.

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys' Extent of Adoption
7.10.3(c)	Disclosure relating to Directors	Compliant	Please refer page 14 to 17 for a brief resume of each Director.
7.10.3(d)	Disclosure relating to Directors	Compliant	Disclosed the appointments of new Directors to the Colombo Stock Exchange when it is disclosed to the public. Brief resumes of the Directors appointed during the year have been provided to the Colombo Stock Exchange.
7.10.5(a)	Composition of Remuneration Committee	Compliant	The Remuneration Committee comprises of three Non-Executive Independent Directors and two Non-Executive Directors.
7.10.5(b)	Functions of Remuneration Committee	Compliant	Please refer the Remuneration Committee Report on page 110 for function of the Remuneration Committee.
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	Compliant	Names of Remuneration Committee members are given in the Report of the Remuneration Committee on page 110. Remuneration paid to Directors is given in Note 10 to the Financial Statements on page 141.
7.10.6(a)	Composition of Audit Committee	Compliant	The Audit Committee comprises of three Non-Executive Independent Directors and one Non-Executive Director. The Chairman of the Audit Committee is an Independent Non-Executive Director. The Chief Executive and Chief Financial Officer attend meetings by invitation. Two members including the Chairman of the Audit Committee are members of professional accounting bodies. Please refer page 16 for further details.
7.10.6(b)	Audit Committee Functions	Compliant	Please refer the Audit Committee Report on page 108 to 109 for details of the Audit Committee.
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	Compliant	The names of Audit Committee members and the Report of the Audit Committee is given on page 110. The basis of determination of the independence of the auditor is also given in the Audit Committee Report.

Board and the Committee Attendance

The number of meetings of the Board and Board Committees and individual attendance by members is as follows:

Name	Directorship Status	Board	Audit Committee
Mr. A.M. Pandithage (Chairman & Chief Executive)	Executive	14/14	N/A
Mr. K.D.D. Perera (Deputy Chairman)	Non-Executive	7/14	N/A
Mr. M.R. Zaheed	Executive	11/14	N/A
Mr. W.D.N.H. Perera	Non-Executive	9/14	2/9
Mr. S.C. Ganegoda	Executive	14/14	N/A
Mr. H.S.R. Kariyawasan	Executive	13/14	N/A
Dr. H. Cabral, PC	Independent Non-Executive	12/14	8/9
Dr. K.I.M. Ranasoma	Executive	13/14	N/A
Mr. L.T. Samarawickrama	Executive	11/14	N/A
Mr. R.P. Pathirana (resigned w.e.f. 31st January 2014)	Independent Non-Executive	9/11	5/8
Mr. M.D.S. Goonatilleke	Independent Non-Executive	11/14	9/9
Mr. L.R.V. Waidyaratne (appointed w.e.f. 1st April 2013)	Executive	12/14	N/A
Mr. M.H. Jamaldeen (appointed w.e.f. 7th February 2014)	Independent Non-Executive	3/3	N/A
Ms. D.S.N. Weerasooriya (Alternate Director to K.D.D. Perera)	Alternate Director to Mr. K.D.D. Perera	5/6	N/A

Integrated Risk Management

Identifying the Matters that Matter

Structure

The foundation for a well-structured system was set in place during FY 2011/12 and further refined during subsequent years. The core elements of our structure and approach are noted below:

- Sustainability interests are addressed at each sector level and these heads form the Sustainability Governing Council. They work with and report to the Hayleys PLC Corporate Sustainability Team (CST). The CST is in charge of Group-wide sustainability initiatives (as opposed to sector-driven initiatives) and Group Sustainability Reporting.
- The Sector Head (Group Management Committee Member) is responsible for the sustainability performance of his/her sector.
- Both the Group Management Committee (GMC) and the Hayleys CST may approach the Chairman directly on sustainability-related issues, as the Chairman is at the apex of the Governing Structure.

The Identification Process

Relevant topics and indicators are those that echo the Group’s significant economic, environmental and social impacts. They are thus material, and recognised for their impact on the business of Hayleys Group and its key stakeholders.

The following steps summarise the process we adopt to determine the materiality of topics and issues within the Hayleys Group:

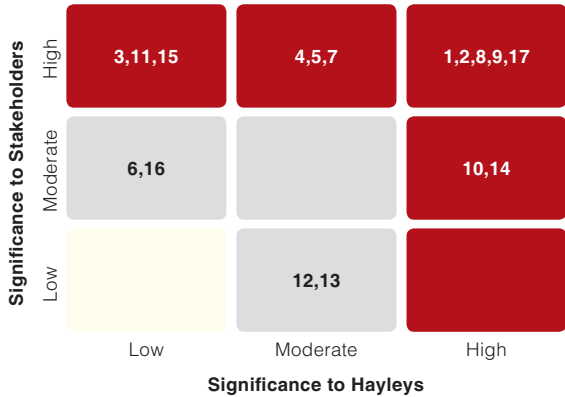
- The CST conducts stakeholder mapping and materiality identification exercises with each Group sector.
- Group sectors analyse current and potential issues and identify the impact on the business and stakeholders.
- Impacts are identified based on the consequences to stakeholders and the business value drivers, and the likelihood of such occurrence.
- An impact vs likelihood risk assessment matrix is plotted to identify the issues of high materiality. These issues could have a positive or negative impact on the business and its stakeholders.
- The CST conducts a review and prioritisation exercise to identify the Group Materiality Matrix.
- The above lead to a Group Materiality Matrix in respect of risks that should be mitigated and opportunities that may be exploited.

Identified Material Aspects and Indicators based on the Global Reporting Initiative (GRI) sustainability reporting are guidelines (G4) given below:

Aspect	Indicator	Significance to Hayleys	Significance to Stakeholders
1. Economic Performance	G4-EC1	H	H
	G4-EC2		
	G4-EC3		
2. Indirect Economic Impacts	G4-EC8	H	H
3. Energy	G4-EN5	L	H
4. Emissions	G4-EN15	M	H
	G4-EN16		
	G4-EN17		
5. Effluents and Waste	G4-EN23	M	H
6. Compliance	G4-EN29	L	M
7. Anti-corruption	G4-SO3	M	H
8. Compliance	G4-SO8	H	H
9. Employment	G4-LA1	H	H
	G4-LA2		
10. Labour/Management Relations	G4-LA4	H	M
11. Occupational Health and Safety	G4-LA5	L	H
	G4-LA6		
12. Training and Education	G4-LA9	M	L
13. Investments	G4-HR1	M	L
14. Child Labour	G4-HR5	H	M
15. Product and Service Labelling	G4-PR3	L	H
16. Marketing Communications	G4-PR7	L	M
17. Compliance	G4-PR9	H	H

H - High M - Moderate L - Low

Materiality Matrix



Stakeholder Engagement

Conducting business successfully across the diversity of the Hayleys Group requires constant engagement and dialogue with stakeholders. Understanding the impacts and implications of our enterprise on these stakeholders, both internal and external and how they think and respond to issues of importance to them are vital for the long-term prosperity and well-being of both Hayleys and the stakeholder.

We strive for inclusivity; we are committed to reflect at all stages of a process, the views and needs of all stakeholder groups. Stakeholder views are obtained through an engagement process that allows them to be expressed without fear or restriction. Inclusivity requires

the consideration of 'voiceless' stakeholders including future generations and the environment. Key concerns raised by stakeholders are dealt with and addressed by sectors as applicable to them.

Our business sectors have various mechanisms for engaging with their stakeholders. Data on environmental and safety issues are compiled from operating data maintained by the various businesses, factories, hotels and other units of the Group. Data on social responsibility is obtained on-site.

The table below depicts the process followed by the Group on stakeholder engagement and identification of issues material to them and the Group:

Stakeholder Engagement

Stakeholder	Process of Engagement and Frequency
Shareholders	<ul style="list-style-type: none">• Annual General Meeting, which provides an opportunity to review the past year's performance and engage in discussion with the management• Quarterly financial reports, which provide a review of current performance during the year, as do simultaneous media releases• An open door policy, which enables shareholders to keep in constant touch, visit and obtain information from the Company Secretaries and engage in dialogue• Website, regularly updated• Meetings with fund managers, share brokers and investment analysts• Email address provided for comments and suggestions
Customers	<ul style="list-style-type: none">• A periodic Customer Satisfaction Index is maintained by many of our companies• Comprehensive Customer Relationship Management (CRM) programmes enable Group companies to keep in touch with their diverse customers on a regular basis• Regular customer visits and reviews help build and maintain rapport• Events such as Dealer and Distribution Conventions are held periodically

Stakeholder	Process of Engagement and Frequency
Business Partners	<ul style="list-style-type: none"> • Regular visits from principals and to principals' locations facilitate engagement • Conventions for partners, distributors and dealers are held once a year or at regular intervals • Robust communication systems enable continuing dialogue on product quality, marketing, customer satisfaction and problem solving • Corporate updates on important group activities via brochures, DVDs • Websites, regularly updated • Participation at international Trade Fairs, with a view of expanding network of business partners and reach of product distribution
Suppliers	<ul style="list-style-type: none"> • Modern Supply Chain Management utilising Enterprise Resource Planning systems allows for enhanced relationship, dialogue and business processes • Suppliers treated as growth partners, and allowed to prosper through engagement initiatives such as training, clubs and associations, capacity development and community capacity development • Fair prices • Education and Empowerment
Employees	<ul style="list-style-type: none"> • A performance management system facilitates transparent evaluation, dialogue and performance-based remuneration and reward • Formal meetings and less structured contact in the course of work • 'Job Banding' has been launched and upon completion will facilitate uniformity of designations and remuneration, greater transparency and clarity with regard to designations and 'organisational fit' across the companies and sectors • The CEO's Forum quarterly provides an interactive forum with senior management, discussing current performance and future prospects and allowing a frank question and answer session • Monthly meetings of Clusters • Employee intranet, accessible to any employee having access to e-mail • Quarterly internal magazine • The Hayleys Group Recreation Club provides many opportunities for interaction and fellowship across the Group, bringing employees together regardless of rank or designation

Stakeholder	Process of Engagement and Frequency
Unions	<ul style="list-style-type: none"> • Transparent collective bargaining is encouraged • Workers are allowed to form and/or join worker organisations of their choice. Such organisations and their representatives are allowed to function independently without interference and with reasonable access to the information, resources, and facilities necessary to carry out their functions • The Company respects the right of workers to bargain collectively and does not terminate employees or discriminate against them in retaliation for exercising trade union rights
Local Communities	<ul style="list-style-type: none"> • Relationships are maintained by experienced specialists familiar with community expectations and concerns • Social impact assessments carried out in areas of operations to identify risks associated with operating in such communities • Ongoing community development initiatives and social impact assessments • Other sector initiatives such as dental awareness programmes and eye clinics are project based
Society/Pressure Groups/Competitors/Media	<ul style="list-style-type: none"> • Ongoing engagements with society, pressure groups and media are carried out via websites, social media channels and interaction with the media • Annual communication of Hayleys' sustainable practices and initiatives through our sustainability report • Participation at foras and hubs which allows the Company to ally with competitors against common problems and maintain healthy relationships • Quarterly participation at Global Compact Network Ceylon Sustainability Hub • Annual Communication on Progress (COP) to the United Nations Global Compact
Government	<ul style="list-style-type: none"> • Regular meetings, discussions, presentations, representation on national committees and Chambers of Commerce • Compliance with all forms of tax, environment, social and product laws enable facilitated continuance of operations and healthy dialogue
Trade Associations	<ul style="list-style-type: none"> • Active and participatory role in the public policy development domain • Regular interaction through affiliations with trade organisations/chambers

Risk Management

Overview

Risk arises in all our business activities. Risk, in our context, is the probability of any negative occurrence that is caused by external or internal vulnerabilities that may be mitigated through pre-emptive action. Its significance is measured in terms of severity and the probability of occurrence.

While risk cannot be completely eliminated we adopt measures to manage it. A structured and transparent enterprise risk management (ERM) process enables us to identify, manage and prepare for risks in an informed, controlled and transparent manner to achieve the optimum trade-off between risks and returns.

The Hayleys Group uses the COSO (Committee of Sponsoring Organisations of the Treadway Commission, www.aicpa.org) and established practices as the framework for ERM. This consists of identifying and profiling of significant risks, modelling and measuring risk, determining Group risk appetites, accepting/transferring/eliminating/sharing risk, measuring of performance including the benefits of risk diversification and monitoring execution of the process. It is about directing scarce resources to opportunities while taking cognisance of the risk - return trade off.

Risk Categories and Framework

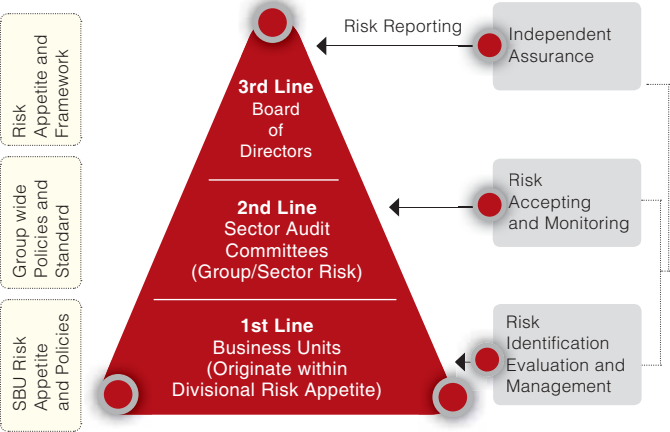
The Hayleys Group has a structured risk management process to address different risk categories: Strategic, Operational, Compliance and Financial.

Risks and opportunities are identified by combining elements of a top-down and bottom-up approach. Risks are reported on a regular basis as part of the business performance management process. All relevant risks and opportunities are prioritised in terms of impact and likelihood, considering quantitative and/or qualitative aspects. The bottom-up identification and prioritisation process is supported by meetings/forums with the respective management at Sector and SBU Function level. The top-down element ensures that potential new risks and opportunities are discussed at management level and are included in the subsequent reporting process, if applicable. Reported risks and opportunities are analysed regarding potential cumulative effects and are aggregated at Sector, Cross-Sector/Company and SBU level.

Risk Management Framework

Risks /Opportunities	
Strategic	Operational
Macroeconomic changes	Innovation process
Changes in industry/market	Value chain
Acquisitions	People
Growth emerging markets	Business disruption
	Reputation
Corporate Governance	
Risk Management Framework (COSO)	

Individual sectors nominate persons responsible for risk management at higher managerial levels, while risk management coordinators ensure that an effective system for early identification of risks is implemented and maintained at sector level. Group Internal Audit coordinates the identification and documentation of control risk areas throughout the Group, enhancing the risk management system and monitoring its effectiveness at regular intervals. In addition, during the year-end audit, the External Auditor issues a Management Letter and informs the Group Management Committee and the Board of Directors the outcomes of these evaluations. These outcomes are taken into account in the continuing enhancement of our risk management system.



The 1st Line of Defence - Risk Identification, Risk Management and Self-Assurance

Divisional business units are responsible for identifying, evaluating and managing the risks that originate within approved risk appetite and policies. They are required to establish and maintain appropriate risk management controls, resources and self-assurance processes.

The 2nd Line of Defence - Establishment of Risk Management Frameworks and Policies and Risk Management Oversight

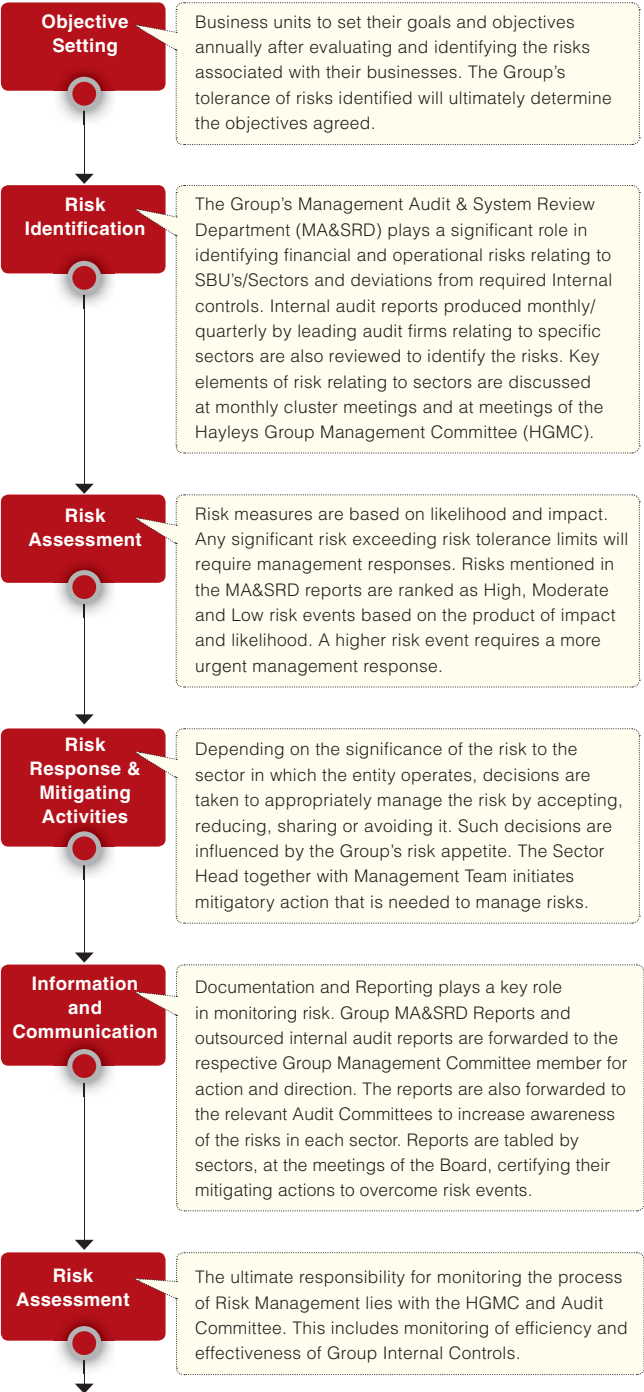
- Sector Audit Committees lead the optimisation of risk-reward by overseeing the development of risk appetite statements, risk management frameworks, policies and risk concentration controls, and monitoring Hayleys' risk profile for alignment with approved appetites and strategies.
- Sector Management is responsible for developing division-specific risk appetite statements, policies, controls, procedures, monitoring and reporting capability, which align to the Board's Statement of Risk Appetite and the risk management frameworks approved by the Board of Directors. These risk areas are independent of the Divisions' 1st Line business areas, within the Group.
- Internal Audit has direct reporting line to the Sector Audit Committees as well as to the Hayleys PLC Audit Committee.

The 3rd Line of Defence - Independent Assurance

Our Group assurance function independently evaluates the adequacy and effectiveness of the Group's overall risk management framework and controls.

Compliance		Financial	
Legal		Treasury	
Tax		Accounting and reporting	
Market practices			
Regulatory			
General business principles			
Internal controls			
Data privacy/product security			

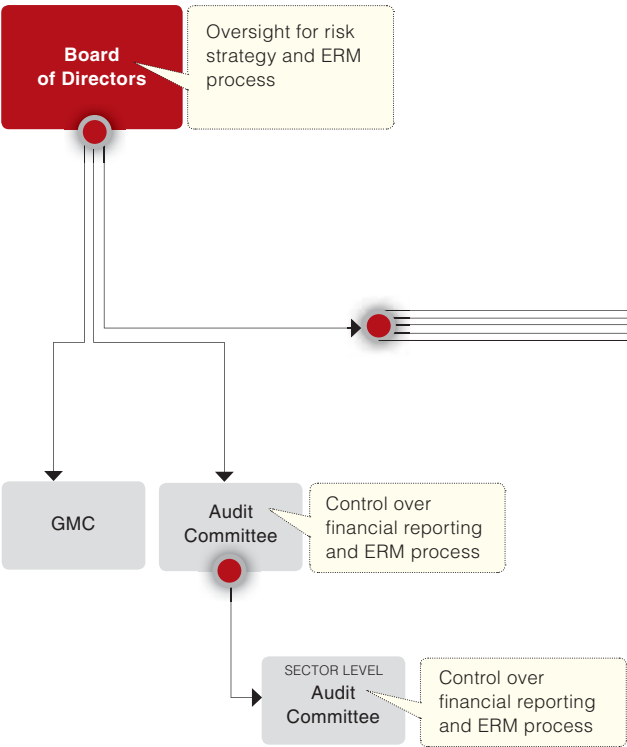
Enterprise Risk Management Process



Risk Management Governance Structure

The principal aim of the Group's risk management governance structure and system of Internal Control is to manage business and operational risks, with a view to enhancing the value of shareholders' investments and safeguarding assets.

We have put in place a number of key policies, processes and independent controls to provide assurance to the Board on the integrity of our reporting and effectiveness of our systems of Internal Control and risk management. The governance assurance diagram below highlights the relationship between the Board of Directors and the various controls in the assurance process. Some of the more significant Internal Control systems include Audit Committee, Sector Level Audit Committees, Hayleys Group Management Committee (HGMC), Treasury Unit (TU), Strategic Business Development Unit (SBDU), Group Legal & Management Audit & System Review Unit (MA&SRD).



Material Risks and their Impact

The SLFRS (Note 42 to the Financial Statements) deals with the details of financial risks and their management. Given below is a summary of other material risks faced by the Group in the short to medium term along with their impact, strategies and mitigating action and risk ratings.

Impact of IFRS Convergence

Risk Rating: MODERATE

We have now come through the first-time adoption phase. Residual concerns hinge on any material impact on the financial performance, position and processes of the Group, which could affect decisions made by the users of Financial Statements.

To complete a smooth transition, the Hayleys Group has set up a special project - consisting of diagnostics and planning, solution development and implementation - that will ensure full compliance.

Information Technology

Risk Rating: MODERATE

The Group depends on accurate and timely information from key information technology (IT) and business intelligence systems to enable decision-making.

The implementation of a sound IT policy throughout the Group is supported by adequate systems and controls. A contingency plan is in place to mitigate the risk of IT failures and business recovery and continuity. A central IT team is in place to support IT within the Group.

Product Risk and Competition

Risk Rating: MODERATE

Global mergers and acquisitions of principals which are commonplace, can lead to the loss of agencies held. The latter is particularly relevant for the consumer, agricultural inputs and products, industrial inputs and transportation segments of the Group's business.

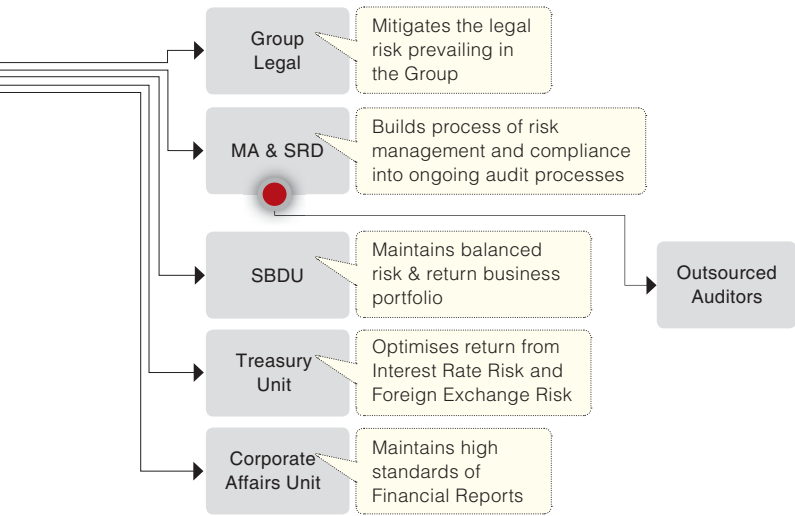
The presence of Group companies overseas and long-term relationships through a valued network of foreign and local business partners help identify risks and actions to mitigate these. Good principal - agent relationships reduce the risk of unexpected, adverse events. The Group remains alive to new market opportunities, to developing new alliances, and to acquiring distribution channels, which reduce the impact of any losses that do arise.

Hayleys remains strong in attracting FDIs and securing projects and joint ventures for business communities. In addition, the Group's excellent close working relationships with international bodies have enhanced the standing of the Hayleys brand.

Raw Materials, Energy, Freight and other Operating Inputs

Risk Rating: MODERATE

Margins in all our business sectors may be affected by fluctuations in the price of operating inputs. While many of these are factors beyond our control, such as weather and geopolitics, some are also due to the basis of pricing in sales contracts. Such risks are mitigated through our strategic relationships with suppliers that include multiple-source supply agreements for key inputs and a balanced portfolio of suppliers and customers. In addition, where possible, hedging mechanisms are used to manage exposure to movements in the future prices of commodities.



Employees and Human Resource Management

Risk Rating: MODERATE

An identified shortage of skilled labour and limitations in quality labour for outsourced requirements prove detrimental to a company's sustainability. The impact of such a risk is felt quite strongly amongst many manufacturing and service oriented industries in Sri Lanka today.

The Hayleys Group focuses on talent attraction and retention in its action plans to mitigate this risk. We attract and retain quality employees through systems such as performance recognition and job banding, as well as training and development programmes for all levels.

Socio-economic Policies and Local Communities

Risk Rating: MODERATE/HIGH

Due to increased costs within the country's current socioeconomic framework there is a potential loss of competitiveness of our products in the international market place. Moves such as removal of protective tariffs for local produce or implementation of new regulations are identified as risks to multiple sectors. Hayleys addresses relevant economic issues with regulatory and other authorities and lobbies with them. In tandem, measures are taken to maximise productivity and reduce costs. For example, energy costs are mitigated by the use of alternative energy sources, while operations are established overseas to diversify a multitude of risks that include matters such as disruptions in the supply chain, climate change, changes in fiscal policies, law and order.

Unexpected societal risk that impacted on our licence to operate is a material concern that raised its head during the year in respect of our Hand Protection sector. It exposed weaknesses in the prevailing system, both internal and external, in addressing an unfounded allegation on an environmental issue that got blown out of proportion. The lessons learnt are being internalised across the Group.

Eco-friendly Products and Services

Risk Rating: MODERATE

Stronger environmental and health/safety legislation is visible in our buyers' markets, which is a positive indication for the Hayleys Group.

The highest priority is given to maintaining close relationships with customers and responding to their needs. As a result product innovation is of vital importance. The Group innovates in the fields of public health, drought resistance, renewable energy resources, eco-friendly biodegradable products and purification solutions.

Certifications won by Hayleys, such as the world's first Fair Trade rubber gloves and the first Ethical Tea Brand of the world provide immense opportunities globally where the focus is shifting towards ethical business practices and sustainability.

Environment and Climate Change

Risk Rating: MODERATE

Manufacturing and agriculture companies of the Group that use indigenous raw materials such as coconut fibre, coconut shell, latex and gherkins are affected by shortages due to weather conditions. Climate change affects quality standards as well as the quantity of supply of certain products and makes supply forecasting difficult.

The effects of macro forces on food security are seen through growth of pests and diseases caused by disruption of weather patterns and changes in temperature. Overall, changes in climatic conditions affect operations across the Group's diversified manufacturing, agriculture or services portfolio.

The Group mitigates the risk of shortages in raw materials by building buffer stocks when raw materials are available. Group companies source from other countries as necessary and when feasible, geographically diversify our risks by establishing manufacturing units overseas.



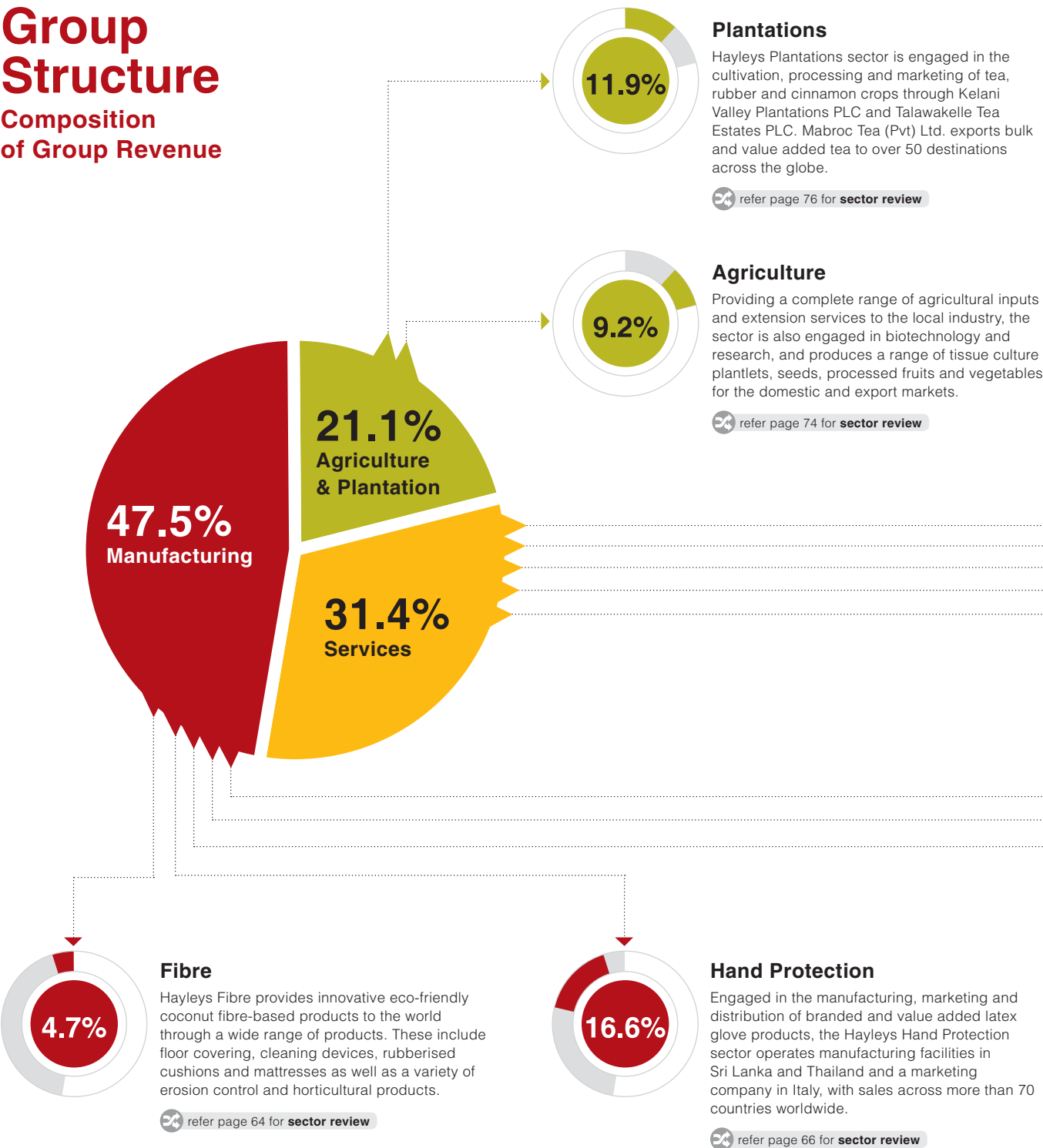
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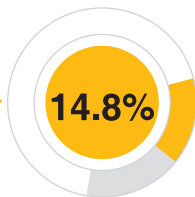
Business Model

We have access to and make use of our internal and external forms of capital in creating value for Hayleys and its stakeholders through our business model, in the context of our key goals and strategies and the socio-economic environment in which we operate.

Group Structure

Composition of Group Revenue

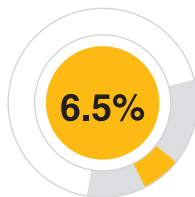




Transportation & Logistics

The sector led by Hayleys Advantis Ltd, is the industry leader in Sri Lanka, offering a wide range of services including integrated logistics, international freight management, marine services and terminals & engineering services.

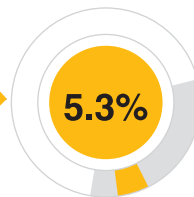
refer page 78 for **sector review**



Consumer Products

The Hayleys Consumer Products sector markets world-renowned brands with a diverse portfolio of products and services that include personal care, homecare, lighting, imaging and pharmaceuticals.

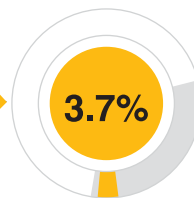
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Leisure & Aviation

Hayleys Leisure & Aviation sector broadly covers Tours (destination management), Aviation (general sales agent for passenger and cargo, travel agency and airport ground handling supervisory services), and Hotels & Resorts.

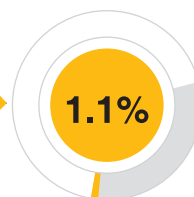
refer page 82 for **sector review**



Power & Energy

Hayleys Power & Energy sector comprises two primary business segments namely, Power & Energy which focuses on renewable energy; and Industry Inputs which deals in industrial chemicals, machinery and equipment and after sales services in the business to business market.

refer page 84 for **sector review**



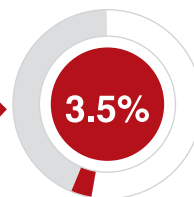
Investments and Services

The sector includes the investment companies of the Hayleys Group, Business Process Outsourcing (BPO) service provider for external overseas clients, Shared Service Operations (SSO) for internal Hayleys sectors and consultancy and domestic clients.

refer page 86 for **sector review**



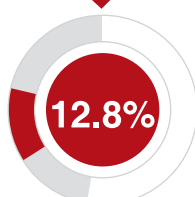
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Construction Materials

The Construction Materials sector is represented by Alumex Group. It is the leading manufacturer of aluminium extrusion profiles in Sri Lanka with a market share of over 53%. With a strong base in the local market, Alumex is now entering regional markets by setting up dealerships in India and the Maldives.

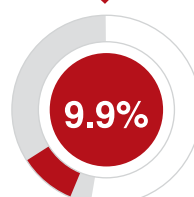
refer page 72 for **sector review**



Purification

The Purification Sector under Haycarb Group continues to maintain a global leadership position in manufacture and marketing of coconut shell derived activated carbon of high quality in granular, fine, powder and pellet form for applications ranging from air and water purification, gold recovery, energy storage and other emerging applications. It operates manufacturing facilities in Sri Lanka, Thailand and Indonesia, and is supported by marketing offices in the UK, USA and Australia, with related businesses in activated carbon regeneration and environmental engineering.

refer page 68 for **sector review**



Textiles

Focused on weft knitting, dyeing and finishing of cotton, cotton blends and polyester fabric, the Hayleys Textiles sector serves the export-driven apparel industry of Sri Lanka that targets high end global brands.

refer page 70 for **sector review**

Operating Environment

Overview

The financial year 2013/14 was a period of economic recovery, both in Sri Lanka and globally. The macroeconomic tightening measures taken in 2012 and the easing of conditions in 2013 saw a notable improvement in Sri Lanka's macroeconomic fundamentals during the year under review. Inflation was under control, interest rates declined and the balance of payments improved. Sri Lanka's economy, like many other emerging/frontier markets, also experienced volatility in the second quarter in the wake of tapering of quantitative easing in the US. However, stability was established promptly and the initial impacts of tapering were not substantial.

Nevertheless, domestic economic activity remained subdued through much of the financial year, though a mild improvement was seen in the second half. Consumption and investment trends remained modest during the period and this was also reflected in low demand for credit in the banking sector. Therefore, even though headline economic growth was robust, this has not yet fully been reflected in most corporate earnings.

The global economy saw important improvements in the key markets in which we operate. Despite market gyrations due to announcements relating to tapering, the US economy continued its positive growth momentum. The negative economic growth in Europe bottomed out and tail risks diminished significantly. Whilst many emerging economies faced volatility in the wake of tapering, the long term fundamentals for many of these economies remain bright. Global commodity prices also remained fairly moderate in the wake of subdued demand. This served to support margins in some of our manufacturing businesses.

The Sri Lankan Economy

Growth

Economic growth in Sri Lanka showed some signs of recovery in the latter part of 2013, following the tightening measures taken in 2012. Growth rates increased throughout the year and full year 2013 GDP growth was reported to be 7.25%. Growth was fairly broad based with improved performance in all three sectors of the economy.

The Agriculture sector grew at 4.7% as improved rainfall supported recovery in major domestic crops such as paddy. This proved supportive for the Hayleys Agriculture sector, which has presence across the entire value chain in Sri Lankan agriculture. However, other crops such as rubber and coconut were adversely affected by the weather, which created challenges for the Hayleys Plantation sector, while causing higher raw material costs for the Hayleys Purification and Fibre sectors.

The Industrial sector grew by 9.9% in 2013 with strong growth in construction, energy and apparel. Hayleys businesses within all of these sectors also performed well. The Construction Materials sector reaped the benefits from continued growth in infrastructure and buildings, also helped by low raw material prices in the global market, which supported margins. The Sri Lankan apparel sector recovered in 2013, with improved exports in the second half of the year, generating demand for Hayleys Textiles sector.

The Services sector of the economy recovered in 2013 with growth of 6.4% led by transportation and trading. The strong growth in the transportation sector was primarily in domestic transportation, whilst international transportation as reflected in the Ports and Aviation

sub-sector had more modest growth of 2.8%. With the recovery in exports and new policy measures to enhance Sri Lanka's position as a hub for logistics and maritime transportation, the longer term prospects for international transportation are positive. The Hotels and Resorts sub-sector continued to grow in a robust manner (22.4%, albeit from a low base), reflecting the anticipated growth in the tourism sector, supporting demand for the Hayleys Leisure and Aviation sector.

Interest Rates

The growth momentum in the economy was supported by conducive interest rates. Whilst the Central Bank of Sri Lanka (CBSL) began to reduce policy interest rates in December 2012, followed by another 50 basis point rate cut in May 2013, market interest rates stayed elevated till mid-2013. Subsequently, market lending rates declined throughout the rest of the year as demand for credit in the economy was sluggish and gold backed lending declined, creating high liquidity in the banking sector. Furthermore, performance of key state owned enterprises also improved in 2013, resulting in less utilisation of bank credit that added to bank liquidity. By March 2014, the prime lending rate had declined to 8.6% from a peak of 14.4% and market excess liquidity amounted to Rs. 155 bn in term repo auctions. During this period CBSL reduced the statutory reserve requirement by 200 basis points in July and further reduced policy interest rates by 50 basis points in October 2013 and a further 50 basis points in January 2014.

Inflation

Despite interest rates declining substantially, inflation also moderated during the year. In the early months of 2013, point to point inflation was elevated due to base effects, but steadily declined thereafter. Several factors contributed to this decline, including limited demand driven pressures as reflected in core inflation levels falling to record low levels (2.1% in December 2013), moderate global commodity prices and favourable weather enabling sufficient agricultural supplies. Accordingly, a 4.2% inflation rate was recorded in March 2014.

Whilst headline inflation remained moderate throughout the year, there were diverse impacts on costs of production. Energy prices in terms of electricity and industrial and consumer fuels have increased in successive years 2012 and 2013 and their implications continued to be felt in all our manufacturing operations. We have taken several measures across the board to improve energy efficiency and also incorporated alternative energy solutions in our factories.

In terms of raw material costs, most global commodity prices had declined. However, in the coconut sector, prices had increased due to production declines affecting the cost of production for our Purification and Fibre sectors. Costs in the Fibre sector in Sri Lanka had also risen due to demand for raw fibre exports, particularly from China.

External Sector

The external sector had mixed results in 2013. In the first half of the year exports contracted by 4.5%, but recovered with strong growth in the second half of the year resulting in export earnings reaching US\$ 10.4 bn, a growth of 6.3% for the full year. Agricultural exports saw a strong growth of 10.7% and while overall industrial exports grew by 5%, when apparel is excluded, other industrial exports contracted by 8% during the year. Apparel exports grew by 13% in the year 2013.

Export of services including BPO, earnings from tourism, international transportation and remittances also remained strong during the year. Hayleys has positions in most of these business sectors. Earnings from tourism increased by 35% during the year, whilst gross earnings from BPO and telecommunications reached US\$ 719 mn. The BPO sector will benefit due to Sri Lanka being recognised as the outsourcing destination of the year 2013 by the National Outsourcing Association of the UK.

Imports declined in 2013 with a contraction in import expenditure by 6.2%. Imports of consumer goods remained moderate, growing at 6.3% in 2013.

Expenditure on investment goods and intermediate goods declined. Among intermediate goods imports, the import of textiles declined by a significant 10% despite an increase in apparel exports. This reflects a welcome increase in backward integration in the apparel/textiles industry, where Hayleys MGT has played an important role since 1993, manufacturing world class fabrics for Sri Lankan apparel exporters. Expenditure on fuel imports declined sharply by 14.6% due to lower requirements for heavy fuel for electricity generation while the share of hydropower remained strong.

The improvement in export earnings and moderate import expenditure resulted in the trade balance and current account deficit improving in 2013. The current account deficit in 2013 declined to US\$ 2.61 bn from US\$ 3.98 bn in 2012. The improvement in the current account deficit was an important contributor to the increased stability seen in the Sri Lanka rupee in 2013. At the same time there were capital account inflows through the issue of a US\$ 750 mn international bond by the National Savings Bank, a US\$ 100 mn bond by DFCC Bank in late 2013 and a US\$ 500 mn sovereign bond in January, 2014. Foreign inflows to equity and debt markets also continued, despite some conversion of foreign-held investments from treasury bonds to bills in mid-2013.

Currency Markets

Following the depreciation of the Sri Lanka rupee in 2012, the rupee recovered and maintained stability in the first half of 2013. In mid-2013 however the rupee depreciated in line with global market movements as the US Federal Reserve announced the tapering of quantitative easing. Between June 2013 and August 2013 the rupee depreciated from Rs. 126 to Rs. 134 against the US dollar. However, with the delay of tapering in September, 2013, the rupee subsequently recovered to end the year at Rs. 131 to the US dollar. By March 2014 the rupee remained stable, appreciating slightly to Rs. 130.69 against the US dollar.

Whilst depreciating marginally by 3.4% against the US\$ in between April 2013 and March, 2014, the Sri Lanka rupee appreciated against several major international currencies during this period and performed better than most emerging market currencies. For example, the Sri Lanka rupee appreciated against the Indian rupee by 6.4%, the Indonesian Rupiah by 10.6% and also the Japanese Yen by 6.6%. The appreciation of the Sri Lanka rupee against competing exporters such as India, Indonesia, Malaysia (by 2%) Vietnam (by 2.5%) is a negative for Sri Lankan exports, but is a positive for imports from these countries. These emerging economies are significant competitors for the Hand Protection, Purification and Fibre sectors of Hayleys. From an export perspective it is a positive that the Sri Lanka rupee depreciated against the Sterling Pound (by 13.2%) and the Euro (by 10.9%) during this period.

The Global Economy

The US economy recovered in 2013 and is expected to continue its growth momentum in 2014 as well. The recovery is underlined by a significant improvement in household and government finances as substantial deleveraging has taken place creating space for higher consumption. Manufacturing has also shown continued growth in the latter half of 2013. Medium term manufacturing prospects have also improved in the US driven by improved competitiveness in energy intensive industries due to the shale gas revolution. Whilst unemployment has declined indicating labour market improvement, there has also been a decline in labour force participation as baby boomers retire. The improvements in the US economy enabled the Federal Reserve to begin tapering its bond buying programme, known as quantitative easing. As a result, interest rates in the US began to edge up and the US dollar strengthened in global foreign exchange markets. The US is an important market for Hayleys exports, accounting for 8.6% of the Group's turnover.

The improvements in this market, along with its positive knock-on effects in the rest of the global economy, are undoubtedly a positive for Hayleys exports.

Europe limped out of technical recession in 2013 and tail risks of breakup have reduced considerably. Nonetheless, Europe is yet to come close to robust economic growth. A number of structural issues remain in the economy, including high debt overhang, poor growth, structural unemployment, stagnant prices and a weak financial sector that lacks the muscle to finance growth. Accordingly, whilst Europe has stopped contracting, the economy appears to be stagnating unless there are substantive reforms to labour and financial markets, both of which require deeper political reform, which will not happen overnight. Europe is another major market for Hayleys exports, particularly for Hand Protection and Fibre. The fact that the negative EU growth rate has bottomed out is indeed a positive for Hayleys, but Europe's economy is yet to provide the tangible growth that would create a meaningful impetus to demand.

The year 2013 was challenging for many emerging economies, particularly so for those which had high current account deficits and budget deficits. US Federal Reserve tapering resulted in outflows of foreign investments in debt and equity markets in many emerging economies, resulting in weakening currencies and rising interest rates. India and Indonesia were among the worst affected. Other economies including Russia and Brazil have experienced more structural weakness, as commodity prices remained moderate, thus showing up more fundamental economic weaknesses such as under-investment in infrastructure. Many emerging economies, particularly in the Middle East and the former Soviet region, are important and mature markets for Ceylon (Sri Lanka) tea. Hayleys Group has also made efforts in recent years to increase exports to emerging economies, taking advantage of the long term prospects in these markets. Emerging economies are also increasingly important sources of tourists for Sri Lanka.

Outlook

Moderate interest rates, subdued inflation and global economic recovery should enhance overall consumer and investor confidence in Sri Lanka in 2014. However, the economy is still recovering from significant fiscal and monetary contractions in 2012 and the resultant declines in lending and consumption. A number of large projects and new policies such as the Commercial Hub Act have enhanced investment potential in Sri Lanka and these could act as triggers for renewed confidence to spur economic activity in 2014 and beyond. One of the important risks in the coming financial year will be the weather. A significant drought will have a detrimental impact on Sri Lanka's current account balance, fiscal position and inflation. It will also be a negative for agriculture and hydropower generation.

The outlook for the global economy is also positive, led by recovery in the United States. However, there remains a lot of uncertainty as the global economy eases out of unprecedented monetary expansion, making market reactions unpredictable. Volatility can be expected in emerging markets, particularly those with fiscal and external imbalances. Commodity prices are also expected to remain relatively moderate, which would be supportive of several Hayleys export manufacturing businesses.

Group Goals and Strategies

Strategic Context

Rapid Expansion

The past few years saw Hayleys aggressively expanding its portfolio through acquisitions. Notably our entry into the manufacture of aluminium extrusions to exploit opportunities in the construction industry, and our strategic expansion in the leisure industry through the five star city property, The Kingsbury and the resort chain Amaya Leisure.

Our entry into wind power through the 10 MW wind farm in Kalpitiya has paved way for solid returns that will augment our existing renewable energy portfolio based on hydropower and biomass.

We also invested further in the Plantations sector, increasing our holdings in Talawakelle Tea Estates and in our tea export arm, Mabroc Teas.

Furthermore, overseas manufacturing operations in Thailand and Indonesia in the Purification sector were strengthened by capacity enhancement.

Consolidation

As discussed in our last Annual Report 2012/13, the focus during the year under review was on consolidation to generate a strong and sustainable return on the investments made.

The debt portfolio of Hayleys PLC underwent structural changes through a successful Rs. 2 bn debenture issue to raise medium term funds. In addition, Hayleys PLC tapped overseas markets and obtained a US\$ 10 mn debt facility from Standard Chartered Bank, UK, along with The Kingsbury PLC obtaining a US\$ 10 mn loan from a German financial institution, DEG.

The past few years saw Hayleys aggressively expanding its portfolio through acquisitions.

Our focus during the year under review was on consolidation to generate a strong and sustainable return on the investments made.

In March 2014, Alumex PLC - the flagship company in our Construction Materials sector became the 11th company in the Hayleys Group to be listed in the Colombo Stock Exchange.

Group Strategies

At Portfolio Level

- Redeploy or liquidate underperforming assets of the Group
- Develop existing, profitable businesses both horizontally and vertically
- Invest in new businesses and restructure existing ones based on their strategic fit with the portfolio

Across the Portfolio

- Enhance value addition and move up the value chain
- Continually improve products and services
- Maintain high and consistent quality in all what we do
- Implement lean manufacturing, process efficiency and waste minimisation
- Manage our environmental performance by reducing our GHG emissions intensity and improving energy efficiency
- Focus on developing people and leaders
- Expand our global presence

Group Goals

Time horizon	Parameter	Indicator	Target
Short-term	Profitability	ROCE (excluding real estate)	>20%
		EBITDA/assets	>10%
	Liquidity	Operating cash flow/PAT	>100%
		Current ratio	1.5 to 2.0x
		Debt/EBITDA	<3.0
Long-term	Growth	Growth in domestic revenue (>inflation)	>6%
		Growth in export revenue (>Sri Lanka rupee depreciation)	>4%
		Growth in capital	>18%
	Stability	External credit rating	≥AA
		Gearing	35 to 40%

The Two Sides of Value Creation

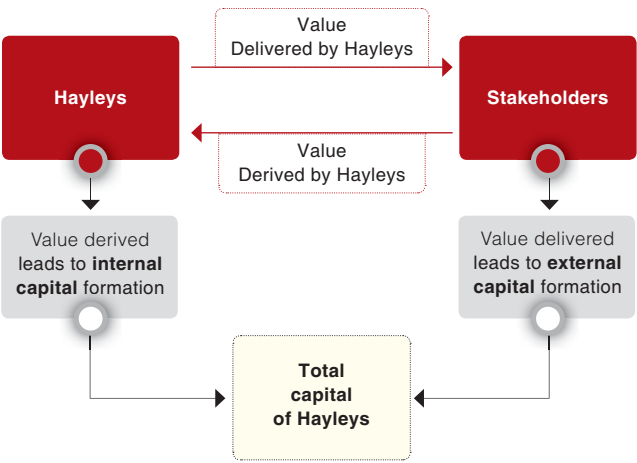
The concept of duality has parallels in mathematics, philosophy and the sciences - like plus and minus, yin and yang or action and reaction. Value creation too exhibits this complementary phenomenon, as the ability of Hayleys to create sustainable value for itself is interrelated with the value it creates for its stakeholders over time. They go hand in hand. We briefly discussed this aspect on page 7 under our report structure.

Value Creation

Hayleys delivers value to its stakeholders (page 50) in the context of its key goals and strategies (page 46) and the socio-economic environment in which it operates. Based on materiality (page 29) we engage with these stakeholders, build relationships and nurture them as they are of value to us in driving future earnings. As stores of value, they constitute our stakeholder capital that are external to Hayleys, the key constituents being our investors, customers, business partners, employees and the society and environment in which we operate.

In turn we derive value through the dynamic interaction between our external capital and our own internal capital over the short, medium and long term. The capital internal to Hayleys comprises financial capital and institutional capital. The latter includes integrity and business ethics, corporate culture, accumulated knowledge and expertise, intellectual capital including patents and copyrights, our capacity to innovate, brand image and reputation.

Capital Formation



Value creation is a dynamic process with flows taking place between the various forms of capital. We have access to and make use of these internal and external forms of capital in creating value for Hayleys (deriving value) and its stakeholders (delivering value) through our business model.

The discussion that follows reviews our performance during the year and next steps in this context - the two sides of value creation, that of deriving and delivering value that lead to capital formation.



SCAN to view the online version
<http://hayleys2013-14.annualreports.lk/mrap.html>

Management Review and Preview

Value creation exhibits the concept of duality; the ability of Hayleys to create sustainable value for itself is interrelated with the value it creates for its stakeholders over time. They go hand in hand. The discussion that follows reviews our performance during the year and next steps in this context.

Deriving Value

Internal Capital Formation

The value created by Hayleys for itself through its resources, activities and relationships leads to the formation of capital internal to Hayleys.

While financial capital is the most visible and quantifiable form of internal capital, this also includes several intangibles that constitute what we call our institutional capital.

In this section we will discuss value creation and internal capital formation in the context of its two components, financial capital and institutional capital.

Financial Capital

The *Raison d'être*

*'It's not how much money you make,
but how much money you keep, how hard it
works for you, and how many generations you
keep it for'*

- Robert Kiyosaki

Arguably, the ability of Hayleys to create financial value for itself over the short, medium and long-term is the single most important purpose of its existence. However, it does not mean it is achieved at the expense or exclusion of other stakeholders. In fact it is the opposite, as is evident in the rest of the discussion in this Annual Report.

As a holding company with diversified investments across manufacturing, agriculture and services, the business of Hayleys is one of portfolio management. We manage this through strategic investments and proactive risk management, with results measured against defined goals and benchmarks.

Investment Strategy

Our investments are long term, guided by three criteria - risk, return and growth. Investing is a trade-off between risk and expected return. While we seek industry attractiveness and in particular growth potential when investing, we are also mindful of a fundamental concept coming from modern portfolio theory, which asserts that assets in an investment portfolio should not be selected individually, each on its own merits,

but also by considering how each investment category moves relative to others to achieve the benefits of a diversification strategy.

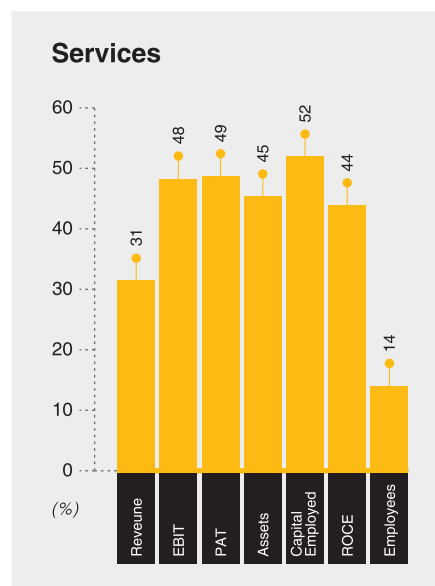
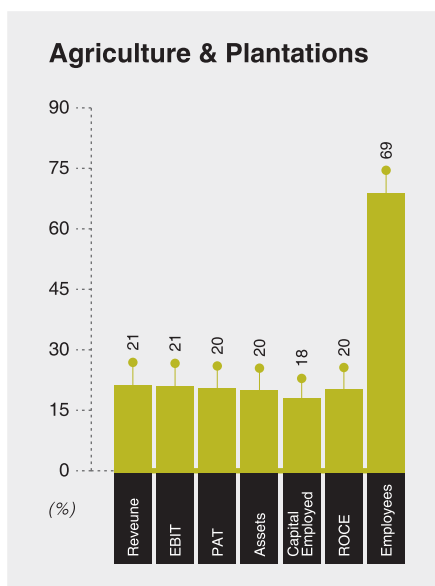
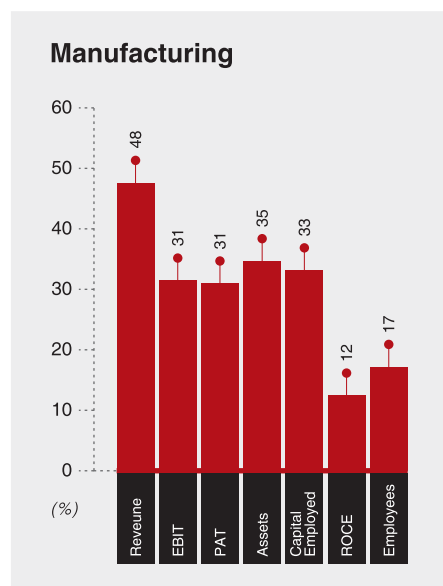
In this context, it is noteworthy that Hayleys is a well-diversified enterprise with business across all key economic sectors, operating from local and overseas locations, and serving global markets for its revenue stream.

Our Portfolio of Businesses

	Revenue	EBIT	PAT	Assets	Capital Employed	ROCE	Employees
Sector	Rs. mn	Rs. mn	Rs. mn	Rs. mn	Rs. mn	%	No.
Manufacturing							
Fibre	3,759	29	(144)	5,766	3,637	0.8	1,297
Hand protection	13,377	906	665	9,703	5,894	15.4	1,809
Purification	10,348	1,299	892	8,857	7,262	17.9	1,382
Textiles	7,995	4	(181)	3,481	3,571	0.1	1,253
Construction materials	2,804	474	379	1,753	1,499	31.6	481
Total	38,283	2,712	1,611	29,560	21,863	12.4	6,222
Agriculture and Plantations							
Agriculture	7,395	943	474	7,220	4,350	21.7	1,510
Plantations	9,597	826	583	9,822	5,481	15.1	23,427
Total	16,992	1,769	1,057	17,042	9,831	18.0	24,937
Services							
Transportation & logistics	11,936	1,137	823	6,595	4,595	24.8	2,697
Consumer products	5,252	235	60	2,457	1,760	13.3	294
Leisure & aviation	4,308	817	472	7,949	7,475	10.9	1,610
Power & energy	3,002	898	681	4,176	3,695	24.3	228
Investments & services	781	1,078	500	17,484	16,774	6.4	236
Total	25,279	4,165	2,536	38,661	34,299	12.1	5,065

The key performance indicators of each sector over the past three years are given in our online annual report

<http://hayleys2013-14.annualreports.lk>



Portfolio Movement and Resource Allocation

	2013/14	2012/13	2011/12
	Rs. mn	Rs. mn	Rs. mn
Capital Employed			
Manufacturing	21,863	20,545	19,034
Agriculture and Plantations	9,831	8,870	7,579
Services	34,299	31,469	21,512
EBIT			
Manufacturing	2,712	3,013	511
Agriculture and Plantations	1,769	1,916	1,469
Services	4,165	2,929	2,713
ROCE (%)			
Manufacturing (%)	12.40	14.66	2.68
Agriculture and Plantations (%)	17.99	21.60	19.38
Services (%)	12.14	9.31	12.61

Financial Review

The financial year 2013/14 was one of the most challenging periods for the Hayleys Group. Despite these odds the Group recorded its highest ever revenue of Rs. 80.6 bn, with profit before tax surpassing the Rs. 5 bn milestone and profit after tax reaching an all time high of Rs. 3.7 bn.

The discussion that follows complements the disclosures given elsewhere (including Financial Highlights page 4), Notes to The Financial Statements (commencing on page 121) and Ten-year Summary (page 196) on the achievement of Group Goals (page 46).

Convergence to IFRS

As indicated in Note 2 on page 121 the Group's Financial Statements for FY 2013/14 have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) for the second consecutive year, with some figures for FY 2012/13 being restated.

Portfolio Performance

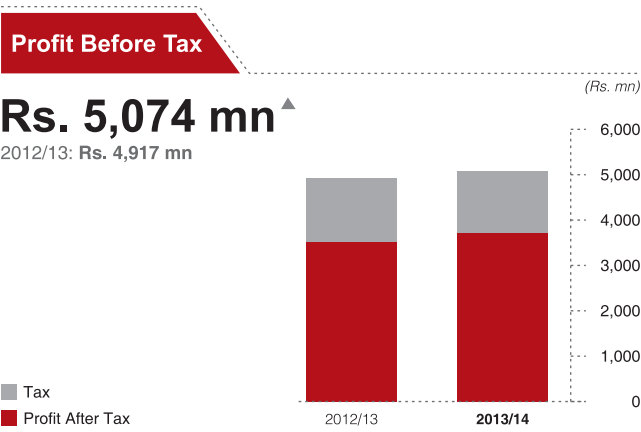
The portfolio of businesses given in the table above is a financial snapshot of the World of Hayleys. Manufacturing leads with 48% share of revenue, services tops with a 48% share of EBIT and agriculture and plantations account for 69% of employment creation.

Exports and indirect exports comprised 57% of Group revenue during the year, with Europe and USA accounting for 24% of the total. The Group's revenue, analysed by global markets and industry sectors, is given on page 6.

EBIT during the year increased by 10.0% compared to a revenue growth of 8.4%, indicating efficiencies achieved despite a difficult year.

The Group posted its highest ever profit before tax (PBT) of Rs. 5.07 bn, yielding a profit margin of 6.3%, a slight reduction from the previous year's 6.6%. The Transportation & Logistics and Purification sectors posted Rs. 1.1 bn and Rs. 1.0 bn in PBT, while Fibre and Textiles were the only loss making sectors.

Group profit after tax grew by 5.8%, from Rs. 3.5 bn to Rs. 3.7 bn, with the Purification and Transportation & Logistics sectors leading the field with contributions of Rs. 892 mn and Rs. 823 mn respectively.

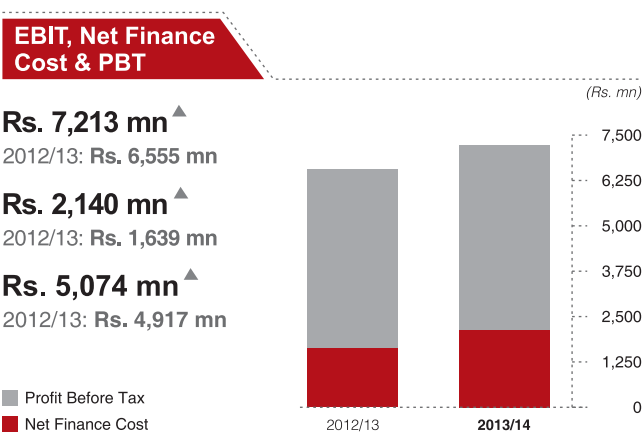


Taxation

There were no changes in the local income tax rates for the Group, and tax expense decreased slightly by 3.4% to Rs. 1.37 bn, while the Group's effective tax rate decreased to 26.9% from the previous year's 28.7%. Although Sri Lankan corporate taxes are relatively low, the Group's foreign manufacturing and marketing ventures are taxed at higher slabs, which influences the relatively high effective tax rates.

Finance Cost and Finance Income

Group finance costs reduced by 5.4% from Rs. 3.1 bn to Rs. 2.9 bn, while the gross interest cover improved from 2.2 times to 2.4 times during the year under review. In tandem finance income almost halved from Rs. 1.4 bn to Rs. 0.8 bn, the overall result being a 31% increase in net finance costs from Rs. 1.6 bn to Rs. 2.1 bn. In addition to the Parent Company, the Agriculture, Leisure & Aviation and Purification sectors accounted for the bulk of the finance costs.



Cash Flow, Liquidity and Investments

Net cash inflow from operations declined from Rs. 7.3 bn in FY 2012/13 to Rs. 5.6 bn during the year, mainly due to a Rs. 1.9 bn increase in inventory levels.

Net cash flows before financing was a positive Rs. 1.9 bn for the year, compared to Rs. 2.6 bn in the previous year. New debt amounting to Rs. 6.8 bn was raised, with capital and interest payments amounting to Rs. 2.3 bn and Rs. 2.4 bn respectively. The overall net increase in cash and cash equivalents was Rs. 3.3 bn during the year.

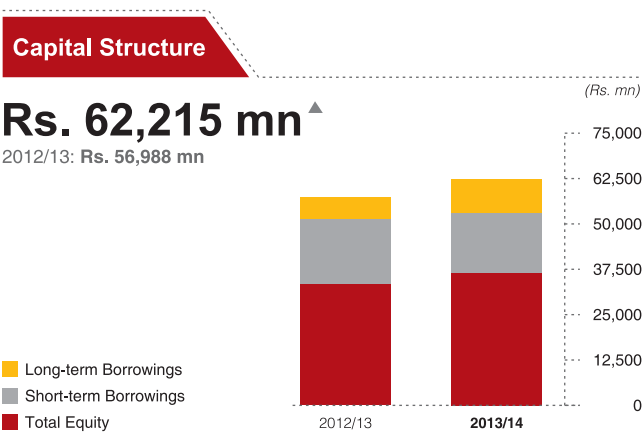
Investments in property, plant & equipment during the year amounted to Rs. 3.4 bn, the primary recipients being the Leisure & Aviation and Purification sectors.

Borrowings

The Group took advantage of Government's capital market incentives to strengthen the Group's capital structure by tapping the local debenture market, and also by accessing offshore funding lines following the liberalisation of exchange controls. Hayleys PLC raised Rs. 2 bn from the issuance of unsecured, redeemable 3-year debentures in addition to a US\$ 10 mn loan facility direct from Standard Chartered Bank, UK. The Kingsbury, the Group's five star city hotel that underwent a major refurbishment, obtained a US\$ 10 mn loan from DEG, the German Development Bank.

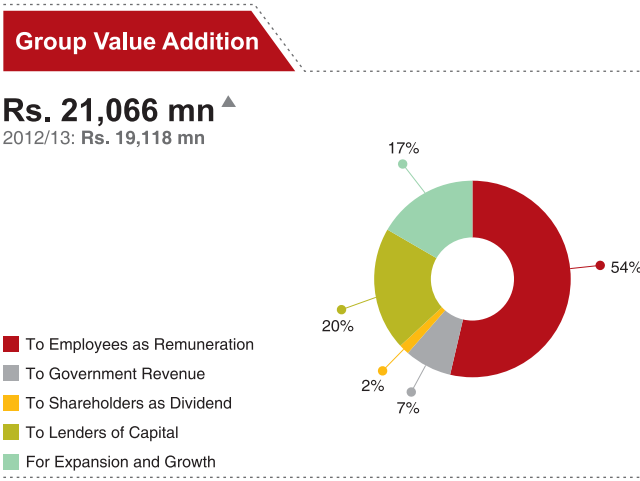
Capital Structure

Gearing levels were maintained at around 41% during the last two years, despite the steep increase in long-term borrowings from Rs. 5.6 bn to Rs. 9.2 bn discussed above. The ratio of short-term to long-term loan borrowings remained at a healthy balance of 65:35 (FYE 2012/13 : 76:24).



Group Value Addition and Distribution

	2013/14			2012/13		
	Rs. mn	Rs. mn	%	Rs. mn	Rs. mn	%
Value Added						
Revenue		80,554			74,302	
Cost of materials and Services bought in		(59,448)			(55,184)	
		21,066			19,118	
Value Distributed						
To employees as remuneration		11,298	54		9,579	50
To government revenue		1,615	7		1,584	8
Sri Lanka	1,305			1,311		
Overseas	310			273		
To shareholders as dividend		375	2		338	2
To lenders of capital		4,289	20		4,423	23
Interest on borrowings	2,389			2,679		
Minority interest	1,900			1,743		
		17,577	83		15,923	83
Value retained for expansion and growth						
Depreciation	2,057			1,772		
Profit retained	1,432			1,423		
		21,066	100		19,118	100



Institutional Capital

Values that Create Value

‘Nowadays people know the price of everything and the value of nothing’

- Oscar Wilde

With a rich heritage dating back to 1878, we are driven by a vision underpinned by seven core values - integrity, respect for people, a will to win, lasting customer value, good citizenship, teamwork and accountability - that have withstood the test of time. They serve as a common focus and rallying point for a diversified Group such as ours.

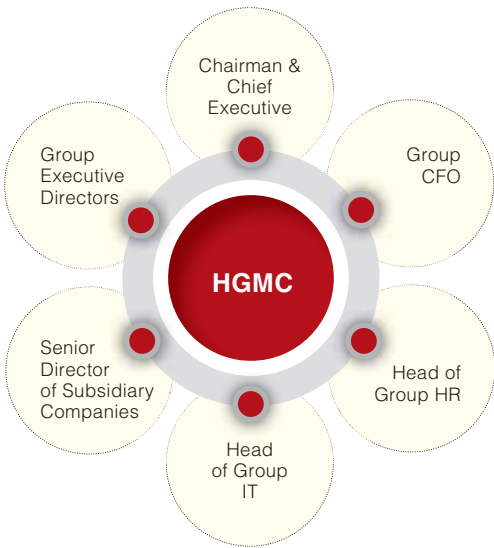
Our commitment to these values are strong as ever as they play a central role in creating the intangible part of our internal capital - what we refer to as our institutional capital.

Bringing Them Together

To manage our operations across manufacturing, agriculture and services that are further divided into the 12 sectors discussed previously, we adopt a decentralised approach where the Managing Director (MD) of each business sector is responsible for its day-to-day operations and profitability.

However, reporting is centralised through the Hayleys Group Management Committee (HGMC) which functions as a conduit for knowledge sharing between the sectors. Members of the HGMC consist of sector MDs and heads of centralised operations such as Group Human Resources, Group IT and Group Chief Financial Officer (CFO). HGMC meetings are held monthly.

Furthermore, the centralisation of the key functions such as IT, HR, finance and accounting, treasury, legal, internal audit and secretarial services ensures consistency in performance, and also promotes synergies through collective approaches across diverse sectors.



Hayleys PLC oversees subsidiaries through the receipt of regular reports, while investments above a defined threshold need the approval of the Hayleys Board of Directors, thus ensuring alignment with Group goals and strategies.

The Material Aspects

Corporate Philosophy and Culture

There is challenge, opportunity and synergy at Hayleys. Although our businesses are diverse, they 'walk to the same beat' holding fast to the core values of Hayleys, whilst retaining their own character and individuality.

Hayleys focuses on creating a culture and a business environment based upon inclusion, mutual respect, accountability and understanding - its 36,000 employees come from all walks of life and present an incredibly rich mix of experience, expertise and ideas. We provide an environment where employees are valued, and where exceptional performance is recognised. Such an environment also provides greater job satisfaction, increased staff motivation, creativity and productivity, and improves attraction and retention rates. Appropriate reward and recognition processes support the development and sustainability of high level skills, behaviours and capabilities that are central to building on a culture of strong continuous improvement and organisational success. They also support and reinforce Hayleys goals, values and vision through a process that is applied fairly and equitably, transparently and consistently across the Group.

The Chairman's Award, launched in 2013, seeks to achieve these objectives by recognising exceptional teams and/or individuals that have supported the Hayleys Group's vision and goals.

Business Ethics and Integrity

Business ethics and integrity are core values that have been firmly entrenched for generations within the Hayleys Group. As discussed in our reports on Corporate Governance and Risk Management (commencing on pages 24 and 34 respectively) several frameworks, codes and control mechanisms are in place to ensure compliance, and they are regularly reviewed

and updated as necessary. For example, the 'Hayleys Way' provides a uniform code of business conduct for all Hayleys employees and companies across all the countries we operate in.

Hayleys Brand and Image

The 'Hayleys' brand is a household name in Sri Lanka and renowned globally. It has won acclaim as a Superbrand and as the Best Corporate Citizen of Sri Lanka on multiple occasions. Awards and accolades won (page 202) regularly bear testimony to our positive image as a responsible company, including being recognised as one of the top three 'most respected business entities in Sri Lanka' and being ranked first for the 'Most Nation Minded' in Sri Lanka by the LMD magazine.

The 12 business sectors within the Group operate under individual brands within the guidelines set by Hayleys. Despite their diversity, they echo the spirit of being part of the 'World of Hayleys' and operate cohesively as a Group. Details of individual sectors are discussed under 'customer and business partner capital' commencing on page 63.

Innovation and Intellectual Property

The spirit of enterprise is visible across the success stories that characterise many of our businesses. The will to win despite the odds is what drives us to grow businesses from ground up, develop solutions from first principles and design plant and equipment from scratch. Our pioneering work in activated carbon and rubber gloves that have grown to global businesses are good examples. Our Fibre sector has earned over 400 patents over the past five years, thus reinforcing a Hayleys legacy of transforming abstract ideas into successful business propositions. Innovations in our Agriculture sector include the production and export of first-generation hybrid flower seeds, a first of its kind for Sri Lanka. The list goes on.

IT Capabilities and Developments

Hayleys is currently implementing an information technology strategy built on four pillars. Centered on consolidation, the strategy will centralise all IT activities under two divisions, namely Centralised Services (for common IT services to all sectors and corporate departments of Hayleys), and Sector Specific Services.

Pillar One deals with the consolidation of common infrastructure-related services provided through the Centralised Services Division. This will standardise services across the Group and lead to savings by reducing the duplication of infrastructure. This activity is almost complete and will be completed in 2014/15.

The Pillar Two consolidation of business systems was planned through the SAP transformation programme to roll out a common Enterprise Resource Planning (ERP) system across all sectors of the Group. The transformation programme has already been implemented across the Textiles, Purification, Leisure & Aviation sectors, with completion targeted for end of FY 2015-16.

The Pillar Three consolidation of front line support services and introduction of a common Help Desk Services will be outsourced, and work is in progress.

The Pillar Four consolidation of IT personnel will allow Hayleys to better utilise skills and build the appropriate teams to support Hayleys IT strategy for the future. Building the foundation framework to enable this transition has commenced.

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Delivering Value

External Capital Formation

The value created by Hayleys for stakeholders through its resources, activities and relationships leads to the formation of capital external to Hayleys. It takes several forms and resides within our stakeholders, the material ones being investor capital, customer & business partner capital, employee capital and social & environmental capital. Though external, Hayleys has access to and makes use of these forms of capital and its own internal capital in driving future earnings.

In this section we will discuss value creation and external capital formation in the context of the four material forms of capital noted above.

Investor Capital

The Bulls and the Bears

‘Price is what you pay; value is what you get’

- Warren Buffett

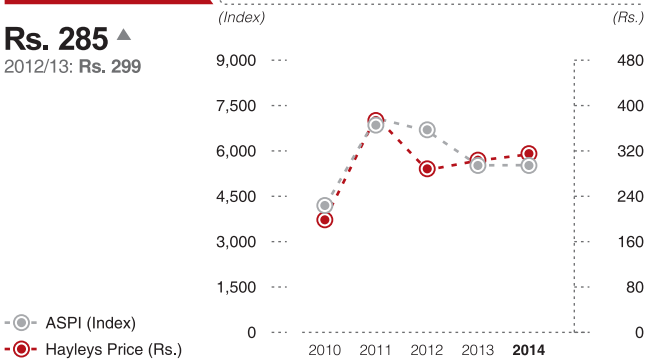
Investors regard Hayleys PLC as a core holding that consistently delivers shareholder value. As a conglomerate with diverse business interests, our focus is on managing subsidiary companies spread across twelve diverse sectors, including those abroad. This turns out to be a balancing act between the expectations of some 3,200 shareholders, of whom 84% are individuals, 96% are residents, and with the top three controlling 66% of the shareholding. Notwithstanding such diversity - or concentration, our focus is strategic and not speculative...to deliver sustainable value to our investors over time.

Share Price Movements

Sri Lanka's share market recorded much volatility during the year ended 31st March 2014, affected by the relatively higher yields on fixed income securities, exchange rate volatility and tight liquidity conditions. The All Share Price Index increased slightly by 4% during the year and the HAYL.N0 share price hovered around Rs. 290 - 325, closing at Rs. 285. The share was thus trading below its net asset value of Rs. 316, with an EPS of Rs. 11.82. Market capitalisation of the share was Rs. 21.3 bn, slightly lower than the previous year's figure of Rs. 22.4 bn.

Movement in Share Price

Rs. 285 ▲
2012/13: Rs. 299



Earnings per Share and PE Ratio

The Group's earnings per share increased marginally by 2.7% from Rs. 23.48 in the previous year to Rs. 24.11 during the period under review. The Price/Earnings ratio remained relatively constant, being 11.8 times by end-March 2014, compared to 12.7 times the previous year.

Net Asset Value

The net assets per share attributable to the equity holders of the parent company increased by 7% to Rs. 316.31 during the period under review from Rs. 296.69 previous year. Therefore, by the end-March 2014, it was trading at a price-to-book value of 0.9 times against 1.0 in the previous year.

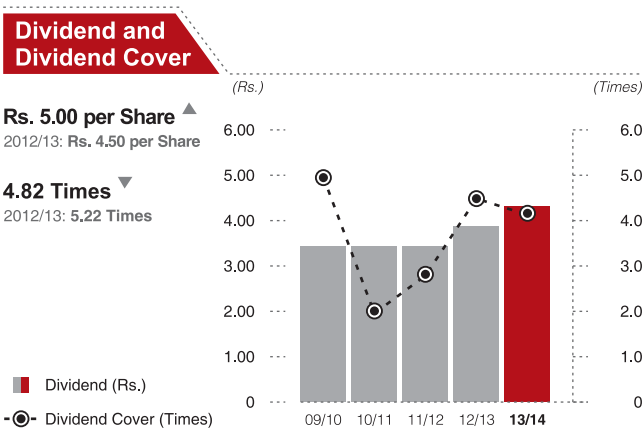
Dividends

The Company has proposed a first and final dividend of Rs 5.00 per share for the period under review ensuring a steady cash flow for its investors. Dividend payout ratio was 20.7% and the dividend cover was at 4.8 times for the year.

Dividend Policy

Our aim is to provide for a regular and sizeable dividend flow, whilst allowing the Company to maintain the financial flexibility to take advantage of attractive investment opportunities in the future. In keeping with historical practices, we will continue to include dividend payments as part of our commitment to creating superior shareholder value over time. In determining the dividend payout, the Board of Directors considers a variety of factors including outlook for earnings growth, dividends from subsidiaries, capital expenditure requirements, potential acquisition opportunities, Company's liquidity position, Company's overall debt position and the cost of raising funds from alternate sources.

The dividend per share over the past five years has increased steadily from Rs. 3.00 in FY 2008/09 to Rs. 4.50 in FY 2012/13, while Rs. 5.00 is being proposed for FY 2013/14.



Customer and Business Partner Capital

Listening...Not Just Hearing

‘Your most unhappy customers are your greatest source of learning’

- Bill Gates

We do not take customers for granted. With a mindset attuned to listening and understanding their hidden and unarticulated needs, we strive to meet the aspirations of our customers and business partners, however demanding they may be. They are also sources of insight that spur our innovative spirit...blurring the line between fact and fiction. As providers of superior solutions rather than mere products and services, we believe in meticulous and consistent execution to ensure quality in all its forms right through the value chain. The latter includes our business partners - with whom we enjoy a symbiotic relationship, some going back half a century or more.

We will next review the material aspects of our customer & business partner capital across our twelve sectors in the context of operations, strategies and outlook.

Product and Service Information

The human and environmental safety of our products and services is of utmost importance to us. We provide assurance on the safety and ethics behind our products, and ensure that our customers make informed decisions when they purchase a Hayleys product.

Depending on the industry sector, Hayleys has in place procedures for product and service information and labelling.

We use product and service labelling to inform people on a variety of aspects depending on relevance and significance. They include information pertaining to sourcing of components, content, safe use and disposal. All agricultural fertilisers and pesticides for example display poison warnings and safe storage instructions, instructions on dosage and antidotes in case of consumption and also poison centre contact details, amongst others.

Compliance is then monitored across significant categories. For example 100% of significant product and service categories in the Textiles and Agriculture Sectors are subject to such procedures.

Marketing Communications

We largely communicate with our customers through advertising. We adhere to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship. Compliance includes obtaining prior approval from relevant authorities and adhering to all guidelines of our principals and the Consumer Affairs Authority in ensuring that all claims made by us are true and verifiable.

Compliance

The Group has not been informed of or has pursued any action where any fines were imposed in relation to non-compliance with laws and regulations related to the provision and use of our products and services.

Fibre

Operations

It was a challenging year for the Fibre sector with setbacks in key markets coupled with rising manufacturing cost. The sector is undergoing a restructuring exercise that includes rationalisation of plants and the implementation of lean manufacturing processes. Many initiatives were implemented to strengthen the supply chain, seek alternative materials sourcing, drive cost efficiencies and improve quality assurance systems.

Strategies in Action

Our focused efforts to regain market share through aggressive market development strategies targeted new markets and product segments. Our quest for excellence in quality systems and social sustainability initiatives are continuing. BSCI certification was obtained for Floor Covering products while certification for Industrial Fibres is in progress. In Brushware, the SEDEX certification is to be completed during FY 2014/15, which is in addition to the existing SA 8000 certification. Our thrust on innovation continues, resulting in many new products being added to the product portfolio.


Outlook

The primary objective going forward is to become profitable once more following the restructuring exercise. Strategies being implemented focus on product and market development, excellence in quality and cost effectiveness. Additional plant capacity is planned for 2014/15 to cater to increased demand in the Bio-engineering and Brushware product segments. Overall, the sector is optimistic of showing stronger results in FY 2014/15.



Our focused efforts to regain market share through aggressive market development strategies targeted new markets and product segments



 www.hayleysfibre.com

Refer for more information about the sector



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Hand Protection

Operations

Following a successful first quarter in terms of volumes and value generation, the Hand Protection sector went through a very difficult period as its manufacturing operations in Weliveriya and Hanwella were subject to unfounded allegations pertaining to the acidity of the ground water in the vicinity. As a result, we were compelled to suspend operations at Weliveriya from 30th July 2013. It must be emphasised that the factory had been operating with an Environmental Protection Licence (EPL) issued by the Board of Investment (BOI), and all subsequent results of investigations made available so far in the public domain have confirmed that the factories in question were not responsible for the alleged water quality issues in the neighbourhood. Furthermore, there was no legal directive (court order) to suspend operations.

All manufacturing locations of the Hand Protection Sector - led by Dipped Products PLC (DPL) - meet the requirements of the respective EPLs, particularly in respect of emissions and discharges. Nevertheless, following the protests at Weliveriya, DPL took a strategic decision to invest in a new glove manufacturing factory inside the Biyagama Industrial Park, which will also open up new opportunities for expansion and new product development.

Almost entirely export driven, the disruptions created very challenging conditions for DPL and its customers. DPL worked tirelessly to meet the orders within the prevailing constraints while some of the product categories were outsourced in order to cut down the supply lead times. Customers too were continuously updated on developments concerning the affected facilities.



On a positive note, Firstlight, our unique CSR initiative linking smallholder rubber farmers with the global markets under fair trade principles, was judged the Best Innovative Model for CSR by JASTECA (Japan Sri Lanka Technical and Cultural Association). The Firstlight initiative reflects our commitment towards business sustainability in which economic, environment and social factors are integrated in order to empower smallholder rubber farmers.



**Almost entirely
export driven, the
disruptions created
very challenging
conditions for DPL
and its customers**

Strategies in Action

The new manufacturing facility at the Biyagama Industrial Park will be commissioned in a phased manner throughout FY 2014/15. It will have sufficient capacity not only to recover the lost capacity at Weliweriya but also allow room for future expansion, thus enhancing our position as a strong and reliable manufacturer of hand protection wear. Moreover, the profile of the new plants will strengthen the proportion of high value products in the overall product portfolio.

Outlook

Our key task ahead is to return to normalcy of operations by achieving the normal throughput of gloves to all our customers. In this regard, we have successfully managed the investment in the new plant in Biyagama, whilst also ensuring that all necessary procedures and monitoring mechanisms are in place for its effective functioning. Going forward we will be focused on strategic investments to enhance our product capabilities, further consolidating our position as a premier glove manufacturer in the world.



www.dplgroup.com

Refer for more information about the sector



Purification

Operations

The global market proved to be challenging for the Purification sector. The slowdown of the gold mining industry decreased demand and exerted significant price pressure on activated carbons marketed to this industry segment. The modest recovery of the USA and the stagnation in Europe made it necessary to offer price reductions in order to retain key customer accounts. The situation was exacerbated by oversupply created in these markets by the entry of new manufacturers and existing manufacturers who had expanded capacities from countries such as India, Philippines and Indonesia.

Input costs too aggravated the situation. The prices of our primary raw material, coconut shell charcoal, increased by over 25% in Sri Lanka and India. These sources supply the total raw material requirement of the Sri Lankan manufacturing facilities that account for nearly half of the Group's manufacturing capacity.

In the backdrop of these challenges, marketing initiatives that enabled high capacity utilisation of all manufacturing facilities throughout the year, significant cost saving achieved under lean projects and commercialisation of new value added products helped to maintain overall profitability.

The Thailand operations under Carbokarn Co. Ltd. performed well both in activated carbon manufacture and regeneration operations, while the Shizuka factory contributed a full year of production to boost overall results. Haycarb's Indonesian subsidiary, PT Mapalus concluded a year of exceptional performance to make significant top and bottom line contributions.

Haycarb Group successfully commissioned a new manufacturing plant under Haycarb Value Added Products (Pvt) Ltd. in July 2013. Haycarb has

We strengthened our value added product portfolio during the year including good progress in the Energy Storage carbon segment



www.haycarb.com

Refer for more information about the sector

strengthened its value added product portfolio during the year including good progress in the Energy Storage carbon segment.

The Sector also invested in its second manufacturing plant in Indonesia in the Palu Province of Central Sulawesi, successfully commissioning the plant in March 2014, under the subsidiary PT Haycarb Palu Mitra Company. All overseas manufacturing facilities completed NSF and ISO 9001 certifications during the year, aligned with the strategy to upgrade overseas plants for the manufacture of value-added products. The focus on increasing market share in Indonesia was successful whilst important new accounts were established in Europe and Far Eastern Region for specialised high value carbons.



Puritas (Pvt) Ltd, the Group's Environmental Engineering division, increased net earnings by nearly 30% during the year through the execution of small to medium scale turnkey water treatment projects whilst embarking on initiatives to bid for large scale water projects with strategic collaborations.

The Purification Sector posted turnover and profit before tax of Rs. 10,348 mn and Rs. 1,030 mn respectively for the financial year 2013/14. The net earnings before tax declined by 16% mainly due to the intense competition in global markets and the increase in input costs, even though the Company achieved significant sales volume growth.

Strategies in Action

Further work will be undertaken to achieve a deeper understanding of individual market dynamics, identify new market segments and customers, strengthen distribution channels and reinforce the Haycarb brand. The marketing and business development resources in Sri Lanka and in overseas subsidiaries have been strengthened and the Sector is working in

collaboration with distributors and partners to establish our presence in new geographical markets as well. The R&D team will continue to work in close collaboration with manufacturing and business development teams to improve efficiencies of processes as well as in new product development initiatives. Haycarb is also pursuing strategic initiatives to diversify in to associated products and services.

Puritas will leverage on its successful strategic partnership with Veolia Group to collaborate on large scale water treatment projects and is expected to record a significant increase to its net earnings.

Outlook

The Purification sector does not expect a speedy recovery of its traditional markets whilst the serious challenges to charcoal supplies in Sri Lanka and India are expected to continue. Haycarb also anticipates competition and pressure for pricing of raw material supplies in Thailand and Indonesia which will necessitate the Group to revise pricing with close understanding and dialogue with its key customers/distributors whilst working internally to enhance efficiencies and reduce costs.

The parity levels for currencies in Indonesia and Sri Lanka are not expected to be favourable for exports in the coming year, and are not expected to offset the escalation of input costs and overheads.

Haycarb has planned for growth based on increased manufacturing capacity, new product commercialisation, entry in to new geographical markets whilst strengthening its presence in traditional market segments, rationalising of processes and reducing cost through its Lean platform.



Textiles

Operations

Hayleys Textiles sector is primarily engaged in weft knitting, dyeing and finishing of cotton, cotton blends and polyester fabric. They are produced using some of the best machinery to ensure the high quality standards required by our customers, while our capability to carry out additional finishes gives us added flexibility in fulfilling any specialised needs of customers.

Strategies in Action

The entire sector functions on an industry specific ERP system (SAP), while we also implemented the latest product planning tool. These systems give us the required flexibility to plan and execute day-to-day operations in an efficient and effective manner and have contributed to improving performance all round.

The key Initiatives undertaken during the year to improve customer convenience include:

- Frequent progress meetings with customers and suppliers
- Strengthening of the New Product Development Team and New Product Development Centre
- Introduction of better planning tools; real time monitoring of order progress
- Better controls in product quality with an appreciable reduction in fabric returns

Our key activities focused on suppliers included the following:

- Having additional suppliers for yarn, dyes and chemicals to improve pricing
- Sourcing from India to reduce lead times
- Holding buffer stocks with suppliers based on projections to reduce lead times
- Introducing new raw materials to widen product range offered to customers

With the demonstration of a positive change in 2013/14, the Hayleys Textiles sector will consolidate its growth through several ongoing and new initiatives targeting both customers and suppliers



www.hayleysmgt.com

Refer for more information about the sector



Outlook

With the demonstration of a positive change in 2013/14, the Hayleys Textiles sector will consolidate its growth through several ongoing and new initiatives targeting both customers and suppliers. They include strengthening customer as well as supplier relationships, improved credit terms from suppliers, closer links between suppliers' technical team and our counterparts for knowledge sharing and new product development.



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Construction Materials

Operations

Exploiting its competitive advantage in terms of modern technology, in-house die making capability, higher production capacity and flexibility in manufacturing customised products coupled with a strong financial position, the Alumex Group made considerable progress in manufacturing high quality aluminium extrusions for door and window systems under licence.

A key milestone during the year was the listing of Alumex on the Colombo Stock Exchange through an initial public offering, making it the eleventh listed company within the Hayleys Group. The capital generated by the IPO is being invested in a powder coating plant to cater to the increasing demand in the industry for such products.

Key challenges during the year were in maintaining our competitive position in the market and managing the volatility in the liquidity position in the construction industry. In contrast, raw material prices remained stable throughout the year, lending support to stable selling prices in the market.

Strategies in Action

The Alumex distribution system is being upgraded, both through a centralised warehousing system in Makola as well as expanding warehousing facilities in all the provinces. New product developments are progressing with the support of SLINTEC and in-house engineers, while improvements are being planned to upgrade our testing laboratories. The ERP system used within the Alumex Group is also being upgraded with a manufacturing module to enhance the production planning and control function and to improve delivery times to customers.



New Alumex concept and design centres will be established shortly to display doors and windows fabricated using Alumex products with recommended accessories all under one roof, allowing customers to get a touch and feel of the final products, obtain shop drawings, BOQs as well as details and recommendations of fabricators.

Plans for venturing into Myanmar and Bangladesh are being considered, while strengthening existing markets in the Maldives and India. Alumex is also targeting the South Asian region with its own proprietary window and door systems.



A key milestone during the year was the listing of Alumex on the Colombo Stock Exchange through an initial public offering, making it the eleventh listed company within the Hayleys Group

www.hayleysmgt.com

Refer for more information about the sector

Outlook

With the ongoing rapid growth shown in the construction industry driven by the housing and tourism sectors, and the limited timber supplies in the local market, the overall outlook for the Alumex Group is positive. Strong growth in local sales, exports to the South Asian region and developing proprietary door and window systems are expected to be the key drivers in the medium term.

ALUMEX
Ultimate in Aluminium Profiles

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Agriculture

Operations

Hayleys Agriculture maintains a unique product portfolio that offers competitive advantage to channel partners and customers, efficient business processes and agricultural extension capability to provide pre-sale, sale and post-sale services to the agricultural community, and a strong supply chain that facilitates procurement efficiencies and superior margins. Indeed, it is this differentiation that enables us to compete successfully in an ever-demanding local agriculture industry.

In a year that saw both drought and extreme rainfall, it was a challenge for the sector to remain on course. Such vagaries of weather impacted on the economic aspects of the agricultural industry, including depletion of cultivation extents, abandoned crops, reduced farmer incomes and inadequate crop management. These led to lower than expected agri input usage. Despite these challenges Hayleys Agriculture remained resilient with its diverse portfolio, notably fertiliser, agri export and animal health businesses doing well.

Likewise, although constrained by adverse weather and inconsistent policies on the use and supply of crop protection inputs, a credible performance was delivered by the crop chemical business, which is testimony for the trust and value placed by the Sri Lankan farmer on the Hayleys Agriculture brand which stands for responsible crop care.

Business growth through sustainable value adding partnerships with our stakeholders is the path the sector will continue to tread



www.hayleysagriculture.com

Refer for more information about the sector





Strategies in Action

Our entry into aquaculture in the previous year to grow seaweed in the Northern waters shows promise for commercial success. Steps are now being taken to commercialise the project with larger extents of cultivation and securing marketing rights.

Protected agriculture projects are now under trial as a response to adverse weather conditions. A greenhouse cultivation project with Israeli expertise is in the pipeline and so are many drip irrigation and poly tunnel agricultural projects.

As a value adding and trusted partner to the livestock farmer, a diagnostic and feed analysis laboratory is being setup to assist in disease diagnosis and provide advice on feed ration formulation.

The agricultural food exports division continued to upgrade and expand its production facilities to meet growing demand. It won many accolades during the year for its performance and contribution to Sri Lanka's agriculture, and for healthy workplace relationships. Going forward, more value added fruit and vegetable products, including coconut-based food and drink products are being developed for our increasing global clientele.

Outlook

Business growth through sustainable value adding partnerships with our stakeholders is the path the sector will continue to tread. Whilst further strengthening our core businesses to increase market share, we plan to make strategic entry into related agribusinesses such as aquaculture, fruit drinks and pest control services. Extension services will be strengthened to support local agriculture. It is paramount to us that we are seen and accepted by all our stakeholders as an ethical and dependable agri inputs and solutions provider. To this end no pains will be spared.

The sector is on course for greater results in the coming year based on the superior product portfolio being developed, new businesses and new product introductions, expansion of the distribution network and collaborations with farmer groups, NGOs and Government agencies.



Plantations

Operations

The Plantations sector, led by two regional plantation companies, Kelani Valley Plantations PLC and Talawakelle Tea Estates PLC, together own and manage 44 tea and rubber estates covering a total extent of over 25,000 hectares. The sector includes Mabroc Teas (Pvt) Ltd, a leading exporter of value added teas to over 50 countries. The sector employs over 23,000 people, accounting for 65% of the Hayleys Group's total workforce.

Despite a depressed global rubber market, Kelani Valley Plantations made a significant contribution to profits whilst Talawakelle Tea Estates maintained an excellent performance posting results equivalent to that of their best year. These were achieved despite accommodating a 20% wage increase to plantation workers and absorbing the impacts of some of the most adverse weather conditions experienced in over 40 years. Our plantations continued to employ sustainable practices throughout its agricultural operations and maintained certifications on Rainforest Alliance, UTZ, Global GAP, Ethical Tea Partnership and ISO 22000.


Strategies in Action

We will continue to remain focused on the deployment of resources towards sustainable agricultural practices and productivity initiatives. This will entail investing in infrastructure development, controlling operational costs without sacrificing our commitment to quality, ensuring the well-being of our workers and the communities within which we operate, and maintaining sound environmental practices.

These were achieved despite accommodating a 20% wage increase to plantation workers and absorbing the impacts of some of the most adverse weather conditions experienced in over 40 years

 www.kvpl.com

 www.talawakelleteas.com

 www.mabroctees.com

Refer for more information about the sector





Improving land and worker productivity, diversifying our product range and revenue streams, and developing and empowering our human resources are areas that we will continue to work on.

Outlook

On balance, it has been a positive year for the plantation sector, in the backdrop of sanctions being relaxed and easing of civil unrest in some of our key export markets, tea prices being remunerative into the first quarter and a stable macro outlook for the Sri Lankan economy. We look forward with cautious optimism for a successful year ahead.



Transportation & Logistics

Operations

Backed by the strong relationships developed over the years with principals and partners, the Hayleys Transportation & Logistics sector - under the Advantis Group - expanded its service offering during the year. New equipment for heavy cargo projects were added, while technology advancements were made with the implementation of an ERP system to better integrate the sector's operational systems with a common financial backbone. We also acquired new business accounts under our 3PL Division while securing a new agency representation.

Overall performance during the year surpassed expectations although our freight forwarding business faced challenges from fluctuating freight rates and eroding margins.

Strategies in Action

With the Government's initiatives on establishing Sri Lanka as a Logistics Hub, Hayleys Advantis has taken the necessary steps to move towards free port operations through its newly established subsidiary Hayleys Free Zone Limited. We will work towards better value creation for import and re-export operations, bridging the gap between the manufacturer and the consumer, while overseas we are continuing to exploit our competencies in selected markets.

Outlook

With the ongoing infrastructure development projects across the country and the ensuing need for transportation and logistics support, Hayleys Advantis sees a wide range of opportunities for future growth. This is reinforced by the Government's move towards establishing Sri Lanka as a Logistics Hub, which presents further opportunities for the sector.

With the Government initiatives on establishing Sri Lanka as a Logistics Hub, Hayleys Advantis has taken the necessary steps to move towards free port operations

www.hayleysadvantis.com

Refer for more information about the sector





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Consumer Products

Operations

The Consumer Products sector recorded a 20% growth in turnover. However, the PBT was lower than the preceding year due to start-up costs of new operations, higher interest cost during the first half of the year and lower consumer demand in a few key categories.

Strategies in Action

The sector continued to focus on driving turnover by developing and acquiring brands in categories with high growth potential, which led to the inclusion of two renowned consumer brands to our portfolio during the year.

The Lighting division undertook a promotional campaign, and as a CSR strategy, produced a tri-lingual booklet on saving energy to help consumers reduce their electricity expenses. The Lighting division was restructured to give a better focus on professional lighting solutions. Overall, the sector undertook several measures to improve productivity of the sales force while also addressing employee retention and career growth.

Outlook

We expect business growth arising from a wider product and service offering, higher disposable incomes and improved geographical distribution of income, growth in tourism and stability in exchange and interest rates.





We undertook several measures to improve productivity of the sales force while also addressing employee retention and career growth



www.hayleysconsumer.com

Refer for more information about the sector



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Leisure & Aviation

Operations

The year saw the sector - comprising tours, aviation and hotels & resorts - expanding its international outreach, whilst further strengthening its local operations.

Our tours/destination management business, driven by Hayleys Travels, focuses on inbound tourism based on a B2B model wherein our principal business partners are foreign tour operators.

In aviation Hayleys presently partners with 110 IATA-accredited passenger General Sales Agents (GSA) countrywide, while our main clientele for cargo GSAs are freight forwarding agents.

In our hospitality portfolio, the re-launched Kingsbury turned in a full year's performance in 2013/14, and set the tone by winning two prestigious accolades - 'World Luxury Hotel' award for the best luxury city hotel in the Indian Ocean, and the 'Wellness and Spa' certification as per the stringent European Audit Institute of Wellness Spa quality standards.

Strategies in Action

Hayleys Tours achieved notable milestones such as entry into the Chinese market, the opening of two more overseas representative offices and providing destination related services for cruise lines.

Amaya Brand registered a profit before tax of Rs. 417 mn, yet another consistent performance by this segment which includes Amaya Hills, Amaya Lake and the Bungalows of Amaya Hills, as well as the properties under Amaya management such as Langdale and Coral Rock.

In our hospitality portfolio, the re-launched Kingsbury turned in a full year's performance in 2013/14, and set the tone by winning two prestigious accolades

www.kingsbury.lk

www.amayaresorts.com

www.hayleystours.com

Refer for more information about the sector



Outlook

During FY 2013/14 the passenger GSAs and travel agency business handled passenger numbers in excess of 65,000 whilst on the inbound tourism side there was an approximately 45% increase in the number of guests over the previous year.

The aviation business is expected to grow during the next financial year driven by increased sales and marketing activities focused on the corporate client base for passenger sales, coupled with a possible entry into new air cargo markets. We anticipate the profitable progress of destination management operations which has grown at a steady pace since its inception three years ago.



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Power & Energy

Operations

Several positive strides were made in key business segments. The Nirmalapura wind farm saw its first full year of operations with power generation at expected performance levels. The construction work of the Mawanana 4.5 MW hydro power plant is in progress. In the industrial inputs segment, we ventured into specialised chemicals for the construction industry through a collaboration with a Malaysian principal. Promising initial contacts were made in Pakistan for supplying pigment emulsions for the textile printing industry. The electronics and telecommunication projects business was awarded CCTV contracts of few high-end customers, while we entered fire protection and detection systems in order fill in a gap in the building services engineering sector.

The key challenges faced during the year arose from industrial and political issues in Bangladesh that affected our exports, maintaining ex-stock margins in a price competitive market, training and education of end users of high-tech equipment and the mergers and acquisitions of suppliers. Liquidity issues in the local market also affected our working capital.

Strategies in Action

New export markets are being explored to expand the pigment emulsion business and indenting of industrial raw materials. New product development activities are being carried out in collaboration with foreign principals to expand our product offering and to be competitive in the market place. We are earnestly looking for investment opportunities in the renewable energy business and are developing a pipeline of projects.



Outlook

Our renewable energy business is expected to perform well with the developments going on to add more capacity to the national grid. New businesses that we embarked on, such as analytical and scientific testing equipment, and building management systems are expected to perform well in coming years with the anticipated economic growth in Sri Lanka. However, challenges are foreseen arising from mergers and demergers of suppliers and principals, as well those arising from suppliers moving towards working direct instead of going through an agent. Further, raw material and energy cost increases would have an impact on product margins.



**The Nirmalapura
wind farm saw its
first full year of
operations with
power generation
at expected
performance levels.**



www.hayleys.com

Refer for more information about the sector

HAYLEYS
Industrial
SOLUTIONS (Pvt) Ltd

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SERVICES

Investments & Services

Operations

The Business Process Outsourcing (BPO) and Shared Service Operations (SSO) divisions, having gone through a transformation phase, are now gradually moving into profitability as a combined sector. The Consultancy Services team successfully completed its first assignment of creating a Shared Services Centre Operation for a leading local garment manufacturing group and is well on its way to completing a similar second assignment. There are many other consultancy opportunities that the team is currently evaluating.

The BPO division additionally undertook an Information Technology Outsourcing (ITO) software development assignment during the year and will continue to grow this area steadily. The BPO work related to Finance & Accounting (F&A) clients overseas continues to grow, while SSO continues to transition F&A and payroll work of the Hayleys sectors to a common operational centre.

Strategies in Action

The BPO division has identified the Small Medium Enterprise (SME) market in Australia as a growth opportunity on F&A outsourcing work. This division has initiated action to grow its software development capability in both the local and Australian markets during the year. The SSO division is exploring opportunities to offer our payroll capabilities to wider segments in the domestic and overseas markets.

The BPO and SSO divisions, having gone through a transformation phase, are now gradually moving into profitability as a combined sector



www.hayleys.com

Refer for more information about the sector





Outlook

SSO will continue to provide F&A services to all Hayleys business sectors so that the sectors themselves may continue to focus on their individual core businesses. Looking outwards, we will explore the provision of a range of end-to-end value added services in the areas of F&A, payroll processing, software development and other back office processing assignments in both the domestic and selected overseas markets by leveraging on accounts that we have secured up to now.



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Employee Capital

The Value of Work

‘One might think that the money value of an invention constitutes its reward to the man who loves his work. But...I continue to find my greatest pleasure, and so my reward, in the work that precedes what the world calls success’

- Thomas A Edison

One does not have to be a workaholic or a Theory Y adherent to appreciate that work has to be enjoyable and rewarding to create superior value. As a Group with some 36,000 people from all walks of life, ours is a culture based on inclusion, mutual respect and accountability. Recognising that employees constitute a primary source of capital, we invest in people through continuous training and development, recognise and reward merit through transparent and equitable processes, and above all, foster a climate of self confidence and teamwork that fuels a will to win.

The Ten Principles promulgated by the United Nations Global Compact (UNGC) concerning human rights, labour, environment and anti-corruption underpin every endeavour at the Hayleys Group. We are a signatory to these principles, while also being guided by national legal and regulatory regimes concerning the safeguarding of human rights.

People that Matter

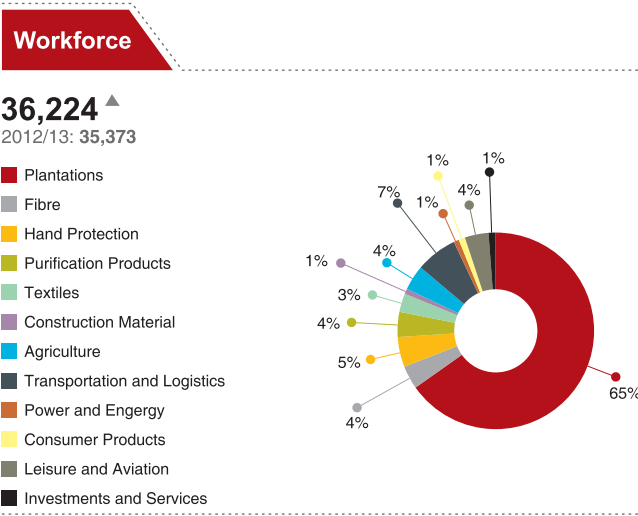
The table below provides an analysis of our staff based in Sri Lanka (see page 7 for definition of boundary) as at 31st March 2014 with outsourced personnel excluded. The total workforce accounted for 36,224 persons, of whom 40% were females and 7.5% were of executive and higher grades. The Plantations sector

was by far the largest employer, contributing to 65% of the total workforce, and the only sector where females outnumbered males.

Outsourced staff comprised those providing security and janitorial services who are employed by respective agencies.

Sri Lanka Workforce

Sector/Company	Executive & Above		Clerical & Supervisory		Manual Grade		Total		Grand Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Fibre	99	19	78	18	625	458	802	495	1,297
Hand Protection	169	42	89	21	1,112	376	1,370	439	1,809
Purification	202	35	66	24	924	131	1,192	190	1,382
Textiles	152	36	234	17	809	5	1,195	58	1,253
Construction Materials	58	6	74	9	334	–	466	15	481
Agriculture	183	26	223	31	801	246	1,207	303	1,510
Plantations	192	29	932	207	9,798	12,269	10,922	12,505	23,427
Transportation and Logistics	594	114	188	14	1,729	58	2,511	186	2,697
Consumer Products	87	22	154	31	–	–	241	53	294
Leisure and Aviation	234	84	855	100	292	45	1,381	229	1,610
Power and Energy	103	43	27	4	51	–	181	47	228
Investments and Services	113	92	26	3	–	2	139	97	236
Total	2,186	548	2,946	479	16,475	13,590	21,607	14,617	36,224



Employee Turnover by Category

Sector/Company	Executive & Above	Clerical & Supervisory	Manual Grade	Overall
Hayleys PLC	10	2	0	12
Fibre	23	9	20	52
Hand Protection	26	0	0	26
Purification	17	5	18	40
Textiles	26	6	16	48
Construction Materials	5	7	13	25
Agriculture	13	21	9	43
Plantations	10	4	6	20
Transportation & Logistics	90	13	25	128
Consumer Products	10	31	0	41
Leisure & Aviation	12	53	15	80
Power & Energy	2	0	0	2
Investments and Services	33	0	0	33

Employee Benefits

Permanent employees enjoy benefits such as health care which includes surgical & hospitalization and disability insurance coverage, hotel discounts, access to Hayleys Group Recreation Club facilities and activities, annual company trips and company maintained bungalows.

Employee benefit plan obligations are detailed on page 130.

Collective Bargaining

Freedom of association is a right enshrined in the Hayleys ethos. The manual and clerical staff of following sectors are covered by collective bargaining agreement.

	Manual	Clerical
Plantations	22,067	1,139
Purification	319	
Hand Protection	337	
Agriculture	92	
Fibre	218	
Total	23,033	1,139

Notice on Operational Changes

Hayleys extends due notice to employees regarding impending operational changes. Due to diversity and uniqueness of each sector, lead times may vary in each company. However, the Group strictly maintains employees' right to receive adequate and timely notice of such changes, although no specific provision has been made in the collective agreements with regard to the minimum notice periods for effecting significant operational changes.

Occupational Health and Safety

Health, safety and well-being of our employees are essential for our mutual benefit. Through health and safety committees established in each of our key sectors we aim to reduce work-related illnesses and injuries while improving the overall health of our workforce.

Health and Wellness

The Passing the Pillow campaign targeted staff members and their families across the Group in multiple locations to create awareness on HIV/AIDS. The campaign was well received and included lectures, poster competitions, quizzes and mini dramas. Programmes were also conducted on diabetes awareness, health & safety, corporate cyber security and energy management.

Workforce Participation in OHS

The extent to which the workforce is represented in formal joint management-worker occupational health and safety (OHS) committees varies depending on the sector and the risk level of the operating environment. For example Purification has two formal committees that address OHS which represent 8% of the total workforce. The figure is 5% for Agriculture, 100% each for Construction Materials and Transportation & Logistics.

Sector	Number of injuries			Number of lost days		
	Male	Female	Total	Male	Female	Total
Fibre	13	6	19	120.5	50.0	170.5
Purification*	25	2	27	48.0	18.0	66.0
Construction Materials	18	–	18	89.0	–	89.0
Transportation & Logistics	9	–	9	189.0	–	189.0
Plantations	61	52	113	98.0	52.0	150.0

**Cumulative figure consisting of workforce and contract staff.*

Training and Development

We believe in continuous learning and development of our employees and provide such opportunities that are aligned with the organisation's business goals and strategy. The table on page 92 indicates the average number of hours of training provided per employee during the year, analysed by gender, employee grade and business sector.

Average Training Hours per Employee for FY 2013/14

	Executives & Above			Clerical & Supervisory			Manual		
	Male	Female	Overall	Male	Female	Overall	Male	Female	Overall
Fibre	103.0	6.7	12.8	7.9	6.4	7.3	4.3	4.7	4.4
Purification	20.5	16.0	36.5	3.4	5.9	9.3	12.1	11.8	23.8
Textiles	9.6	2.8	12.4	2.3	2.4	4.6	1.6	4.9	6.6
Construction Materials	8.5	6.0	7.2	0.5	5.3	2.9	1.3	–	1.3
Agriculture	20.0	2.0	–	21.0	20.0	–	34.0	35.0	–
Plantations	9.0	12.9	9.3	5.7	4.3	5.1	3.1	2.4	2.7
Transportation & Logistics	14.0	13.3	13.9	–	–	–	–	–	–
Consumer Products	11.8	21.2	32.9	8.3	9.0	17.3	–	–	–
Leisure & Aviation	11.0	5.3	7.9	–	–	–	–	–	–
Power & Energy	111.4	75.2	102.8	–	–	–	40.4	38.3	40.3
Overall	318.8	161.4	235.7	49.1	53.3	46.5	96.8	97.1	79.1

Human Rights

Investment Agreements That Include Human Rights Aspects

We believe in the dignity of every human being and respect individual rights as set forth in the UN Global Compact (UNGC) concerning human rights, labour, the environment and anti-corruption principles.

The Group is signatory to these principles.

All companies within the Group are guided by the principles of the UNGC and Sri Lanka's legal and regulatory regimes concerning safeguarding of human rights.

Abolition of Child Labour

Our basic principle is that individuals younger than 18 years of age may not work for any of our sectors or suppliers. In the Plantations Sector in particular, a Human Resource Management Policy has been formulated and communicated to all employees to prevent child labour. There is also strict adherence to the Collective Agreement signed with the worker trade unions and close monitoring and supervision of operations by management in this sector.

Social and Environmental Capital

Money and Much More

'A business that makes nothing but money is a poor business'

- Henry Ford

Our business model reflects this truism - the fact that 'profit' does not happen in isolation of 'people' and the 'planet'. This balance is captured in what we call the dual aspects of value creation, discussed earlier on page 48. We engage with the local communities and enrich their lives through strategic and philanthropic CSR initiatives that are sustainable. Our approach to environmental stewardship runs deep. It involves both, minimising the negative impact of our own activities as well as those arising from the use and disposal of our products. We apply the same principles when we screen and select our business partners, as we consider them to be part of the extended Hayleys family.

Supporting Local Communities

The enterprise of Hayleys has touched the lives of many, both directly and indirectly. We support local entrepreneurs and buy local as far as possible. Many of our sectors are directly involved in strategic CSR projects with local communities that are mutually beneficial.

Firstlight™ is a local sourcing initiative developed by our Hand Protection sector, led by DPL. Coupled with market sustainability and CSR, it is aligned to empower smallholder rubber farmers to achieve their full potential. DPL engages with all components of the value chain, from suppliers to buyers and end customers, thereby encouraging the move towards ethically sourced and manufactured products.

Supporting the development of the plantation community is an important management strategy of our plantation companies. The multi-dimensional initiative branded as 'A Home for Every Plantation Worker' that was launched in 2006 is an ongoing project that has won recognition

as a benchmark practice by the Global Compact Sri Lanka Network.

In agriculture, Hayleys pioneered the outgrower and subcontractor model in Sri Lanka over three decades ago. This is a backward integration strategy that enhances supplier relations while providing an assured income stream to rural farmers. We support such arrangements with a range of services that include impact assessments, studies on farmer profitability and productivity, and training programmes. Our outgrower network presently exceeds 4,200 suppliers, with over a third engaged in growing gherkins for the export market.

Supply Chain

Our supply chain consists of a vast network of suppliers and distributors with varying level of sophistication. Our effective management of them has been part of the Groups' success. Our manufacturing operations continue to engage its with suppliers through personal interaction and community activities. The Firstlight programme of

DPL is one such initiative. The sustainable development of its suppliers has allowed DPL to ensure suppliers' commitment to provide uninterrupted supply for its manufacturing operations.

Projects throughout the Groups' manufacturing operations create a close link with its suppliers to minimise supply interruptions whilst maintaining a flexibility to adapt to the changing environment.

Integrity and Business Ethics

Our long-standing commitment to doing business with integrity and transparency, a key element in our corporate values, also means avoiding corruption in any form. We conduct periodic anti-bribery audits of all our business operations to detect potential misconduct and monitor compliance with anti-corruption laws and relevant policies.


The Group's Legal services has not been informed of or has pursued any action where any fines were imposed on the Hayleys Group in relation to non-compliance with laws and regulations relating to corruption and related matters during the year.

Commitments to External Initiatives

Hayleys is a signatory to the UN Global Compact and a steering committee member of the Lanka Business Coalition on HIV/AIDS to name a few of our local and international initiatives.

Members of senior management of the Group hold membership in key professional, business and governance bodies and participate in their activities and projects. We regard such time and effort spent is important as such bodies are in a strong position to present alternative views, address industry issues and in general play an important role in the development of the economy, environment and community at large.

A complete listing of accreditations and certifications received or renewed during the year as well as memberships are given in our online Report.

 <http://hayleys2013-14.annualreports.lk>

Materials Usage

We are committed to responsible product stewardship and practice the 3R concept - reduce, reuse, recycle. We strive to improve the life cycle of the products we make - from the raw materials and services we procure for operations, through distribution, end use and management of product disposal. We use recycled material as much as possible in our operations but not at the expense of quality.

Energy Efficiency Improvements

Many ongoing initiatives are in place across our sectors to manage the effective and efficient use of energy. Some of the key activities undertaken during the year are summarised below:

- Energy audit was conducted in June 2013 for the Hayleys head office premises 25 Foster Lane and 400 Deans Road.
- All air conditioners were regulated to maintain a temperature of 23°C.
- Hayleys Group commemorated Earth Hour on the 28th of March 2014 signifying its commitment to the conservation of energy and the environment
- A Group wide email campaign was carried out by the Corporate Sustainability Team to communicate the importance of saving energy.
- Hayleys Agriculture carried out a project to recycle packaging material to avoid soil contamination and reduce solid waste at the Haychem Factory in Kottawa.
- Hayleys Agriculture HJS factory in Biyagama is producing bio-gas using waste and using this energy for canteen and laboratory activities.
- The above HJS factory in Biyagama changed all light bulbs to CFL bulbs and solar PV panels were installed to power electrical boilers.

Water Consumption and Discharge

Safe, clean, accessible water is essential to the well-being and economic prosperity of the communities we serve, and also to the ecosystems upon which we all rely. It is also vital for our business operations. Therefore, we are intensely engaged in water stewardship. Likewise, business units ensure that water discharge meet all applicable regulatory requirements.

Our Carbon Footprint

We are reporting our Greenhouse Gas (GHG) emissions voluntarily for the third consecutive year, analysed by business sector and scope. Like before, it is based on the WBCSD/WRI Greenhouse Gas Protocol Corporate Standard and the most recent versions of applicable appendices and calculation tools. Financial control is the basis for consolidating GHG emissions, and the boundary is the Sri Lanka operations of the Group as defined previously on page 7.

We continue to refine our measurement processes and extent of coverage, and are including GHG emissions from the Textiles sector and fugitive emissions from refrigeration and air conditioning equipment for the first time. These make our reporting complete across sectors as well as under Scopes 1 and 2, while reporting under the optional Scope 3 remains selective based on data availability and materiality.

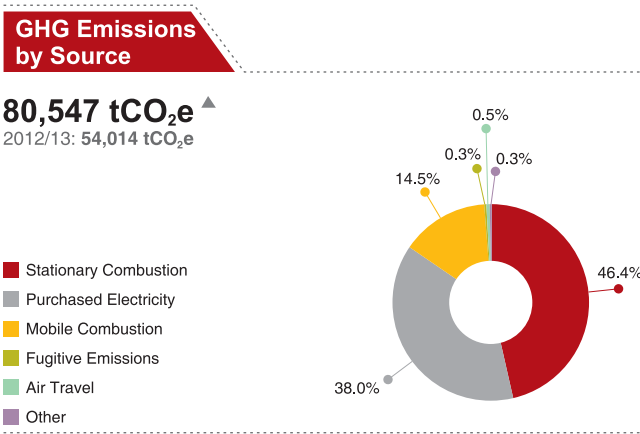
As before, we are reporting emissions at Group level (but analysed by sectors), and not from an individual company perspective. This makes a difference in the assignment of Scopes for purchased electricity, although the consolidated total is unaffected.

Carbon Footprint by Sector and Scope, tonnes CO₂ equivalent

Sector	Scope 1			Scope 2	Scope 3		Total by sector	Share by sector, %	Emissions intensity* tCO ₂ e/ Rs. mn
	Stationary combustion	Mobile combustion	Fugitive emissions	Purchased electricity	Air travel	Other			
Manufacturing									
Fibre	458	279	3	944	1	–	1,684	2.1	0.45
Hand Protection	6,974	–	2	4,672	68	–	11,716	14.5	0.87
Purification	15,774	1,056	42	1,747	88	–	18,705	23.2	1.80
Textiles	9,773	143	3	8,139	30	–	18,088	22.5	2.26
Construction Materials	2,384	20	19	2,338	15	–	4,776	5.9	1.70
Agriculture & Plantations									
Agriculture	780	1,005	12	662	37	–	2,495	3.1	0.33
Plantations	231	1,755	5	6,858	29	–	8,879	11.0	0.92
Services									
Transportation & Logistics	9	7,101	21	964	72	166	8,332	10.3	0.68
Consumer Products	–	300	2	26	9	–	336	0.4	0.06
Leisure & Aviation	909	–	90	2,762	48	–	3,809	4.7	0.87
Power & Energy	–	14	3	74	15	113	220	0.3	0.03
Investments & Services	–	32	3	56	15	–	106	0.1	0.12
Holding Company	11	–	11	1,379	–	–	1,401	1.7	N/A
Total GHG emissions by source	37,303	11,705	216	30,621	427	279	80,547	100	0.99
Share of GHG emissions by source, %	46.3	14.5	0.3	38.0	0.5	0.3	100		

*Emissions intensity is measured as the total of Scopes 1 and 2 GHG emissions per Rs. million of revenue.

The total GHG emissions of the Hayleys Group during FY 2013/14 amounted to 80,547 tonnes carbon dioxide equivalent (tCO₂e), which is significantly higher than the 54,014 tCO₂e reported for the previous year, largely due to the inclusion of the Textiles sector. On the other hand Scope 1 fugitive emissions, also included for the first time, are seen to be insignificant.



Analysed by Scope, direct GHG emissions under Scope 1 accounted for the largest share at 61% of the total, followed by indirect GHG emissions from purchased electricity with a 38% share under Scope 2.

Analysed by sector, manufacturing, which contributed 48% to Group revenue, accounted for 68% of total GHG emissions under Scopes 1 and 2 with Purification, Textiles and Hand Protection leading the way. They are large manufacturing sectors serving the direct and indirect export markets.

Emissions intensity, measured as the total of Scopes 1 and 2 GHG emissions per Rs. million of revenue, was highest in the Textiles sector at 2.26 tCO₂e/Rs.mn, followed by Purification (1.80 tCO₂e/Rs.mn) and Construction Materials (1.70 tCO₂e/Rs.mn), while the Group average amounted to 0.99 tCO₂e/Rs.mn.

Going forward, we will further refine measurement processes and also include any unaccounted entities coming within the defined boundary. This will pave the way for benchmarking our environmental performance more consistently and accurately over time, as well as against peers. Internal target setting too would commence, with positive spin-offs in terms of energy efficiency, fuel switching and cost savings.

Waste Disposal

Waste is segregated and disposed of in compliance with applicable regulations. Details of disposal of hazardous and non-hazardous waste generated during the year are given below in respect of the Purification, Textiles, Construction Materials, Agriculture, Plantations, Transportation & Logistics and Leisure & Aviation sectors.

Waste by Type and Disposal Method

Method of disposal	Hazardous		Non-hazardous	
	Tonnes	%	Tonnes	%
Reuse	72.0	3.6	1,810.2	50.6
Recycle	91.9	4.6	1,014.4	28.4
Incineration (mass burn)	1,025.6	50.9	117.7	3.3
Landfill	–	0.0	77.3	2.2
Deep well injection	–	0.0	1.5	0.0
Composting	–	0.0	3.7	0.1
On-site storage	3.2	0.2	100.0	2.8
Other/third party	821.8	40.8	450.1	12.6
Total	2,014.6	100.1	3,574.9	100.0

Compliance

Hayleys Group Legal unit has not been informed of or has pursued any action where any fines were imposed in relation to non-compliance with laws and regulations related to environmental matters.



SCAN to view the online version
<http://hayleys2013-14.annualreports.lk/fr.html>

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Financial Calendar 2013/14

1st Quarter Report	7th August, 2013
2nd Quarter Report	7th November, 2013
3rd Quarter Report	10th February, 2014
4th Quarter Report	19th May, 2014
Annual Report 2013/14	3rd June, 2014
63rd Annual General Meeting	27th June, 2014
First and Final Dividend Proposed	27th June, 2014
First and Final Dividend Payable	8th July, 2014

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 2014. 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 and the recommended best practices on Corporate Governance.

2. Review of the Business

2.1 Principle 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 200 and 201.

The Principle activities of the Group are categorised into different business groupings i.e. Global Markets & Manufacturing, Agriculture & Plantations, Transportation & Logistics, Consumer Products, Power & Energy, Leisure & Aviation and Investments & Services. A grouping may consist of a number of sectors. The main activities of the sectors are described in the Business Model section (pages 40 and 41) of this Report.

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, are reviewed in the Chairman's Statement (pages 9 to 12), and Management Review & Preview (pages 49 to 96) sections of this Annual Report. They 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.

2.3 Financial Statements of the Company and the Group

The Financial Statements of the Company and the Group are given on pages 112 to 195.

2.4 Auditors' Report

The Auditors' Report on the Financial Statements of the Company and the Group is given on page 111.

2.5 Accounting Policies and Changes During the Year

The accounting policies adopted in the preparation of the Financial Statements are given on pages 121 to 136. Changes in accounting policies made during the accounting period are described under Note 4.7 of the Accounting Policies.

2.6 Entries in the Interests Register

The Company, in compliance with the Companies Act No. 7 of 2007, maintains an Interests Register. Particulars of entries in the interest registers of the Company and those subsidiaries which have not dispensed with the requirement to maintain interest registers as permitted under Section 30 of the Companies Act are detailed below.

2.6.1 Directors' Interests 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 39 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 their respective companies have disclosed their shareholdings and any acquisitions/disposals to their Boards, in compliance with section 200 of the Companies Act.

Hayleys PLC

There were no share transactions by the Directors during the year.

Subsidiaries

There were no share transactions by the Directors, in terms of Section 200 of the Companies Act in respect of the subsidiaries other than the following.

Hunas Falls Hotels PLC

- 44,535 shares were purchased during the year by Mr. S.C. Ganegoda

The Kingsbury PLC

- 55,713 shares were purchased during the year by Mr. S.C. Ganegoda
- 100,000 shares were purchased during the year by Mr. W.D.N.H. Perera

Amaya Leisure PLC

- 400,000 shares were disposed by Mr. S. Senaratne
- 21,694 shares were purchased during the year by Mr. D.E. Silva

Alumex PLC

- 10,000 shares were purchased at the Initial Public Offering by Mr. A.M. Pandithage

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, 2014, which is given in note 2.7, 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, 2014, which is also given in note 2.7, is determined according to scales of payment decided upon by the Board previously. The Board is satisfied that the payment of remuneration is fair to the Company.

2.6.4 Insurance & Indemnity

The Company has obtained a Corporate Guard insurance policy from AIG Insurance Ltd. providing worldwide cover to indemnify all past, present and future Directors and Officers (D & O) of Hayleys PLC and its Subsidiaries at a premium of Rs. 5.5 mn. The limit on liability of the cover is US\$ 5 mn.

2.7 Directors' Remuneration

Directors' remuneration, in respect of the Company for the financial year 2013/14 is Rs. 167 mn (Rs. 143.1 mn) consisting of Rs. 157.8 mn for Executive Directors and Rs. 9.2 mn for Non-Executive Directors.

Directors' remuneration in respect of the Company's Subsidiaries for the financial year 2013/14 is Rs. 446.8 mn (Rs. 442.6 mn) consisting of Rs. 407.1 mn for Executive Directors and Rs. 39.8 mn for Non-Executive Directors.

2.8 Corporate Donations

Donations by the Company amounted to Rs. 498,002 (Rs. 830,650/-) which includes a sum of Rs. 127,000/- (Rs. 112,000/-) made to Government approved charities.

The total donation amount of Rs. 498,002. exceeds the amount of Rs. 300,000/- approved by the shareholders at the last Annual General Meeting. Ratification of the additional amount of Rs. 198,002/- will be sought at the Annual General Meeting.

Donations by the Subsidiaries amounted to Rs. 13.6 mn (Rs. 10.8 mn).

No donations were made for political purposes.

3. Future Developments

Information on future developments are contained in the Chairman's Statement (page 9 to 12), and Management Review & Preview (page 49 to 96) sections of this Annual Report.

4. Group Revenue and International Trade

The revenue of the Group was Rs. 80.6 bn (Rs. 74.3 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 41 to the Financial Statements.

The Group's exports from Sri Lanka, amounted to Rs. 36.8 bn (Rs. 38.6 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. 45.6 bn (Rs. 47.2 bn) in the year under review.

Trade between Group Companies is conducted at fair market prices.

5. Dividends and Reserves

5.1 Dividends

The Group's profit from before taxation amounted to Rs. 5.1 bn, (Rs. 4.9 bn). After deducting Rs. 1.4 bn (Rs. 1.4 bn) for taxation the profit was Rs. 3.7 bn (Rs. 3.5 bn). When an amount of Rs. 1.9 bn (Rs. 1.7 bn.) for non-controlling interests was deducted, the Group profit attributable to equity holders of the company for the year was Rs. 1.8 bn (Rs. 1.8 bn). A sum of Rs. 375 mn (Rs. 337.5 mn) has been set aside for proposed dividends.

The Directors have confirmed that the Company satisfies the solvency test requirement under section 56 of the Companies Act No. 7 of 2007 for the first & final dividend proposed. A solvency certificate has been sought in respect of the first & final dividend of Rs. 5.00 per share (Rs. 4.50) proposed to be paid to the holders of issued ordinary shares of the Company as at the close of business on 27th June, 2014. The dividend represents a redistribution of dividends received by the Company and therefore will not be subject to the 10% tax deduction otherwise applicable.

5.2 Reserves

Total Group Reserves at 31st March 2014 amounts to Rs. 22.6 bn (Rs. 21.2 bn) comprising Capital Reserves of Rs. 1.4 bn (Rs. 1.4 bn), Other components of equity of Rs. 9.0 bn (Rs. 9.0) and Revenue Reserves of Rs. 12.2. bn (Rs. 10.8 bn). The composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

6. Property, Plant & Equipment

Capital expenditure during the year, on Property, Plant & Equipment (including capital work-in-progress), Biological assets, Investment properties, Intangible assets by the Group and the Company amounted to Rs. 3.5 bn (Rs. 5.3 bn) and Rs. 68.3 mn. (Rs. 45.7 mn) respectively.

Information relating to capital expenditure on Property, Plant & Equipment (including capital work-in-progress), Biological assets, Investment properties, Intangible assets, are given in Note 14 to 17 the Financial Statements.

Extents, locations, number of buildings and valuations of the properties of the Group are given the in Statement of Value of Real Estate on page 197.

7. Market Value of Freehold land

The freehold land of the Group has in general been subjected to routine revaluation by independent qualified valuers. The most recent revaluations in respect of the Group were carried out as at 31st March 2013. Small extents of freehold land are reflected at book values as their appreciation is insignificant.

Details of revaluations, carrying values and market values are provided in Note 14 to the Financial Statements. The Statement on Value of Real Estate on page 197 gives details of freehold land held by the Group.

8. Shares and Debentures

8.1 Issue of Shares and Debentures by the Company

The Company did not issue any shares during the year ended 31st March, 2014.

Two million (2,000,000) rated, unsecured, redeemable debentures at a face value of Rs. 1,000/- each were issued, during the accounting period, by the Company raising Rs. 2 bn to restructure its debt portfolio.

8.2 Issue of Shares and Debentures by Listed Subsidiaries and Equity Accounted Investees

The Kingsbury PLC, a subsidiary of Hayleys PLC, issued 66,000,000 new ordinary shares at Rs. 10/- per share through a rights issue, in the ratio of 3:8, during the year to increase Stated Capital of the Company by Rs. 660,000,000/-, thereby strengthening its Statement of Financial Position and enabling repayment of short-term debt.

Alumex Ltd., a subsidiary of Hayleys PLC made an 'Initial Public Offering' by way of an Offer for Sale of 42,003,400 existing shares and an Issue of 17,857,200 New Shares at Rs. 14.00 per share. Subsequently the Company was converted to a Listed Company on 31st March, 2014.

8.3 Stated Capital and Debentures

The stated capital of the Company, consisting of 75,000,000 Ordinary shares, amounts to Rs. 1,575 mn as at 31st March, 2014. There was no change in stated capital during the year.

The debentures of the Company, consisting of 2,000,000 rated, unsecured, redeemable, amounts to Rs. 2,000 mn as at 31st March, 2014.

9. Share Information

Information relating to earnings, dividend, net assets, market value per share, share trading and distribution of shareholding is given on pages 4, 198 and 199.

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 198.

10.2 Public Holding

There were 3,194 (3,302) registered shareholders as at 31st March, 2014, with the percentage of shares held by the public, as per the Colombo Stock Exchange rules, being 39.95% (39.95%)

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 page 14 to 17.

Executive Directors

Mr. A.M. Pandithage (Chairman & Chief Executive)
Mr. M.R. Zaheed
Mr. S.C. Ganegoda
Mr. H.S.R. Kariyawasan
Dr. K.I.M. Ranasoma
Mr. L.T. Samarawickrama
Mr. L.R.V. Waidyaratne - appointed w.e.f. 1st April, 2013

Non-Executive Directors

Mr. K.D.D. Perera (Deputy Chairman)
Mr. W.D.N.H. Perera
Ms. D.S.N. Weerasooriya (Alternate Director to Mr. K.D.D. Perera appointed w.e.f. 1st December, 2013)

Non-Executive Independent Directors

Dr. H. Cabral, PC
Mr. M.D.S. Goonatilleke
Mr. M.H. Jamaldeen - Appointed w.e.f. 7th February, 2014
Mr. R.P. Pathirana - Resigned w.e.f. 31st January, 2014

The basis on which Directors are classified as Independent Non-Executive Directors is discussed in the Corporate Governance Report.

Mr. M.H. Jamaldeen was appointed to the Board since the last Annual General Meeting and the shareholders are requested to re-elect him in terms of Article No. 27(2) of the Articles of Association of the Company.

Ms. D.S.N. Weerasooriya was appointed as the alternate Director to Mr. K.D.D. Perera with effect from 1st December, 2013.

Messrs. K.I.M. Ranasoma, K.D.D. Perera and L.T. Samarawickrama retire by rotation and being eligible offer themselves for re-election.

Mr. R.P. Pathirana resigned from the Board with effect from 31st January, 2014

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.

Fibre

A.M. Pandithage	S.C. Ganegoda	H.C.S Mendis
M.M.M. De Silva	F.R. Alles	J.A.W.M. Jayasekera
Dr. S.A.B. Ekanayake	T. G. Thoradeniya	Dr. P.C. Vermunt
B.D.A. Perra	N. Udage	Ms. M. Hirai
Ms. M.C.A Holder - Vermunt	A. Venugopal	A.R.K. Jayawardena
Ms. I. Weiland	C.D. Weiland	G.S. De Silva
Ms. M. Shiraishi	J.A.M.V.D. Hout	(G.M.P. De Silva)
B.M.A. Senanayake	D. Molligoda	

Hand Protection

A.M. Pandithage	K.D.D. Perera	S.C. Ganegoda
Dr. K.I.M. Ranasoma	F. Mohideen	N. A.R.R.S. Nanayakkara
K.A.L.S. Fernando	M. Bottino	B.A. Mahipala
M. Orlando	V. Rocchetti	S. Rajapakse
V.R. Gunasekara	T.G. Thoradeniya	R.K. Witanachchi
Ms. D.S.N. Weerasooriya (Alternate)	D.B.K. Pathirage	(N.Y. Fernando)
(R. Seevaratnam)	(G.K. Seneviratne)	(L.G.S. Gunawardena)
(R.M.T. Premarathna)		

Purification Products

A.M. Pandithage	K.D.D. Perera	W.D.N.H. Perera
S.C. Ganegoda	H.S.R. Kariyawasan	R. Seevaratnam
Ms. M.J.A.S. Abeyratne	D.E. Ranarajah	A. M. Senaratna
Dr. S.A.K. Abayawardana	S. Rajapakse	T. D. Naylor
D.J. Perera	P. Karnchanabatr	B. Karnchanabatr
K. Karnchanabatr	Y.P.A.S. Pathiratna	A.A.M. Caderbhoy
A.H. Djafar	S. Sopian	M.S.P. Udaya Kumar
B. Balartnarajah	Ms.S.S. Ragunathan	P. Rousseau
F. Brocheet	B. Dasgupta	Ms. C. Karnchanabatr
Ms. D.S.N. Weerasooriya (Alternate)		

Textiles

A.M. Pandithage	K.D.D Perera	S.C. Ganegoda
E.R.P. Goonetilleke	R. Seevaratnam	H. Somashantha
R.N. Somaratne	R.P. Pathirana	J.A.S. Piyawardena
Ms. D.S.N. Weerasooriya (Alternate)		

Construction Materials

A.M. Pandithage	S.C. Ganegoda	Dr. H. Cabral
R.P. Pathirana	A.A. Akbarally	D.W.P.N. Dediwela
H.H. Abdulhusein	A.J. Hirdaramani (Alternate)	T. Akbarally (Alternate)
R.P. Peris	S. Munaweera	

Agriculture

A.M. Pandithage	M.R. Zaheed	S.C. Ganegoda
L.K.B. Godamunne	M.M.M. De Silva	S.M.Gamage
Ms. J. Dharmasena	D. Nilaweera	K.R. Rajapakse
R. Seevaratnam	A.N.K. Perera	M. Symons
H.P. Lin	G. Olbrechts	A.C. Pathirage
S. Yamada	S. Kodama	(U.E.R Gangoda)

Plantations

A.M. Pandithage	W.D.N.H. Perera	S.C. Ganegoda
Dr. K.I.M. Ranasoma	L.T. Samarawickrama	J.A.G. Anandarajah
G.K. Seneviratne	Merrill J Fernando	F. Mohideen
S. Siriwardana	Dr. S.S.S.B.D.G. Jayawardena	Malik J Fernando
L.N.De S. Wijeyeratne	W.G.R. Rajadurai	Prof. U. Liyanage
Ms. M.D.A. Perera	D.S. Seneviratne	N.R. Ranatunge
M.M.M. De Silva	N.A.R.R.S. Nanayakkara	N. Weeraratne
R.M. Hanwella	D.C. Fernando (Alternate)	M.F.M. Ismail
C.V. Cabraal	N.T. Bogahlanda	(N.Y. Fernando)
R.A.B. Ranatunga (D.J. Ambani)	D.S. Wijesekara (R. Seevaratnam)	(Dr. R.D. Bandaranaike)

Industry Inputs

A.M. Pandithage	M.R. Zaheed	S.C. Ganegoda
M.D.S. Gonnetilleke	D. Hewageegana	M.M.M. De Silva
L.J.C. De Silva	P.T.S. De Silva	D.D.W. Siriwardene
Dr. A. Sivagananathan		

Power and Energy

A.M. Pandithage	H.S.R. Kariyawasan	Dr. K.I.M. Ranasoma
A.R. De Zilva	Y.P.A.S. Pathiratna	B. Balaratnarajah
M.M.M. De Silva	D.D.W. Siriwardene	D.S. Arangala
V.K. Hirdaramani	Merill J Fernando	Malik J. Fernando
M. Najmudeen	R.P. Pathirana	A.A. Akbarally
(R.A.A.W. Rajakaruna)	Dr. A. Sivagananathan	W.G.R. Rajadurai

Consumer Products

A.M. Pandithage	M.R. Zaheed	S.C. Ganegoda
M.D.S. Goonetilleke	M.M.M. De Silva	G.A.B.I. Silva
D.D.W. Siriwardena	R. Seevaratman	A.R. Zubair
(H.J.O. Silva)		

Transportation and Logistics

A.M. Pandithage	S.C. Ganegoda	L.R.V. Waidyaratne
S.R. Sadanandan	T.U.K. Peiris	A.B. Ratnayake
Ms. E.M.C.S. Gamage	A.M. Senaratna	R. Seevaratnam
P.L. Cumaratunga	F.T. Salem	C.D. La Ferriere
L.B. Culas	M.G. Gomez	I. Saleem
K.L.C. Fernando	P.S. Gunawardena	K. Wai Chak
B.P.R. Liyanage	R.W.P. Polonowita	S.I. Ramakrishnan
D.D.W. Siriwardene	Ms. Y.N. Perera	S.N. Wickremesooriya
C.I.J. Charles	C. Perera	S.J. Wijesinghe
M.I.S. Sabar	A.H. Kulasinghe	M.D.D. Pieris
O. Kubota	N.P. Samarasinghe	M. Masri
F.S. Abeygoonewardena	P. Jayanetti	J.R. Hill
M. Saitoh	M.R.S.M.S.R.C. Samaratunge	I.A.M. Gahazali
C.H. Pieris	L.D.E.A. De Silva	J.C. Anandappa
C.N. Allis	H.A.H. Rodrigo	P.D. Good
S. Mahadeva	A.F.K. Kulasinghe (Alternate)	V.V.P. Daluwatte
R.S. Samakrishanan	T. Kimura	K. Wada
(E. Silhol)	(E. Zeenny)	P.H. Rohani
(O. Noboru)	(T. Aoyagi)	T.J.G. Decarpentrie
(K. Miyoshi)		

Leisure and Aviation

A.M. Pandithage	K.D.D. Perera	W.D.N.H. Perera
S.C. Ganegoda	L.T. Samarawickrama	S.J. Wijesinghe
N.J. De S. Deva-Aditya	L.N. De S. Wijeyeratne	Ms. R.N. Ponnambalam
S.P. Dissanayake	J.G. Victoria	K.A.Y.P. Sumanapala
Ms.V.Jayasundera	C.J. Wickramasingha	D.E. Silva
B.C.S.A.P. Gooneratne	S.B. Rangamuwa	J.P. Van Twest
S. Senaratne	S.H. Amarasekera	Ms. D.S.N. Weerasooriya
E.J. Pietersz	D.J.A. Wijesinghe	S.D.D.K. Senaratne
M.D.S. Gonnetilleke	A.K. Dheerasinghe	J.A.S.S. Adhihetti
M.H. Jamaldeen	P.S. Aritaratne	Ms. I. Jamaldeen (Alternate)
K.D.H. Perera	H. Somashantha (Alternate)	

Investments and Services

A.M. Pandithage	S.C. Ganegoda	M.M.M De Silva
S.P. Dissanayake	D.D.W. Siriwardene	Ms. L.Y. Pararasasegaram
L.D.E.A. De Silva	Dr. A. Sivagananathan	S. Balasubramaniam
Ms. M.P. Abeyesekera	Ms. S. Abeytunge	Ms. D. Talpahewa
G.A. Dandeniya	R.G.D.M.N.S. Piyaweera	P.B.F. Cooray
	D.G. Jayasinghe	C. Perera

12. Disclosure of Directors’ Dealing in Shares and Debentures

Directors dealings in shares are given in Note 2.6.2.

Directors’ holdings, in ordinary shares of the Company are given on page 199.

None of the Directors hold debentures in Hayleys PLC

13. Employee Share Ownership Plans

The Group 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. 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 Environment Issues section of the Sustainability Report on page 93.

16. 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 106.

17. 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 183.

18. Going Concern

The Directors, after making necessary inquiries and reviews including reviews of the Group’s budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, 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.

19. Exposure to Risk

The Group has a structured risk management process in place to support its operations. 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.

20. Appointment of Auditors

Messrs Ernst & Young, Chartered Accountants, are deemed reappointed, in terms of section 158 of the Companies Act No. 7 of 2007, as Auditors of the Company.

21. Auditors’ Remuneration and Interest in Contracts

A resolution proposing the Directors be authorised to determine their remuneration will be submitted at the Annual General Meeting.

The Auditors, Messrs Ernst & Young were paid Rs. 1.5 (Rs. 1.5 mn), and Rs. 35.9 mn (Rs. 32.2 mn) as audit fees by the Company and its Subsidiaries respectively. In addition, they were paid Rs. 1.1 mn (Rs. 0.8 mn) and Rs. 14.7 mn (Rs. 16.1 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. 15.8 mn (Rs. 16.9 mn.) and Rs. 6.8 mn (Rs. 5.1 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 other than those disclosed above.

22. Ratios and Market Price Information

The ratios relating to equity and debt as required by the listing requirements of the Colombo Stock Exchange are given in page 4 of this Report.

23. Employment

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 employees section of the sustainability report.

The number of persons employed by the Group at year-end was 36,217 (33,201).

24. Shareholders

It is the Group's policy to endeavour to ensure equitable treatment to its shareholders.

25. Internal Controls

The Directors acknowledge their responsibility for the Group's system of internal control.

The Directors' Statement on Internal Controls on page 105 gives further details.

26. 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 26 and 27 discusses this further.

27. Annual General Meeting

The Annual General Meeting will be held at Balmoral Ballroom, The Kingsbury, No. 48, Janadhipathi Mawatha, Colombo 01, at 10.00 a.m. on Friday, 27th June 2014. The Notice of the Annual General Meeting appears on page 210.


For and on behalf of the Board



A.M. Pandithage
Chairman & Chief Executive



S.C. Ganegoda
Director



Hayleys Group Services (Pvt) Ltd.
Secretaries

19th May 2014

Comparative figures are shown in brackets.

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 issued by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of 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 & System Review Division (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 SLFRS and LKAS 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 2012/13 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. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.



Mohan Pandithage
Chairman and Chief Executive



Sarath Ganegoda
Director



Mangala Goonatilake
Chairman, Audit Committee

Statement of Directors' Responsibilities

The Directors are responsible under Sections 150 (1), 151, 152 (1) & 153 of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss of the Company and the Group for the financial year.

The Directors are also responsible, under Section 148, for ensuring that proper accounting records are kept to enable, determination of 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, Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange. Further, the Financial Statements provide the information required by 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 reasonable measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

As required by Section 56 (2) of the Companies Act, the Board of Directors has authorised distribution of the dividend now proposed, being satisfied based on information available to it that the Company

would satisfy the solvency test after such distribution in accordance with Section 57 of the Companies Act, and have sought in respect of the dividend now proposed, a certificate of solvency from the Auditors.

The External Auditors, Messrs Ernst & Young who were deemed reappointed in terms of Section 158 of the Companies Act No. 07 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on page 111 sets out their responsibilities in relation to the Financial Statements.

Compliance Report

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

By order of the Board
HAYLEYS GROUP SERVICES (PVT) LTD.
Secretaries

19th May, 2014

Chairman and 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, 2014 are prepared and presented in compliance with the requirements of the following:

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

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

We have also taken proper and sufficient care in installing systems of internal 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 Messrs Ernst & Young, Chartered Accountants, the Independent External Auditors. Their report is given on page 111 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 does 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 disclosed in the Note 32 to the Financial Statements in this Annual Report.



A.M. Pandithage
Chairman and Chief Executive



L.D.E.A. De Silva
Group Chief Financial Officer

19th May, 2014

Audit Committee Report

Role of the Audit Committee

The role of the Committee, which has specific terms of reference, is described in the Corporate Governance Report.

Composition of the Audit Committee

The Audit Committee, appointed by and responsible to the Board of Directors, comprises three Independent Non-Executive Directors and a Non-Executive Director as follows.

Mr. M.D.S. Goonatilake (IND/NED) - (Chairman)

Mr. N. Perera (NED)

Dr. H. Cabral (IND/NED)

Mr. R.P. Pathirana (Resigned w.e.f. 31st January, 2014) (IND/NED)

Mr. M.H. Jamaldeen (Appointed w.e.f. 21st April, 2014) (IND/NED)

(IND - Independent Director, NED - Non-Executive Director)

The Chairman of the committee, Mr. M.D.S. Goonatilake, an Independent Non-Executive Director, is a finance professional with over 25 years of post-qualification experience. He is a member of the Institute of Chartered Management Accountants (U.K), passed finalist of the Institute of Chartered Accountants (Sri Lanka) and has a Postgraduate Diploma in Management from PIM of University of Sri Jayawardenepura.

Brief profiles of each member are given on pages 14 to 17 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.

Hayleys Group Services (Pvt) Ltd. act as the Secretary to the Audit Committee. The Chairman & Chief Executive, Group Chief Finance Officer and Head - Group Management Audit & System Review attend 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. 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 Colombo Stock Exchange and 'Code of Best Practice on Corporate Governance' issued jointly by Institute of Chartered Accountants

of Sri Lanka and the Securities and Exchange Commission of Sri Lanka further regulate the composition, role and functions of the Board Audit Committee.

Meetings of the Audit Committee

The Committee met 9 times during the year. The attendance of the members at these meetings is stated in the table on page 28.

Other members of the Board and the Group Management Committee, as well as the External Auditors were present at discussions where this was appropriate. The proceedings of the Audit Committee are regularly reported to the Board of Directors.

Tasks of the Audit Committee

Financial Reporting System

The Committee reviewed the financial reporting system adopted by the Group in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Accounting Standards. The methodology included obtaining statements of compliance from 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 and Systems Review Department reports on key control elements and procedures in Group companies that are selected according to an annual plan were reviewed.

Internal Audits are outsourced to leading audit firms in line with an agreed annual audit plan. Follow-up reviews are scheduled to ascertain that audit recommendations are being acted upon. The Committee appraised the independence of the Group MA & SRD and other Internal Auditors, in the conduct of their assignments.

The Committee 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.

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.

**Subsidiary Company
Audit Committees**

Certain listed subsidiaries and also some of the unlisted subsidiaries have appointed their own Audit Committees comprising Independent Non-Executive Directors. These Audit Committees function independently of the Audit Committee of Hayleys PLC, but have similar terms of reference. The minutes of their meetings are made available to 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 action was 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 2015.

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.

**Changes to New Sri Lanka
Accounting Standards**

With the convergence of Sri Lanka Accounting Standards to International Financial reporting Standards (IFRS's) and its mandatory implementation with effect from 1st January, 2012 the Group has complied with the requirements of new Sri Lanka Accounting Standards (SLFRS/LKAS). The committee has pursued the support of Messrs Ernst and Young to assess and review the existing SLFRS policies and procedures adopted by the Group.

Evaluation of the Committee

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



M.D.S. Goonatilake
Chairman
Audit Committee

16th May, 2014

Remuneration Committee Report

Composition of the Committee

The Remuneration Committee appointed by and responsible for the Board of Directors comprises five Non-Executive Directors of whom three including the Chairman are Independent Directors.

The Remuneration Committee comprised of the following members:

Dr. H. Cabral, PC (IND/NED) - Chairman

K.D.D. Perera (NED)

W.D.N.H. Perera (NED)

M.D.S. Goonetilleke (IND/NED)

M.H. Jamaldeen (IND/NED)

(IND- Independent Director, NED - Non-Executive Director)

The brief profiles of the Directors are given on pages 14 to 17 of the Annual Report.

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

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 contribution, bearing in mind the business' performance and shareholder returns.



Dr. Harsha Cabral, PC
Chairman

Remuneration Committee

19th May, 2014

The Scope of the 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 and 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 and 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, address succession planning.
- Approving annual salary increments, bonuses.

Independent Auditors' Report



Building a better
working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HAYLEYS PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Hayleys PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries which comprise the Statements of Financial Position as at 31 March 2014, and the Income Statements, the Statements of Comprehensive Income, Statements of Changes in Equity and Cash Flow Statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2014 and the Financial Statements give a true and fair view of the financial position of the Company as at 31 March 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position as at 31 March 2014 and the financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of Section 151(2) and Sections 153(2) to 153(7) of the Companies Act No. 7 of 2007.

19 May 2014
Colombo

Partners: A D B Talwatte FCA FCMA · M P D Cooray FCA FCMA · R N de Saram ACA FCMA · Ms. N A De Silva ACA · Ms. Y A De Silva FCA · W R H Fernando FCA FCMA
W K B S P Fernando FCA FCMA · A P A Gunasekera FCA FCMA · A Herath FCA · D K Hulangamuwa FCA FCMA LLB (Lond) · H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA · Ms. G G S Manatunga ACA · N M Sulaiman ACA ACMA · B E Wijesuriya ACA ACMA

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Hayleys PLC
Annual Report 2013/14

Income Statements

For the year ended 31st March,

		Consolidated		Company	
		2014	2013	2014	2013
	Notes	Rs. '000	(Restated) Rs. '000	Rs. '000	Rs. '000
Revenue	6	80,554,110	74,301,852	250,570	229,332
Cost of sales		(61,761,310)	(57,346,402)	(190,613)	(174,173)
Gross profit		18,792,800	16,955,450	59,957	55,159
Group dividend		—	—	1,048,265	1,018,608
Other income	7	424,174	326,917	105,236	324
Distribution expenses		(2,446,506)	(2,236,045)	—	—
Administrative expenses		(9,396,030)	(8,332,075)	(90,831)	(166,866)
Other expenses	8	(161,574)	(159,263)	(81)	(1,980)
Results from operating activities		7,212,864	6,554,984	1,122,546	905,245
Finance income	9	770,267	1,430,416	345,680	403,285
Finance cost	9	(2,910,364)	(3,069,176)	(899,965)	(933,376)
Net finance cost		(2,140,097)	(1,638,760)	(554,285)	(530,091)
Share of profit of equity accounted investees (Net of tax)		1,236	352	—	—
Profit before tax	10	5,074,003	4,916,576	568,261	375,154
Tax expense	11	(1,365,010)	(1,411,981)	(30,782)	(17,489)
Profit for the year		3,708,993	3,504,595	537,479	357,665
Profit for the period attributable to:					
Owners of the parent		1,808,523	1,761,146		
Non-controlling interest		1,900,470	1,743,449		
Profit for the year		3,708,993	3,504,595		
Earnings Per Share					
Basic, profit for the year attributable to ordinary equity holders of the parent (Rs.)	12	24.11	23.48		
Diluted, profit for the year attributable to ordinary equity holders of the parent (Rs.)	12	24.11	23.48		

Notes from pages 121 to 195 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statements of Comprehensive Income

For the year ended 31st March,

	Notes	Consolidated		Company	
		2014	2013	2014	2013
		Rs. '000	(Restated) Rs. '000	Rs. '000	Rs. '000
Profit for the year		3,708,993	3,504,595	537,479	357,665
Other comprehensive income					
Net exchange differences on translation of foreign operations		(76,699)	299,830	–	–
Share of other comprehensive income of equity accounted investees		(485)	17,180	–	–
Net change in fair value of available-for-sale financial assets		(6,680)	(7,125)	–	–
Revaluation of land		–	2,541,335	–	1,176,520
Actuarial loss on employee benefit obligations	28	(81,953)	(30,900)	(79,571)	(11,781)
Income tax on other comprehensive income	11	579	5,883	–	–
Other comprehensive income for the period, net of tax		(165,238)	2,826,203	(79,571)	1,164,739
Total comprehensive income for the period, net of tax		3,543,755	6,330,798	457,908	1,522,404
Total comprehensive income for the period attributable to:					
Owners of the parent		1,682,328	4,205,756		
Non-controlling interest		1,861,427	2,125,042		
		3,543,755	6,330,798		

Statements of Financial Position

As at 31st March,

As at 31st March,

	Notes	Consolidated		Company	
		2014	2013	2014	2013
		Rs. '000	(Restated) Rs. '000	Rs. '000	Rs. '000
Assets					
Non-Current Assets					
Property, plant & equipment	14	38,217,400	37,196,871	5,171,645	5,133,138
Investment properties	15	1,453,444	688,041	—	—
Biological assets	16	266,508	235,020	—	—
Intangible assets	17	5,541,287	5,358,548	—	—
Investments in subsidiaries	18	—	—	9,046,171	8,673,205
Investments in equity accounted investees	18	247,336	268,803	—	—
Other non-current financial assets	19	324,157	366,970	166,704	179,174
Other non-current assets	20	350,423	190,647	—	—
Deferred tax assets	27	397,596	352,206	—	—
Total non-current assets		46,798,151	44,657,106	14,384,520	13,985,517
Current Assets					
Inventories	21	12,098,864	10,277,469	1,046	1,282
Amounts due from subsidiaries	39	—	—	1,092,669	1,446,449
Amounts due from equity accounted investees	39	9,040	1,334	—	—
Trade and other receivables	22	16,589,706	15,169,476	9,991	25,577
Other current assets	22	1,457,925	1,232,130	8,134	14,670
Income tax recoverable	30	170,888	228,895	—	3,840
Other current financial assets	19	53,388	49,738	21,906	22,778
Short-term deposits		1,536,101	998,646	—	—
Cash at bank and in hand		2,637,706	2,125,511	155,211	49,993
Assets classified as held for sale	40	3,021	3,021	—	—
Total current assets		34,556,639	30,086,220	1,288,957	1,564,589
Total assets		81,354,790	74,743,326	15,673,477	15,550,106

As at 31st March,

	Notes	Consolidated		Company	
		2014	2013	2014	2013
		Rs. '000	(Restated) Rs. '000	Rs. '000	Rs. '000
Equity and Liabilities					
Stated capital	23	1,575,000	1,575,000	1,575,000	1,575,000
Employee share trust loan	23	(488,261)	(489,887)	(488,261)	(489,887)
Capital reserves		1,429,680	1,377,676	13,226	13,226
Other components of equity		8,969,910	9,000,862	4,861,023	4,861,023
Revenue reserves		12,236,713	10,788,133	2,307,827	2,187,419
Total equity attributable to equity holders of the parent		23,723,042	22,251,784	8,268,815	8,146,781
Non-controlling interest		12,614,224	11,173,102	–	–
Total equity		36,337,266	33,424,886	8,268,815	8,146,781
Non-Current Liabilities					
Interest-bearing borrowings	25	9,207,019	5,671,153	3,873,705	910,000
Grants	26	742,077	783,222	–	–
Deferred tax liabilities	27	1,249,361	1,035,201	–	–
Employee benefit obligations	28	4,630,864	4,285,224	450,560	372,714
Total non-current liabilities		15,829,321	11,774,800	4,324,265	1,282,714
Current Liabilities					
Trade and other payables	29	11,679,828	10,990,286	336,705	282,130
Provisions	29	28,792	37,232	–	–
Other current liabilities	29	366,037	22,040	10,011	14,229
Other current financial liabilities	19	58,653	–	58,653	–
Amounts due to subsidiaries		–	–	23,557	668,608
Amounts due to equity accounted investees	39	10,023	30,131	–	–
Income tax payable	30	373,343	571,359	1,688	11,675
Current portion of long-term interest-bearing borrowings	25	2,662,252	1,584,541	1,096,096	476,667
Short-term interest-bearing borrowings	31	14,008,943	16,307,719	1,553,687	4,667,302
Liabilities directly associated with assets classified as held for sale	40	332	332	–	–
Total current liabilities		29,188,203	29,543,640	3,080,397	6,120,611
Total liabilities		45,017,524	41,318,440	7,404,662	7,403,325
Total equity and liabilities		81,354,790	74,743,326	15,673,477	15,550,106

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

Dilhan De Silva
Group Chief Financial Officer

The Directors are responsible for the preparation and presentation of these Financial Statements.
Signed for and on behalf of the Board,

Mohan Pandithage
Chairman and Chief Executive
19th May, 2014

Sarath Ganegoda
Director

Notes from pages 121 to 195 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statements of Changes in Equity

For the year ended 31st March,

Consolidated

	Stated capital Rs. '000	Employee share trust loan Rs. '000	Capital Reserves	
			Reserve on scrip issue Rs. '000	Other capital reserve Rs. '000
Balance as at 1st April, 2013 - As previously stated	1,575,000	(489,887)	767,380	610,296
Prior year adjustment - Note 38				
Balance as at 1st April, 2013 - Restated	1,575,000	(489,887)	767,380	610,296
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 change in fair value of available-for-sale financial assets	-	-	-	-
Actuarial loss on employee benefit obligations	-	-	-	-
Income tax on other comprehensive income	-	-	-	-
Total other comprehensive income	-	-	-	-
Total Comprehensive income for the year	-	-	-	-
Transactions with owners, recorded directly in equity				
Dividends to equity holders	-	-	-	-
Recovery for the year	-	1,626	-	-
Transfers	-	-	-	2,413
Total contributions by and distributions to owners	-	1,626	-	2,413
Changes in ownership interests in subsidiaries				
Acquisition of non-controlling interest with a change in control	-	-	-	-
Acquisition of non-controlling interest without a change in control	-	-	49,393	198
Total changes in ownership interests in subsidiaries	-	-	49,393	198
Total transactions with owners	-	1,626	49,393	2,611
Balance as at 31st March, 2014	1,575,000	(488,261)	816,773	612,907
Balance as at 1st April, 2012 - As previously stated	1,575,000	(491,439)	762,125	459,951
Prior year adjustment	-	-	-	-
Balance as at 1st April, 2012 - Restated	1,575,000	(491,439)	762,125	459,951
Profit for the year - Restated	-	-	-	-
Other comprehensive income				
Net exchange differences on translation of foreign operations	-	-	-	-
Share of other comprehensive income of equity accounted investees	-	-	-	-
Net change in fair value of available-for-sale financial assets	-	-	-	-
Revaluation of land	-	-	-	-
Actuarial loss on employee benefit obligations	-	-	-	-
Income tax on other comprehensive income	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Transactions with owners, recorded directly in equity				
Dividends to equity holders	-	-	-	-
Recovery for the year	-	1,552	-	-
Transfers	-	-	78,284	2,440
Total contributions by and distributions to owners	-	1,552	78,284	2,440
Changes in ownership interests in subsidiaries				
Acquisition of non-controlling interest with a change in control	-	-	-	-
Acquisition of non-controlling interest without a change in control	-	-	(73,029)	147,905
Total changes in ownership interests in subsidiaries	-	-	(73,029)	147,905
Total transactions with owners	-	1,552	5,255	150,345
Balance as at 31st March, 2013 - Restated	1,575,000	(489,887)	767,380	610,296

Revaluation Reserve relates to the revaluation surplus of lands.

Details of the Capital Reserves are given in Note 24 to the Financial Statements.

Foreign Currency Translation Reserve comprises all foreign currency differences arising from the translation of the Financial Statements of foreign operations.

Attributable to equity holders of the Company							Shareholders' funds Rs. '000	Non-controlling interest Rs. '000	Total equity Rs. '000
Other Components of Equity			Revenue Reserves						
Revaluation reserve Rs. '000	Available-for-sale reserve Rs. '000	Foreign currency translation reserve Rs. '000	General reserve Rs. '000	Timber reserve Rs. '000	Retained earnings Rs. '000				
8,093,806	(1,402)	908,458	2,234,731	41,377	8,735,080	22,474,839	11,195,960	33,670,799	
					(223,055)	(223,055)	(22,858)	(245,913)	
8,093,806	(1,402)	908,458	2,234,731	41,377	8,512,025	22,251,784	11,173,102	33,424,886	
-	-	-	-	9,468	1,799,055	1,808,523	1,900,470	3,708,993	
-	-	(16,686)	-	-	-	(16,686)	(60,013)	(76,699)	
-	(446)	-	-	-	-	(446)	(39)	(485)	
-	(3,113)	-	-	-	-	(3,113)	(3,567)	(6,680)	
-	-	-	-	-	(111,391)	(111,391)	29,438	(81,953)	
-	-	-	-	-	5,441	5,441	(4,862)	579	
-	(3,559)	(16,686)	-	-	(105,950)	(126,195)	(39,043)	(165,238)	
-	(3,559)	(16,686)	-	9,468	1,693,105	1,682,328	1,861,427	3,543,755	
-	-	-	-	-	(337,500)	(337,500)	(797,014)	(1,134,514)	
-	-	-	-	-	-	1,626	-	1,626	
-	-	-	15,190	-	(17,603)	-	-	-	
-	-	-	15,190	-	(355,103)	(335,874)	(797,014)	(1,132,888)	
-	-	-	-	-	-	-	46,192	46,192	
(11,205)	104	394	(20,402)	9	106,313	124,804	330,517	455,321	
(11,205)	104	394	(20,402)	9	106,313	124,804	376,709	501,513	
(11,205)	104	394	(5,212)	9	(248,790)	(211,070)	(420,305)	(631,375)	
8,082,601	(4,857)	892,166	2,229,519	50,854	9,956,340	23,723,042	12,614,224	36,337,266	
5,711,359	2,850	659,483	2,082,710	31,662	7,578,069	18,371,770	10,077,099	28,448,869	
-	-	-	-	-	(94,149)	(94,149)	(11,953)	(106,102)	
5,711,359	2,850	659,483	2,082,710	31,662	7,483,920	18,277,621	10,065,146	28,342,767	
-	-	-	-	9,584	1,751,562	1,761,146	1,743,449	3,504,595	
-	-	137,343	-	-	-	137,343	162,487	299,830	
17,180	-	-	-	-	-	17,180	-	17,180	
-	(4,247)	-	-	-	-	(4,247)	(2,878)	(7,125)	
2,330,536	-	-	-	-	-	2,330,536	210,799	2,541,335	
-	-	-	-	-	(43,420)	(43,420)	12,520	(30,900)	
					7,218	7,218	(1,335)	5,883	
2,347,716	(4,247)	137,343	-	-	(36,202)	2,444,610	381,593	2,826,203	
2,347,716	(4,247)	137,343	-	9,584	1,715,360	4,205,756	2,125,042	6,330,798	
-	-	-	-	-	(300,000)	(300,000)	(765,579)	(1,065,579)	
-	-	-	-	-	-	1,552	-	1,552	
-	-	-	142,525	-	(223,249)	-	-	-	
-	-	-	142,525	-	(523,249)	(298,448)	(765,579)	(1,064,027)	
-	-	-	-	-	-	-	-	-	
34,731	(5)	111,632	9,496	131	(164,006)	66,855	(251,507)	(184,652)	
34,731	(5)	111,632	9,496	131	(164,006)	66,855	(251,507)	(184,652)	
34,731	(5)	111,632	152,021	131	(687,255)	(231,593)	(1,017,086)	(1,248,679)	
8,093,806	(1,402)	908,458	2,234,731	41,377	8,512,025	22,251,784	11,173,102	33,424,886	

Available-for-sale Reserve relates to change in fair value of available-for-sale financial assets.

Timber Reserve relates to change in fair value of managed trees which includes commercial timber plantations cultivated on estates.

Notes from pages 121 to 195 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

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Annual Report 2013/14

For the year ended 31st March, 2014

Company

	Stated capital Rs. '000	Employee share trust loan Rs. '000	Capital Reserve Other capital reserve Rs. '000	Other Component of Equity Revaluation reserve Rs. '000	Revenue Reserve		Total Rs. '000
					General reserve Rs. '000	Retained earnings Rs. '000	
Balance as at 1st April, 2013	1,575,000	(489,887)	13,226	4,861,023	382,087	1,805,332	8,146,781
Profit for the year	–	–	–	–	–	537,479	537,479
Other comprehensive income							
Actuarial loss on employee benefit obligations	–	–	–	–	–	(79,571)	(79,571)
Total other comprehensive income	–	–	–	–	–	(79,571)	(79,571)
Total comprehensive income for the year	–	–	–	–	–	457,908	457,908
Transactions with owners, recorded directly in equity							
Recovery for the year	–	1,626	–	–	–	–	1,626
Dividends to equity holders	–	–	–	–	–	(337,500)	(337,500)
Total contributions by and distributions to owners	–	1,626	–	–	–	(337,500)	(335,874)
Total transactions with owners	–	1,626	–	–	–	(337,500)	(335,874)
Balance as at 31st March, 2014	1,575,000	(488,261)	13,226	4,861,023	382,087	1,925,740	8,268,815
Balance as at 1st April, 2012	1,575,000	(491,439)	13,226	3,684,503	382,087	1,759,448	6,922,825
Profit for the year	–	–	–	–	–	357,665	357,665
Other comprehensive income							
Actuarial loss on employee benefit obligations	–	–	–	–	–	(11,781)	(11,781)
Revaluation of land	–	–	–	1,176,520	–	–	1,176,520
Total other comprehensive income	–	–	–	1,176,520	–	(11,781)	1,164,739
Total comprehensive income for the year	–	–	–	1,176,520	–	345,884	1,522,404
Transactions with owners, recorded directly in equity							
Dividends to equity holders	–	–	–	–	–	(300,000)	(300,000)
Recovery for the year	–	1,552	–	–	–	–	1,552
Total contributions by and distributions to owners	–	1,552	–	–	–	(300,000)	(298,448)
Total transactions with owners	–	1,552	–	–	–	(300,000)	(298,448)
Balance as at 31st March 2013	1,575,000	(489,887)	13,226	4,861,023	382,087	1,805,332	8,146,781

Cash Flow Statements

For the year ended 31st March,

	Consolidated		Company	
	2014	2013	2014	2013
	Rs. '000	(Restated) Rs. '000	Rs. '000	Rs. '000
Cash Flows from Operating Activities				
Cash generated from operations (Note A)	7,478,465	8,888,860	891,835	(163,056)
Employee benefit paid	(498,359)	(416,613)	(63,358)	(30,970)
Income tax paid	(1,379,156)	(1,175,684)	(36,929)	(5,010)
Net cash inflow/(outflow) from operating activities	5,600,949	7,296,563	791,548	(199,036)
Cash Flows from Investing Activities				
Purchase and construction of property, plant & equipment	(3,453,473)	(5,148,902)	(68,310)	(45,694)
Investments in other non-current assets	(46,080)	(34,160)	—	—
Development of biological assets	(3,423)	(11,697)	—	—
Grants received - capital	4,564	58,114	—	—
Improvements to investment property	(3,679)	—	—	—
Proceeds from disposal of property, plant & equipment	120,723	418,377	24	2,972
Proceeds from disposal of intangible assets	2,106	—	—	—
Proceeds from disposal of non-current financial assets	—	—	261,628	3,657
On acquisition of right to generate hydro power/ERP System	(78,154)	(170,656)	—	—
Proceeds from the sale of equity accounted investees	—	7,020	—	—
Proceeds from sale of other current financial assets	12,923	17,353	2,615	8,122
Long-term investments in group companies and others	(5,517)	—	(529,382)	(855,043)
Acquisition through business combinations	(690,187)	(544,836)	—	—
Interest received	180,534	401,933	88,014	93,116
Dividends received from equity accounted investees	12,033	12,278	—	—
Dividends received from non-group companies	257,736	310,219	253,221	307,017
Net cash used in investing activities	(3,689,894)	(4,684,957)	7,810	(485,853)
Net cash inflow/(outflow) before financing	1,911,055	2,611,606	799,538	(684,889)
Cash Flows from Financing Activities				
Capital payment on finance lease	(21,321)	543	—	—
Recovery of employee share trust loan	1,626	1,552	1,626	1,552
Payment for right to use land	—	(33,453)	—	—
Interest paid (including interest capitalised)	(2,366,134)	(2,679,107)	(773,138)	(920,308)
Dividend paid to non-controlling interest	(797,014)	(765,579)	—	—
Acquisition of non-controlling interest	—	(218,289)	—	—
Proceeds from non-controlling interest on issues of rights in subsidiary	259,587	54,004	—	—
Proceeds from disposal of non-controlling interest	98,306	—	—	—
Proceeds from non-controlling interest on initial public offer	107,613	—	—	—
Proceeds from interest-bearing borrowings	6,759,243	2,074,754	4,267,500	—
Repayment of interest-bearing borrowings	(2,226,204)	(2,089,286)	(698,183)	(506,667)
Payment of long-term loan facility fee	(19,012)	—	(19,012)	—
Debenture issue fee	(21,818)	—	(21,818)	—
Dividends paid to equity holders of parent	(337,500)	(300,000)	(337,500)	(300,000)
Net cash inflow/(outflow) from financing activities	1,437,372	(3,954,861)	2,419,475	(1,725,423)
Net increase/(decrease) in cash and cash equivalents	3,348,426	(1,343,255)	3,218,833	(2,410,312)
Cash and cash equivalents at beginning of the year	(13,182,447)	(11,839,192)	(4,617,309)	(2,206,997)
Cash and cash equivalents at end of the year (Note B)	(9,834,021)	(13,182,447)	1,398,476	(4,617,309)

Notes from pages 121 to 195 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

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For the year ended 31st March,

	Consolidated		Company	
	2014	2013	2014	2013
	Rs. '000	(Restated) Rs. '000	Rs. '000	Rs. '000
A. Cash Generated from Operations				
Profit before tax	5,074,003	4,916,576	568,261	375,154
Adjustments for:				
Net finance cost	2,140,097	1,638,760	554,285	530,091
Share of profits from equity accounted investees	(1,236)	(352)	–	–
Depreciation on property, plant & equipment	2,003,414	1,771,639	29,802	24,892
Depreciation on investment properties	3,150	320	–	–
Impairment of property, plant & equipment	50,493	–	–	–
Change in fair value of biological assets	(28,065)	(31,171)	–	–
(Gain)/loss on the disposal of property, plant & equipment	(31,260)	(66,889)	(24)	1,237
(Gain)/loss on the disposal of long-term investment	–	–	(105,212)	419
(Gain)/loss on the disposal of current financial assets	81	743	81	–
Gain on Bargain purchase of subsidiary	–	(9,907)	–	–
Amortisation of intangible assets	101,136	110,039	–	–
Impairment of intangible assets	9,864	–	–	–
Net gains/(loss) on translation of foreign currency	(125,609)	340,948	–	–
Impairment of trade & other receivables	70,673	(182,795)	–	–
Provision for unrealised profit and write-down of inventories	168,171	63,868	–	–
Impairment of other non-current assets	17,323	32,243	–	–
Gain on the disposal of equity accounted investees	–	4,671	–	–
Provision for post employee benefit obligations	748,835	730,688	61,633	58,624
Grants amortised	(45,709)	(52,562)	–	–
Net change in fair value of financial assets at fair value through profit or loss	–	(2,267)	–	–
	10,155,361	9,264,552	1,108,826	990,417
(Increase)/decrease in trade and other receivables	(1,665,309)	(1,693,527)	377,504	(1,135,222)
(Increase)/decrease in inventories	(1,973,813)	26,103	236	(361)
Increase/(decrease) in trade and other payables	962,225	1,291,732	(594,731)	(17,890)
	7,478,464	8,888,860	891,835	(163,056)
B. Analysis of Cash and Cash Equivalents				
Cash at bank and in hand	2,638,821*	2,126,626*	155,211	49,993
Short-term deposits	1,536,101	998,646	–	–
	4,174,922	3,125,272	155,211	49,993
Short-term interest-bearing borrowings	(14,008,943)	(16,307,719)	(1,553,687)	(4,667,302)
Cash and cash equivalents	(9,834,021)	(13,182,447)	(1,398,476)	(4,617,309)

C. During the year Group acquired property, plant & equipment with an aggregate cost of Rs. 3,453 mn of which Rs. 0.3 mn was acquired by means of finance leases.

* Includes discontinued operations.

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. The address of the Company's registered office and the principal place of business are given on the inner back cover.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of Hayleys PLC, as at and for the year ended 31st March, 2014 encompass the Company and its Subsidiaries (together referred to as the 'Group') and the Group's interest in Equity Accounted Investees and interest in Joint Ventures.

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

Descriptions of the nature of the operations and principal activities of the Company, its Subsidiaries, Equity Accounted Investees and Joint Ventures are given on pages 200 and 201. There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

Hayleys PLC, does not have an identifiable parent of its own.

The Financial Statements of all companies in the Group other than those mentioned in Note 36 to the Financial Statements are prepared for a common financial year, which ends on 31st March.

1.4 Approval of Financial Statements

The financial statements were authorised for issue by the Directors on 19th May, 2014.

1.5 Responsibility for Financial Statements

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

2. Basis of Preparation

2.1 Statement of Compliance

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

2.2 Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position.

- Lands which are recognised as property, plant & equipment are measured at cost at the time of the acquisition and subsequently lands are carried at valuation.
- Financial instruments - fair value through profit or loss are measured at fair value.
- Financial instruments - available-for-sale financial assets are measured at fair value.
- Bearer biological assets are measured at fair value.

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

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

2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional currency, except for certain subsidiaries whose functional currencies are different as they operate in different economic environments (see Note 34). All financial information presented in Sri Lankan Rupees have been given to the nearest thousand (Rs. 000), unless stated otherwise.

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.

3. Basis of Consolidation

Subsidiaries, Equity Accounted Investees and Joint Ventures are disclosed in Notes 18 to the Financial Statements.

3.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities which is evident when the Group controls the composition of the Board of Directors of the entity or holds more than 50% of the issued shares of the entity or 50% of the voting rights of the entity or entitled to receive more than half of every dividend from shares carrying an unlimited right to participate in distribution of profits or capital.

Entities that are subsidiaries of another entity which is a subsidiary of the Company are also treated as subsidiaries of the Company.

The interest of outside shareholders in Group companies is disclosed separately under the heading of 'Non-Controlling Interest'.

The results of subsidiaries acquired or incorporated during the period have been consolidated from the date of acquisition or incorporation, while the results of subsidiaries disposed, have been accounted up to the date of disposal. Non-Controlling Interest is measured at the proportionate share of the acquiree's identifiable net assets.

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 assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

3.1.1 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, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed

to be an asset or liability, will be recognised in accordance with LKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS/LKAS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment. 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 forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion the cash-generating unit retained.

3.1.2 Transactions with Non-Controlling Interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly through subsidiaries, is disclosed separately under the heading 'Non-Controlling Interest'.

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

3.1.3 Equity Accounted Investees

Equity accounted investees are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Equity accounted investees are accounted for using the equity method.

Under the equity method, the investment in the equity accounted investee is carried on the Statement of Financial Position at cost plus post acquisition changes in the Group's share of net assets of the equity accounted investee. Goodwill relating to the equity accounted investee is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Income Statement reflects the Group's share of the results of operations of the equity accounted investee. When there has been a change recognised directly in the equity of the equity accounted investee, the Group recognises its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the equity accounted investee are eliminated to the extent of the interest in the equity accounted investee.

The Consolidated Financial Statements include the Group's share of profit net of tax and equity movements of equity accounted investees from the date that significant influence commences until the date significant influence ceases. When the Group's share of losses exceeds its investment in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred obligations or has made payments on behalf of the investee.

The Financial Statements of the equity accounted investees are prepared for the same reporting period as the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its equity accounted investee. The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the equity accounted investee and its carrying value and recognises the amount in the 'share of profit of an equity accounted investee' in the Income Statement.

Upon loss of significant influence over the equity accounted investee, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the equity accounted investee upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3.1.4 Interest in a Joint Venture

The Group has interests in a joint ventures which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognises its interests in the joint ventures using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint ventures with similar items, line by line, in its Consolidated Financial Statements. The Financial Statements of the joint ventures are prepared for the same reporting period as the Group.

Adjustments are made in the Group's Consolidated Financial Statements to eliminate the Group's share of intra-group balances, transactions and unrealised gains and losses on such transactions between the Group and its jointly controlled entities. Losses on transactions are recognised

immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture are proportionately consolidated until the date on which the Group ceases to have joint control over the joint ventures.

Upon loss of joint control the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entities upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an Equity Accounted Investee.

3.1.5 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.1.6 Foreign Currency

3.1.6.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates applicable on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Foreign currency differences arising on retranslation are recognised in profit and loss. All differences arising on settlement or translation of monetary items are taken to the Income Statement. Non-monetary assets and liabilities which are carried in terms of historical cost in a foreign currency are translated at the exchange rate that prevailed at the date of the transaction. 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 retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3.1.6.2 Foreign Operations

The results and financial position of all Group entities that have a functional currency other than Sri Lankan Rupee are translated into Sri Lankan Rupees as follows:

- assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition, are translated to Sri Lankan Rupees at the exchange rate at the reporting date;
- income and expenses are translated at the average exchange rates for the period.

Foreign currency differences are recognised in other comprehensive income. When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion 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.

3.2 Assets and Bases of their Valuation

3.2.1 Property, Plant & Equipment

The Group applies the requirements of LKAS 16 - 'Property Plant & Equipment' in accounting for its owned assets which are held for and use in the provision of the services, for rental to others or for administration purposes and are expected to be used for more than one year.

3.2.1.1 Basis of Recognition

Property Plant and Equipment is recognised if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the assets can be reliably measured.

3.2.1.2 Basis of Measurement

Items of property, plant & equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any, whilst land is measured at fair value.

3.2.1.3 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 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 parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment.

Revaluation of land does with sufficient frequency to ensure that the fair value of the land dose 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, except to the extent that it reverses a revaluation decrease of the same asset previously recognised

in the income statement, in which case, the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, 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.

3.2.1.4 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 day-to-day servicing of property, plant & equipment are recognised in profit and loss as incurred.

3.2.1.5 Derecognition

The carrying amount of an item of property, plant & equipment is derecognised on disposal; or when no future economic benefits are expected from its use. Gains and losses on derecognition are recognised in profit and loss and gains are not classified as revenue. When revalued assets are sold, any related amount included in the Revaluation Reserve is transferred to Retained Earnings.

3.2.1.6 Depreciation

Depreciation is recognised in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold right to land	- Over the lease period
Buildings	- 20 - 50 years
Software	- 03 - 05 years
Plant & machinery	- 05 - 50 years
Stores equipment	- 05 - 10 years
Motor vehicles	- 04 - 05 years
Furniture, fittings & office equipment	- 02 - 13 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 assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

3.2.1.7 Leased Assets

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

3.2.1.8 Group as a Lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

3.2.1.9 Group as a Lessor for Operating Leases

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating 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.

3.2.2 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at its cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. Transfers between investment property, owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

3.2.3 Intangible Assets

3.2.3.1 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.

3.2.3.2 Basis of Measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are 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 intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

3.2.3.3 Useful Economic Lives, and Amortisation

The useful lives of intangible assets are assessed as either finite or indefinite. Useful economic lives, amortisation and impairment of finite and indefinite intangible assets are described below:

3.2.3.3.1 Intangible Assets with Finite Lives and Amortisation

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is 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 accounted for by changing 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 income statement in the expense category consistent with the function of the intangible assets.

3.2.3.4 Derecognition of Intangible Assets

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

3.2.3.5 Leasehold Rights

In respect of operating leases acquired under a business combination where the Group is lessee, Group determines whether the terms of each operating lease are favourable or unfavourable relative to market terms. The Group recognises an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms. Leasehold rights represent value of favourable lease terms.

3.2.3.6 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 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 if there are indicators of impairment

3.2.3.7 Brand Name

Brands acquired as part of a business combination, are capitalised as part of a Brand Names if the Brand meets the definition of an intangible asset and the recognition criteria are satisfied. Brand Names are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

3.2.3.8 Customer Lists

The present value of the income anticipated deriving from repeat customer lists to of the 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 will be amortised over the period over which income is anticipated to be derived from repeat customers and reviewed annually for any impairment in value if there are indicators of impairment.

3.2.3.9 Other Intangible Assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

3.2.3.10 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 and loss as incurred.

3.2.3.11 Amortisation

Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and brand name, from the date on which they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- Right to generate hydro power - 15-20 years
- Customer List - 5 years
- ERP Systems - 5-10 years
- Operating Lease
 - The Kingsbury PLC - 56 years
 - Amaya Leisure PLC - 22 years

3.3 Financial Instruments - Initial Recognition and Subsequent Measurement

3.3.1 Financial Assets

3.3.1.1 Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, amounts due from subsidiaries, amounts due from equity accounted investees, quoted and unquoted financial instruments and derivative financial instruments.

3.3.1.2 Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for

trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by LKAS 39.

Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in finance income or finance costs in the income statement.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under LKAS 39 are satisfied.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. 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 income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in other operating expenses for receivables.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate, less impairment.

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 income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Available-for-Sale Financial Investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the income statement in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

3.3.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired

- 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 asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

3.3.1.4 Impairment of Financial Assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.3.1.4.1 Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows

(excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

3.3.1.4.2 Available-for-Sale Financial Investments

The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

3.3.2 Financial Liabilities

3.3.2.1 Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, amount due to subsidiaries, amounts due to equity accounted investees and derivative financial instruments.

3.3.2.2 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 acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. 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 income statement.

Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of LKAS 39 are satisfied.

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 income statement 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 income statement.

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. Fair values of corporate guarantees to banks are measured on a periodic basis and the same is recognised as finance income through inter-company current account balances. 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.

3.3.2.3 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 income statement.

3.3.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only 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

3.3.4 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.

3.3.5 Derivative Financial Instruments

3.3.5.1 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.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the Income Statement.

3.3.6 Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently, if events or changes in circumstances indicate that they might be impaired.

Formers - Provision for Impairment

In respect of formers, a 10% provision on the written down value is recognised as impairment in profit and loss.

3.3.6.1 Calculation of Recoverable Amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, 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. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

3.3.6.2 Impairment/Reversal of Impairment

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.3.7 Non-Current Assets Held for Sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

3.3.8 Current Assets

Assets classified as current assets on the Statement of Financial Position are cash and bank balances and those which are expected to be realised in cash during the normal operating cycle or within one year from the reporting date, whichever is shorter.

3.3.8.1 Inventories

Inventories are measured 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.

3.3.8.2 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.4 Liabilities and Provisions

3.4.1 Employee Benefits

3.4.1.1 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.

3.4.1.2 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.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on 'Employee Benefits'. However, 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. This liability is computed on the following basis:

Length of service (Years)	No. of months salary for each 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

3.4.2 Recognition of Actuarial Gains or losses

Actuarial gains or losses are recognised in full in the other comprehensive income.

3.4.3 Short-Term Benefits

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

3.4.4 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 income statement net of any reimbursement.

3.4.5 Warranties

A provision for 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.

3.4.6 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the respective Note 32 to the Financial Statements.

3.4.7 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.

3.5 Income Statements

For the purpose of presentation of the Income Statement, the function of expenses method is adopted.

3.5.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of Goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Rendering of Services

Revenue from services rendered is recognised in profit and loss in proportion to the stage of completion of the transaction at the reporting date.

Room Revenue

Room revenue is recognised on the rooms occupied on a daily basis. Food and Beverage revenue is recognised at the time of sales.

Rental Income

Rental income is recognised in profit and loss as it accrues.

Dividend

Dividend income is recognised in profit and 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.

Commission

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the commission earned by the Group.

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 and 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 and loss on a systematic basis over the useful life of the asset.

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 operating income' in profit and loss

Other Income

Other income is recognised on an accrual basis.

3.5.2 Expenses

Expenses are recognised in the income statement 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.

Repairs and renewals are charged to profit and loss in the year in which the expenditure is incurred.

3.5.2.1 Operating Leases

Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease.

3.5.2.2 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

3.5.2.3 Finance Income and Finance Costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss.

Finance costs 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 profit or loss.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Foreign currency gains and losses are reported on a net basis.

3.5.3 Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

3.5.3.1 Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years. Current tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not in the income statement. 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.

3.5.3.2 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 ventures, 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 ventures, 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 parts 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 profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Tax withheld on dividend income from subsidiaries and equity accounted investees is recognised as an expense in the Consolidated Income Statement at the same time as the liability to pay the related dividend is recognised.

3.5.3.3 Sales Tax

Revenues, 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
- Receivables and payables that are stated with the amount of sales tax. 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 occurred after the 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 Standards Issued But Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the Group's Financial Statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

Pending the completion of detailed review, the financial impact is not reasonably estimable at the date of the publication of these Financial Statements.

• SLFRS 9 - Financial Instruments: Classification and Measurement

SLFRS 9 replaces LKAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in LKAS 39. This Standard was originally effective for annual periods commencing on or after 1st January, 2015. However, the effective date has been deferred subsequently. The adoption of the first phase of SLFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

• SLFRS 10 - Consolidated Financial Statements

SLFRS 10 replaces the portion of LKAS 27 Consolidated and Separate Financial Statements that addresses the accounting for Consolidated Financial Statements. It also includes the issues raised in Standing Interpretations Committee - SIC-12 Consolidation - Special Purpose Entities.

SLFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by SLFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a Parent, compared with the requirements that were in LKAS 27. This standard becomes effective for annual periods beginning on or after 1st January, 2014.

• SLFRS 11 - Joint Arrangements

SLFRS 11 replaces LKAS 31 - 'Interests in Joint Ventures' and SIC - 13 Jointly-controlled Entities - Non-monetary Contributions by Venturers. SLFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will impact the financial position of the Group. This is due to the cessation of proportionate consolidating of joint ventures being changed to equity accounting. This standard becomes effective for annual periods beginning on or after 1st January, 2014.

• SLFRS 12 - Disclosure of Interests in Other Entities

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 related to Consolidated Financial Statements, as well as all of the disclosures that were previously included in LKAS 31 and LKAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1st January, 2014.

• SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not state when an entity is required to use fair value, but rather provides guidance on how to measure

fair value under SLFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after 1st January, 2014.

4.4 Plantations

The plantation companies in the Group adopt certain accounting policies, which differ from that of the Group, since their nature of operations is significantly different from that of the rest of the Group. The accounting policies adopted are in accordance with LKAS 41 - 'Agriculture' and CA Sri Lanka ruling on bearer biological assets.

Those accounting policies that significantly vary from the rest of the Group are given below.

4.4.1 Property, Plant & Equipment

4.4.1.1 Permanent Land Development Costs

Permanent land development costs 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 impairments to land development costs are charged to the Income Statement in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

4.4.1.2 Biological Asset

Biological assets are classified in to mature biological assets and 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 asset includes tea and rubber trees, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets.

The entity recognises the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - Property, Plant & Equipment' as per the ruling issued by CA Sri Lanka.

The managed timber trees are 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 value of timber trees are measured using 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 to the Financial Statements.

The main variables in DCF model concerns

Variable	Comment
Currency Valuation	LKR
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
Discount rate	Future cash flows are discounted at following discount rates: Timber trees 17.5%

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

The gain or loss arising on initial recognition of biological assets at fair value less cost to sell and from a change in fair value less cost to sell of biological assets are included in profit or loss for the period in which it arises.

4.4.1.3 Immature and Mature Plantations

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, interplanting 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, including interest attributable to long-term loans used for financing immature plantations. The expenditure incurred on bearer biological assets (Tea, Rubber, Timber fields) which comes into bearing during the year, is transferred to mature plantations. Expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter at fair value at the end of each reporting period.

Permanent impairments to biological assets are charged to the Income Statement in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

4.4.1.4 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 Income Statement in the year in which they are incurred.

4.4.1.5 Depreciation

Depreciation is recognised in profit and loss on a straight-line basis over the estimated useful lives of each item of property plant & equipment as follows:

Mature Plantations (Replanting and New Planting)

Description	Years
Mature plantations - Tea	33
- Rubber	20
Sanitation, water and electricity supply	20

Depreciation methods, useful lives and residual values are reassessed at the reporting date. Mature plantations are reassessed at the reporting date. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less.

No depreciation is provided for immature plantations.

4.4.1.6 Leased Assets

The leasehold rights of assets taken over from JEDB/SLSPC are amortised in equal amounts over the shorter of the remaining lease periods and the useful lives as follows:

Description	Years
Bare land	53
Improvements to land	30
Mature plantations (Tea & Rubber)	30
Buildings	25
Machinery	20

4.4.2 Borrowing Costs

Borrowing costs incurred in respect of loans that are utilised for field development activities have been capitalised as a part of the cost of the relevant immature plantation. The capitalisation will cease when the crops are ready for commercial harvest.

4.4.3 Inventories

4.4.3.1 Finished Goods Manufactured From Agricultural Produce of Biological Assets

These are valued at the lower of cost and estimated net realisable value, after making due allowance for obsolete and slow moving items.

Net realisable value is the estimated selling price at which stocks can be sold in the ordinary course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

4.4.3.2 Input Material, Spares and Consumables

At actual cost on weighted average basis.

4.4.3.3 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.

4.4.4 Grants and Subsidies

Grants and subsidies are recognised at their fair value where there is a reasonable assurance the grant/subsidy will be received and all attaching conditions, if any, will be complied with. When the grant or subsidy relates to an income item is recognised as income over the periods necessary to match them to the costs to which it is intended to compensate on a systematic basis.

Grants and subsidies related to assets, including non-monetary grants at fair value are deducted at arriving at the carrying value of the asset (or are deferred in the Statements of Financial Position and credited to the Income Statement over the useful life of the asset.)

4.5 Cash Flow Statement

The Cash Flow Statement has been prepared using the 'indirect method'.

Interest paid is classified as a 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.

4.6 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 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 & equipment, and intangible assets other than goodwill.

4.7 Changes in Accounting Policies and Disclosures

4.7.1 LKAS 19 Employee Benefits (Revised 2013)

The Group applied LKAS 19 (Revised 2013) retrospectively in the current period in accordance with the transitional provisions set out in the revised standard. Actuarial gain or loss for the comparative period has been recognised in full in comparative other comprehensive income.

LKAS 19 (Revised 2013) has been applied retrospectively, with following permitted exception:

Sensitivity disclosures for the defined benefit obligation for comparative year ended 31st March, 2013.

5. Critical Accounting Estimates and Judgements

Use of Estimates and Judgements

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

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

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

5.1 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

5.2 Measurement of the Recoverable Amount of Cash-Generating Units Containing Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3.3.6.1. 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

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

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

5.4 Measurement of the Defined Benefit Obligations

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 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

5.5 Impairment of Property, Plant & Equipment and Intangible Assets other than Goodwill

The impairment analysis is principally based upon discounted estimated cash flows from the use and eventual disposal of the assets. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in the discount rates could lead to impairment. Further details are disclosed in Note 14 and 17 to the Financial Statements.

5.6 Revaluation of Land

The Group measures lands which are recognised as property, plant & equipment at revalued amount with change in value being recognised in the Statement of Other Comprehensive Income. The valuer has used valuation techniques such as open market value. Further details on revaluation of land are disclosed in Note 14 to the Financial Statements.

5.7 Fair Valuation of Biological Assets

The Group measures consumable Biological Assets at fair value with changes in value being recognised in the statement of income. Fair valuation involves assumptions which are given in page 150. Such estimations are subject to significant uncertainties.

6. Revenue

6.1 Industry Segment Revenue

For the year ended 31st March,	Consolidated					
	Sale of goods	Rendering of services	Total Revenue	Sale of goods	Rendering of services	Total Revenue
	Rs. '000	Rs. '000	2014 Rs. '000	Rs. '000	Rs. '000	2013 Rs. '000
Fibre	3,759,192	—	3,759,192	4,028,299	—	4,028,299
Hand Protection	13,376,913	—	13,376,913	14,674,542	—	14,674,542
Purification Products	10,348,067	—	10,348,067	9,868,644	—	9,868,644
Textiles	7,994,776	—	7,994,776	5,738,055	—	5,738,055
Construction Materials	2,804,490	—	2,804,490	2,472,683	—	2,472,683
Agriculture	7,395,466	—	7,395,466	7,346,296	—	7,346,296
Plantations	9,596,803	—	9,596,803	8,951,933	—	8,951,933
Transportation & Logistics	—	11,935,724	11,935,724	—	11,343,068	11,343,068
Leisure & Aviation	—	4,308,197	4,308,197	—	2,062,892	2,062,892
Consumer Products	5,252,132	—	5,252,132	4,509,140	—	4,509,140
Power & Energy	1,012,829	—	1,012,829	756,697	—	756,697
Industry Inputs	1,988,783	—	1,988,783	1,730,833	—	1,730,833
Investments & Services	—	780,738	780,738	—	818,770	818,770
	63,529,451	17,024,659	80,554,110	60,077,122	14,224,730	74,301,852

6.2 Geographical Segment Revenue

For the year ended 31st March,	Consolidated	
	2014	2013
	Rs. '000	Rs. '000
Asia (excluding Sri Lanka)	9,735,023	9,639,509
Australia	1,625,990	1,745,033
Europe	12,385,499	12,530,959
United States of America	6,906,583	7,765,525
Africa	1,168,922	863,652
Indirect Exports	13,797,731	14,747,419
Sri Lanka	34,934,362	27,009,755
	80,554,110	74,301,852

6.3 Gross Revenue

For the year ended 31st March,	Company	
	2014	2013
	Rs. '000	Rs. '000
Rent and building related income	250,570	229,332
	250,570	229,332

For the year ended 31st March,

	Consolidated		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
7. Other Income				
Grants amortised*	45,709	52,562	—	—
Gain on disposal of property, plant & equipment	31,260	66,889	24	—
Change in fair value of biological assets	28,065	31,170	—	—
Gain on disposal of long-term investments	—	—	105,212	324
Gain on bargain purchase of subsidiaries	—	9,907	—	—
Sundry income/scrap sales	213,377	78,330	—	—
Rent income	31,519	38,346	—	—
Indent commission	74,244	49,713	—	—
	424,174	326,917	105,236	324

* Details of the grants are given in Note 26 to the Financial Statements.

8. Other Expenses

Loss on disposal of equity accounted investees	—	4,671	—	—
Loss on disposal of property, plant & equipment	—	—	—	1,237
Impairment of property, plant & equipment	50,493	—	—	—
Derecognition of property, plant & equipment	—	43,810	—	—
Loss on disposal of current financial assets	81	743	81	743
Amortisation of intangible assets	101,136	110,039	—	—
Impairment of goodwill	9,864	—	—	—
	161,574	159,263	81	1,980

9. Net Finance Cost

9.1 Finance Income

Interest income on available-for-sale financial assets	—	1,157	—	—
Interest income on loans and receivables	27,033	354,343	88,014	93,116
Interest income on bank deposits	154,988	46,433	—	—
Income from finance lease	11,577	—	—	—
Guarantee income	—	—	1,602	3,152
Dividend income on available-for-sale investments	257,736	310,219	253,221	307,017
Net change in fair value of financial assets at fair value through profit or loss	425	2,267	2,843	—
Foreign exchange gain	318,508	715,997	—	—
	770,267	1,430,416	345,680	403,285

9.2 Finance Cost

Interest on long-term loans	(953,488)	(588,110)	(352,701)	(716,164)
Interest on short-term loans	(1,347,884)	(2,007,052)	(431,651)	(204,146)
Finance charges payable under finance leases	(87,552)	(83,945)	—	—
Net change in fair value of financial assets at fair value through profit or loss	(905)	—	(1,020)	(596)
Impairment of financial assets - available-for-sale	(17,769)	(15,020)	(12,470)	(12,470)
Foreign exchange loss	(502,766)	(375,049)	(102,123)	—
	(2,910,364)	(3,069,176)	(899,965)	(933,376)
Net Finance Cost	(2,140,097)	(1,638,760)	(554,285)	(530,091)

10. Profit before Tax

For the year ended 31st March,

	Consolidated		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit before tax is stated after charging all expenses including the following:				
Directors' emoluments	613,868	585,673	167,039	143,114
Auditors' fees (includes overseas subsidiaries)				
Audit services				
- Ernst & Young	37,511	33,771	1,523	1,535
- Other Auditors	16,323	9,637	—	—
Non-Audit services				
- Ernst & Young	15,848	16,904	1,080	752
- Other Auditors	6,773	5,111	—	—
Depreciation on property, plant & equipment	2,003,414	1,771,639	29,802	24,892
Donations	14,138	11,613	498	831
Impairment of trade and other receivables	70,673	(182,795)	—	—
Provision for unrealised profit and write-down of inventories	168,171	63,868	—	—
Staff cost				
Defined contribution plan cost	1,099,900	892,669	58,081	51,423
Defined benefit plan cost	748,835	761,589	61,632	70,405
Other staff cost (excluding defined contributions and defined benefits)	9,449,582	7,924,320	544,513	461,032
Staff training and development cost	51,165	45,947	7,373	14,037
Legal fees	41,337	30,567	—	—
Operating leases	119,105	95,888	—	—
Research and development cost	55,150	73,223	—	—

11. Taxation

11.1 Tax Expense

Consolidated Income Statement

Current income tax		
Income tax on current year profits		
Parent	30,782	17,489
Subsidiaries	979,809	1,117,247
	1,010,591	1,134,736
Over provision in respect of previous years	(2,700)	(582)
Irrecoverable ESC	1,570	2,012
	1,009,461	1,136,166
Deferred tax expense		
Origination of temporary differences		
Parent	—	—
Subsidiaries	150,650	43,645
	150,650	43,645
Tax on dividend income	204,899	232,170
Tax expense reported in the Income Statement	1,365,010	1,411,981

11.2 Consolidated Statement of Other Comprehensive Income

For the year ended 31st March,

	Consolidated		Company	
	2014	2013	2014	2013
	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 losses on defined benefit obligations	(579)	(5,883)	—	—
Income tax charged directly to other comprehensive income	(579)	(5,883)	—	—

11.3 Reconciliation of Accounting Profit to Income Tax Expense

Profit before tax	5,074,003	4,916,576	568,261	375,154
Share of profit of equity accounted investees	(1,236)	(352)	—	—
Intra-group adjustments	2,121,672	2,203,150	—	—
	7,194,439	7,119,374	568,261	375,154
Disallowable expenses	3,149,313	2,833,691	306,624	135,595
Tax deductible expenses	(4,028,295)	(3,792,474)	(136,420)	(60,618)
Tax exempt income	(2,956,628)	(2,940,497)	(1,406,610)	(1,325,626)
Tax loss b/f	(6,397,716)	(5,381,364)	(2,427,504)	(1,493,078)
Adjustment of tax loss b/f	729,485	256,809	495,474	3,642
Qualifying payments - donations	—	—	(127)	(112)
Tax loss c/f	5,500,565	6,397,716	2,658,425	2,427,504
Taxable income	3,191,163	4,493,255	58,123	62,461
Income tax @ 28%	551,865	583,438	16,274	17,489
Income tax @ 15%	82,913	181,878	—	—
Income tax @ 12%	85,314	8,456	—	—
Income tax at other tax rates	290,499	360,964	—	—
Income tax on current year profit	1,010,591	1,134,736	16,274	17,489
(Over)/under provision in respect of previous years	(2,700)	(582)	14,508	—
Irrecoverable ESC	1,570	2,012	—	—
	1,009,461	1,136,166	30,782	17,489
Origination of temporary differences	150,650	43,645	—	—
Tax on dividend income	204,899	232,170	—	—
Tax expense	1,365,010	1,411,981	30,782	17,489
Effective tax rate	27%	29%	5%	5%

11.4 Corporate income taxes of companies resident in Sri Lanka have been computed in accordance with the Inland Revenue Act No. 10 of 2006 as amended, whilst 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 in the Income Statements.

Resident companies in the Group, excluding those which enjoy a tax holiday or concessionary rate of taxation, were liable to income tax at 28% during 2013/14 (Y/A 2012/13 - 28%).

11.5 Tax Exemptions

11.5.1 In terms of the Inland Revenue Act

- Ultracarb (Pvt) Ltd. is entitled for a 3-year income tax holiday. The tax holiday period is yet to commence.
- Haycarb Value Added Products (Pvt) Ltd. is entitled for a 6-year income tax holiday. The tax holiday commenced during the Y/A 2013/14.
- Foreign dividends received are exempted from income tax in terms of the Inland Revenue Act.

11.5.2 In terms of BOI Agreements

Companies enjoying Tax Holidays under BOI Law are as follows:

Neluwa Cascade Hydro Power (Pvt) Ltd.	5-year tax holiday ending 31st March, 2014
Logiwiz NW (Pvt) Ltd.	5-year tax holiday ending 31st March, 2015
TTEL Somerset Hydro Power (Pvt) Ltd.	5-year tax holiday ending 31st March 2015
TTEL Hydro Power Company (Pvt) Ltd.	5-year tax holiday ending 31st March, 2015
Alco Industries (Pvt) Ltd.	5-year tax holiday ending 31st March, 2015
Hayleys Business Solutions International (Pvt) Ltd.	5-year tax holiday ending 31st March, 2017
Hayleys Agro Biotech (Pvt) Ltd.	8-year tax holiday ending 31st March, 2018
Nirmalapura Wind Power (Pvt) Ltd.	6-year tax holiday ending 31st March, 2019

11.5.3 Exemptions outside Sri Lanka

Haycarb Holdings Bitung Ltd.	Tax Exempt
Shizuka Co. Ltd.	8 year tax holiday ending 31st December, 2019

11. 6 Concessionary Tax Rates

11.6.1 In terms of the Inland Revenue Act

In terms of Sections 17, 46, 48A, 51, 56 and 59 of the Inland Revenue Act No. 10 of 2006, as amended, the profits of companies listed below enjoy concessionary rates of income tax.

Kelani Valley Plantations PLC	Profits from agriculture
Talawakelle Tea Estates PLC	Profits from agriculture
Sunfrost Ltd.	Profits from agriculture
HJS Condiments Ltd.	Profits from agriculture
Hayleys Agro Farms (Pvt) Ltd.	Profits from agriculture
Haycarb PLC	Profits from qualifying exports
Haycolour (Pvt) Ltd.	Profits from qualifying exports
Mabroc Teas (Pvt) Ltd.	Profits from qualifying exports and agriculture
Hayleys MGT Knitting Mills PLC	Profits from indirect exports
Creative Polymats (Pvt) Ltd.	Profits from qualifying exports & indirect exports
Ravi Industries (Pvt) Ltd.	Profits from qualifying exports & indirect exports
Rileys (Pvt) Ltd.	Profits from qualifying exports & indirect exports
Haymat (Pvt) Ltd.	Profits from qualifying exports & indirect exports
Toyo Cushion Lanka (Pvt) Ltd.	Profits from qualifying exports & indirect exports

Logiventures (Pvt) Ltd.	Profits from qualifying exports
Puritas Ltd.	Profits from qualifying exports
Lanka Orient Express Lines Ltd.	Profits from transshipment
DPL Plantations (Pvt) Ltd.	Profits from agriculture
Hayleys Plantation Services (Pvt) Ltd.	Profits from agriculture
Hayleys Travels and Tours (Pvt) Ltd.	Profits from promotion of tourism
Clarion Shipping (Pvt) Ltd.	Profits from transshipment
NYK Line Lanka (Pvt) Ltd.	Profits from transshipment
The Kingsbury PLC	Profits from promotion of tourism
Hunas Falls Hotel PLC	Profits from promotion of tourism
Culture Club Resorts (Pvt) Ltd.	Profits from promotion of tourism
Alumex PLC	Profits from manufacturing

11.6.2 In terms of BOI Agreements

As per agreements signed with the Board of Investment, the business income of the Companies listed below would be subject to a concessionary tax rate for the periods indicated below:

Kandyan Resorts (Pvt) Ltd.	02%	on turnover for 15 years up to Y/A 2026/27
Texnil (Pvt) Ltd.	12%	for 10 years up to Y/A 2022/23
Hanwella Rubber Products Ltd.	12%	for 10 years up to Y/A 2020/21
Grossart (Pvt) Ltd.	12%	for 10 years up to Y/A 2019/20
Dipped Products PLC	12%	for 10 years up to Y/A 2018/19
Venigros (Pvt) Ltd.	12%	for 10 years up to Y/A 2018/19
Logiwiz Ltd.	20%	indefinitely
Neoprex (Pvt) Ltd.	12%	for 10 years up to Y/A 2017/18
Logistics International Ltd.	12%	for 20 years up to Y/A 2016/17
Bonterra (Pvt) Ltd.	12%	for 20 years up to Y/A 2015/16
Moceti International (Pvt) Ltd.	10%	for 02 years up to Y/A 2014/15
Kelani Valley Instant Tea (Pvt) Ltd.	10%	for 02 years up to Y/A 2014/15
Bhagya Hydro Power (Pvt) Ltd.	10%	for 02 years up to Y/A 2013/14
Civaro International Ltd.	10%	for 02 years up to Y/A 2013/14

11.7 Non-Resident Companies

Corporate Income Taxes of non-resident companies are:

Company	Income Tax Rate (%)
Haychem (Bangladesh) Ltd.	37.5
PT Mapalus Makawanua Charcoal Industry	25
Haymark Inc	34
Logiwiz Logistics India (Pvt) Ltd.	30
Eurocarb Products Ltd.	23
Haycarb Holding Australia (Pvt) Ltd.	30
Carbokarn Co. Ltd.	20
ICOGUANTI S.p.A.	27.5
CK Regen Systems Co. Ltd.	20
Haylex Japan	30
Dipped Products (Thailand) Ltd. (Reduced rate applicable till 31st December, 2017)	10
PT Haycarb Palu Mitra	25

12. 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 ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effect of all potentially dilutive ordinary shares.

There were no potentially dilutive ordinary shares outstanding at any time during the year/previous year.

Basic/diluted earnings per share are calculated as follows:

	Consolidated	
	2014	2013
Profit attributable to ordinary equity holders of the parent (Rs. '000)	1,808,523	1,761,146
Weighted average number of ordinary shares of the parent (i)	75,000,000	75,000,000
Basic/diluted earnings per share (Rs.)	24.11	23.48
(i) Qualifying ordinary shares at beginning of the year	75,000,000	75,000,000
Qualifying ordinary shares at the end of the year	75,000,000	75,000,000

13. Dividends

	Company	
	2014	2013
	Rs. '000	Rs. '000
First and Final proposed Rs. 5.00 per share (2013 - Rs. 4.50 per share)	375,000	337,500
Dividend per ordinary share (Rs.)	5.00	4.50

- (i) The dividends represent redistribution of dividends received by the Company and are therefore not subject to the 10% tax deduction.
- (ii) The directors have recommended a Rs. 5/- per share first and final dividend for the year ended 31st March, 2014 to be approved at the Annual General Meeting on 27th June, 2014.

14. Property, Plant & Equipment

14.1 Consolidated

As at 31st March,	Land	Mature/ immature plantations	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	2014	2013
							Rs. '000	Rs. '000
Cost								
Gross book value								
At the beginning of the year	11,091,744	5,023,613	11,202,596	17,746,419	951,344	2,430,055	48,445,771	40,467,854
Revaluation of land	—	—	—	—	—	—	—	2,532,488
Acquisition through business combinations	—	—	—	11,353	7,823	12,499	31,675	576,154
Additions	147,767	470,961	673,909	1,137,211	116,125	401,989	2,947,962	5,043,518
Transfers to investment property	(196,765)	—	(128,318)	—	—	—	(325,083)	—
Disposals	—	—	(29,163)	(208,629)	(54,786)	(87,209)	(379,787)	(656,366)
Increase due to reassessment of liability	38,240	—	—	—	—	—	38,240	—
Effect of movements in exchange rates	(12,149)	—	(4,976)	(76,117)	(3,870)	(62,916)	(160,028)	482,123
At the end of the year	11,068,837	5,494,574	11,714,048	18,610,237	1,016,636	2,694,418	50,598,750	48,445,771
Depreciation:								
At the beginning of the year	107,236	1,016,184	1,790,014	7,699,721	511,518	1,488,650	12,613,323	10,892,227
Acquisition through business combinations	—	—	—	10,606	1,778	10,570	22,954	44,345
Depreciation for the year	41,455	134,472	309,023	1,150,041	124,894	243,529	2,003,414	1,771,639
Transfers to investment property	—	—	(60,209)	—	—	—	(60,209)	—
Disposals	—	—	(15,066)	(164,758)	(50,864)	(59,635)	(290,323)	(304,878)
Effect of movements in exchange rates	—	—	(4,230)	(28,972)	314	(55,204)	(88,092)	209,990
At the end of the year	148,691	1,150,656	2,019,532	8,666,638	587,640	1,627,910	14,201,067	12,613,323
Impairment:								
At the beginning of the year	—	—	—	—	—	—	—	—
Impairment for the year	—	—	—	50,493	—	—	50,493	—
At the end of the year	—	—	—	50,493	—	—	50,493	—
Net book value as at 31st March	10,920,146	4,343,918	9,694,516	9,893,106	428,996	1,066,508	36,347,190	35,832,448
Capital work in progress	—	—	—	—	—	—	1,870,210	1,364,423
Carrying amount as at 31st March	—	—	—	—	—	—	38,217,400	37,196,871

14.2 Company

As at 31st March,	Freehold Land	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	2014 Rs. '000	2013 Rs. '000
Cost or deemed cost:							
At the beginning of the year	4,868,000	201,767	42,259	26,055	237,092	5,375,173	4,093,903
Revaluation of land	–	–	–	–	–	–	1,176,520
Additions	–	27,336	68	–	42,275	69,679	111,314
Disposals	–	–	–	–	(607)	(607)	(6,564)
At the end of the year	4,868,000	229,103	42,327	26,055	278,760	5,444,245	5,375,173
Depreciation							
At the beginning of the year	–	49,082	35,395	6,246	171,736	262,459	239,923
Depreciation for the year	–	3,374	1,230	1,302	23,896	29,802	24,892
Disposals	–	–	–	–	(606)	(606)	(2,356)
At the end of the year	–	52,456	36,625	7,548	195,026	291,655	262,459
Net book value as at 31st March	4,868,000	176,647	5,702	18,507	83,734	5,152,590	5,112,714
Capital work-in-progress	–	–	–	–	–	19,055	20,424
Carrying amount as at 31st March	–	–	–	–	–	5,171,645	5,133,138

14.3. Carrying Value

As at 31st March,	Consolidated		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
At cost	26,549,673	25,823,299	303,645	265,138
At valuation	8,349,638	8,349,638	4,868,000	4,868,000
On finance leases	3,318,089	3,023,934	–	–
	38,217,400	37,196,871	5,171,645	5,133,138

- (i) Total borrowing cost capitalised in 2014 amounts to Rs. Nil (2013 - Rs. 131.9 mn).
- (ii) Group property, plant & equipment includes capitalised finance leases and leasehold rights on land. The carrying amount of these assets are:

As at 31st March,	Consolidated			
	Cost Rs. '000	Accumulated depreciation/ amortisation Rs. '000	Carrying value	
			2014 Rs. '000	2013 Rs. '000
Land	535,175	63,024	472,151	457,664
Mature/immature plantations	3,495,954	786,492	2,709,462	2,299,013
Buildings	224,830	154,318	70,512	80,219
Machinery & stores equipment	75,866	61,313	14,553	47,861
Motor vehicles	131,198	79,908	51,290	71,781
Furniture, fittings & office equipment	342	221	121	658
Capital work-in-progress	–	–	–	66,738
Total	4,463,365	1,145,276	3,318,089	3,023,934

(iii) Unexpired lease periods of land:

Kelani Valley Plantations PLC	33 Years
Kalupahana Power Company (Pvt) Ltd.	33 Years
HJS Condiments Ltd.	86 Years/79 Years/21 Years
Talawakelle Tea Estates PLC	31 Years
The Kingsbury PLC	55 Years
Culture Club Resorts (Pvt) Ltd.	30 Years

(iv) Amounts by which values have been increased to in respect of land revalued by independent qualified valuers are indicated below, together with the last date of revaluation:

Company	Location	Revaluation surplus	
		2014 Rs. '000	2013 Rs. '000
Hayleys PLC	Colombo (31.03.2013)	4,861,023	4,861,023
Volanka (Pvt) Ltd.	Kotugoda (31.03.2013)	551,400	551,400
	Katana (31.03.2013)	155,831	155,831
	Galle (31.03.2013)	70,577	70,577
Chas P. Hayley & Co. (Pvt) Ltd.	Galle (31.03.2013)	420,037	420,037
Dipped Products PLC	Kottawa (31.03.2013)	107,633	107,633
	Weliveriya (31.03.2013)	70,973	70,973
	Malabe (31.03.2013)	88,803	88,803
Venigros (Pvt) Ltd.	Weliveriya (31.03.2013)	50,925	50,925
Palma Ltd.	Gonawala (31.03.2013)	35,224	35,224
Haycarb PLC	Badalgama & Madampe (31.03.2013)	89,874	89,874
	Wewalduwa (31.03.2013)	94,377	94,377
Recogen (Pvt) Ltd.	Badalgama (31.03.2013)	26,931	26,931
Carbokarn Co. Ltd.	Pahanatinikhom (31.03.2013)	25,000	25,000
Lignocell (Pvt) Ltd.	Kuliyapitiya (31.03.2013)	26,956	26,956
Hayleys Agriculture Holdings Ltd.	Dambulla (31.03.2013)	1,324	1,324
	Kottawa (31.03.2013)	67,414	67,414
Haychem Bangladesh Ltd.	Mymensingh (31.03.2013)	17,598	17,598
Haycolour (Pvt) Ltd.	Kalutara (31.03.2013)	28,706	28,706
Hayleys Fibre PLC	Ekala (31.03.2013)	185,843	185,843
Hayleys Advantis Ltd.	Welisara (31.03.2013)	689,832	689,832
Ravi Industries (Pvt) Ltd.	Ekala (31.03.2013)	194,700	194,700
Volanka Exports (Pvt) Ltd.	Welipanna (31.03.2013)	18,006	18,006

Company	Location	Revaluation surplus	
		2014	2013
		Rs. '000	Rs. '000
Rileys Ltd.	Ekala (31.03.2013)	211,555	211,555
Toyo Cushion Lanka (Pvt) Ltd.	Katana (31.03.2013)	48,174	48,174
Sunfrost (Pvt) Ltd.	Allawwa (31.03.2013)	24,126	24,126
Hayleys MGT Knitting PLC	Neboda (31.03.2013)	18,149	18,149
Hayleys Electronics Lighting (Pvt) Ltd.	Hokandara (31.03.2013)	4,047	4,047
Hunas Falls PLC	Elkaduwa (31.03.2013)	1,353	1,353
Kandyan Resorts (Pvt) Ltd.	Kandy (31.03.2013)	55,556	55,556
The Beach Resorts Ltd.	Wadduwa (31.03.2013)	11,553	11,553
Alumex PLC	Makola (31.03.2013)	96,138	96,138
		8,349,638	8,349,638
Revaluation reserve attributable to Non-controlling interests		(392,397)	(392,397)
Share of revaluation reserve of equity accounted investees		101,833	101,833
		8,059,073	8,059,073
Changes in ownership interests in subsidiaries		23,526	34,732
		8,082,600	8,093,806

- (v) Land owned by the Group is revalued as at 31st March, 2013 by an independent chartered valuation surveyor. The valuation had been carried out based on transactions observed in the market.
- (vi) Land owned by the Group other than that mentioned above has been stated at cost as the appreciation in value is insignificant. Further information is provided on page 197. There are no tax implications or tax liabilities pertaining to revaluation of land.
- (vii) There has been an impairment of property, plant & equipment amounting to Rs. 50.5 mn which is disclosed in Note 8 to the Financial Statements.
- (viii) Property, plant & equipment with a carrying value of Rs. 12,996 mn (2013 - Rs. 5,750 mn) and Rs. 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.
- (ix) The carrying value of revalued land given above, had the said land been included at cost, would amount to Rs. 2,571 mn (2013 - Rs. 2,635 mn) for the Group and Rs. 7 mn (2013 - Rs. 7 mn) to the Company.
- (x) The cost of fully depreciated Property plant & equipment which are still in use at the reporting date is as follows:

As at 31st March,	Consolidated		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Buildings	67,866	50,274	–	–
Machinery and equipment	2,494,433	1,734,865	38,237	15,700
Furniture, fittings & office equipment	822,974	982,714	153,088	94,827
Motor vehicles	171,501	238,057	5,603	–
	3,556,774	3,005,910	196,928	110,527

14.4 Capital Expenditure Commitments

The approximate amounts of capital expenditure approved by the Directors as at 31st March, 2014 were: Capital expenditure contracted for which no provision is made in the Financial Statements for the Group - Rs. 1,521 mn (2013 - Rs. 467 mn) and for the Company Rs. Nil (2013 - Nil). Capital expenditure approved by the Directors but not contracted for the Group Rs. 698 mn (2013 - Rs. 1,274 mn) and for the Company Rs. 86 mn (2013 - Rs. 62 mn).

15. Investment Properties

As at 31st March,

	Consolidated			
	Land	Buildings	Total	
	Rs. '000	Rs. '000	2014 Rs. '000	2013 Rs. '000
Cost				
At the beginning of the year	674,758	19,324	694,082	694,082
Additions	313	3,366	3,679	–
Acquisitions through business combinations	210,000	315,518	525,518	–
Transfer from property, plant & equipment	196,765	128,318	325,083	–
At the end of the year	1,081,836	466,526	1,548,362	694,082
Depreciation				
At the beginning of the year	–	6,041	6,041	5,721
Charge for the year	–	3,150	3,150	320
Acquisitions through business combinations	–	25,518	25,518	–
Transfer from property, plant & equipment	–	60,209	60,209	–
At the end of the year	–	94,918	94,918	6,041
Net book value	1,081,836	371,608	1,453,444	688,041

15.1 Rental income

	Consolidated	
	2014	2013
	Rs. '000	Rs. '000
Rental income derived from investment properties	28,180	15,381
Direct operating expenses generating rental income	(4,581)	–
Direct operating expenses that did not generate rental income	–	–
Net profit arising from investment properties	23,599	15,381

15.2 Investment property is stated at cost. The fair value of Investment property based on a valuation performed as at 31st March, 2013 by Mr. P.B. Kalugalgedara (Chartered Valuation Surveyor & Estate Agents), an accredited independent, industry specialist is given below. The valuations had been carried out based on transactions observed in the market.

The details of fair value of investment property of the Group.

Company	Location	Building Area (Sq. Ft.)	Land in Acres	Value of Building Rs. '000	Value of land Rs. '000	Total Rs. '000
Hayleys Fibre PLC	'Ekala Estate', Minuwangoda Road, Ekala	53,880	6.30	7,382	251,900	259,282
Haycarb PLC	333/25, New Road Hunuputiya Wattala	12,240	0.97	5,901	54,460	60,361
Carbotels (Pvt) Ltd.	Weyagala Estate, Elkaduwa, Matale	–	65.06	–	34,600	34,600
Eastern Hotels (Pvt) Ltd .	Nilakarai Estate, Nilaweli, Trincomalee	–	23.47	–	432,000	432,000
Hayleys Advantis Group	49/4 -18A, Galle Road, Kollupitiya	2,450	–	38,020	–	38,020
	46/12, Sayuru Sevana, Nawam Mawatha, Colombo 2	45,980	0.24	90,000	400,000	490,000
Dipped Products PLC	Nadungamuwa ,Weliweriya	5,029	7.85	10,058	75,312	85,370
Venigros (Pvt) Ltd.	Nadungamuwa, Weliweriya	56,151	7.09	105,076	56,755	161,831
Toyo Cushion Lanka (Pvt) Ltd.	105, Thimbirigaskatuwa Road, Katana	27,945	3.40	23,658	64,698	88,356

15.3 The Group has no restriction on the realisability of its investment property and no contractual obligations to either purchase, construct or develop Investment property or for maintenance and enhancement.

15.4 Directors believe that there are no significant differences in the market values compared to last year.

16. Biological Assets

As at 31st March,

	Consolidated	
	2014 Rs. '000	2013 Rs. '000
At the beginning of the year	235,020	192,112
Increase due to development	4,572	11,697
Change in fair value of biological assets	28,065	31,171
Decrease due to harvest	(1,149)	–
Transfer from receivables	–	40
At the end of the year	266,508	235,020

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated at approximate fair value particularly on the ground that 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 taken over to bring them to maturity are transferred from Immature to Mature.

The fair value of managed trees was ascertained in accordance with LKAS 41 which is applicable only for managed agricultural activity in terms of the ruling issued by The Institute of Chartered Accountants of Sri Lanka. The valuation was carried out by Messrs Sunil Fernando Associates, chartered valuers, using discounted cash flow methods. In ascertaining the fair value of timber a physical verification was carried out covering all the estates.

16.1 Key assumptions used in valuation

1. The harvesting is approved by the PMMD and Forest Department based on the forestry development plan.
2. The prices adopted are net of expenditure.
3. Discount rate is 17.5%.
4. Compounding rate is 14%
5. Though the replanting is a condition precedent for harvesting, yet the costs are not taken into 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. 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 realisable value. The Board of Directors retains the view that commodity markets are inherently volatile and that long-term price projections are highly unpredictable. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in LKAS 41 against his own assumptions.

The carrying amount of biological assets pledged as securities for liabilities is nil for the year 2014 (2013 – nil).

16.2 Sensitivity Analysis

Sensitivity variation on 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 an increase or a decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

Sales price fluctuation	+10%	0	-10%
Managed Timber	Rs. '000	Rs. '000	Rs. '000
As at 31st March, 2014	263,599	256,568	252,954
As at 31st March, 2013	239,803	225,384	212,753

Sensitivity variation on 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 a decrease by 1.5% of the estimated discount rate has the following effect on the net present value of biological assets:

Discounting rate fluctuation	+1.5%	0	-1.5%
Managed Timber	Rs. '000	Rs. '000	Rs. '000
As at 31st March, 2014	254,276	256,568	258,631
As at 31st March, 2013	224,651	225,384	227,809

17. Intangible Assets

As at 31st March,	Right to generate hydro power/ development cost Rs. '000	Goodwill Rs. '000	ERP system Rs. '000	Brand name Rs. '000	Customer list Rs. '000	Operating Lease Rs. '000	Consolidated	
							Total	
							2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost								
At the beginning of the year	97,790	3,819,420	266,886	148,183	152,420	1,177,111	5,661,810	5,400,645
Acquisition through business combinations	–	215,857	–	–	–	–	215,857	138,595
Additions	–	–	86,201	–	–	–	86,201	128,046
Disposals	–	–	(5,016)	–	–	–	(5,016)	(3,181)
Effect of movements in exchange rates	–	–	3,195	–	–	–	3,195	(2,296)
At the end of the year	97,790	4,035,277	351,266	148,183	152,420	1,177,111	5,962,047	5,661,810
Amortisation								
At the beginning of the year	18,725	136,095	100,887	–	30,484	59,681	345,872	236,265
Amortisation for the year	5,578	–	44,503	–	31,500	19,555	101,136	110,039
Impairment for the year	–	9,864	–	–	–	–	9,864	–
Disposals	–	–	(2,910)	–	–	–	(2,910)	–
Effect of movements in exchange rates	–	–	1,361	–	–	–	1,361	(433)
At the end of the year	24,303	145,959	143,841	–	61,984	79,236	455,323	345,872
Net book value	73,487	3,889,318	207,425	148,183	90,436	1,097,875	5,506,724	5,315,938
Capital work in progress	–	–	34,563	–	–	–	34,563	42,610
Carrying amount							5,541,287	5,358,548

(i) The aggregate carrying amount of goodwill allocated to each unit is as follows:

	Rs. mn
Dipped Products PLC	97
Dipped Products' Group Companies	33
Advantis Group Companies	314
Haycarb Group Companies	202
Hunas Falls Hotels PLC	8
The Kingsbury PLC	633
Hayleys Plantation Services (Pvt) Ltd.	134
Alumex PLC	1,052
Amaya Leisure PLC	1,415
	3,889

- (ii) There has been an impairment of goodwill arising from Halyex BV Group amounting to Rs. 9.9 mn which is disclosed in Note 8 to the Financial Statements. Methods used in estimating recoverable amounts are given below:

The recoverable values of Dipped Products PLC, Hunas Falls Hotels PLC and Haycarb group were based on fair value less cost to sell and the others were based on value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and key assumptions used are given below:

Business growth	Based on historical growth rate and business plan
Inflation	Based on the current inflation rate and the percentage of the total cost subject to inflation
Discount rate	Average market borrowing rate adjusted for risk premium
Margin	Based on current margin and business plan

- (iii) Remaining amortisation period of Rights to Generate Hydropower excluding development cost amounting to Rs. 35.772 mn.

Remaining amortisation period	Carrying amount Rs. '000
95 months	2,512
116 months	1,718
155 months	33,485
Total	37,715

- (iv) The Group has recognised an intangible asset in respect of operating leases acquired from the acquisition of The Kingsbury PLC and Amaya Leisure PLC since the terms of operating leases are favourable relative to market terms.

Intangible asset from Leasehold right is the revalued value of land over the present value of future lease rentals to be paid.

The Kingsbury PLC - 55 years

Amaya Leisure PLC - 21 years

- (v) The Group has recognised an intangible asset for the Amaya chain of hotels from the acquisition of Amaya 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.

- (vi) The 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.

18. Investments

18.1 Company Investment in Subsidiaries

	% Holding		No. of Shares			Value Rs. '000		
	2014	2013	2014	Movement	2013	2014	Movement	2013
Investee								
Quoted investments*								
Haycarb PLC (Rs. 3,643 mn)	68	68	20,125,103	—	20,125,103	47,204	—	47,204
Hayleys Fibre PLC (Rs. 139 mn)	65	65	5,200,000	—	5,200,000	3,575	—	3,575
Dipped Products PLC (Rs. 2,170 mn)	42	42	24,910,938	8,865	24,902,073	378,761	986	377,775
Hayleys MGT Knitting Mills PLC (Rs. 1,221 mn)	79	79	119,683,817	—	119,683,817	1,393,061	—	1,393,061
Amaya Leisure PLC (Rs. 1,400 mn)	40	40	19,366,234	—	19,366,234	2,084,086	—	2,084,086
Alumex PLC (Rs. 2,168 mn)	51	60	152,644,500	151,444,490	1,200,010	1,277,353	(109,552)	1,386,905
The Kingsbury PLC (Rs. 1,438 mn)	46	38	112,307,057	45,544,367	66,762,690	1,864,073	455,444	1,408,629
			454,237,649	196,997,722	257,239,927	7,048,113	346,878	6,701,235
Unquoted investments								
Hayleys Photoprint (Pvt) Ltd.	100	100	6	—	6	—	—	—
Haylex BV	100	100	1,000	—	1,000	25,733	—	25,733
Chas P. Hayley & Co. (Pvt) Ltd.	100	100	999,920	—	999,920	698	—	698
Ravi Industries (Pvt) Ltd.	86	86	10,783,258	9,508	10,773,750	15,631	376	15,255
Hayleys Group Services Ltd.	100	100	10,000	—	10,000	100	—	100
Hayleys Electronics Ltd.	98	98	951,855	—	951,855	95,687	—	95,687
Dean Foster (Pvt) Ltd.	49	49	5,882,351	—	5,882,351	9,904	—	9,904
Hayleys Advantis Ltd.	94	93	33,929,759	286,102	33,643,657	347,525	16,089	331,436
Volanka Exports (Pvt) Ltd.	4	4	118,255	205	118,050	1,989	7	1,982
Sunfrost (Pvt) Ltd.	5	5	423,300	—	423,300	4,233	—	4,233
Rileys (Pvt) Ltd.	6	6	2,500,000	—	2,500,000	10,333	—	10,333
Volanka (Pvt) Ltd.	62	62	6,440	—	6,440	23,107	—	23,107
Toyo Cushion Lanka (Pvt.) Ltd.	19	18	1,217,081	1,955	1,215,126	13,135	55	13,080
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.	9	9	1,137,564	5,993	1,131,571	13,985	141	13,844
Hayleys Agriculture Holdings Ltd.	97	97	18,946,136	97,934	18,848,202	252,481	6,175	246,306
Hayleys Consumer Products Ltd.	99	99	19,389,879	40,865	19,349,014	250,773	744	250,028
Hayleys Industrial Solutions (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
Haydea Business Solutions (Pvt) Ltd.	100	0	249,999	249,999	—	2,500	2,500	—
Hayleys Leisure Holdings (Pvt) Ltd.	100	100	2,000,000	—	2,000,000	20,000	—	20,000
Nirmalapura Wind Power (Pvt) Ltd.	30	30	29,900,000	—	29,900,000	154,204	—	154,204
Quality Seeds Co. Ltd.	74	74	1,878,000	—	1,878,000	3,707	—	3,707
			211,901,972	692,561	211,209,411	2,093,745	26,087	2,067,657
Company investment in subsidiaries (at cost)			666,139,621	692,561	468,449,338	9,141,858	372,964	8,768,892
Provision for fall in value of investments made by the Company								
Hayleys Electronics (Pvt) Ltd.						(95,687)	—	(95,687)
Company investment in subsidiary						9,046,171	372,964	8,673,205

*Figures in brackets indicate market value of Quoted investments.

(i) Countries of incorporation of overseas subsidiaries are given in Note 18.3.

18.2 Company/Group Investment in Equity Accounted Investees

Investor	Investee	% Holding		No. of Shares		Value Rs. '000	
		2014	2013	2014	2013	2014	2013
Unquoted investments							
Hayleys PLC	World Call Telecommunications Lanka (Pvt) Ltd.	26	26	2,700,000	2,700,000	27,000	27,000
Company Investment in equity accounted investees (at cost)							
Provision for impairment of investments	World Call Telecommunications Lanka (Pvt) Ltd.					(27,000)	(27,000)
Carrying value of company investment in equity accounted investees						-	-
Unquoted Investments							
Carbotels Ltd.	Negombo Hotels Ltd.	30	30	60,000	60,000	127,794	127,794
Hayleys Photoprint Ltd.	World Call Telecommunications Lanka (Pvt) Ltd.	3	3	300,000	300,000	3,000	3,000
Hayleys Advantis Group	Yusen Logistics & Kusahara (Pvt) Ltd.	49	49	195,000	195,000	1,950	1,950
Volanka Exports Ltd.	PT Tulus Lanka Coir Industries	45	45	164,250	164,250	17,776	17,776
						150,520	150,520
						177,520	177,520
Provision for fall in value of investments	PT Tulus Lanka Coir Industries					(17,776)	(17,776)
	World Call Telecommunication Lanka (Pvt) Ltd.					(27,000)	(27,000)
Group investments in Equity accounted investees (at cost)						132,744	132,744

As at 31st March,	Consolidated					
	Investment at cost		Share of post acquisition profit/(loss) & MI Adj.		Net assets	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Carbotels equity accounted investees	127,794	127,794	(18,829)	3,985	229,044	247,873
World Call Telecommunications Lanka (Pvt) Ltd.	30,000	30,000	–	–	–	–
Yusen Logistics & Kusuvara (Pvt) Ltd.	1,950	1,950	(2,638)	251	18,292	20,930
PT Tulus Lanka Coir Industries	17,776	17,776			10,091	10,091
	177,520	177,520	(21,467)	4,236	257,427	278,894
Transferred to other long-term investments	–	–	–	–	(10,091)	(10,091)
Group investments in equity accounted investee	177,520	177,520	(21,467)	4,236	247,336	268,803

(i) Summarised financial information of equity accounted investees has not been adjusted for group share:

As at 31st March,	2014 Rs. '000	2013 Rs. '000
Assets and liabilities		
Total assets	2,326,534	2,398,769
Total liabilities	(1,487,701)	(1,533,484)
Net assets	838,833	865,285
Revenue and profit		
Total revenue	1,561,209	1,865,587
Total profit after tax	6,805	1,412
Total comprehensive income	6,480	1,201

(ii) The Company has neither contingent liabilities nor capital commitments in respect of its equity accounted investees.

(iii) The Group has not recognised following shares of its losses in respect of its equity investments, since the Group has no further obligation in respect of those losses beyond its investments.

As at 31st March,	Cumulative		For the Year	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
World Call Telecommunications Lanka (Pvt) Ltd.	(31,290)	(31,290)	–	(651)
	(31,290)	(31,290)	–	(651)

(iii) Countries of incorporation of overseas equity accounted investees are given in Note 18.3.

18.3 Countries of Incorporation of Overseas Subsidiaries and Equity Accounted Investees

Countries of incorporation of companies incorporated outside Sri Lanka are stated in brackets against the Company names.

Haychem (Bangladesh) Ltd. (Bangladesh), PT Mapalus Makawanua Charcoal Industry (Indonesia), Haycarb Holdings Bitung Ltd. (British Virgin Island), Eurocarb Products Ltd. (UK), Haycarb Holdings Australia (Pty) Ltd. (Australia), Haymark Inc. (USA), Carbokarn Co. Ltd. (Thailand), Shizuka Co. Ltd (Thailand), Haylex BV Group (Netherlands, Japan & UK), Dipped Products (Thailand) Ltd (Thailand), CK Regen Systems Co. Ltd (Thailand), ICO Guanti SpA (Italy), PT Tulus Lanka Coir Industries (Indonesia), Logiwiz Logistics India (Pvt) Ltd. (India), Civaro Freight India (Pvt) Ltd. (India), and Charles Fibre (Pvt) Ltd. (India). Haylex USA (USA), PT Haycarb Palu Mitra (Indonesia), Puricarb Pte Ltd (Singapore).

18.4 Inter-Company Shareholdings

Investor	Investee	% Holding		No. of Shares	
		2014	2013	2014	2013
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
	Hayleys Electronics (Pvt) Ltd.	2	2	14,975	14,975
	Lignocell (Pvt) Ltd.	100	100	12,000,000	12,000,000
Dean Foster (Pvt) Ltd.	Volanka (Pvt) Ltd.	38	38	3,920	3,920
	Hayleys Advantis Group	1	1	488,369	488,369
	Chas P. Hayley & Co. (Pvt) Ltd.	—	—	80	80
	Alumex PLC	5	—	14,213,900	—
Dipped Products PLC	Amaya Leisure PLC	21	21	10,252,300	10,252,300
	Palma Ltd.	100	100	4,000,000	4,000,000
	Grossart (Pvt) Ltd.	100	100	4,200,000	4,200,000
	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
	Neoprex (Pvt) Ltd.	100	100	4,000,000	4,000,000
	Dipped Products (Thailand) Ltd. (100 Bhat)	99	99	4,516,248	4,516,248
	Texnil (Pvt) Ltd.	100	100	7,500,000	7,500,000
	ICOGUANTI SpA (Italy) (€1 - each)	61	61	2,016,667	2,016,667
	Hanwella Rubber Products Ltd.	73	73	18,152,000	18,152,000
DPL Plantations Ltd.	DPL Premier Gloves Ltd.	100	—	30,000,001	—
	Kelani Valley Plantations PLC	71	71	24,200,000	24,200,000
	Hayleys Plantation Services (Pvt) Ltd.	67	67	13,400,000	13,400,000

Investor	Investee	% Holding		No. of Shares	
		2014	2013	2014	2013
Haycarb PLC	Dipped Products PLC	7	7	4,068,746	4,068,746
	Eurocarb Products Ltd. (UK) (£1 - each)	100	100	100,000	100,000
	Haycarb Value Added Products (Pvt) Ltd.	100	100	40,000,000	25,000,000
	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
	Carbocarn Co. Ltd. (100 Baht, 72% 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
	Haymark Inc. (Texas, USA)	100	100	3,600,000	3,600,000
	Haycarb Holdings Bitung Ltd. (\$ 1 - each)	100	100	1,400,000	1,400,000
	PT Mapalus Makawana Charcoal Industry (IDR 1,000,000)	2	2	707	707
	Ultracarb (Pvt) Ltd.	100	100	25,000,000	20,000,000
	Quality Seeds Co. Ltd.	6	6	147,000	147,000
	PT Haycarb Palu Mitra	60	–	1,290,000	–
Carbocarn Co. Ltd.	CK Regen Systems Co. Ltd.	100	100	150,000	150,000
	Shizuka Co. Ltd.	100	100	200,000	200,000
Puritas (Pvt) Ltd.	Lakdiyatha (Pvt) Ltd.	49	49	2,450,000	2,450,000
	Puricarb (Pte) Ltd.	100	–	1	–
Haycarb Holdings Bitung Ltd.	PT Mapalus Makawana Charcoal Industry (IDR 1,000,000)	98	98	36,935	36,935
Hayleys Agriculture Holdings Ltd.	Agro Technica Ltd.	93	93	2,329,894	2,329,894
	Haychem (Pvt) Ltd.	–	100	–	4,400,000
	Hayleys Agro Fertilizers (Pvt) Ltd.	100	100	4,999,999	4,999,999
	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 Mgt Knitting Mills PLC	2	2	2,546,322	2,546,322
Hayleys Fibre PLC	Quality Seeds Co. Ltd.	20	20	500,000	500,000
	Toyo Cushion Lanka (Pvt) Ltd.	16	16	1,015,602	1,015,602
	Bonterra Lanka Ltd.	50	50	803,394	803,394
	Rileys (Pvt) Ltd.	19	19	7,750,000	7,750,000
Hayleys Industrial Solutions (Pvt) Ltd.	Haycolour (Pvt) Ltd.	100	100	60,000	60,000
	Hayleys Lifesciences Ltd.	100	100	3,000,001	3,000,001
	Power Engineering Solutions (Pvt) Ltd.	100	100	320,001	320,001
	Nirmalapura Wind Power (Pvt) Ltd.	21	21	21,100,000	21,100,000
	Hydro Power (Pvt) Ltd.	100	100	25,067,241	16,417,241
	Neluwa Upper Hydro Power (Pvt) Ltd.	50	50	1	1
Hayleys Hydro Energy (Pvt) Ltd.	Neluwa Cascade Hydro (Pvt) Ltd.	100	100	11,910,001	11,910,001
	Neluwa Upper Hydro Power (Pvt) Ltd.	50	50	1	1
Hayleys Plantation Services (Pvt) Ltd.	Talawakelle Tea Estates PLC	75	75	17,750,000	17,750,000

Investor	Investee	% Holding		No. of Shares	
		2014	2013	2014	2013
Talawakelle Tea Estates PLC	TTEL Hydro Power (Pvt) Ltd.	51	51	3,519,000	3,519,000
	TTEL Summerset Hydro Power (Pvt) Ltd.	51	51	3,060,000	3,060,000
Hayleys Advantis Group	Sunfrost (Pvt) Ltd.	1	1	50,000	50,000
	International Consumer Brand Ltd.	100	100	2,999,995	2,999,995
	Hayleys MGT Knitting Mills PLC	2	2	3,693,690	3,693,690
Ravi Industries (Pvt) Ltd.	Rileys (Pvt) Ltd.	31	31	12,250,000	12,250,000
	Dipped Products PLC	1	1	567,000	567,000
	Ravi Marketing Services Ltd.	100	100	9,994	9,994
Rileys (Pvt) Ltd.	Haymat (Pvt) Ltd.	54	54	215,998	215,998
	Creative Polymats (Pvt) Ltd.	100	100	4,999,994	4,999,994
Toyo Cushion Lanka (Pvt) Ltd.	Dean Foster (Pvt) Ltd.	2	2	235,294	235,294
	Super Felt (Pvt) Ltd.	—	100	—	4,680,000
	Amaya Leisure PLC	2	2	816,400	816,400
Volanka (Pvt) Ltd.	Dipped Products PLC	8	8	4,873,640	4,873,640
	Toyo Cushion Lanka (Pvt) Ltd.	21	21	1,455,832	1,455,832
	Dean Foster (Pvt) Ltd.	49	49	5,882,353	5,882,353
	Volanka Exports Ltd.	95	95	2,899,994	2,899,994
	Volanka Insurance Brokers (Pvt) Ltd.	100	100	58,994	58,994
	Rileys (Pvt) Ltd.	44	44	17,500,000	17,500,000
Carbotels (Pvt) Ltd.	Hunas Falls Hotels PLC	50	50	2,824,820	2,824,820
	Eastern Hotel (Pvt) Ltd.	96	96	894,304	894,304
	The Kingsbury PLC	13	13	31,625,000	23,000,000
Volanka Exports Ltd.	O E Techniques Ltd.	100	100	9,993	9,993
	Amaya Leisure PLC	1	1	642,900	642,900
Kelani Valley Plantations PLC	Kalupahana Power Project Co. (Pvt) Ltd.	60	60	1,800,000	1,800,000
	Kelani Valley Instant Tea (Pvt) Ltd.	100	95	3,000,000	2,850,000
	Mabroc Teas (Pvt) Ltd.	100	100	9,000,000	9,000,000
	Hayleys Global Beverage (Pvt) Ltd.	100	100	1	1
Hayleys Group Services (Pvt) Ltd.	Hayleys MGT Knitting PLC	1	1	508,933	508,933
Hayleys Leisure Holdings (Pvt) Ltd.	Air Global (Pvt) Ltd.	100	100	999,995	999,995
	Millennium Transportation (Pvt) Ltd.	100	100	99,999	99,999
	North South Lines (Pvt) Ltd.	100	100	134,999	134,999
	Hayleys Travels and Tours (Pvt) Ltd.	100	100	1,779,999	1,779,999
Alumex PLC	Alutec Extrusions (Pvt) Ltd.	—	100	—	10,000,000
	Avro Enterprises (Pvt) Ltd.	100	100	25,002	25,002
	Alco Industries (Pvt) Ltd.	100	100	3,000,002	3,000,002
Hayleys Consumer Products (Pvt) Ltd.	Global Consumer Brands (Pvt) Ltd.	100	100	17,599,999	17,599,999
	Hayleys Electronics Lighting (Pvt) Ltd.	100	100	599,999	599,999

Investor	Investee	% Holding		No. of Shares	
		2014	2013	2014	2013
Amaya Leisure PLC	Kandyan Resorts (Pvt) Ltd.	100	100	29,784,365	29,784,365
	Culture Club Resorts (Pvt) Ltd.	100	100	27,779,002	27,779,002
	Connaissance Air Travels (Pvt) Ltd.	100	100	100,003	100,003
	The Beach Resorts Ltd.	84	84	6,176,790	6,176,790
	Hunas Falls Hotels PLC	16	16	899,000	899,000
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
	Kiridiweldola Hydro Power (Pvt) Ltd.	100	100	321,860	121,860
	TTEL Summerset Hydro Power (Pvt) Ltd.	49	49	2,940,000	2,940,000
	Anningkanda Hydro Power (Pvt) Ltd.	100	100	319,080	119,080
	Hayleys Neluwa Hydro Power (Pvt) Ltd.	100	–	8,000,000	–
	Lindula Hydro Power (Pvt) Ltd.	100	–	250,000	–

19. Other Financial Assets and Financial Liabilities

19.1 Other Non-Current Financial Assets

As at 31st March,	Consolidated					Company		
	Available-for-sale investments		Loans and receivables	Total		Available-for-sale investments	Total	
	Unquoted equity shares	Quoted equity shares	Receivables from finance lease			Unquoted shares		
	Rs. '000	Rs. '000	Rs. '000	2014 Rs. '000	2013 Rs. '000	Rs. '000	2014 Rs. '000	2013 Rs. '000
At the beginning of the year	211,338	66,575	89,057	366,970	385,651	179,174	179,174	191,644
Transfer to investments in subsidiary	–	–	–	–	(354)	–	–	–
Transfer to other non-current assets	(24,000)	–	–	(24,000)	–	–	–	–
Impairment	(12,470)	–	–	(12,470)	(15,020)	(12,470)	(12,470)	(12,470)
Repayment	–	–	(10,090)	(10,090)	(7,556)	–	–	–
Interest income	–	–	11,577	11,577	11,115	–	–	–
Change in fair value	2,312	(10,142)	–	(7,830)	(6,866)	–	–	–
At the end of the year	177,180	56,433	90,544	324,157	366,970	166,704	166,704	179,174

19.1.1 Investment Details

Investor	Investee	No. of Shares		Value (Rs. '000)	
		2014	2013	2014	2013
Unquoted equity shares - Available-for-sale investments					
Hayleys PLC	Prudentia Investment Corporation Ltd.	—	4,215,000	—	42,150
	Impairment in Prudentia Investment Corporation Ltd.	—	—	—	(42,150)
	AES Kelanitissa (Pvt) Ltd.	24,940,613	24,940,613	124,704	137,174
	Sri Lanka Institute of Nanotechnology (Pvt) Ltd.	3,810,182	3,810,182	42,000	42,000
Hayleys Industrial Solutions (Pvt) Ltd.	350,000 shares in 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	94	94
Hayleys Advantis Group	SLAFFA Cargo Services Ltd.	38,571	38,571	6,882	4,570
Amaya Leisure PLC	Lake Lodge Resort (Pvt) Ltd.			24,000	24,000
	Transfers to other non-current assets	—	—	(24,000)	—
Total				177,180	211,338
Quoted equity shares - Available-for-sale investments					
Dipped Products PLC	Royal Ceramic Lanka PLC	1,100	1,100	22	22
Hayleys Advantis Group	Ceybank Unit Trust	200,000	200,000	5,442	5,074
	Pyramid Unit Trust	200,000	200,000	6,218	5,848
	Comtrust Equity Fund	200,000	200,000	3,388	3,732
Amaya Leisure PLC	Royal Ceramic Lanka PLC	521,600	521,600	41,363	51,899
Total				56,433	66,575
Loans and Receivables					
Haycarb PLC				90,544	89,057

19.2 Other Current Financial Assets

As at 31st March,	Available-for-sale investments		Financial instruments at fair value through profit or loss		Consolidated	
	Unquoted equity shares	Quoted equity shares	Foreign exchange forward contract	Quoted equity shares	Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	2014 Rs. '000	2013 Rs. '000
At the beginning of the year	5,299	3,243	963	40,233	49,738	175,703
Additions	–	–	–	5,517	5,517	–
Acquisition through business combinations	–	–	–	15,761	15,761	–
Impairment for the year	(5,299)	–	–	–	(5,299)	–
Disposals	–	–	–	(13,004)	(13,004)	(18,096)
Change in fair value	–	1,154	(905)	426	675	(107,869)
At the end of the year	–	4,397	58	48,933	53,388	49,738

As at 31st March,	Company	
	Financial instruments at fair value through profit or loss	
	Quoted equity shares	
	2014 Rs. '000	2013 Rs. '000
At the beginning of the year	22,778	32,240
Disposals	(2,696)	(8,866)
Change in fair value	1,824	(596)
At the end of the year	21,906	22,778

19.2.1 Investment Details

Investor	Investee	No. of Shares		Value	
		2014	2013	2014	2013
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Unquoted equity shares - Available-for-sale investments					
Mabroc Teas (Pvt) Ltd.	Mabroc International (Pvt) Ltd.			732	732
	Impairment in Mabroc International (Pvt) Ltd.			(732)	–
	Mabroc Japan Co.			4,567	4,567
	Impairment in Mabroc Japan Co.			(4,567)	–
				–	5,299
Quoted equity shares - Available-for-sale investments					
Advantis Group	Textured Jersey Lanka PLC	160,000	160,000	2,527	1,584
	Union Bank PLC	100,000	100,000	1,870	1,660
		260,000	260,000	4,397	3,244
Foreign exchange forward contract					
Dipped Products PLC				–	838
Haycarb PLC				–	125
Ravi Industries Ltd.				58	–
				58	963
Quoted equity shares - Fair value through profit or loss					
Hayleys PLC	Aitken Spence Hotel Holdings PLC	112	112	8	8
	ACL Cables PLC	260	260	16	17
	Asiri Hospital Holdings PLC	–	49	–	17
	Central Industries PLC	7,957	7,957	454	497
	Ceylon Cold Stores PLC	252	252	35	34
	DFCC Bank PLC	338	338	49	44
	Kelani Tyres PLC	17,200	17,200	898	593
	Lanka Orix Leasing Co. PLC	1,520	1,520	114	87
	National Development Bank PLC	20,681	20,681	3,694	3,412
	Three Acre Farms PLC	1,840	1,840	73	78
	Overseas Realty (Ceylon) PLC	70,000	70,000	1,435	980
	Pan Asia Power PLC	1,600,000	1,600,000	3,520	4,320
	Access Engineering PLC	400,000	400,000	9,000	7,880
	Hatton National Bank PLC - Non-Voting	15,000	15,000	1,800	1,977
	Hatton National Bank PLC	5,000	5,000	750	837
	Environmental Resources Investment PLC	5,000	5,000	62	78
	Hunter & Company PLC	–	1,500	–	463
	Seylan Bank PLC	–	350	–	108
	Textured Jersey Lanka PLC	–	136,100	–	1,347
		2,145,160	2,283,159	21,906	22,778

Investor	Investee	No. of Shares		Value	
		2014	2013	2014	2013
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Dean Foster (Pvt) Ltd.	ACL Cables PLC	4,120	4,120	263	270
	Asiri Hospital Holdings PLC	270	270	6	3
	Bairaha Farms PLC	900	900	132	135
	Blue Diamonds Jewellery Worldwide PLC	13	13	0	0
	Central Industries PLC	900	900	51	56
	Nation Lanka Finance PLC	1,300	1,300	10	12
	AIA Insurance Lanka PLC	—	30	—	11
	Lanka Orix Leasing Company PLC	3,280	3,280	246	187
	Three Acre Farms PLC	2,000	2,000	79	85
	Kelani Tyres PLC	2,000	2,000	104	69
	Vanik Incorporation PLC - Voting	7,500	7,500	6	6
	- Non-Voting	5,000	5,000	4	4
	Seylan Bank PLC	43	43	3	3
	Browns Investments PLC	186,200	186,200	428	614
	Textured Jersey Lanka PLC	136,100	136,100	2,150	1,347
		349,626	349,656	3,484	2,801
Advantis Group	Commercial Bank of Ceylon PLC	20,000	—	2,460	—
	John Keells Holdings PLC	5,195	—	1,179	—
	DFCC Bank PLC	14,500	—	1,439	—
	Hatton National Bank PLC - Non-Voting	15,429	—	1,200	—
	- Voting	10,000	—	1,500	—
	NDB Bank PLC	10,000	—	1,786	—
	Beruwala Resort PLC	1,000,000	—	1,600	—
	Union Bank of Colombo PLC	6,800	—	7	—
		1,081,924	—	11,171	—
Amaya Leisure PLC	The Fortress Resorts PLC	90,075	90,075	1,198	1,351
	LB Finance PLC	20	20	2	3
	Free Lanka Capital Holdings PLC	5,320,000	5,320,000	11,172	13,300
		5,410,095	5,410,095	12,372	14,654
	Total			48,933	40,233

19.3 Other Current Financial Liabilities

As at 31st March,

	Consolidated		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial instruments at fair value through profit or loss				
Foreign exchange forward contracts	58,653	—	58,653	—
Total other current financial liabilities	58,653	—	58,653	—

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 31st March, 2014, the Group held the following financial instruments carried at fair value in the Statements of Financial Position:

	2014 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Assets measured at fair value				
Available-for-sale financial investments:				
Unquoted equity shares	177,180	–	–	177,180
Quoted equity shares	60,830	60,830	–	–
Financial assets at fair value through profit or loss:				
Foreign exchange forward contract	58	–	58	–
Quoted equity shares (Note 19.1 and 19.2)	48,933	48,933	–	–
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	58,653	–	58,653	–

During the reporting period ended 31st March, 2014 there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation of fair value measurements of Level 3 financial instruments

The Group carries unquoted equity shares as available-for-sale financial investments classified as Level 3 within the fair value hierarchy.

The Group has equity interests in unlisted entities with which it entered into a collaboration agreement. As part of the agreement, the Group invested in equity instruments of these entities.

A reconciliation of the beginning and closing balances including movements is summarised below:

	Rs. '000
Balance as at 1st April, 2013	211,338
Impairment	(12,470)
Transfers to other non-current assets	(24,000)
Change in fair value	2,312
Balance as at 31st March, 2014	177,180

19.5 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,	Consolidated		Company	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2014		2014	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets				
Other non-current financial assets				
Available-for-sale investments	233,613	233,613	166,704	166,704
Loans and receivables	90,544	102,977	–	–
Other current financial assets				
Available-for-sale investments	4,397	4,397	–	–
Financial instruments at fair value through profit or loss	48,991	48,991	21,906	21,906
Trade and other receivables	16,589,706	16,589,706	9,991	9,991
Short-term deposits	1,536,101	1,536,101		
Cash at bank and in hand	2,637,706	2,637,706	155,211	155,211
	21,141,058	21,153,491	353,812	353,812
Financial liabilities				
Interest-bearing borrowings*	11,869,271	11,884,009	4,969,801	4,969,801
Trade and other payables	11,679,828	11,679,828	336,705	336,705
Other current financial liabilities				
Financial instruments at fair value through profit or loss	58,653	58,653	58,653	58,653
Short-term interest-bearing borrowings	14,008,943	14,008,943	1,553,687	1,553,687
	37,616,695	37,631,433	6,918,846	6,918,846

*Includes fixed interest loans carried at amortised cost.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables and trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair value of quoted equity shares is based on price quotations at the reporting date.

20. Other Non-Current Assets

As at 31st March,	Consolidated			
	Formers	Others	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost	417,687	131,019	548,706	371,607
Provision for impairment	(198,283)	–	(198,283)	(180,960)
	219,404	131,019	350,423	190,647

21. Inventories

As at 31st March,

	Consolidated		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Raw materials & consumables	4,455,579	4,203,077	1,046	1,282
Produce stocks	1,368,393	1,851,907	–	–
Nurseries	24,401	26,071	–	–
Work-in-progress	724,217	674,389	–	–
Finished goods	5,880,136	3,701,818	–	–
Goods-in-transit	183,685	189,583	–	–
	12,636,411	10,646,845	1,046	1,282
Provision for write-down of inventories	(464,441)	(311,524)	–	–
Provision for unrealised profit and write-down of inventories	(73,106)	(57,852)	–	–
	12,098,864	10,277,469	1,046	1,282

(i) Carrying amount of inventories pledged as security for Bank facilities obtained amounted to Rs. 1,686 mn (2013 - Rs. 1,745 mn).

(ii) Inventory carried at net realisable value as at 31st March, 2014 - Rs. 164 mn (2013 - Rs. 189 mn).

22. Trade and Other Receivables/Other Current Assets

22.1 Trade and Other Receivables

As at 31st March,

	Consolidated		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade receivables	12,291,003	10,158,369	–	–
Bills receivable	2,159,230	2,043,961	–	–
	14,450,233	12,202,330	–	–
Payments in advance, deposits	2,799,095	3,576,058	42,173	57,759
Duty rebate receivable	23,044	7,668	–	–
Advances made under employee share ownership schemes	471	657	–	–
Employee loans	42,538	37,765	–	–
Provision for impairment	(725,675)	(655,002)	(32,182)	(32,182)
	16,589,706	15,169,476	9,991	25,577

22.1.1 Movement in the Provision for Impairment

At the beginning of the year	(655,002)	(837,797)	(32,182)	(32,182)
Reversal/(charge) for the year	(70,673)	182,795	–	–
At the end of the year	(725,675)	(655,002)	(32,182)	(32,182)

22.1.2 The Aging Analysis of Trade and Bills Receivable is as follows:

	Total Rs. '000	Neither past due nor Impaired Rs. '000	0-60 days Rs. '000	Past due but not impaired			
				61-120 days Rs. '000	121-180 days Rs. '000	181-365 days Rs. '000	> 365 days Rs. '000
Balance as at 31st March, 2014	14,450,233	7,950,508	4,722,606	760,725	243,908	160,371	612,115

22.1.3 Currency-wise Analysis of Trade and Other Receivables

As at 31st March,

	Consolidated		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rupees	9,184,598	7,853,873	9,991	25,577
Australian Dollars	80,751	220,329	—	—
Pounds Sterling	944,596	147,083	—	—
United States Dollars	4,055,512	3,903,565	—	—
Euro	1,947,400	2,035,904	—	—
Thai Baht	158,564	346,283	—	—
Indian Rupees	20,527	148,263	—	—
Other	197,758	514,176	—	—
	16,589,706	15,169,476	9,991	25,577

22.2 Other Current Assets

Prepayments	1,172,411	907,905	8,134	14,670
Pre paid staff benefit	41,236	71,001	—	—
VAT receivables	244,278	253,224	—	—
	1,457,925	1,232,130	8,134	14,670

23. Stated Capital

		Company	
		2014	2013
		Rs. '000	Rs. '000
Issued & fully-paid - ordinary shares			
At the beginning of the year	- 75,000,000 (1st April, 2013 - 75,000,000)	1,575,000	1,575,000
At the end of the year	- 75,000,000 (31st March, 2014 - 75,000,000)	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 Employee Share Trust Loan

The Hayleys PLC. Employees' Share Trust was set up by a special resolution adopted by the shareholders at an Extraordinary General Meeting of the Company. The Trust was allotted 2,400,000 ordinary shares of Rs. 10/- each on 9th February, 1998 at the market price of Rs. 210/- per share, payment for the shares being made by the Trustees from the proceeds of an interest-free loan of Rs. 504 mn, granted by the Company. This loan is repayable by the Trustees utilising part of the net income of the Trust.

The market value of the shares held by the Trust as at 31st March, 2014 was Rs. 1,954 mn (2013 - Rs. 2,048 mn).

24. Other Capital Reserves and Retained Earnings

24.1 Other Capital Reserves

	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	Debenture redemption reserve fund Rs. '000	Reserve on amalgamation Rs. '000	Total Rs. '000
Consolidated							
Balance as at 1st April, 2012	109	11,750	89,396	57,209	1,047	300,440	459,951
Changes in ownership interests in subsidiaries	—	—	8	54	—	147,843	147,905
Transfers	—	—	—	2,440	—	—	2,440
Balance as at 31st March, 2013	109	11,750	89,404	59,703	1,047	448,283	610,296
Changes in ownership interests in subsidiaries	—	—	—	—	—	198	198
Transfers	—	—	—	2,413	—	—	2,413
Balance as at 31st March, 2014	109	11,750	89,404	62,116	1,047	448,481	612,907

	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
Company					
Balance as at 31st March, 2012	109	11,750	320	1,047	13,226
Balance as at 31st March, 2013	109	11,750	320	1,047	13,226
Balance as at 31st March, 2014	109	11,750	320	1,047	13,226

24.2 Retained Earnings

As at 31st March,

	Consolidated		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Holding company	1,925,740	1,805,332	1,925,740	1,805,332
Subsidiaries	7,978,736	6,636,346	—	—
Equity accounted investees	51,864	70,347	—	—
	9,956,340	8,512,025	1,925,740	1,805,332

25. Interest-Bearing Borrowings

25.1 Total Non-Current Interest-Bearing Borrowings

Finance lease obligations	652,743	637,602	—	—
Debentures	2,023,587	40,000	1,983,587	—
Long-term loans	6,530,689	4,993,551	1,890,118	910,000
Total non-current interest-bearing borrowings	9,207,019	5,671,153	3,873,705	910,000

25.2 Current Portion of Interest-Bearing Borrowings

As at 31st March,

	Consolidated		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Finance lease obligations	25,916	24,794	—	—
Long-term loans	2,636,336	1,559,747	1,096,096	476,667
Total current interest-bearing borrowings	2,662,252	1,584,541	1,096,096	476,667

25.3 Finance Lease Obligations

As at 31st March,

	Consolidated	
	2014	2013
	Rs. '000	Rs. '000
At the beginning of the year	2,649,714	2,751,097
New leases obtained	1,757	16,558
Reassessment of lease liability	205,679	(33,453)
	2,857,150	2,734,203
Repayments	(108,873)	(84,488)
At the end of the year	2,748,277	2,649,714
Finance charge unamortised	(2,069,618)	(1,987,181)
Net lease obligation (i)	678,659	662,533

25.4 Currency-wise Analysis of Finance Lease Obligations

Rupees	668,791	646,745
Taka	9,868	15,788
	678,659	662,533

25.5 Analysis of Finance Lease Obligations by Year of Repayment

Finance lease obligations repayable within 1 year from year-end		
Gross liability	101,942	106,889
Finance charges unamortised	(76,026)	(82,096)
Net lease obligations repayable within 1 year from year-end (i)	25,916	24,793
Finance lease obligations repayable between 1 and 5 years from year-end		
Gross liability	363,986	365,702
Finance charges unamortised	(257,158)	(318,809)
Net lease obligations (i)	106,828	46,893
Finance lease obligations repayable after 5 years from year-end		
Gross liability	2,282,349	2,184,489
Finance charges unamortised	(1,736,434)	(1,593,780)
Net lease obligations (i)	545,915	590,709
Net lease liability repayable later than 1 year from year-end	652,743	637,602

Talawakelle Tea Estates PLC

Liability to make lease payment as above was previously titled as 'Net Liability to Lessor'. The change was in terms of the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka on 21st August, 2013. Accordingly the Group reassessed the liability to make lease payments and the corresponding right to use of land in terms of the above SoAT and elected to reassess the liability at each reporting period based on the changes in GDP deflator.

According to the reassessment, the base rental payable per year has increased from Rs. 7.23 mn to Rs. 25.1 mn.

Kelani Valley Plantations PLC

Liability to make lease payment as above was previously titled as 'Net Liability to Lessor'. The change was in terms of the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka on 21st August, 2013. Accordingly the Group reassessed the liability to make lease payments and the corresponding right to use of land in terms of the above SoAT and elected to reassess the liability at each reporting period based on the changes in GDP deflator.

According to the reassessment, the base rental payable per year has increased from Rs. 19.6 mn to Rs. 59.4 mn.

25.6 Debentures

As at 31st March,

	Consolidated		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At the beginning of the year	40,000	40,000	–	–
Issued during year	2,000,000	–	2,000,000	–
Amortisation of debenture issue expense	(16,413)	–	(16,413)	–
At the end of the year	2,023,587	40,000	1,983,587	–
Repayable after one year	2,023,587	40,000	1,983,587	–

Hayleys PLC has issued rated, unsecured, redeemable Debentures at 14.25% p.a. payable quarterly and redeemable on 9th July, 2016. Interest rate of comparable Government Securities as at 31st March, 2014 - 7.68% (Net of tax).

4,000,000 (par value Rs. 10/-) unquoted debentures, were issued to LVL Energy Fund (Pvt) Ltd. at 15%, by Neluwa Cascade Hydro Energy (Pvt) Ltd. to finance its Hydro power Project capital requirements. These debentures are redeemable/convertible to preference shares.

25.7 Currency-wise Analysis of Debentures

As at 31st March,

	Consolidated		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rupees	2,023,587	40,000	1,983,587	–
	2,023,587	40,000	1,983,587	–

25.8 Analysis of Debentures by Year of Repayment

Debenture repayable between 2 and 5 years from year-end	2,023,587	40,000	1,983,587	–
	2,023,587	40,000	1,983,587	–

25.9 Long-Term Borrowings

As at 31st March,

	Consolidated		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At the beginning of the year	6,553,298	6,495,183	1,386,667	1,893,333
Acquisitions through business combinations	–	96,668	–	–
Effect of movements in exchange rates	93,891	(24,021)	43,433	–
Adjustment for USD loan facility fee	(13,203)	–	(13,203)	–
New loans obtained	4,759,243	2,074,754	2,267,500	–
	11,393,229	8,642,584	3,684,397	1,893,333
Repayments	(2,226,204)	(2,089,286)	(698,183)	(506,666)
At the end of the year	9,167,025	6,553,298	2,986,214	1,386,667
Transfer to current liabilities (repayable within one year)	(2,636,336)	(1,559,747)	(1,096,096)	(476,667)
Repayable after one year	6,530,689	4,993,551	1,890,118	910,000

- (i) Hayleys PLC, The Kingsbury PLC and Haycarb Group have obtained loans during the year amounting to Rs. 2,268 mn, Rs. 1,307 mn and Rs. 385 mn, respectively.

25.10 Currency-wise Analysis of Long-Term Borrowings

As at 31st March,

	Consolidated		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rupees	7,232,804	4,362,585	1,896,797	1,386,667
Australian Dollars	–	6,079	–	–
Pounds Sterling	–	50,756	–	–
United States Dollars	1,600,439	1,816,273	1,089,417	–
Euro	194,587	157,460	–	–
Taka	7,599	10,335	–	–
Thai Baht	131,596	149,810	–	–
	9,167,025	6,553,298	2,986,214	1,386,667

25.11 Analysis of Long-Term Borrowings by Year of Repayment

Long-term loans repayable between 1 and 2 years from year-end	1,233,955	1,679,827	1,006,096	466,667
Long-term loans repayable between 2 and 5 years from year-end	4,736,665	2,915,599	884,022	443,333
Long-term loans repayable later than 5 years from year-end	560,069	398,125	–	–
	6,530,689	4,993,551	1,890,118	910,000

25.12 Long-Term Borrowings Repayable after One Year

Company	Lender/rate of interest (p.a.)	2014	2013	Repayment	Security
		Rs. '000	Rs. '000		
Hayleys PLC	Hatton Nation Bank PLC (AWPLR - 1%)	310,000	710,000	To be paid bi-annually	None
	Hatton Nation Bank PLC (AWPLR + 0.5%)	800,000	–	To be paid bi-annually	None
	Standard Chartered Bank PLC - USD (LIBOR + 4.25%)	646,784	–	To be paid bi-annually	None
	DFCC Bank PLC (AWPLR + 0.5%)	133,333	200,000	To be paid semi-annually	None
ICO Guanti SpA	Alessandria Financing 1.95% (Euro 1,000,000)	131,596	133,022	Repayment over 2 years as per agreed schedule	None
Dipped Products (Thailand) Ltd.	HSBC - Thailand Minimum of 4.25% 1 month (LIBOR + 2%) (USD 4 mn)	152,378	265,250	Monthly installments ending July, 2015	Mortgage over land, building and machinery and corporate guarantee by Dipped Products PLC.
Mabroc Teas (Pvt) Ltd.	Union Bank of Colombo PLC 5%	–	5,724	954 x 18 installments ending August, 2013	Primary mortgage over blending machine.
	Union Bank of Colombo PLC (LIBOR 3.5% p.a) with a floor rate of (4.5%)	42,212	–	(USD 8,958.33 x 48) installments monthly ending December, 2017.	Primary mortgage over tea bag machine.
Kelani Valley Plantations PLC	NDB Bank PLC (11.51%)	–	1,853	Monthly installments ending May, 2014	Primary mortgage of Rs. 255 mn over the leasehold rights of Panawatta and Pedro Estates have been pledged and a letter of undertaking from DPL Plantations (Pvt) Ltd. was given to subordinate management fee and dividends in a default situation of term loan.
	DFCC Bank (9.42%)	23,334	34,533	Monthly installments ending March, 2017	Primary mortgage over the leasehold rights of Halgolla, WeOya, Polatagama and Ederapola Estates and a letter of undertaking from DPL Plantations (Pvt) Ltd. was given to subordinate management fee and dividends in a default situation of the term loan.
	DFCC Bank (6.5%)	–	4,164	Monthly installments ending November, 2014	
	DFCC Bank (11.64%)	28,572	40,000	Monthly installments ending June, 2017	
	DFCC Bank (6.5%)	2,543	7,633	Monthly installments ending June, 2015	Primary mortgage of Rs. 348 mn over the leasehold right of Halgolla, WeOya, Polatagama and Ederapola Estates and letter of undertakings from DPL Plantation (Pvt) Ltd. was given to subordinate management fee and dividends in a default situation of term loan.
	DFCC Bank (6.5%)	1,667	3,334	Monthly installments ending December, 2015	
	DFCC Bank (6.5%)	–	347	Monthly installments ending February, 2014	
Toyo Cushion Lanka (Pvt) Ltd.	Hatton Nation Bank PLC	–	3,335	Monthly ending December, 2014	Stocks and debtors

Company	Lender/rate of interest (p.a.)	2014	2013	Repayment	Security
		Rs. '000	Rs. '000		
Haycarb Holding (Australia) Pty Ltd.	Capital Finance Company PLC (Fixed - 9.75%) (LIBOR + 4%)	–	3,857	35 equal installments + one final payment commencing 2006/07	Mortgage over vehicles
Haycarb PLC	Commercial Bank of Ceylon PLC (LIBOR + 3.75%)	50,775	69,904	Monthly installments over 5 years commencing June, 2011	None
	HSBC (LIBOR + 3.5%)	52,946	76,134	Monthly installments over 5 years commencing June, 2011	None
	HSBC (LIBOR + 4.5%)	52,161	–	60 equal monthly installments commencing June, 2013	None
	HSBC (LIBOR + 4.5%)	55,474	–	60 equal monthly installments commencing July, 2013	None
	Commercial Bank of Ceylon PLC (LIBOR + 4.75%)	31,585	88,094	47 equal monthly installments commencing November, 2013	None
	Standard Chartered Bank (LIBOR + 4%)	119,156	126,890	60 equal monthly installments commencing September, 2012	Mortgage over the share certificate of Haycarb Value Added Products (Pvt) Ltd. amounting to Rs. 400 mn
	Standard Chartered Bank (LIBOR + 4%)	73,821	–	12 grace period plus+ 60 monthly installments commencing July, 2014	None
	Standard Chartered Bank (LIBOR + 4%)	123,410	–	12 grace period plus+ 60 monthly installments commencing July, 2015	None
Shizuka Co. Ltd.	Bangkok Bank MLR	21,988	57,025	Payable in 60 monthly installments commencing October, 2010	Mortgage over company land and guaranteed by related person
Lakdiyatha (Pvt) Ltd.	Hatton National Bank PLC (LIBOR + 4.75%)	43,395	47,876	Monthly installments over seven years commencing January, 2013	Development agreement entered between Sri Lanka Tourism Development Authority and Lakdiyatha (Pvt) Ltd.
CK Regen Systems Co. Ltd.	Kasikorn Ban, Thailand (MLR - 0.05%)	–	31,500	Monthly installments over five years commencing January, 2011	Mortgage over Land & Building
PT Mapalus Makawanua Charcoal Industry	Bank Panin Manado - (Fixed - 8%)	39,851	41,882	Monthly installments over five years commencing September, 2011	Mortgage over Land & Building
Haycarb Holding Bitung Ltd.	Commercial Bank of Ceylon PLC (LIBOR + 4.75%)	68,154	81,452	Payable in 59 monthly installments of USD 13,300 each and a final installment of USD 15,300	Corporate guarantee for USD 80,000 from Haycarb PLC

Company	Lender/rate of interest (p.a.)	2014	2013	Repayment	Security
		Rs. '000	Rs. '000		
Logiventures Pvt Ltd.	HSBC - (AWPLR + 2%)	–	202,000	Payable in 83 monthly installments of Rs. 3 mn and I installment of Rs. 1 mn	Land
	Hatton Nation Bank PLC (LIBOR + 4.25%)	169,884	–	Payable in 56 monthly installments of Rs. 3 mn and I installment of Rs. 1 mn	Land
Hayleys Agriculture Holdings Ltd.	Hatton Nation Bank PLC (AWPLR + 1%)	47,000	144,200	Monthly Installment Rs. 8.1 mn	None
TTEL Hydro Power Company (Pvt) Ltd.	Sampath Bank PLC (3 months average AWDR + 4% p.a.)	73,605	87,386	12 monthly installments commence from January, 2010 repayable within 8 years	Primary mortgage bond over leasehold rights for Rs. 132.3 mn project assets.
Neluwa Cascade Hydro Power (Pvt) Ltd.	Nations Trust Bank PLC - (3m TB + 1.3%)	–	10,000	24 quarterly installment commencing from December, 2008	Primary mortgage bond over project land and assets for Rs. 180 mn supported by a corporate guarantee from Hayleys Industrial Solutions (Pvt) Ltd. for Rs. 180 mn.
Hayleys Industrial Solutions Ltd.	Sampath Bank PLC (AWPLR + 0.5%)	187,495	–	59 monthly installments commencing from 31st January, 2014	Loan agreement 250 mn mortgage bond over 30 million shares of Hayleys power Ltd. for 250 million original share certificates of Hayleys Power Ltd. total in to 30 mn shares.
	NDB Bank PLC (AWPLR - 1.08%)	18,750	56,250	48 monthly installments commencing from 31st October, 2011	Rs. 150 mn corporate guarantee.
Bhagya Hydro Power (Pvt) Ltd.	Sampath Bank PLC (AWDR + 3%)	2,295	7,275	95 monthly installments commencing September, 2007 of Rs. 410,000/- and a final installment of Rs. 550,000/-	Loan agreement for Rs. 38.5 mn. primary concurrent mortgage for Rs. 78 mn over free hold properties of the project.
	Seylan Bank PLC (AWDR + 5%)	2,142	7,620	95 monthly installments from September, 2007 of Rs. 430,000/- and a final installment of Rs. 422,000/-	Rs. 38.5 mn to be secured by a primary concurrent mortgage over freehold land and project assets.
Hayleys MGT Knitting Mills PLC	Commercial Bank of Ceylon PLC - 6.5%	–	472	71 monthly installments of USD 2,545 (Rs. 280,000/-)	Corporate guarantee.
	Commercial Bank of Ceylon PLC - 6.5%	7,730	11,506	96 monthly installments of USD 2,886 (Rs. 312,500/-)	Mortgage over machinery.
	NDB Bank PLC 3 months (LIBOR + 6.2%)	98,080	–	36 monthly installments of USD 27,778 each	None
	Seylan Bank PLC 1 month (LIBOR + 5%)	50,839	–	36 monthly installments of USD 27,778 each	Corporate guarantee.

Company	Lender/rate of interest (p.a.)	2014	2013	Repayment	Security
		Rs. '000	Rs. '000		
TTEL Summerset Hydro Power Company (Pvt) Ltd.	Hatton Nation Bank PLC (AWDR + 1.5%)	11,586	32,592	12 monthly installments commence from December, 2008 repayable within 7 years	Registered primary mortgage bond for Rs. 112 over lease rights of the property. Corporate Guarantee of TTEL and HISL for Rs. 112 mn in the proportionate of 51% and 49% respectively.
Talawakelle Tea Estates PLC	NDB Bank PLC (9.42%)	46,792	58,498	96 monthly installments ending December, 2018	Primary Mortgage over leasehold rights of Somerset, Great Western, Holyrood, Logie and Dessford Estates.
	NDB Bank PLC (13.25%)	85,839	115,270	60 monthly installments ending November, 2017	
	NDB Bank PLC (13.07%)	82,863	91,671	60 monthly installments ending June, 2023	
	NDB Bank PLC (13.07%)	—	13,500	60 monthly installments ending September, 2023	
	Sampath Bank PLC (10.24%)	51,085	64,129	92 monthly installments ending November, 2018	Primary mortgage bond for Rs. 100 mn over leasehold right of MattaKelle Estate
	Sampath Bank PLC (10.76%)	46,850	50,000	48 monthly installments ending September, 2018	Primary mortgage bond for Rs. 30 mn over leasehold rights of Clarendon Estate. Secondary mortgage over leasehold right to the value of Rs. 20 mn of Deniyaya Estate.
	Central Finance Company PLC (5 years TB+2%)	28,456	—	60 monthly installments commencing from January, 2014	Mortgage over 3 numbers of colour sorters
	Hatton National Bank PLC (AWDR + 4%)	—	14,000	96 monthly installments ending January, 2018	Primary floating mortgage for Rs. 109 mn over leasehold rights of Radella, Palmerstone and Handford Estates
Ravi Industries (Pvt) Ltd.	Hatton National Bank PLC 3 months (EUR+3.75%)	—	1,672	Quarterly installments from December, 2010	None
	Hatton National Bank PLC LKR (9.07%)	4,275	6,175	Quarterly installments from September, 2012	Primary mortgage over specific machinery
	Hatton National Bank PLC USD (4.4%)	12,354	17,291	Quarterly installments from September, 2012	None
	Pan Asia Banking Corporation PLC 3 months (EUR + 3.75%)	4,410	7,508	Equal monthly installments from October, 2011	Primary mortgage over specific machinery
	Pan Asia Banking Corporation PLC (LIBOR + 4.24%)	5,001	7,394	Equal monthly installments from March, 2012	Primary mortgage over specific machinery
Volanka (Pvt) Ltd.	DFCC Bank PLC (AWPLR + 4%)	49,999	64,286	One year mercy period loan repayment start date from January, 2012	Mortgage on Volanka Ltd. Land and Building at Katana

Company	Lender/rate of interest (p.a.)	2014	2013	Repayment	Security
		Rs. '000	Rs. '000		
Alumex PLC	Commercial Bank of Ceylon PLC (AWPLR + 6.5%)	–	4,108	84 monthly installments - 2007 September to October, 2014	Mortgage over land
	Lanka Orix Leasing Company PLC (6.5%)	7,291	13,542	June 2010 to June 2016	Mortgage over machinery
	Commercial Bank of Ceylon PLC (AWPLR + 1.5%)	10,208	17,695	36 monthly installments ending May, 2016	None
Alutec Extrusions (Pvt) Ltd.	Commercial Bank of Ceylon PLC (AWPLR + 6.5%)	–	18,018	November, 2010 to October, 2014	Mortgage over land and building.
The Kingsbury PLC	Bank of Ceylon PLC (AWPLR)	811,111	1,200,000	7 years including 1 & 1/2 year grace period	Mortgage on leasehold right of the land
	DEG Deutsche Investitions (6 months LIBOR + 4.25%)	1,307,300	–	Semi annual repayment on each 15th of June and December respectively commencing on 15th June, 2015.	Mortgage on the leasehold land, building, fixtures, furniture, equipment and technical equipment
Haychem Bangladesh Ltd.	CBCL (15% p.a.)	4,225	7,150	60 monthly equal installments.	Registered mortgage over land and building
Kandyan Resort (Pvt) Ltd.	NDB Bank PLC (AWPLR + 1%)	2,826	9,844	48 monthly installments commencing from March, 2011	Amaya Hills Property
Culture Club Resort (Pvt) Ltd.	NDB Bank PLC (AWPLR + 1%)	5,447	14,316	48 monthly installments commencing from January, 2011.	Amaya Hills Property
Nirmalapura Wind Power (Pvt) Ltd.	HSBC (LIBOR + 3.9%)	289,816	604,374	48 monthly installments.	Mortgage over project assets
		6,530,689	4,993,551		

26. Grants

As at 31st March,

	Consolidated	
	2014	2013
	Rs. '000	Rs. '000
At the beginning of the year	783,222	777,670
Grants received during the year	4,564	58,114
Amortised during the year	(45,709)	(52,562)
At the end of the year	742,077	783,222

(i) Grants received by the Group are as follows:

Kelani Valley Plantations PLC - Received from the Plantation Reform Project (PRP), Plantation Human Development Trust, Ministry of Community Development, Asian Development Bank, Social Welfare Project, Estate Infrastructures Development Project, Plantation Development Support Project, Ceylon Electricity Board, Tea Board and Rubber Development Division of the Ministry of Plantations Industry.

Talawakelle Tea Estates PLC - Received from the Tea Board and Unilever Ceylon Ltd. for replanting.

Hunas Falls Hotels PLC - Received from the Ceylon Chamber of Commerce as a grant to finance the project on conversion of the diesel fired boiler to Dendro Thermal Power.

Agriculture Sector - Received from USAID for construction of Gherkin Storage Facilities (Vats) in Padiyathalawa - Eastern Province.

There are no unfulfilled conditions or contingencies attached to these grants.

27. Deferred Taxation

As at 31st March,

	Consolidated		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
27.1 Deferred Tax Assets				
Deferred tax assets	397,596	352,206	—	—
Deferred tax liabilities	1,249,361	1,035,201	—	—
Net deferred tax liability	851,765	682,995	—	—

27.2 Net Deferred Tax Liability

At the beginning of the year	682,995	647,378	—	—
Amount originating during the year- Income Statement	150,650	43,418	—	—
Amount reversed during the year- Other Comprehensive Income	(579)	(5,883)	—	—
Acquisition through business combinations	14,069	—	—	—
Effect of movements in exchange rates	4,630	(1,918)	—	—
At the end of the year	851,765	682,995	—	—

27.3 Net deferred tax liabilities are attributable to the following as at the year-end:

As at 31st March,

	Consolidated		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred Tax Assets				
Tax effect of defined benefit obligation	(533,762)	(586,740)	—	—
Tax effect of tax loss carried forward	(341,090)	(283,214)	—	—
Tax effect of provisions	(88,685)	(33,343)	—	—
	(963,537)	(903,297)	—	—
Deferred Tax Liabilities				
Tax effect of property, plant & equipment	1,815,302	1,586,292	—	—
Net deferred tax liabilities	851,765	682,995	—	—

28. Employee Benefit Obligations

As at 31st March,

	Consolidated		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Present value of unfunded gratuity	4,630,864	4,285,224	450,560	372,714
Total present value of the obligation	4,630,864	4,285,224	450,560	372,714
At the beginning of the year	4,285,224	3,921,370	372,714	333,279
Amortisation through business combinations	5,748	–	–	–
Effect of movement in exchange rates	7,463	18,879	–	–
Benefits paid by the plan	(498,359)	(416,613)	(63,358)	(30,970)
Current service costs	302,355	324,815	20,098	19,802
Interest cost	446,480	405,873	41,535	38,822
Actuarial losses	81,953	30,900	79,571	11,781
At the end of the year	4,630,864	4,285,224	450,560	372,714
The expense is recognised in the following line items in the Income Statement				
Cost of Sales	118,991	22,294	1,007	854
Administrative expenses	629,844	708,394	60,626	57,770
	748,835	730,688	61,633	58,624
Consolidated Statement of Other Comprehensive Income				
Actuarial loss on employee benefit obligations	81,953	30,900	79,571	11,781
	81,953	30,900	79,571	11,781

LKAS 19 (Revised) - 'Employee Benefits' - requires the use of actuarial techniques to make a reliable estimate of the amount of employee benefit that employees have earned in return for their service in the current and prior periods and discount that benefit using the Projected Unit Credit Method in order to determine the present value of the employee benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit.

The following key assumptions were made in arriving at the above figure:

Rate of discount	11%
Salary increase	10%

Assumptions regarding future mortality are based on a 67/70 mortality table, 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.

The Group's and Company's employee benefit obligations would have been Rs. 4,029 mn (2013 - Rs. 3,597 mn) and Rs. 378 mn (2013 - 217 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 on page 131.

28.1 Sensitivity Analysis - Salary/Discount Rate

Values appearing in the Financial Statements are very sensitive to the changes in financial and non-financial assumptions used. A sensitivity analysis was carried out as follows:

	Consolidated		Company	
	+1%	-1%	+1%	-1%
A one percentage point change in the salary escalation rate				
The present value of defined benefit obligation	4,802,590	4,346,525	473,801	441,420
A one percentage point change in the discount rate				
The present value of defined benefit obligation	4,250,776	4,897,171	444,489	470,812

28.2 Distribution of Employee Benefit Obligations Over Future Working Lifetime

	Consolidated	Company
	2014 Rs. '000	2014 Rs. '000
Less than or equal 1 year	247,264	60,825
Over 1 year and less than or equal 5 years	1,155,881	280,373
Over 5 years and less than or equal 10 years	2,196,121	109,362
Over 10 years	1,031,598	—
Total	4,630,864	450,560

29. Trade and Other Payables/Provisions

29.1 Trade and Other Payables

	Consolidated		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Trade payables	4,757,172	4,081,646	—	—
Bills payable	1,715,646	1,716,121	—	—
Other payables including accrued expenses	5,110,183	5,116,349	291,713	241,076
Unclaimed dividends	96,827	76,170	44,992	41,054
	11,679,828	10,990,286	336,705	282,130

29.2 Currency-wise Analysis of Trade and Other Payables

As at 31st March,

	Consolidated		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rupees	5,685,086	6,604,627	336,705	282,130
Pounds Sterling	34,314	25,776	–	–
United States Dollars	3,872,274	2,859,060	–	–
Euro	935,426	952,437	–	–
Thai Baht	989,313	408,405	–	–
Indian Rupees	46,300	7,205	–	–
Other	117,115	132,776	–	–
	11,679,828	10,990,286	336,705	282,130

29.3 Provisions

As at 31st March,

	Consolidated			
	Maintenance warranties**	Other	Total	
	Rs. '000	Rs. '000	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At the beginning of the year	17,547	19,685	37,232	36,586
Arising during the year	–	9,850	9,850	7,750
Utilised	(7,548)	(10,742)	(18,290)	(7,104)
At the end of the year	9,999	18,793	28,792	37,232

** Hayleys Agriculture Holdings Ltd. selling Heavy Machineries such as combine harvesters, combine threshers, four wheel tractors and making a warranty provision in the Financial Statements for any warranty claim on these machines.

29.4 Other Current Liabilities

As at 31st March,

	Consolidated		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Other tax payable	72,866	22,040	10,011	14,229
Payments received in advance	293,171	–	–	–
	366,037	22,040	10,011	14,229

As at 31st March,

Consolidated		Company	
2014	2013	2014	2013
Rs. '000	Rs. '000	Rs. '000	Rs. '000

30. Income Tax

30.1 Income Tax Recoverable

At the end of the year (See Note 30.2)

170,888	228,895	—	3,840
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30.2 Income Tax Payable

At the beginning of the year

342,464	149,748	7,835	(4,644)
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Subsidiaries'/parents' taxation on current year's profit

1,010,591	1,134,736	16,274	17,489
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Irrecoverable economic service charge

1,570	2,012	—	—
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(Over)/under provision in respect of previous years

(2,700)	(582)	14,508	—
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Tax on dividend

204,899	232,170	—	—
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Acquisition of subsidiary

13,937	20	—	—
--------	----	---	---

Effect of movements in exchange rates

10,850	44	—	—
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Payments made during the year

(1,379,156)	(1,175,684)	(36,929)	(5,010)
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Net income tax payable/(recoverable)

202,455	342,464	1,688	7,835
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Income tax recoverable

170,888	228,895	—	3,840
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At the end of the year

373,343	571,359	1,688	11,675
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31. Short-Term Interest-Bearing Borrowings

Rupees

8,060,488	11,087,832	1,553,687	4,667,302
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Australian Dollars

12,756	83,623	—	—
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Pounds Sterling

9,916	—	—	—
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United States Dollars

4,658,439	3,582,289	—	—
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Euros

569,183	872,654	—	—
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Thai Bahts

562,685	551,030	—	—
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Indonesian Rupiah

—	44,037	—	—
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Bangladeshi Taka

135,476	86,254	—	—
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14,008,943	16,307,719	1,553,687	4,667,302
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32. Contingent Liabilities and Commitments

32.1 Contingent Liabilities

Company

The contingent liability as at 31st March, 2014 on guarantees given by Hayleys PLC., to third parties amounted to Rs. 183 mn.

(2013 - Rs. 780.25 mn) of this sum Rs. 180 mn (2012 - Rs. 780 mn) relate to facilities obtained by subsidiaries. Details of other guarantees are given in Note 25 to the Financial Statements.

Group

Contingent liability as at 31st March, 2014 on bills discounted amounted to USD 2,188,380 (2013 - 1,108,991) in respect of Hayleys MGT Knitting Mills PLC.

The contingent liability as at 31st March, 2014 on guarantees given by Haycarb PLC to third parties amounted to Rs. 1,119.82 mn (2013 - Rs. 545.62 mn). Of this sum, Rs. 840.7 mn (2013 - Rs. 308.17 mn) relates to facilities obtained by its subsidiaries.

The contingent liabilities as at 31st March, 2014 on guarantees given by Dipped Products PLC to third parties amounted to Rs. 389.61 mn (2013 - 866.78 mn). Total of this sum relates to facilities obtained by its subsidiaries.

32.2 Commitments

Group

(i) In terms of the operating lease agreements entered into, minimum future lease payments payable for the Group are as follows:

	2014	2013
	Rs. '000	Rs. '000
Repayable within one year	19,879	6,961
Repayable after one year less than 5 years	112,079	24,870
Repayable after 5 years	670,916	718,209
	802,874	750,040

33. Foreign Currency Translation

The principal exchange rates used for translation purposes were:

	Average		As at 31st March,	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
United States Dollar	130.52	129.83	130.73	126.89
Australian Dollar	120.72	134.06	120.90	132.28
Pounds Sterling	208.39	205.07	217.41	192.07
Thai Baht	4.13	4.22	4.03	4.34
Bangladesh Taka	1.68	1.61	1.68	1.62
Euro	175.41	167.17	179.67	162.13
Indian Rupee	2.15	2.38	2.18	2.33
Indonesian Rupiah	0.0119	0.0136	0.0115	0.0131

34. Functional Currency

The Group's functional currency is the 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
Hayleys MGT Knitting Mills PLC	USD
Haychem (Bangladesh) Ltd.	Taka
PT Mapalus Makawanua Charcoal Industry	Rupiah
Haycarb Holdings Bitung Ltd.	USD
Eurocarb Products Ltd.	Sterling Pounds
Haycarb Holdings Australia (Pty) Ltd.	Australian Dollars
Haymark Inc.	USD
Carbokarn Company Ltd.	Thai Baht
Haylex BV Group	Euro, Yen & USD
Dipped Products (Thailand) Ltd.	Thai Baht
CK Regen Systems Co. Ltd.	Thai Baht
ICO Guanti S.p.A.	Euro
PT Tulus Lanka Coir Industries	Rupiah
Civaro Freight India (Pvt) Ltd.	Indian Rupees
Hayleylines Ltd.	USD
Logiwiz Logistics India (Pvt) Ltd.	Indian Rupees
Shizuka Co. Ltd.	Thai Baht
Charles Fibre (Pvt) Ltd.	Indian Rupees
PT Haycarb Palu Mitra (Indonesia)	Rupiah
Haylex USA	USD

35. Events Occurring after the Reporting Date

Other than those mentioned below, no other circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the Financial Statements.

- (i) Amaya Leisure PLC, a Subsidiary of Hayleys Group, has acquired 51% equity stake which is denoted by 82,718,215 shares of Sun Tan Beach Resorts (Pvt) Ltd. at a cost of Rs. 563 mn.
- (ii) Directors have proposed the payment of a final dividend of Rs. 5.00 per share for the year ended 31st March, 2014 which will be declared at the Annual General meeting to be held on 27th June, 2014. In accordance with Sri Lanka Accounting Standard No. 10 on 'Events after Reporting Period', the proposed final dividend has not been recognised as a liability as at the Reporting date.

36. Companies with Different Accounting Years

The Financial Statements of Worldcall Telecommunications Lanka (Pvt) Ltd., Hayleys Plantation Services Ltd., Haylex BV Group, Talawakelle Tea Estates PLC, Haychem Bangladesh Ltd., Kelani Valley Plantations Group (excluding Mabroc Group), Carbokarn Co. Ltd. Haycarb Holdings Australia Group, Haymark Inc. PT Mapalus Makawanua Charcoal Industry, Haycarb Holdings Bitung Ltd. ICO Guanti SpA and Dipped Products (Thailand) Ltd. Shizuka Co. Ltd., CK Regen System Co. Ltd., PT Haycarb Palumitra which have been drawn up to 31st December as per their reporting requirements, have been consolidated.

These Companies have been consolidated based on the Financial Statements drawn up to 31st December in compliance with LKAS 27 on 'Consolidated and Separate Financial Statements'.

Acquisition of Ceylon Ocean Lines (Pvt) Ltd.	Total	
2014	2014	2013
Rs. '000	Rs. '000	Rs. '000

37. Acquisition of Subsidiaries

37.1 The acquisition had the following effect on the Group's assets and liabilities:

Property, plant and equipment	8,721	8,721	531,809
Investment property	500,000	500,000	–
Inventories	15,754	15,754	26,499
Trade and other receivables	56,804	56,804	1,555
Current financial assets	15,761	15,761	–
Borrowings	–	–	(96,668)
Employee benefit obligations	(5,748)	–	–
Deferred tax liability	(14,070)	–	–
Trade and other payables	(42,763)	(42,763)	(17,370)
Income tax payable	(13,937)	(13,937)	(20)
Net identifiable assets and liabilities	520,522	520,522	445,805
Share of net assets accounted under equity accounted investees	–	–	(29,657)
Non-controlling interests	(46,192)	(46,192)	–
Goodwill acquired on business combination	215,857	215,857	128,688
	690,187	690,187	544,836

37.2

Satisfied by

Cash consideration	690,187	690,187	544,836
Analysis of cash and cash equivalents on acquisition of subsidiary			
Cash consideration	(785,000)	(785,000)	(129,108)
Short-term borrowings	(4,601)	(4,601)	(13,464)
Cash at bank and in hand acquired	99,414	99,414	(402,264)
	(690,187)	(690,187)	(544,836)

37.3 During the year Hayleys Advantis Ltd., a subsidiary of Hayleys PLC acquired the controlling interest in Ceylon Ocean Lines (Pvt) Ltd.

38. Prior Year Adjustment

The Consolidated Financial Statements have been restated in accordance with Sri Lanka Accounting Standard LKAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, to reflect the following:

- (i) Rileys (Pvt) Ltd., Haymat (Pvt) Ltd., Creative Polymats (Pvt) Ltd., which are subsidiaries of Hayleys PLC, adjusted errors due to over statement and under statement of assets and liabilities in previous years. Comparative information in the Consolidated Financial Statements have been restated as follows:

Impact to the Consolidated Financial Position as at 31st March, 2013

	Property, plant & equipment Rs. '000	Inventories Rs. '000	Trade and other receivables Rs. '000	Trade and other payables Rs. '000	Income tax payable Rs. '000
As per Annual Report published for 2013	37,205,718	10,365,582	15,287,867	10,959,952	571,132
Impact of errors	(8,847)	(88,113)	(118,391)	30,334	227
As per Annual Report published for 2014	37,196,871	10,277,469	15,169,476	10,990,286	571,359

	Revenue reserves Rs. '000	Non-controlling interest Rs. '000	Total impact to the Equity Rs. '000
As per Annual Report published for 2013	11,011,187	11,195,960	33,670,799
Impact of errors	(223,055)	(22,858)	(245,913)
As per Annual Report published for 2014	10,788,133	11,173,102	33,424,886

Impact to the Consolidated Income Statement for the year ended 31st March, 2013

	Cost of sales Rs. '000	Distribution expenses Rs. '000	Net finance cost Rs. '000	Total Impact to the income statement Rs. '000
As per Annual Report published for 2013	(57,211,418)	(2,232,081)	(1,638,124)	–
Impact of errors	(134,984)	(3,964)	(636)	(139,584)
As per Annual Report published for 2014	(57,346,402)	(2,236,045)	(1,638,760)	–

- (ii) The Consolidated Income Statement has been restated due to recognition of actuarial losses in the Other Comprehensive Income.

	Consolidated Administrative expenses Rs. '000	Company Administrative expenses Rs. '000
As per Annual Report published for 2013	(8,362,975)	(178,647)
Impact of change in accounting policy	30,900	11,781
As per Annual Report published for 2014	(8,332,075)	(166,866)

(iii) Due to the above restatements, total impact to the Consolidated Income Statements is as follows:

	Profit before tax Rs. '000	Tax expense Rs. '000	Profit for the year Rs. '000
Impact of errors in the subsidiaries	(139,584)	(227)	(139,811)
Impact of change in accounting policies	30,900	(5,883)	25,017
Total impact	(108,684)	(6,110)	(114,794)

	Profit attributable to ordinary equity holders Rs. '000	Non-controlling interest Rs. '000	Earnings per share Rs. '000
As per Annual Report published for 2013	1,853,641	1,765,748	24.72
Impact of errors	(92,495)	(22,299)	(1.24)
As per Annual Report published for 2014	1,761,146	1,743,449	23.48

39. Related Party Transactions

39.1 Parent and Ultimate Controlling Party

Company does not have an identifiable parent of its own.

39.2 Transactions with Key Management Personnel

39.2.1 Loans to Directors

No loans have been given to the Directors of the Company.

39.2.2 Key Management Personnel Compensation

Key Management Personnel comprises the Directors of the Company and details of compensation are given in Note 10 to the Financial Statements.

39.2.3 Other Transactions with Key Management Personnel

- The names of Directors of Hayleys PLC, who are also Directors of subsidiaries joint ventures and equity accounted investees companies are stated on page 101 and 102.
- Details of Directors and their spouses' shareholdings are given on page 199. There were no other transactions with Key Management Personnel other than those disclosed in Note 39 to Financial Statements.
- The undermentioned Directors of Hayleys PLC, have leased the following residential premises to the under noted companies in the Group:

Lessor	Premises	Lessee	Monthly Rental Rs.
A.M. Pandithage	No. 119, Kynsey Road, Colombo 08	Hayleys PLC	5,000
S.C. Ganegoda	No. 28, Campbell Place, Dehiwala	Haylays PLC	2,500

39.3 Transactions with Subsidiaries, Equity Accounted Investees and Other Related Companies

Relationships with subsidiaries and equity accounted investees are explained in Note 18 and also under Group Companies in pages 200 and 201 Business segment classification is also given under Group companies.

- (i) Companies within the Group engage in trading transactions under normal commercial terms and conditions.
- (ii) 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 export shipping, secretarial, data processing, personnel and administration functions. Such costs are allocated to subsidiary and joint venture companies. Details are given below:

For the year ended 31st March,		2014			2013		
Company		Rs. '000			Rs. '000		
		Subsidiaries			Subsidiaries		
Business segment		Rent	Common expenses	Purchase of goods and services	Rent	Common expenses	Purchase of goods and services
Fibre		3,578	90,220	1,859	3,490	80,208	1,548
Hand protection		12,130	105,024	–	12,037	82,415	12,658
Purification		16,858	101,589	149	15,364	82,191	135
Textiles		–	69,190	231	–	71,197	296
Construction materials		–	33,308	696	–	17,721	–
Agriculture		10,221	84,577	132	9,923	75,712	36
Plantations		12,689	68,852	336	10,957	58,522	434
Industry inputs		7,144	45,807	7,429	7,928	38,595	3,411
Power and energy		473	5,592	–	1,079	2,816	–
Transportation and logistics		53,567	107,156	379	52,926	95,274	13,281
Consumer products		12,490	56,620	1,431	10,996	55,435	755
Leisure and aviation		11,671	142,308	19,587	9,660	76,134	10,304
Investments and services		8,601	41,202	10,150	8,183	21,125	12,143
		149,422	951,445	42,379	142,543	757,345	55,001

For the year ended 31st March,		2014	2013
Group		Rs. '000	Rs. '000
Business segment		Equity accounted investees	Equity accounted investees
		Net expenses	Net expenses
Transportation and logistics		27,814	(12,504)
		27,814	(12,504)

For the year ended 31st March,		2014	2013
Group		Rs. '000	Rs. '000
Business segment		Joint ventures	Joint ventures
		Dividend received	Dividend received
Purification		167	246
		167	246

Details of inter-company balances are given below:

Company	2014		2013	
	Rs. '000		Rs. '000	
	Subsidiaries		Subsidiaries	
	Receivable	Payable	Receivable	Payable
Business segment				
Fibre	112,092	–	74,052	–
Hand protection	8,969	(1,557)	8,442	–
Purification products	11,960	–	11,143	–
Textiles	381,172	–	258,748	–
Construction materials	267	–	1,778	–
Agriculture	41,171	–	37,424	10
Plantations	12,385	–	7,933	(486,749)
Industry inputs	234,614	(5)	45,470	(618)
Power and energy	3,158	(0)	86,477	(0)
Transportation and logistics	4,948	(31)	23,794	(6,024)
Consumer products	32,680	(626)	25,872	(626)
Leisure and aviation	136,492	(204)	860,597	–
Investments and services	112,761	(21,134)	4,719	(174,603)
Total	1,092,669	(23,557)	1,446,449	(668,608)

Group	2014		2013	
	Rs. '000		Rs. '000	
	Equity Accounted Investees		Equity Accounted Investees	
	Receivable	Payable	Receivable	Payable
Business segment				
Transportation	9,040	(10,023)	1,334	(30,131)
Total	9,040	(10,023)	1,334	(30,131)

Transactions with other Related Companies

Company	Relationship	Name of Director	Nature of Transaction	Amount
Sampath Bank PLC	Key management personnel/ Significant Shareholder	Mr. Dhammika Perera	Bank Facility	2,415,818
			Outstanding	1,673,747
			Interest	118,165
LB Finance PLC	Key management personnel/ Significant Shareholder	Mr. Dhammika Perera	Lease Rental Paid	7,334
			Interest	3,998
Pan Asia Bank PLC	Significant Shareholder	Mr. Dhammika Perera	Bank Facility	688,763
			Outstanding	267,420
			Interest	57,339
Royal Ceramics PLC	Control/Significant Shareholder	Mr. Dhammika Perera	Purchase of Goods & Services	5,621
			Outstanding	3,255

- 39.4** Details of guarantees given in respect of related parties are given in Note 32 to the Financial Statements.
- 39.5** No provision was made in respect of related party receivables.
- 39.6** No security has been obtained for related party receivables and all related party dues are payable on demand.
- 39.7** Interest on related party dues are decided based on the inter bank lending rates, associated risk and purpose for which funds are used.
- 39.8** There are no related parties or related party transactions other than those disclosed in Note 38 to the Financial Statements.

40. Discontinued Operations/Assets Held-for-Sale

Assets and Liabilities of Discontinued Operations

As at 31st March,

	Consolidated	
	2014	2013
	Rs. '000	Rs. '000
Assets classified as held-for-sale		
Trade and other receivable	1,906	1,906
Cash in hand and bank	1,115	1,115
Total assets	3,021	3,021
Liabilities directly associated with assets classified as held-for-sale		
Trade and other payables	332	332
Total liabilities	332	332

Civaro India (Pvt) Ltd., which was setup in India, to develop an international freight management network, has now ceased operation due to negative effect of the global recession and will be wound up.

41. 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. The geographical format is considered as a secondary format and is based on the location of office in which the business is recorded.

For the year ended 31st March	Fibre		Hand Protection		Purification		Textiles		Construction Materials		Plantation		Agriculture	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	Rs. '000	Rs. '000 Restated	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue														
Total	4,062,727	4,547,402	13,400,323	14,674,542	10,348,067	10,161,258	7,994,776	5,738,055	2,804,490	2,472,683	10,318,350	9,777,462	7,972,000	7,857,090
Intra Group	(303,535)	(519,103)	(23,410)	—	—	(292,614)	—	—	—	—	(721,547)	(825,529)	(576,534)	(510,794)
External	3,759,192	4,028,299	13,376,913	14,674,542	10,348,067	9,868,644	7,994,776	5,738,055	2,804,490	2,472,683	9,596,803	8,951,933	7,395,466	7,346,296
Segment results														
Results from operating activities	28,980	175,416	905,575	1,386,000	1,298,693	1,316,147	4,344	(280,016)	474,167	415,055	825,509	1,132,054	943,420	784,114
Net finance cost	(140,529)	(177,851)	4,072	(46,848)	(265,687)	(128,213)	(175,844)	(188,329)	(10,099)	(38,016)	(126,750)	(172,777)	(305,053)	(60,304)
Share of profit of equity accounted investees														
Profit before tax	(111,549)	(2,435)	909,647	1,339,152	1,033,006	1,187,934	(171,500)	(468,345)	464,068	377,039	698,759	959,277	638,367	723,810
Tax	32,646	39,875	242,380	258,104	141,453	191,432	9,717	5,199	85,114	68,339	117,744	154,018	164,761	188,020
Depreciation on property, plant & equipment	88,000	88,040	461,913	437,004	226,897	188,181	237,884	248,502	78,840	71,166	205,182	184,722	111,120	112,077
Impairment of property, plant & equipment	—	—	36,912	—	—	—	13,581	—	—	—	—	—	—	—
Impairment of intangible assets	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Depreciation on investment properties	627	165	—	—	155	155	—	—	—	—	—	—	—	—
Amortisation of intangible assets	—	—	646	—	7,956	484	20,556	13,095	—	—	—	—	—	—
Total assets (excluding equity accounted investees)	5,765,620	6,445,340	9,702,557	9,635,225	8,856,679	7,624,438	3,481,242	3,213,903	1,752,743	1,717,987	9,821,726	9,344,267	7,220,499	6,809,749
Investment in equity accounted investees	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Additions to Property, plant & equipment	31,369	141,687	469,491	468,638	565,453	320,379	31,577	53,036	53,931	59,741	528,066	746,923	155,491	132,327
Improvements to Biological assets	—	—	—	—	—	—	—	—	—	—	4,572	11,697	—	—
Additions to Intangible assets	—	—	1,246	—	19,161	—	6,966	99,245	—	—	—	—	—	—
Additions to Investment Property	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Non-interest bearing liabilities														
Deferred tax liabilities	18,295	13,942	53,092	56,564	21,219	19,632	206,075	190,008	78,939	78,782	399,677	309,464	21,432	15,088
Employee benefit obligations	327,479	307,118	442,027	461,553	187,013	153,493	178,681	154,529	60,367	54,981	1,962,141	1,915,702	288,355	271,687
Trade and other payables	303,157	404,608	1,978,053	2,376,697	1,267,958	637,770	1,140,589	836,055	466,953	377,618	902,883	340,028	1,867,597	1,979,434
Cash Flow														
Segment cash flows from Operating Activities	573,125	408,717	1,051,165	1,782,120	942,164	1,024,656	(492,045)	74,790	307,750	406,050	715,905	1,259,021	(54,360)	125,079
Segment cash flows from Investment Activities	51,460	(55,737)	1,139,343	(324,065)	(1,001,475)	(798,562)	(52,488)	(64,392)	(78,488)	(48,456)	(607,063)	(682,076)	174,558	345,192
Segment cash flows from Financing Activities	(105,278)	(56,185)	224,578	(858,132)	42,768	(49,085)	168,849	717,518	(26,717)	(259,636)	(374,813)	(178,046)	(561,235)	(22,310)

Consumer		Leisure and Aviation		Industry Inputs		Power and Energy		Transportation		Investment and Services		Non Segment Adjustments		Total	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
5,252,132	4,509,140	4,308,197	2,062,892	1,988,783	1,730,833	1,012,829	756,697	11,935,724	11,343,068	1,147,198	1,156,087	—	—	82,545,596	76,787,209
—	—	—	—	—	—	—	—	—	—	(366,460)	(337,317)	—	—	(1,991,486)	(2,485,357)
5,252,132	4,509,140	4,308,197	2,062,892	1,988,783	1,730,833	1,012,829	756,697	11,935,724	11,343,068	780,738	818,770	—	—	80,554,110	74,301,852
234,669	263,798	816,839	61,861	191,722	234,773	706,625	451,944	1,137,303	1,009,618	1,077,601	906,623	(1,432,583)	(1,302,403)	7,212,864	6,554,984
(154,346)	(113,403)	(278,977)	(80,272)	(39,299)	(44,911)	(90,178)	(144,554)	(20,659)	75,229	(536,748)	(518,511)	—	—	(2,140,097)	(1,638,760)
80,323	150,395	537,862	(18,411)	152,423	189,862	616,447	307,390	1,118,068	1,090,256	540,665	383,055	(1,432,583)	(1,302,403)	5,074,003	4,916,576
19,975	36,840	65,698	(10,722)	52,545	50,843	34,687	5,253	293,357	283,294	41,185	32,611	63,748	108,875	1,365,010	1,411,981
14,339	10,259	285,216	159,137	6,485	6,040	128,563	127,477	117,625	104,113	40,865	34,921	485	—	2,003,414	1,771,639
—	—	—	—	—	—	—	—	—	—	—	—	—	—	50,493	—
—	—	—	—	—	—	—	—	—	—	—	—	9,864	—	9,864	—
—	—	—	—	—	—	—	—	2,368	—	—	—	—	—	3,150	320
—	—	23,745	53,507	—	—	5,578	5,578	11,155	6,798	—	—	31,500	30,577	101,136	110,039
2,457,178	2,104,491	7,949,333	6,945,215	1,902,618	1,373,839	2,272,910	2,419,085	6,594,594	5,708,366	17,483,850	15,611,876	(4,154,095)	(4,479,258)	81,107,454	74,474,523
—	—	—	—	—	—	—	—	18,292	20,930	229,044	247,873	—	—	247,336	268,803
13,818	15,689	772,214	2,498,950	6,391	3,470	2,301	25,917	246,240	474,563	71,620	102,198	—	—	2,947,962	5,043,518
—	—	—	—	—	—	—	—	—	—	—	—	—	—	4,572	11,697
—	—	5,527	26,877	—	—	—	—	53,301	1,924	—	—	—	—	86,201	128,046
—	—	313	—	—	—	—	—	3,366	—	—	—	—	—	3,679	—
—	17	341,675	307,195	—	—	41,955	9,825	67,002	34,684	—	—	—	—	1,249,361	1,035,201
48,516	40,090	78,764	62,364	78,137	64,134	3,518	1,087	491,056	390,485	484,810	408,001	—	—	4,630,864	4,285,224
555,910	622,539	976,703	955,888	179,013	319,971	26,644	134,690	1,638,156	1,704,235	376,212	300,752	—	—	11,679,828	10,990,286
(520,985)	(244,584)	738,616	(84,468)	(9,002)	(59,035)	484,710	592,071	943,613	483,046	329,319	(994,230)	590,947	2,523,330	5,600,949	7,296,563
2,057	(14,000)	(502,595)	(2,064,388)	52,235	(13,842)	(114,816)	(222,284)	(1,137,095)	(642,914)	99,783	(500,425)	(1,715,311)	400,991	(3,689,895)	(4,684,957)
(60,050)	(74,950)	170,340	2,162,790	144,521	(62,976)	(257,154)	(393,149)	(358,501)	88,613	3,188,912	(901,204)	(758,848)	(4,068,108)	1,437,372	(3,954,861)

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42. 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, 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 graded as 'high risk' are placed on a restricted customer list and future sales are made on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs. 16.6 bn (2013 - Rs. 15.2 bn) which is recorded in 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. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

Cash at Bank and in Hand

The Group held Cash at bank and in hand of Rs. 2.6 bn as at 31st March, 2014 (2013 - 2.1 bn) which represents its maximum credit exposure on these assets.

Respective credit ratings of banks in which group cash balances held are as follows:

- People's Bank - AA+(Ika)
- Standard Chartered Bank - AAA(Ika)
- Hong Kong and Shanghai Banking Corporation Ltd. - AAA(Ika)
- Commercial Bank of Ceylon PLC - AA(Ika)
- Sampath Bank PLC - AA-(Ika)
- Nations Trust Bank PLC - A(Ika)
- Pan Asia Banking Corporation PLC Bank - BBB(Ika)
- Hatton National Bank PLC - AA-(Ika)
- Bank of Ceylon - AA+(Ika)
- DFCC Bank - AA-(Ika)

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 exposure 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 are funded using short-term loans. Group has been successful in arranging long term funding from overseas as a measure to diversify its funding sources which enabled reducing the sole dependency on domestic market for project financing. The Group also issued debentures in domestic market as 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 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, 2014	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	>5 years Rs. '000	Total Rs. '000
Group						
Interest-bearing loans and borrowings	1,586,147	12,540,649	2,544,399	8,101,034	1,105,985	25,878,214
Trade and other payables	2,392,578	8,327,080	723,119	233,216	3,835	11,679,828
Other current financial liabilities	–	58,653	–	–	–	58,653
	3,978,725	20,926,382	3,267,518	8,334,250	1,109,820	37,616,695
Company						
Interest-bearing loans and borrowings	9,387	1,818,324	822,072	3,873,705	–	6,523,488
Trade and other payables	174,875	90,041	–	69,756	2,033	336,705
Other Current financial liabilities	–	58,653	–	–	–	58,653
	184,262	1,967,018	822,072	3,943,461	2,033	6,918,846

As at 31st March, 2013

	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	>5 years Rs. '000	Total Rs. '000
Group						
Interest-bearing loans and borrowings	4,468,933	4,473,065	8,950,262	4,682,320	988,834	23,563,414
Trade and other payables	2,770,322	5,479,976	2,739,988	–	–	10,990,286
	7,239,255	9,953,041	11,690,250	4,682,320	988,834	34,553,700
Company						
Interest-bearing loans and borrowings	1,392,439	3,394,030	357,500	910,000	–	6,053,969
Trade and other payables	138,304	83,173	–	59,794	859	282,130
	1,530,743	3,447,203	357,500	969,794	859	6,336,099

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 risks, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The sensitivity analyses in the following sections relate to the position as at 31st March, 2014 and 2013.

	Increase/ decrease in basis points	Effect on profit before tax Rs. '000
Group		
2014	+ 150	89,307
	- 150	(89,307)
2013	+ 105	(43,915)
	- 105	43,915
Company		
2014	+ 150	28,352
	- 150	(28,352)
2013	+ 105	9,555
	- 105	(9,555)

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 requirements which are linked to floating interest rates. For other funding needs the Group maintains a proper mix of fixed and floating interest rates based on the predictability of future cash flows. Group treasury closely monitors the interest rate fluctuations in the market and advises the sectors of the Group on a regular basis.

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:

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, 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 and forward contracts. Group treasury closely monitors the exchange rate fluctuations and advises the sectors on a regular basis.

Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the US Dollar and Euro exchange rates, 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.

		Increase/ decrease in exchange rate	Effect on profit before tax Rs. '000
Group			
2014	USD	+ 5%	(303,782)
	Euro	+ 5%	12,410
	USD	- 5%	303,782
	Euro	- 5%	(12,410)
2013	USD	+ 5%	(217,703)
	Euro	+ 5%	2,668
	USD	- 5%	217,703
	Euro	- 5%	(2,668)
Company			
2014	USD	+ 5%	(54,471)
	USD	- 5%	54,471

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 levels of Charcoal, Rubber, Aluminium 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:

	Consolidated		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Consolidated				
Interest-bearing borrowing	9,207,019	5,671,153	3,873,705	910,000
Current portion of long-term interest-bearing borrowings	2,662,252	1,584,541	1,096,096	476,667
Short-term interest-bearing borrowings	14,008,943	16,307,719	1,553,687	4,667,302
	25,878,214	23,563,413	6,523,488	6,053,969
Equity	36,337,266	33,424,886	8,268,815	8,146,781
Equity and debts	62,215,480	56,988,299	14,792,303	14,200,750
Gearing ratio	42%	41%	44%	43%

Collateral

The Group has not pledged its debtors as collateral for long-term borrowings as at 31st March, 2014, other than those mentioned in Note 25.12 to the Financial Statements.

Ten Year Summary

Year ended 31st March		10 Year Compound Growth									
		2014	2013***	2012****	2011***	2010**	2009**	2008**	2007	2006	2005
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Results											
Revenue	15	80,554,110	74,301,852	65,806,714	54,370,207	38,169,336	32,442,999	31,326,583	27,584,626	24,011,798	19,445,441
Profit before tax	11	5,074,003	4,916,576	2,488,223	2,007,207	3,293,392	1,374,638	1,554,720	1,521,915	1,448,558	1,837,232
Tax expense	12	(1,365,010)	(1,411,981)	(914,724)	(903,853)	(684,197)	(571,236)	(464,946)	(432,631)	468,127	(427,861)
Profit after tax	10	3,708,993	3,504,595	1,573,499	1,103,354	2,581,126	803,402	1,089,774	1,089,284	980,431	1,409,371
Non-controlling interest	12	(1,900,470)	(1,743,449)	(594,330)	(444,128)	(849,893)	(492,464)	(637,151)	(555,719)	(394,170)	(634,984)
Profit attributable to owners of the parent	9	1,808,523	1,761,146	979,169	659,226	1,731,233	310,938	452,623	533,565	586,261	774,387
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		(488,261)	(489,887)	(491,439)	(492,242)	—	—	—	—	—	—
Treasury shares		—	—	—	(398,902)	—	—	—	—	—	—
Capital reserves	-4	1,429,680	1,377,676	1,222,076	1,404,887	7,047,507	5,697,166	5,954,623	5,457,476	2,466,637	2,253,637
Other components of equity		8,969,910	9,000,862	6,373,692	6,164,166						
Revenue reserves	12	12,236,713	10,788,133	9,633,788	6,978,079	6,592,052	5,083,473	4,692,428	4,667,992	4,215,591	4,110,588
Equity attributable to equity holders of the parent	12	23,723,042	22,251,784	18,313,117	15,230,988	15,214,559	12,355,639	12,222,051	11,700,468	8,257,228	7,939,225
Non-controlling Interest	16	12,614,224	11,173,102	10,063,072	8,474,612	7,118,790	4,220,619	3,986,239	3,704,926	2,967,915	2,868,478
Borrowings (short-term and long-term)	12	25,878,214	23,563,413	21,728,944	16,692,083	11,337,734	9,232,776	9,600,416	10,235,592	9,781,034	8,113,582
Assets Employed											
Non-current assets	15	46,798,151	44,657,106	37,976,929	30,131,853	23,453,761	17,215,706	17,625,669	17,005,585	12,957,290	11,932,426
Current assets	11	34,556,639	30,086,220	27,832,013	23,732,633	21,414,944	16,414,322	15,732,377	15,214,288	14,496,109	12,538,508
Current liabilities net of borrowings	12	(12,517,008)	(11,651,381)	(10,151,511)	(8,540,919)	(7,922,413)	(5,317,991)	(5,391,701)	(4,832,001)	(4,895,234)	(4,193,374)
Provisions	17	(5,880,225)	(5,320,425)	(4,808,050)	(4,133,016)	(2,828,159)	(2,153,244)	(1,906,595)	(1,541,717)	(1,360,003)	(1,185,246)
Grants	16	(742,077)	(783,222)	(777,670)	(792,868)	(447,050)	(349,759)	(251,044)	(205,169)	(191,985)	(171,029)
Capital Employed	13	62,215,481	56,988,297	50,071,711	40,397,683	33,671,083	25,809,034	25,808,706	25,640,986	21,006,177	18,921,295
Cash Flow											
Net cash inflow/(outflow) from operating activities		5,600,949	7,296,563	2,359,004	1,169,899	2,589,712	1,082,097	1,841,624	408,821	216,967	1,095,244
Net cash inflow/(outflow) from investing activities		(3,689,894)	(4,684,957)	(5,112,863)	(4,660,037)	(3,574,446)	200,631	(751,827)	(843,422)	(1,650,184)	(3,016,839)
Net cash inflow/(outflow) from financing activities		1,437,372	(3,954,861)	(1,621,918)	1,960,277	(1,012,142)	(892,834)	(687,588)	(1,153,882)	768,153	1,638,736
Increase/(decrease) in cash and cash equivalents		3,348,426	(1,343,255)	(4,303,096)	(1,496,439)	(1,996,876)	389,894	402,209	(1,588,483)	(665,064)	(282,859)
Key Indicators											
Earnings per share (basic) (Rs.)		24.11	23.48	13.06	8.79	23.08	4.15	6.03	7.11	7.82	10.37
Dividend per share (basic) (Rs.)		5.00	4.50	4.00	4.00	4.00	3.00	3.00	3.50	3.50	3.50
Net assets per share (Rs.)		316.31	296.69	244.17	203.08	202.86	164.74	162.96	156.01	110.10	106.35
Market price per share (Rs.)		285.00	298.70	360.00	382.10	225.00	90.00	97.75	142.00	98.50	112.50
% change in market price (after adjusting for scrip issues)		(4.59)	(17.03)	(5.78)	70.00	150.00	(7.90)	(31.20)	44.2	(12.90)	44.3
% change in All Share Price Index		4.06	6.00	(24.99)	94.00	127.00	(36.00)	(9.00)	23	29	36
Return on average shareholders' funds (%)		7.62	7.91	5.35	4.33	11.38	3.00	4	5	7	10
Return on average capital employed (%)		12.10%	12.25%	8.94%	7.81	13.30	9.40	11.00	11	10	14
Price earnings ratio (times)		11.82	12.72	27.57	42.32	9.75	21.70	16.2	20.0	12.6	10.8
Interest cover (times covered)		3.02	2.45	2.74	3.41	5.60	2.10	2.5	3.4	2.5	5.2
Dividend payout Ratio (%)		20.74	19.16	30.64	45.51	17.33	72.29	49.75	49.23	44.76	33.75

*** Including results of discontinued operations.

*** Share capital and share premium previously reported have been reclassified to reflect stated capital as define in he Companies Act No. 07 of 2007.

* Restated in line with SLFRS/LKAS.

Value of Real Estate

Year ended 31st March

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No. of buildings in each location	Market value of land Rs. Mn
Hayleys PLC	Colombo	No 25, Foster Lane, Colombo 10	5.96	60,666	5	–
		No 400, Deans Road, Colombo 10		108,923	8	4,868
Carbotels (Pvt) Ltd.	Elkaduwa	Weyagala Estate, Elkaduwa, Matale	65.06	Nil	Nil	35
Volanka (Pvt) Ltd.	Kotugoda	No. 193, Minuwangoda Road, Kotugoda	15.70	182,981	30	627
	Galle	No. 153/1, Robosgewatta, Matara Road, Magalle, Galle	1.20	15,000	2	137
	Katana	No. B 28, Divulapitiya Road, Dissagewatte, Katana	14.50	205,000	4	162
Chas P. Hayley & Co. (Pvt) Ltd.	Galle	No. 153, Robosgewatta, Matara Road, Magalle, Galle	0.56	8,030	2	80
	Galle	'Thurburn Stores', 161, Matara Road, Magalle, Galle	0.78	9,901	1	113
	Galle	No. 195, Bandaranayake Mawatha, Magalle, Galle	1.60	57,376	7	182
	Galle	No. 193/2, 193/2A, 193/4, Bandaranayake Mawatha, Magalle, Galle	1.10	13,632	4	62
Lignocell (Pvt) Ltd.	Madampe	Sellam Pathaha, Melawagara, Madampe	7.03	104,846	10	20
	Kuliapitiya	'Beginhill Estate', Karagahagedera, Kuliapitiya	3.90	57,778	10	13
Hayleys Fibre PLC	Ekala	'Ekala Estate', Minuwangoda Road, Ekala	6.30	53,880	15	252
	Kuliapitiya	'Beginhill Estate', Karagahagedera, Kuliapitiya	3.90	44,457	12	13
Ravi Industries (Pvt) Ltd.	Ekala	252A, Kurunduwatte Road, Ekala, Ja-ela	6.08	99,266	13	195
Volanka Exports (Pvt) Ltd.	Nattandiya	Wathugahamulla, Welipannagahamulla	7.20	61,800	9	20
Rileys (Pvt) Ltd.	Ekala	131, Minuwangoda Road, Ekala, Ja-ela	3.80	81,026	8	228
Toyo Cushion Lanka (Pvt) Ltd.	Katana	105, Thimbrigaskatuwa, Katana	3.40	27,945	13	65
Dipped Products PLC	Kottawa	Brahmanagama, Kottawa	8.40	114,428	20	122
	Weliveriya	Nedungamuwa, Weliveriya	8.19	8,120	2	75
	Malabe	No. 59, Pothurawa Road, Malabe	2.26	57,595	6	249
Venigros (Pvt) Ltd.	Weliveriya	Nedungamuwa, Weliveriya	7.09	55,391	7	57
Palma Ltd.	Gonawala	184/25 and 184/26, Maguruwila Road, Pattiwila, Gonawala	1.82	22,068	6	36
Haycarb PLC	Badalgama	Katana Road, Beatrice Estate, Badalgama	12.88	159,769	13	41
	Madampe	Kuliapitiya Road, New Town, Pothuwila, Madampe	28.28	231,263	9	73
	Wewaldupa	333/25, New Road, Hunupitiya, Wattala	2.45	59,202	3	125
Recogen (Pvt) Ltd.	Badalgama	Katana Road, Beatrice Estate, Badalgama	10.84	22,604	3	35
Hayleys Agriculture Holdings Ltd.	Dambulla	Athabandiwewa, Pahalawewa, Dambulla	4.35	2,500	2	8
	Kottawa	No. 168/D, Brahmanagama, Kottawa, Pannipitiya	5.00	50,000	14	68
Sunfrost (Pvt) Ltd.	Allawwa	Nelumdeniya Road, Alawwa Waththa Road, Alawwa	5.18	21,293	18	50
	Padiyathalawa	Bogaharawa Road, Kehelulla, Padiyathalawa	5.42	1,430	1	4
Hayleys Advantis Group	Liyanagemulla	No. 710, Negombo Road, Liyanagemulla, Seeduwa	0.62	8,036	1	82
	Kelaniya	No 408 A, Nungamugoda, Kelaniya	7.75	175,000	6	494
	Welisara	No. 309/18 and No. 317, Negombo Road, Welisara	3.63	2,700	2	242
	Welisara	No. 309/15, Negombo Road, Welisara	3.13	17,644	7	186
	Sedawatta	No. 148B, Nawalokapura, Sedawatta, Wellampitiya	2.58	Nil	Nil	281
	Sedawatte	No. 148/A1, Nawalokapura Sedawatte, Wellampitiya	2.25	5,000	3	160
	Colombo 2	No. 46/12, Sayuru Sevana, Nawam Mawatha, Colombo 2	0.24	45,980	1	400
Haycolour (Pvt) Ltd.	Kalutara	Haycolour Factory, Ethanmadala, Kalthara	4.43	5,700	5	29
Bhagya Hydro (Pvt) Ltd.	Gomala Oya	Gomala Oya Mini-Hydro Power Plant, Godagampola, Rathnapura	2.11	2,300	2	2
Nelwa Cascade Hydro Power (Pvt) Ltd.	Neluwa	Lower Neluwa Mini-Hydro Power Plant, Tawalama, Neluwa	2.45	1,894	1	6
Hayleys Electronics Lighting (Pvt) Ltd.	Hokandara	W.P.Colvin Perera Lane, Hokandara South	0.14	Nil	Nil	11.50
Hayleys MGT Knitting PLC	Neboda	Narthupana Estate, Neboda	34.80	380,776	22	278
Alumex PLC	Makola	Off Pitigala Road, Sapugaskanda, Makola	7.37	129,351	12	320
Hunas Falls Hotels PLC	Elkaduwa	Elkaduwa, Matale	19.88	63,246	16	41
Eastern Hotels (Pvt) Ltd.	Trincomalee	Nilakarai Estate, Nilaweli, Trincomalee	23.47	Nil	Nil	432
Culture Club Resorts (Pvt) Ltd.	Dambulla	Kapela, Kandalama, Dambulla	20.00	70,000	72	1
Kandyan Resorts (Pvt) Ltd.	Kandy	Heerassagala, Kandy	9.43	101,000	10	380
The Beach Resorts Ltd.	Wadduwa	Mudillagahawatte, Wadduwa, Panadura	5.44	Nil	Nil	188
The Queensbury (Pvt) Ltd.	Bentota	Kaluwamodara, Bentota	0.28	Nil	Nil	59

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Share Information

Ordinary Shareholders as at 31st March 2014

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	2,390	463,462	0.6179	62	16,410	0.0219	2,452	479,872	0.6398
1,001 - 10,000	485	1,586,386	2.1152	38	145,496	0.1940	523	1,731,882	2.3092
10,001 - 100,000	147	4,822,843	6.4305	31	695,145	0.9269	178	5,517,988	7.3574
100,001 - 1,000,000	27	8,179,889	10.9065	6	1,902,171	2.5362	33	10,082,060	13.4427
Over 1,000,000	8	57,188,198	76.2509				8	57,188,198	76.2509
	3,057	72,240,778	96.3210	137	2,759,222	3.6790	3,194	75,000,000	100.0000
Category									
Individuals	2,802	50,279,442	67.0392	128	2,699,214	3.5990	2,930	52,978,656	70.6382
Institutions	255	21,961,336	29.2818	9	60,008	0.0800	264	22,021,344	29.3618
	3,057	72,240,778	96.3210	137	2,759,222	3.6790	3,194	75,000,000	100.0000

Top Twenty Shareholders as at 31st March 2014

Name of the Shareholder	No. of Shares As at 31st March	%	No. of Shares As at 31st March	%
	2014		2013	
1. Mr. K.D.D. Perera	30,699,599	40.93	30,699,599	40.93
SBL/Mr. K.D.D. Perera	3,400,000	4.53	3,400,000	4.53
2. Trustees of the D.S. Jayasundera Trust	8,698,017	11.60	8,698,017	11.60
3. Trustees of the Hayleys PLC - Employees Share Trust	6,855,735	9.14	6,855,735	9.14
4. Employees Provident Fund	2,535,169	3.38	1,819,473	2.43
5. Vallibel One PLC	2,182,584	2.91	2,182,584	2.91
6. Lanka Orix Leasing Company PLC	1,700,004	2.27	2,434,148	3.25
7. Hayleys Group Services (Private) Limited Number 2 Account	1,117,090	1.49	1,117,090	1.49
8. Mrs. M.L. Johnpulle (Deceased)	907,165	1.21	907,165	1.21
9. Commercial Leasing Company PLC	734,144	0.98	-	-
10. Mrs. R.N. Ponnambalam	570,088	0.76	540,315	0.72
11. Mr. G.M. Spittel (Deceased)	568,197	0.76	568,197	0.76
12. AIA Insurance Lanka PLC A/C No. 07	521,349	0.70	462,976	0.62
AIA Insurance Lanka PLC A/C No. 06	35,200	0.05	23,200	0.03
13. Mrs. F.C. Phillips & Mr. R.H.S. Phillips	482,304	0.64	482,304	0.64
14. Mrs. Y.M. Spittel	465,561	0.62	465,561	0.62
15. Mr. A.C. Wikramanayake	444,713	0.59	483,302	0.64
16. Mrs. P.M. Godamunne	443,447	0.59	443,447	0.59
17. Mrs. S.D. Wickramasinghe	440,281	0.59	440,281	0.59
18. Mr. G.N. Wikramanayake	370,422	0.49	370,422	0.49
19. M.S. Jayasundera (Deceased)	300,098	0.40	500,098	0.67
20. Browns Investments PLC	293,105	0.39	293,105	0.39
Total	63,764,272	85.02	63,187,019	84.63

Percentage of Public Holding 39.95%.

Directors' Shareholdings

Name of the Director	No. of Shares As at 31st March 2014	No. of Shares As at 1st April 2013
Mr. A.M. Pandithage	2,338	2,338
Mr. K.D.D. Perera - 30,699,599	36,283,849	36,283,849
SBL/Mr. K.D.D. Perera - 3,400,000		
LB Finance PLC - 1,666		
Vallibel One PLC - 2,182,584		
Mr. M.R. Zaheed	1,487	1,487
Mr. W.D.N.H. Perera	11	11
Mr. S.C. Ganegoda	2,000	2,000
Mr. H.S.R. Kariyawasan	Nil	Nil
Dr. H. Cabral	Nil	Nil
Waldock Mackenzie Ltd./Mr. L.T. Samarawickrama	43,500	43,500
Dr. K.I.M. Ranasoma	751	751
Mr. M.D.S. Goonatilleke	2,500	2,500
Mr. L.R.V. Waidyaratne	1,465	1,465
Mr. M.H. Jamaldeen	Nil	Nil
Ms. D.S.N. Weerasooriya (Alternate Director to Mr. K.D.D. Perera)	Nil	Nil

As at 31st March	2014	2013	2012
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Share Trading Information

Highest Price (Rs.)	325.00	366.00	426.00
Lowest Price (Rs.)	285.00	280.00	295.00
Closing Price (Rs.)	285.00	298.70	360.00
No. of Transactions	1,443	1,034	1,741
No. of Shares Traded	2,390,061	1,314,324	18,938,893
Value of Shares Traded (Rs.)	711,995,272	434,506,880	7,188,680,168

Listed Debentures

Details regarding the listed debenture is as follows;

Rated, unsecured, redeemable Debentures at 14.25 % p.a. payable quarterly and redeemable on 9th July, 2016.

Interest rate of comparable Government Securities as at 31st March, 2014 is 7.68% (net of tax).

Debenture Trading Information	No. of Transactions	No. of Debentures Traded	Highest Price (Rs.)	Lowest Price (Rs.)	Last Traded Price (Rs.)	Value of Debentures Traded (Rs.)
14.25% Rated, unsecured, redeemable Debentures	1	1,000	1,000	1,000	1,000	1,000,000

Debt/ equity ratio, interest cover and quick asset ratio for Hayleys PLC is 79%, 1.3 times and 0.42 times respectively.

Group Companies

Sub Sector	Company	Nature of Business
Fibre	Ravi Industries Ltd.	Industrial and household brush ware
	Rileys (Pvt) Ltd.	Cleaning devices
	Haymat (Pvt) Ltd.	Coir fibre mats
	Creative Polymats (Pvt) Ltd.	Moulded rubber products
	Hayleys Fibre PLC	Value added coir-based products
	Bonterra Lanka Ltd.	Value added coir-based products
	Ravi Marketing Services (Pvt) Ltd.	Services
	Chas P. Hayley & Company (Pvt) Ltd.	Coir and treated rubber timber products
	Volanka Exports Ltd.	Coir-based products and essential oil
	Toyo Cushion Lanka (Pvt) Ltd.	Needled and rubberised coir products
	Lignocell (Pvt) Ltd.	Coir fibre pith
	Haylex USA	Marketing
	Charles Fibres (Pvt) Ltd.	Trading in coir-based products
Hand Protection	Dipped Products Group	General purpose and speciality rubber gloves
Purification Products	Haycarb Group	Activated Carbon and Environmental Purification Solutions
Textiles	Hayleys MGT Knitting Mills PLC	Knitted fabric
Construction Material	Alumex Group	Aluminium extrusions
Agriculture	Hayleys Agriculture Holdings Ltd.	Crop production and protection materials, agricultural equipment and animal health products
	Agro Technica Ltd.	Agricultural machinery and equipment
	Haychem (Bangladesh) Ltd.	Crop protection chemicals
	Sunfrost (Pvt) Ltd.	Fresh/processed vegetables
	HJS Condiments Ltd.	Retailed-packed, processed vegetables
	Hayleys Agro Farms (Pvt) Ltd.	Planting material
	Hayleys Agro Biotech (Pvt.) Ltd.	Horticultural tissue culture products
	Quality Seed Company Ltd.	Hybrid flower seeds
Plantations	Hayleys Agro Fertilizers (Pvt) Ltd.	Fertilizer
	DPL Plantations (Pvt) Ltd.	Plantation Management
	Hayleys Plantation Services (Pvt) Ltd.	Plantation Management
	Kelani Valley Plantations PLC	Processed tea and rubber
	Talawakele Tea Estates PLC	Processed black and green tea
	Kelani Valley Instant Tea (Pvt) Ltd.	Manufacture of ready-to-drink tea powder
	Mabroc Group	Export of bulk and retail packed tea
Consumer Products	Hayleys Global Beverages (Pvt) Ltd.	Manufacturing instant tea and tea extract.
	Hayleys Consumer Products Ltd.	Lighting products and solutions, photo imaging, health care, FMCG products
Leisure & Aviation	Hayleys Electronics Lighting (Pvt) Ltd.	Lighting products and solutions
Hotels	Hunas Falls Hotels PLC	Leisure
	The Kingsbury PLC	Leisure
	Amaya Leisure PLC	Leisure

Sub Sector	Company	Nature of Business
	Culture Club Resorts (Pvt) Ltd.	Leisure
	Kandyan Resorts (Pvt) Ltd.	Leisure
	Eastern Hotels Ltd.	Leisure
	The Beach Resorts Ltd.	Leisure
	C D C Conventions (Pvt) Ltd.	Leisure
	The Queensbury (Pvt) Ltd.	Leisure
Aviation & Destination Management Services	Hayleys Leisure Holdings (Pvt) Ltd.	Investments and Hotel Management
	Air Global (Pvt) Ltd.	Airline representation
	North South Lines (Pvt) Ltd.	Airline representation
	Millennium Transportation (Pvt) Ltd.	Airline representation
	Hayleys Travels and Tours (Pvt) Ltd.	Travel Agency and Destination Management
Industry Inputs	Hayleys Industrial Solutions (Pvt) Ltd.	Engineering and projects, power generation, pigments and industrial raw materials
	Hayleys Life Sciences (Pvt) Ltd.	Supplying health care equipment
	Haycolour (Pvt) Ltd.	Textile dyestuff and binders
	Power Engineering Solutions Pvt Ltd. (Mawanana)	Marketing of power generating equipment
Power & Energy	Bhagya Hydro (Pvt) Ltd.	Hydropower
	Neluwa Cascade Hydro Power (Pvt) Ltd.	Hydropower
	Hayleys Hydro Energy (Pvt) Ltd.	Hydropower
	Nirmalapura Wind Power (Pvt) Ltd.	Windpower
	TTEL Somerset Hydro Power (Pvt) Ltd.	Hydropower
	TTEL Hydro Power Company (Pvt) Ltd.	Hydropower
	Hayleys Neluwa Hydro Power (Pvt) Ltd.	Hydropower
	Hayleys Power Ltd.	Hydropower investments
	Kiriweldola Hydro Power (Pvt) Ltd.	Hydropower
	Aninkanda Hydro Power (Pvt) Ltd.	Hydropower
	Neluwa Upper Hydro Power (Pvt) Ltd	Hydropower
	Lindula Power Company (Pvt) Ltd.	Hydropower
Transportation & Logistics	Hayleys Advantis Group	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
Investments & Services	Dean Foster (Pvt) Ltd.	Investments
	Hayleys Business Solutions International (Pvt) Ltd.	Business Process Outsourcing and Centralised Shared Services
	Hayleys Group Services (Pvt) Ltd.	Secretarial/Investments
	Volanka (Pvt) Ltd.	Investments
	Volanka Insurance Brokers (Pvt) Ltd.	Insurance Brokering
	Haydea Business Solutions (Pvt) Ltd.	Business Process Outsourcing
	Haylex BV Group	Marketing
	Carbotels (Pvt) Ltd.	Hotel Investment

Recognition

Awards

CA Annual Report Awards 2013

- Diversified Holdings (Groups above five subsidiaries) - Bronze Award - Hayleys PLC
- Management Commentary - Bronze Award - Hayleys PLC
- Plantation Companies - Bronze Award - Talawakelle PLC
- Compliance Award - Amaya Leisure PLC

South Asian Federation of Accountants Best Presented Report Awards 2012

- Service Sector (Excluding Financial Services, Communication and IT Sector) - Second Runner up - Hayleys PLC

ARC Awards 2013 - Diversified Business Category

- Overall Annual Report - Gold Award - Hayleys PLC
- Chairman's Letter - Silver Award - Hayleys PLC
- Interior Design - Silver Award - Hayleys PLC
- Financial Data - Silver Award - Hayleys PLC
- Interactive Annual Report - Silver Award - Hayleys PLC
- Mobile Annual Report - Bronze Award - Hayleys PLC
- Cover Design - Honours Award - Hayleys PLC
- Written Text & Printing - Honours Award - Hayleys PLC
- Production - Honours Award - Hayleys PLC

LACP Vision Awards 2012

- Conglomerates - Gold Award - Hayleys PLC
- Holdings Companies - Gold Award - Hayleys PLC
- Diversified Award - Gold Award - Hayleys PLC

World Luxury Hotel Awards

- Best Luxury Hotel in the Indian Ocean Continent - The Kingsbury
- Luxury Hotels with the best scenic environment - Amaya Hills
- Indian Ocean continent - Luxury Romantic Hotel Langdale by Amaya

National Business Excellence Awards

- Kelani Valley Plantations PLC

Best Presented Annual Report Awards

- Kelani Valley Plantations PLC

Wellness and Spa Award - European Audit Institute

The Kingsbury
Amaya Lake
Amaya Hills
Langdale by Amaya

2013 Trip Advisor Awards

- Trip Advisor Certificate of Excellence Award - Amaya Lake, Amaya Hills, Hunas Falls by Amaya, Langdale by Amaya
- Trip Advisor Travellers' Choice Awards - Langdale by Amaya

The EU SWITCH - Asia Greening Sri Lanka Hotels Project Awards 2013

- Waste Management Champion in the SME sector Hunas Falls by Amaya
- Water Conservation Champion in the SME sector Hunas Falls by Amaya

Jasteca CSR Awards 2013

- Best Innovative Model for CSR - Joint winner - Dipped Products Ltd.

Agoda Awards 2013

- Agoda Gold Circle Award for the best performing hotel - Amaya Hills

National Business Excellence Awards 2013

- Hayleys Agri Biotech (Pvt) Ltd.
 - Runner up - Manufacturing non-traditional sector
 - Merit Award
- Quality Seed Company Ltd.
 - Merit award - Agriculture and Plantations sector
 - Merit awards - Medium category

National Agribusiness Awards - 2013 (AGBIZ) - The National Agribusiness Council

- Hayleys Agro Bio Tech (Pvt) Ltd. - Gold Award - Small- Marketing (Retail and wholesale marketing of agricultural produce)
- Hayleys Agro Farms Ltd. - Gold Award - Medium - Agri Services (extension)

- Quality Seed Co. Ltd. - Gold Award - Medium - Producer (seed farms and producers)
- HJS Condiments (Pvt) Ltd. - Gold Award - Large - Marketing and Agri extension
- Sunfrost (Pvt) Ltd. - Gold Award - Large - Marketing and Agri extension
- Hayleys Agriculture Holdings Ltd. - Silver Award - Large - Input supplies (farm machinery)
- Hayleys Agriculture Holdings Ltd. - Bronze Award - Large - Input supplies (agro chemicals)
- Hayleys Agriculture Holdings Ltd. - Bronze Award - Large - Input supplies (seeds)
- Quality Seed Co. Ltd. - Bronze Award - Small - Producer (Commercial plant nurseries)
- Quality Seed Co. Ltd. - Bronze Award - Small - Producer (foliage and cut flower farms)

Social Dialogue and Workplace Cooperation Awards 2013

- HJS Condiments (Pvt) Ltd., Small Scale, Manufacturing Sector

Korean Air Best Agent 2013

- Merit Award - Hayleys Travels

National Construction Association of Sri Lanka

- Most conceptualised stall - Logiventures, LVL Convertainers

Institute of Chartered Ship Brokers

- Best Shipping Agent - Customer Service Colombo/ Mediterranean sector - Hayleys Advantis

ACCA Sustainability Reporting Awards 2013

- Agriculture and Plantation sector winner - Talawakelle PLC

Honeywell International (India) (Pvt) Ltd.

Most Valued Partner - Fire Systems Division of Power Engineering Division - Hayleys Industrial Solutions (Pvt) Ltd.

Accreditations

ISO 9001:2008 Certification

- Haycarb Sri Lanka re-certification (certificate received)
- Haycarb Overseas, MMCI, Indonesia recertification (certificate received)
- Carbokarn, Thailand & Shizuka, Thailand certification (certificate to be awarded)
- Freight Forwarding - renewed certification - Reviewing body Lloyd's register Quality Assurance
- Hayleys Energy Services - renewed certification - SGS Lanka (Pvt) Ltd.
- Logistics international - renewed certification - Reviewing body Lloyd's register Quality Assurance
- Logiventures - renewed certification - Reviewing body Lloyd's register Quality Assurance
- Logiwiz - renewed certification - DNV
- Mountain Hawk Express (fedex) renewed certification - Reviewing body Lloyd's register Quality Assurance
- Shipping - renewed certification - Reviewing body Lloyd's register Quality Assurance
- Shipping Agency Hayleys Advantis - Renewed Certification
- Shipping Agency Hayleys Advantis - renewed certification - Reviewing body Lloyd's register Quality Assurance
- HJS Condiments Ltd.
- Hayleys Agro Bio Tech (Pvt) Ltd.
- Hayleys Agro Fertilizer (Pvt) Ltd.
- Hayleys Industrial Solutions (Pvt) Ltd. Power Engineering division

ISO 14001:2004 Environment Management Systems

- Hayleys Energy Services, renewed certification - SGS Lanka (Pvt) Ltd.
- Shipping, renewed certification - Reviewing body Lloyd's register Quality Assurance
- Hayleys Agro Fertilizer (Pvt) Ltd.
- HJS Condiments Ltd.

OHSAS 18001:2007 Health and Safety Management Systems

- Hayleys Energy Services, renewed certification - SGS Lanka (Pvt) Ltd.
- Logiwiz - SGS Lanka (Pvt) Ltd.
- HJS Condiments Ltd.

SA8000: 2008 Social Accountability Management Systems

- Hayleys Energy Services, renewed certification - SGS Lanka (Pvt) Ltd.
- Ravi Industries Ltd. - SGS Lanka (Pvt) Ltd.
- HJS Condiments Ltd.

WQA Water Quality Association

- Haycarb Sri Lanka (accreditation and membership)

Sri Lanka Standards Institute (SLSI) ISO9001

- Alumex PLC (Certificate obtained)

ACCA Gold Level certified Employer

- Hayleys Business Solutions International (Pvt) Ltd.

ICASL Strategic Level Training Partner

- Hayleys Business Solutions International (Pvt) Ltd.

CIMA Approved training partner for Professional Training and Development

- Hayleys Business Solutions International (Pvt) Ltd.

ISO 27001 Information Security Management Systems Standards

- Hayleys Business Solutions International (Pvt) Ltd.

Food Safety System Certification (FSSC 22000)

- Mabroc Teas (Pvt) Ltd.

Ethical Tea Partnership (ETP)

- Mabroc Teas (Pvt) Ltd.
- Calsay, Clarendon, Dessford, Somerset, Great Western, Mattekelle, Palmerston, Radella, Bearwell, Holyrood, Logie, Wattegodde, Kiruwanaganga estates

Organic Production Method (Organic EU)

- Mabroc Teas (Pvt) Ltd.
- HJS Condiments Ltd.

Rainforest Alliance - Sustainable Farm Certification

- Talawakelle Group
- Nanu Oya Group

UTZ Sustainable Tea Certification

- Radella Estate

ISO 22000:2005 Food Safety Management System

- HJS Condiments Ltd.
- Somerset, Wattegodde, Radella, Dessford, Great Western, Holyrood, Mattekelle, Bearwell, Wangioya, Moragalla, Handford, Deniyaya and Kiruwanaganga estates

Kosher Certification

HJS Condiments Ltd.

Halaal Certification

HJS Condiments Ltd.

FDA Approval

HJS Condiments Ltd.

Global GAP certification

Hayleys Agro Biotech (Pvt) Ltd.

BRC Global Standard for Food Safety

HJS Condiments Ltd.

Australian Quarantine and Inspection Service

Hayleys Agro Biotech (Pvt) Ltd.

USDA NOP Certification of Organic Production Methods

Sunfrost (Pvt) Ltd.

Kiva Sverige (SE-EKO-01)

Sunfrost (Pvt) Ltd.

McDonald's Supplier Quality Management System

HJS Condiments Ltd.

ESCO Registration Certification

- Hayleys Industrial Solutions (Pvt) Ltd.

Sri Lanka Association of Inbound Tour Operators (SLAITO)

- Hayleys Tours - member, SLTDA certificate

IATA accreditation

- Hayleys Travels

Sustainability Assurance Statement



Ernst & Young
Chartered Accountants
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Colombo 10
Sri Lanka

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eysl@lk.ey.com
ey.com

Independent Assurance Report to the Board of Directors of Hayleys PLC on the Integrated Report - 2013/14

Introduction and scope of the engagement

The management of Hayleys PLC ("the Company") engaged us to provide an independent assurance on the following elements of the Integrated Report - 2013/14 ("the Report"):

- Reasonable assurance on the information on financial performance as specified on page 56 of the Report
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines and other Hayleys PLC's reporting practices.

Basis of our work and level of assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI G4 'In accordance' - Comprehensive guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

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

Management of the Company's responsibility for the Report

The management of the company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustaining reporting process in line with the GRI Sustainability Reporting Guidelines.

Ernst & Young's responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines and other Hayleys PLC's reporting practices. This report is made solely to the Company in accordance with our engagement letter dated 30 April 2014. We disclaim any assumption of responsibility for any reliance on this report to any person other than the company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram FCA FCMA Ms. N A De Silva ACA Ms. Y A De Silva FCA W R H Fernando FCA FCMA
W K B S P Fernando FCA ACMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga ACA Mr. N M Sulaiman ACA ACMA B E Wijesuriya ACA ACMA

A member firm of Ernst & Young Global Limited

Key assurance procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Visited the corporate office and other sectorial offices belongs to Hayleys PLC:
 - Investments & Services (i.e. Hayleys Business Solutions International (Pvt) Ltd. at Hayleys PLC head office)
 - Construction Material (i.e. Alumex Group at Sapugaskanda)
 - Fibre (i.e. Ravi Industries Ltd. at Ekala, Ja-ela)
 - Agriculture (i.e. HJS Condiments Ltd. at Biyagama)
- Interviewing relevant the company's personnel to understand the process for collection, analysis, aggregation and presentation
- Checking the calculations performed by the company on a sample basis through recalculation
- Reconciling and agreeing the data on financial performance are properly derived from the company's audited financial statements for the year ended 31 March 2014
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative G4 'In accordance' - Core guidelines and other Hayleys PLC's reporting practices.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

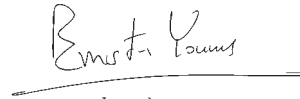
Limitations and considerations

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

Conclusion

Based on the procedures performed, as described above, we conclude that

- The information on financial performance as specified on page 56 of the Report are properly derived from the audited financial statements of the Company for the years ending 31 March 2013 and 31 March 2014.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from GRI-G4 - 'In accordance' Core Sustainability Reporting Guidelines and other Hayleys PLC's reporting practices.



Chartered Accountants
20th May 2014
Colombo

GRI Content Index

GRI Content Index: ‘In accordance’ - Core

GRI Indicator	Description	Reported in	Externally Assured	Page No./ Explanations
General Standard Disclosures				
Strategy and Analysis				
G4-1	Statement from the Chairman	Letter from the Chairman		9
Organisation Profile				
G4-3	Name of the organisation	Corporate Information		Inner Back Cover
G4-4	Primary brands, products and/ or services	Business Model		41
G4-5	Location of organisation's headquarters	Corporate Information		Inner Back Cover
G4-6	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the Report	Highlights		6
G4-7	Nature of ownership and legal form	Corporate Information		Inner Back Cover
G4-8	Markets served	Highlights		6
G4-9	Scale of the reporting organisation	Highlights		4
G4-10	Total workforce by employment type, employment contract and region, broken down by gender	Management Review & Preview		89
G4-11	Percentage of total employees covered by collective bargaining	Management Review & Preview		90
G4-12	Organisation's supply chain	Management Review & Preview		93
G4-13	Significant changes during the reporting period regarding size, structure or ownership	About this Report		8
Commitments to External Initiatives				
G4-14	Precautionary principle	About this Report		8
G4-15	Charters, principles or other initiatives	Stewardship		94
G4-16	Memberships of association	Management Review & Preview		94
Identified Material Aspects and Boundaries				
G4-17	Operational structure of the organisation	Group Companies		200-201
G4-18	Process for defining report content	Stewardship		29
G4-19	Material aspects identified for report content	Stewardship		30
G4-20	Aspect boundary for identified material aspects within the organisation	Stewardship		30
G4-21	Aspect boundary for identified material aspects outside the organisation	Stewardship		29
G4-22	Restatements of information provided in the previous reports			N/A
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	About this Report		8

GRI Indicator	Description	Reported in	Externally Assured	Page No./ Explanations
Stakeholder Engagement				
G4-24	List of stakeholder groups engaged by the organisation	Stewardship		31-33
G4-25	Basis for identification and selection of stakeholders with whom to engage	Stewardship		31-33
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stewardship		31-33
G4-27	Key topics and concerns raised through stakeholders engagement and how the organisation responded to them	Stewardship		31
Report Profile				
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G4-29	Date of most recent previous report	About this Report		7
G4-30	Reporting cycle	About this Report		7
G4-31	Contact point for questions regarding the Report or its Contents	About this Report		8
G4-32	Compliance with GRI G4 guidelines, GRI Content Index and the External Assurance Report.	About this Report		8
G4-33	Policy and current practice with regard to seeking external assurance for the Report	Sustainability Assurance Statement		204
Governance				
G4-34	Governance structure of the organisation, including committees under the highest governance body responsible for decision-making on economic, environment and social impacts	Stewardship		20
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Specific Standard Disclosures				
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Aspect	Economic Performance			
G4-EC1	Direct economic value generated, distributed and retained	Management Review & Preview		56
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G4-EC3	Coverage of the organisation's defined benefit plan obligations	Management Review & Preview		130
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G4-EC8	Significant indirect economic impacts, including the extent of impacts	Business Model		42

GRI Indicator	Description	Reported in	Externally Assured	Page No./ Explanations
Category: Environment				
Aspect	Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Management Review & Preview		95
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Management Review & Preview		95
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Management Review & Preview		95
G4-EN18	Greenhouse gas (GHG) emissions intensity	Management Review & Preview		95
Aspect	Effluents and Waste			
G4-EN23	Total weight of waste by type and disposal method	Management Review & Preview		96
Aspect	Compliance			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Management Review & Preview		96
Category: Social				
Labour Practices and Decent Work				
Aspect	Employment			
G4-LA1	Total number and rate of new employee hires and employee turnover by age group, gender, and region	Management Review & Preview		90
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Management Review & Preview		90
Aspect	Labour/Management Relations			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Management Review & Preview		91
Aspect	Occupational Health and Safety			
G4-LA5	Percentage of total workforce represented in formal joint management - worker health and safety committees that help monitor and advice on occupational health and safety programmes	Management Review & Preview		91
G4-LA6	Type of injury and rates of injury, occupational disease, lost days and absenteeism, and total number of work-related fatalities, by region and by gender	Management Review & Preview		91
Aspect	Training and Education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Management Review & Preview		92

GRI Indicator	Description	Reported in	Externally Assured	Page No./ Explanations
Human Rights				
Aspect	Investment			
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Management Review & Preview		92
Aspect	Child Labour			
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour and measures taken to contribute to the effective abolition of child labour	Management Review & Preview		92
Society				
Aspect	Anti-corruption			
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Stewardship		37
Aspect	Compliance			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Management Review & Preview		94
Product Responsibility				
Aspect	Product and Service Labelling			
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements	Management Review & Preview		63
Aspect	Marketing Communications			
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	Management Review & Preview		63
Aspect	Compliance			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Management Review & Preview		63

Notice of Meeting

Hayleys PLC
Company No. PQ 22

NOTICE IS HEREBY GIVEN that the Sixty-Third Annual General Meeting of Hayleys PLC will be held at the Balmoral Ballroom, The Kingsbrury Hotel, No. 48, Janadhipathi Mawatha, Colombo 01 on Friday, 27th June, 2014 at 10.00 a.m. and the business to be brought before the Meeting will be:

1. To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March, 2014, with the Report of the Auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Mr. M.H. Jamaldeen, who has been appointed by the Board, since the last Annual General Meeting, a Director.
4. To re-elect Dr. K.I.M. Ranasoma, who retires by rotation at the Annual General Meeting, a Director.
5. To re-elect Mr. K.D.D. Perera, who retires by rotation at the Annual General Meeting, a Director.
6. To re-elect Mr. L.T. Samarawickrama, who retires by rotation at the Annual General Meeting, a Director.
7. To authorise the Directors to determine contributions to charities for the financial year 2014/15.
8. To ratify sum of Rs. 198,002.21 donated to charities in excess of the sum approved by the shareholders for the financial year 2013/14.
9. To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants who are deemed to have been reappointed as Auditors.
10. To consider any other business of which due notice has been given.

Note:

- (i) 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 Registered Office, No. 400, Deans Road, Colombo 10 by 10.00 a.m. on 25th June, 2014.
- (ii) It is proposed to post ordinary dividend warrants on 8th July, 2014 and in accordance with the Rules of the Colombo Stock Exchange the shares of the Company will be quoted ex-dividend with effect from 30th June, 2014.

By Order of the Board
HAYLEYS PLC
HAYLEYS GROUP SERVICES (PRIVATE) LIMITED
Secretaries

Colombo
27th May, 2014

Form of Proxy

I/We*

of

being a shareholder/shareholders* of HAYLEYS PLC hereby appoint,

1.

ofor

failing him.

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our* proxy to attend, speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Sixty-Third Annual General Meeting of the Company to be held on Friday, 27th June, 2014 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	For	Against
1. To adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March, 2014, with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a dividend as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. M.H. Jamaldeen, who has been appointed to the Board since the last Annual General Meeting, a Director	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Dr. K.I.M.Ranasoma , who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. K.D.D. Perera, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Mr. L.T. Samarawickrama , who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise the Directors to determine contributions to charities for the financial year 2014/15.	<input type="checkbox"/>	<input type="checkbox"/>
8. To ratify sum of Rs. 198,002.21 donated to charities in excess of the sum approved by the shareholders for the financial year 2013/14.	<input type="checkbox"/>	<input type="checkbox"/>
9. To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants who are deemed to have been reappointed as Auditors.	<input type="checkbox"/>	<input type="checkbox"/>

(**) The proxy may vote as he thinks fit on any other resolution brought before the Meeting.

As witness my/our* hands this day of 2014.

Witnesses:
.....
.....

.....
Signature of Shareholder

Note: *Please delete the inappropriate words.

1. A proxy need not be a shareholder of the Company.

2. Instructions as to completion, appear on the reverse.

.....

Form of Proxy

Instructions as to Completion

- 1. To be valid, this Form of Proxy must be deposited at the Registered Office, No. 400, Deans Road, Colombo 10, by 10.00 a.m. on 25th June, 2014.
- 2. In perfecting the Form of proxy, please ensure that all details are legible.
- 3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors of the Company) as your Proxy, please insert the relevant details at (1) overleaf and initial against this entry.
- 4. Please indicate with an X in the space provided how your proxy is to vote on each resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (**) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
- 5. In the case of a Company/Corporation, the Proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
- 6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.

.....
Form of Proxy

Corporate Information

Name of Company

Hayleys PLC

Legal Form

A Public Limited Company incorporated in Sri Lanka in 1952.
Founded 1878.

Company Number

PQ 22

Accounting year end

31st March

Principal Activities

Holding Company; carrying out investments in and providing management and services to Hayleys Group Companies.

Stock Exchange Listing

The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

Head/Registered Office

Hayley Building
P.O. Box 70, No. 400,
Deans Road,
Colombo 10, Sri Lanka.
Telephone: (94-11) 2627000
Facsimile: (94-11) 2699299

Auditors

Ernst & Young
Chartered Accountants
No. 201, De Saram Place,
Colombo 10, Sri Lanka.

Bankers

Hatton National Bank
HSBC
Bank of Ceylon
NDB Bank
Standard Chartered Bank
Sampath Bank
Commercial Bank of Ceylon
Deutsche Bank
DFCC
Citibank

Secretaries

Hayleys Group Services
(Private) Limited
No. 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 Unit
Telephone: (94-11) 2627662
E-mail: info@cau.hayleys.com

Internet

www.hayleys.com



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