



**Hayleys PLC**

Annual Report 2019/20





Hayleys PLC was founded in 1878 and has grown to be one of Sri Lanka's biggest multinational business conglomerates, owning a remarkable portfolio of key industry sectors, including manufacturing, agriculture and services. The Group is internationally recognised as a leader in innovation, with manufacturing facilities in Indonesia, India and Thailand, marketing operations in Australia, India, Bangladesh, Italy, Japan, the Netherlands, UK and USA, offering transportation and logistics solutions in Maldives, Myanmar, India, Singapore, Indonesia and Malaysia. The Group accounts for approximately 3.2% of Sri Lanka's export income, and 3.6% of tea and 3.9% of rubber production.

**Vision**

**Mission**

**Values**



# → To be Sri Lanka's corporate inspiration at all times

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

- **H - Honesty and Integrity** - ethical and transparent in all our dealings.
  - A - Accountability** - holding ourselves responsible to deliver what we promise.
  - Y - Yes, WE can! (Team Work)** - working with each other and with our partners across boundaries, to make things happen.
  - L - Love for humanity** - treating everyone with respect and dignity, providing for the development of our people and rewarding them for good performance.
  - E - Enduring Customer Value** - enhancing experiences for every customer, from the rural farmer to the global consumer.
  - Y - Yes, we WILL WIN! (a Will to win)** - exhibiting the will to win that which is important to Hayleys and its shareholders.
  - S - Social Responsibility as a Good Corporate Citizen** - caring for the communities in which we work, actively supporting their growth and being environmentally responsible in all we do.
- &
- I - Innovation** - transforming ideas into products and services to create economic, social and environmental value in the pioneering spirit of Hayleys.

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# Agile and responsive



**1**

## Overview

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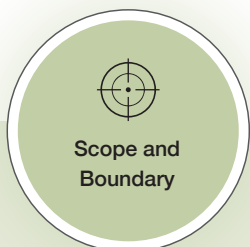
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# About Our Annual Report

## **The Hayleys PLC Group's Annual Report for 2019/20 presents a concise and high-level overview of the Group's financial, operational, social and environmental performance for the period ending 31st March 2020**

The Group's decision to produce a Report of this nature reflects the considerable financial and operational challenges posed by COVID-19 pandemic and our efforts to optimise resources during these difficult times. Content included in this Report has been carefully selected and structured to ensure that the most relevant information is presented to stakeholders while complying with all relevant statutory reporting requirements. In addition to details on strategy and performance, the Report focuses on the short, medium and long-term impacts of COVID-19 on our operations, performance and people. We also provide information on how we are adapting to new ways of working and our plans for the future.



### Scope and Boundary

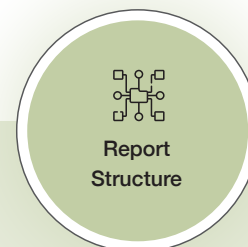
The Report covers the operations of Hayleys PLC and 177 affiliates in 12 business Sectors. The non-financial information reflects Hayleys PLC and its Subsidiaries and excludes Associates and Joint Ventures.

Both the financial and non-financial information presented in the narrative report reflects the Group's domestic and international operations, unless specifically mentioned otherwise



### Reporting Standards

- Sri Lanka Financial Reporting Standards
- Companies Act No. 7 of 2007
- Listing Requirements of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017)



### Report Structure

#### Hayleys at a Glance

Overview of the Group and snapshot of key businesses

#### Chairman's Message

Leadership insight for 2019/20 and beyond

#### Corporate Governance

How the Group is governed

#### Financial Performance

Review of Group's financial performance

Performance of business sectors

#### Social Performance

Our People and Communities

#### Environmental Performance

Review of Group's environmental commitment



# Hayleys at a Glance

Hayleys PLC is one of Sri Lanka's most diversified conglomerates, with a deeply rooted presence across 12 industry sectors, value chains and communities. Serving over 10 mn customers across 5 continents the Group has built strong global market positions in key industries through relentless focus on innovation, customer satisfaction and sustainability. The Group is also one of the country's largest private sector employers and among Sri Lanka's most socio-economically impactful organisations. Hayleys is globally reputed for its sustainable approach to value creation and is one of Sri Lanka's most respected corporate entities.

### Market Position

- Fulfills 5% of global demand for household and industrial gloves
- Leader in Sri Lanka's Transportation and Logistics industry
- World's largest producer of coconut shell based activated carbon
- Sri Lanka's largest manufacturer and supplier of consumer durables
- Generates 3.6% and 3.9% of Sri Lanka's tea and rubber output respectively
- Sri Lanka's largest exporter of processed agricultural food

### Diversification of Revenue

Sector	Percentage
Agriculture	29%
Transportation and Logistics	21%
Hand Protection	11%
Consumer & Retail	8%
Leisure	6%
Industry Inputs, Power & Energy	6%
Others	6%
Textiles	6%
Construction Materials	3%
Plantations	3%
Eco Solutions	3%
Purification Products	2%
Others	2%

### Economic Impact

<p><b>31,029</b> Employees</p> <hr/> <p><b>&gt;19,000</b> Suppliers</p> <hr/> <p><b>&gt;19,000</b> Indirect employments</p>	<p><b>Rs. 12.5 bn</b> Tax paid</p> <hr/> <p><b>Rs. 99.8 bn</b> FOREX income generated</p>
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### Commitment to the Planet

#### Environmental Commitment

- 56% of water recycled/internally treated
- 180,334 trees planted
- 58,493 MWh renewable energy generated
- 8% of water reused
- 63% reliance on renewable energy
- 65% of Group carbon footprint reduced due to biomass energy applications

### Financial Performance and Strength

#### GROUP REVENUE

#### TOTAL ASSETS

# Consolidated Statement of Financial Performance

Financial Capital		2020	Change %	2019	2018
<b>Earnings Highlights and Ratios</b>					
Revenue	Rs. mn	210,307	(4.05)	219,182	163,249
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	Rs. mn	23,379	11.24	21,017	15,482
Results from operating activities	Rs. mn	16,473	3.03	15,989	11,403
Profit before tax	Rs. mn	5,504	0.51	5,476	5,763
Profit after tax	Rs. mn	2,895	5.27	2,750	3,272
Profit attributable to owners of the parent	Rs. mn	372	40.34	265	1,024
Dividends	Rs. mn	-	(100.00)	375	375
Gross profit margin	%	23.85	6.73	22.34	21.96
Operating profit margin	%	7.83	7.37	7.29	6.99
Net profit margin	%	1.38	9.72	1.25	2.00
Earnings per share (basic)	Rs.	4.97	40.34	3.54	13.65
Return on assets (ROA)	%	1.17	(1.75)	1.19	1.56
Return on capital employed (ROCE)	%	8.84	(3.19)	9.13	7.48
Interest cover	No. of times	1.39	(5.10)	1.47	1.77
<b>Financial Position Highlights and Ratios</b>					
Total assets	Rs. mn	248,309	7.15	231,747	209,767
Total debt	Rs. mn	123,555	9.07	113,284	92,641
Equity attributable to equity holders of the parent	Rs. mn	39,705	(1.33)	40,242	39,649
Gearing	%	66.28	2.49	64.67	60.77
Debt/equity	%	196.57	7.37	183.07	154.90
Equity asset ratio	%	25.31	(5.19)	26.70	28.51
Net assets per share	Rs.	529.40	(1.33)	536.56	528.65
Current ratio	No. of times	1.04	5.18	0.99	0.97
Quick asset ratio	No. of times	0.67	5.04	0.64	0.64
No. of Shares in issue	No. mn	75	0.00	75	75
<b>Market / Shareholder Information</b>					
Market value per share	Rs.	123.60	(26.43)	168.00	200.7
Dividend per share	Rs.	0.00	(100.00)	5.00	5.00
Company market capitalisation	Rs. mn	9,270	(26.43)	12,600	15,053
Group market capitalisation	Rs. mn	39,998	(18.86)	49,295	63,602
Price earnings ratio	No. of times	24.89	(47.58)	47.48	14.7
Dividend yield ratio	%	-	(100.00)	2.98	2.49
Dividend payout ratio	%	-	(100.00)	141.30	36.62
Dividend Cover	No. of times	-	(100.00)	0.71	2.73
<b>Others</b>					
Economic Value Generated*	Rs. mn	58,695	1.75	57,684	46,572
Economic Value Distributed*	Rs. mn	53,428	0.51	53,159	42,223
Government*	Rs. mn	12,508	(10.39)	13,959	13,233
Employees	Rs. mn	27,389	6.04	25,828	20,434
Others	Rs. mn	13,531	1.19	13,372	8,556
Value Added per employee*	Rs. mn	1.89	2.49	1.85	2.28
Group employment*	Number	31,029	(0.72)	31,255	31,832
Average Revenue per employee	Rs. mn	6.78	(2.95)	6.98	5.13
Average operating income per employee	Rs. mn	0.53	4.20	0.51	0.36
Credit Rating		A+ (lka)	-	A+ (lka)	AA- (lka)

\* Restated

# Non-Financial Performance

		2020	Change %	2019	2018
<b>Consolidated Statement of Social Performance</b>					
<b>Employees</b>					
Employees on payroll*	No.	31,029	(0.01)	31,255	31,832
Female representation	%	38	-	38	39
New recruits	No.	4,651	30.04	3,567	2,684
Investment in training	Rs.mn	68	(35.24)	105	95
Training hours	Hours	224,279	34.53	166,708	250,623
Average training hours per employee	Hours	7.23	36.42	5.3	7.9
Retention rate	%	85	(6.60)	91	83
Workplace Injuries	No.	192	(88.02)	1,603	383
Lost working days	No.	4,162	(71.16)	14,432	1,252
<b>Customers</b>					
Customer reach	No.	10,437,667	12.06	9,314,769	7,614,914
Customers acquired	No.	1,122,834	(33.96)	1,699,855	419,105
Revenue generated	Rs.mn	210,307	(4.05)	219,181	163,249
<b>Suppliers and Business Partners</b>					
Total number of suppliers**	No.	19,224	(1.01)	19,420	>60,000
SME suppliers	No.	11,314	(14.44)	13,224	>30,000
Payments to suppliers	Rs.mn	95,953	(29.27)	135,662	60,756
Proportion of spending on local suppliers	%	63	40.00	45	60
Suppliers supported through development programs	No.	182	(8.15)	351	-
<b>Community Engagement</b>					
Investment in CSR***	Rs.mn	273	-	>250	>350
Beneficiaries of CSR****	No.	418,038	354.39	92,000	>250,000
No. of new products developed	No.	193	(2.03)	197	348
No. of products in the pipeline	No.	52	(44.09)	93	119
Investment in R&D	Rs.mn	129	(53.6)	278	103
<b>Consolidated Statement of Environmental Performance</b>					
Energy consumption	Mn GJ	3.74	(1.32)	3.79	2.54
Renewable electricity generation	%	43	53.57	28	-
Water usage	Mn m <sup>3</sup>	5.99	27.99	4.68	4.61
Water recycled through treatment plants	%	56.5	126.9	24.9	10.2
Recycled water usage	%	8	-	-	-
Solid waste	MTs	52,051	(33.23)	77,952	22,080
Effluents discharged	Mn m <sup>3</sup>	3.93	5.93	3.71	3.07
Carbon footprint	tCO <sub>2</sub> e	168,924	3.71	162,876	116,547
Emission intensity	KgCO <sub>2</sub> e/revenue mn	803	8.08	743	714
<b>Consolidated Statement of Economic Performance</b>					
Indirect employment	No.	5,343	(14.58)	6,255	>20,000
Supplier reach	No.	19,224	(1.01)	19,420	>60,000
<b>Capacity Building</b>					
Construction materials	No. of Trainees	3,768	25.06	3,013	1,545
Agriculture	No. of Trainees	178	(9.18)	196	-
Consumer & Retail	No. of Trainees	4,605	>100	800	2,700
Job creation outside the Western Province	No.	2,085	7.8	1,934	2,320
Innovations (total new products introduced)	No	193	(2.03)	197	348
Renewable energy generated	MWh	58,493	44.81	40,391	35,411

\* Restated

\*\*\* Includes Plantation Sector projects done with external contributions

\*\* Restated to reflect end of year figures

\*\*\*\* Broadened scope to include estate communities benefitting from Plantation Sector CSR

# Snapshot of Our Businesses



## Eco Solutions

Sri Lanka's leading manufacturer and exporter of value-added coconut fibre products, with a global reputation for innovation and tailor-made solutions.



### Main products

- Brush-ware
- Floor Coverings
- Industrial Fibre



### Relevance to Group

**3%** Revenue  
**6%** PBT



## Hand Protection

We serve 5% of global demand for household and industrial gloves, with a global reputation for innovation, quality, and sustainability.



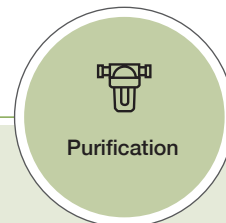
### Main products

- Industrial gloves
- Household gloves
- Medical gloves



### Relevance to Group

**8%** Revenue  
**15%** PBT



## Purification

The world's largest manufacturer of coconut-shell based activated carbon, we have built a global reputation for quality and sustainable production methods.



### Main products

- Granular AC
- Powder AC
- Environmental engineering solutions



### Relevance to Group

**11%** Revenue  
**32%** PBT



## Agriculture

We are an industry pioneer in agricultural innovation and provide a wide range of agriculture related solutions to the retail and export markets.



### Products/Activities

- Processed fruits and vegetables
- Crop production
- Crop protection
- Animal health



### Relevance to Group

**6%** Revenue  
**15%** PBT



## Consumer & Retail

We own and operate Sri Lanka's leading consumer durables player Singer (Sri Lanka) PLC which has dominant market positions in numerous product segments. We also represent the globally renowned brand Proctor and Gamble.



### Products/Activities

- Consumer products
- Consumer Durables



### Relevance to Group

**29%** Revenue  
**10%** PBT



## Leisure

We own and operate 7 resort properties through the Amaya Resorts chain and The Kingsbury, a five-star city hotel



### Products/Activities

- Resort and city hotel operations
- Inbound tours



### Relevance to Group

**2%** Revenue  
**(13%)** PBT



**Textiles**

We supply fabric to leading global fashion brands and have the capability to cater to end-to-end customer requirements



**Main products**

- Single Jersey
- Interlock
- Pique
- Rib
- Fleece
- Polar fleece



**Relevance to Group**

**6%** Revenue  
**4%** PBT



**Construction materials**

We are Sri Lanka's leading manufacturer of aluminium extrusions, offering a range of products to the residential and industrial segments.



**Main products**

- Windows
- Partitions
- Curtain walls
- Louvers
- Shop fronts
- Doors



**Relevance to Group**

**2%** Revenue  
**1%** PBT



**Plantations**

One of Sri Lanka's largest plantation sector contributors, we generate 3.6% and 3.9% of the country's tea and rubber production respectively.



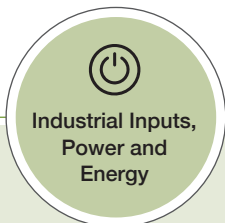
**Main products**

- Tea
- Rubber



**Relevance to Group**

**6%** Revenue  
**3%** PBT



**Industrial Inputs, Power and Energy**

We are a leading supplier of industrial raw materials, generators and engineering solutions. Contribute nearly 50 MW of renewable energy to the national grid.



**Products/Activities**

- Renewable energy
- Industrial materials
- Power engineering solutions
- Life Sciences and medical equipment



**Relevance to Group**

**3%** Revenue  
**15%** PBT



**Transportation & Logistics**

Sri Lanka's leading player in the transportation and logistics industry, we provide the entire gamut of transportation related services



**Products/Activities**

- International freight management
- Integrated Logistics
- Marine Services
- Terminals and Engineering



**Relevance to Group**

**21%** Revenue  
**38%** PBT



**Others**

This includes our BPO operation, Unisyst Engineering, Fentons Group and the Group Services



**Products/Activities**

- Integrated Engineering Solutions
- Business process outsourcing
- Aluminium framed glazed architectural systems
- Investments



**Relevance to Group**

**2%** Revenue  
**(26%)** PBT



# Steadfast and decisive



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## Leadership

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## Chairman's Message



Dear Shareholder,

Hayleys PLC has delivered a resilient performance in arguably the most challenging year in its 142-year history. The year commenced with the horrific terror attacks in April 2019 with a direct impact on The Kingsbury, the Group's iconic hotel. Amidst the tragedy, the spirit of Hayleys strengthened as we came together to rebuild and renew, with pledges across sectors of the Group to stretch themselves to the limit to deliver their contributions in the shortest possible time, to the highest quality. Our strengths were in the diversity of the Group and a team that was able to implement solutions. While many things have changed over the years, it is the Hayleys spirit which has endured, nurtured through Hayleys' lore, a mentoring culture, the Hayleys' Way and the portraits of our captains that serve as a constant reminder of the standards we uphold. This legacy strengthened during the year and has been evident during and after the pandemic as we brace ourselves for turbulence in the year ahead. Therefore, I would like to commence my message by thanking each and

everyone of the Hayleys family who stepped up and played their part in the results set out before you in our Annual Report for the financial year ending 31st March 2020.

### A Volatile Landscape

It is rare to have single black swan impact operations in one year but in Sri Lanka we experienced two major black swan events marking the beginning and end of the year. Consequently, days of lost productivity and sales were among the highest recorded in over a decade exacerbated by weak economic conditions and limited policy options to manage a growing balance of payments and trade deficit. On the positive side, interest rates declined during the year as monetary policy focused on stimulating economic growth.

Reduced productivity and geopolitical tensions continued to weaken global trade and economic growth in 2019 resulting in a moderation of the outlook for 2020 which declined even before the COVID-19 pandemic. Crude oil prices fell to record lows although this has now settled at a relatively low price due to commencement of economic activities.

***Hayleys PLC has delivered a resilient performance in arguably the most challenging year in its 142-year history.***

Accounting for

**3.2%** of Country's exports

**31,029** Employees

> 5,343 Indirect Employees

Turnover

**Rs.210.31** bn

4% ↓

EBITDA

**Rs.23.38** bn

11% ↑

Operating Profit

**Rs.16.47** bn

3% ↑

Profit Before Tax

**Rs.5.50** bn

1% ↑

Total Assets

**Rs.248.31** bn

7% ↑



The last 10+ days of the financial year being in lockdown during what is typically a peak month for most sectors was a severe blow for all at country, corporate and personal levels. The sudden output halt is likely to dwarf the losses triggered by risk events in recent memory exacerbated by uncertainty of the duration and intensity of the pandemic. While economic activity has recommenced in domestic economies around the world and sluggish international trade, international borders remain closed for travel and tourism which contributed to around 10% of global GDP in 2019. Widening inequalities and pandemic dynamics necessitate recalibration of economic, health and humanitarian priorities by governments which is likely to exacerbate impacts on some sectors. Consequently, the financial year that has commenced with nearly 6 weeks in lockdown is likely to be even more challenging than the reporting year.

Hayleys Group has increased the rigor of its monitoring and review processes to facilitate early identification of challenges and opportunities together with an organisation-wide initiative to rationalise costs. We are eager to get over the worst and move beyond restoring normalcy to a new growth paradigm, seizing opportunities and adapting to thrive in a world that has reset after the pandemic.

### A Resilient Performance

Hayleys PLC delivered a resilient performance recording Rs.2.89 bn as Profit after tax reflecting an increase of 5% in an extremely challenging year. Revenue declined marginally by 4% largely due to the adverse impacts of the terror attacks and the pandemic and weak global trade. We continued our strategy of improving margins through increasing value addition in the manufacturing facilities of the Group which enabled an increase in Gross Profit by 2.4% to Rs.50.15 bn despite the lower revenue. Other income declined by 33% due to one-off items in the previous year. Lower Administration costs and improved Gross Profits cushioned the increase in Selling & Distribution Expenses and decline in Other Income. Accordingly, Operating profit improved by a moderate 3% to Rs.16.47 bn reflecting focused efforts to manage costs and improve margins. Encouragingly, EBITDA increased by 11% to Rs.23.38 bn due to the same initiatives.

Finance costs were maintained in line with the previous years as we were able to reduce the overall cost of borrowings during the year aided by downward movements in interest rates. Additional charges on finance leases related to Right of Use assets recognition on the Statement of Financial Position as per SLFRS 16 were offset by the lower foreign exchange costs, stabilizing Profit Before Tax (PBT) at Rs.5.5 bn slightly above the previous year. A lower effective tax rate of 50% was supported by deferred tax reversals and reduced Income tax on dividends which resulted in a reduced tax charge of Rs.2.61 bn. Accordingly, we recorded Rs.2.89 bn as Profit After Tax (PAT) reflecting a 5% increase over the previous year despite closing the year under lockdown.

Conscious efforts were made to rein in borrowings and strengthen the balance sheet in view of weakening macroeconomic conditions. However, implementation of SLFRS 16 Leases resulted in the addition of a further Rs.7.7 bn into interest bearing borrowings. Additionally, Short-term debt was converted to Long-term debt, stabilising the funding structure to face challenging times. The Group also availed itself of loan moratoria under schemes introduced to provide relief for the Leisure sector in May 2019 and again in April 2020. We also repaid Rs.3.5 bn in debentures during the year and

issued a new debenture for Rs.3 bn which was oversubscribed on the opening day. Gearing stands at 66% at the close of the year compared to 65% in the previous year. We will continue with our initiatives to achieve optimum gearing levels during the year that has commenced already.

### Review of Business Verticals

Hayleys Group derives 53% of its revenue from the domestic market while balance is derived from exports. Exports revenue was maintained at previous years' level despite weaker merchandise trade globally in 2019. Revenue from the domestic market was impacted by multiple factors which are discussed within each sector in addition to business closures at the beginning and end of the year which affected every business. Transportation & Logistics, Purification, Hand Protection and Agriculture sectors contribute over Rs.1 bn each to the Profit Before Tax in the reporting year.

### Transportation & Logistics

The Advantis Group delivered a solid performance during the year recording Rs.2.5 bn as PBT despite an overall moderation of economic growth in the Indian subcontinent which impacted both transshipment and import volumes. Operations of the Advantis Group were expanded to include the Aviation sector and this subsector was expanded with the addition of 3 new General Sales Agencies during the year. Marine operations capabilities were enhanced by the addition of an Anchor Handling tug for salvage operations which is one of the largest in the Indian sub-continent to elevate this key area of activity. Advantis recorded a full year's operations with capacity utilisation reaching 76% supported by aggressive customer acquisition and was replicated in Myanmar, Bangladesh, Indonesia and India as well. Operations in Hambantota port were stepped up and Advantis became the largest user of the Hambantota port in terms of handling vehicles. The Terminals & Engineering operation ventured into supporting infrastructure projects tying up with a Vietnamese brand for pre-engineered buildings to secure a contract to build the largest pre-engineered building in Sri Lanka. The International Freight Management was strengthened with the addition of a

Sector ROCE		
	2020	2019
Eco Solutions	5.6%	6.9%
Hand Protection	11.5%	9.4%
Purification	19.3%	11.9%
Textiles	8.4%	10.4%
Construction Materials	9.2%	12.1%
Plantation	5.2%	9.9%
Agriculture	18.4%	28.2%
Consumer & Retail	9.6%	11.1%
Leisure	-3.8%	7.4%
Industry Inputs, Power & Energy	14.7%	12.1%
Transportation & Logistics	13.8%	14.4%
Others	3.4%	3.8%
Group	8.84%	9.13%

## Chairman's Message

new logistics partner, enhancing capacity. Advantis Ultra, the Group's construction platform launched and operationalised fully, gaining market acceptance within a short time. Importantly we transformed our inland courier service Citypak to handle e-commerce, repositioning it for growth.

### Purification

Purification turned in a resilient performance while responding to changing demand dynamics of diverse applications. Improved EBITDA and PBT margins affirm the success of these strategies coupled with innovation and excellence in manufacturing which are key factors for success in intensely competitive global markets. COVID-19 impacted all our factories including those in Thailand and Indonesia but all facilities are now operating at satisfactory levels with increased precautionary measures in place. The demand for health related applications has increased exponentially since the onset of COVID and managing demand will be a priority as order books are now full. New opportunities have opened in the domestic market as well and we are collaborating with Apparel sector players to utilise their excess capacity for production of masks for both export and domestic markets. Growth opportunities for this sector are attractive and we will need to carefully allocate resources to seize the right opportunities that offer sustainable growth in the long term while meeting urgent healthcare requirements for curtailing the pandemic.

### Agriculture

Hayleys Agriculture supply chains link rural communities to global opportunities supporting livelihoods of thousands with purchases, a technical know-how, tools and seeds. It also performs vital role in the country's food security through its partnership with the Ministry of Agriculture promulgating Good Agricultural Practices and facilitating capacity building through an islandwide network. Sector achievements during the year were impressive including the supply of over 1,000 drip irrigation systems to farmers in water stressed districts under a World Bank funded programme, launch of Tetrin which is a low toxic weedicide for paddy farmers on completion of 4 years

of trials and launch of new equipment to address labour shortages and productivity in agriculture. This sector is also engaged in revising the Advanced Level agriculture syllabi with the Department of Education and conducting teacher training to grow a new generation of agricultural entrepreneurs in the country, supporting development of agriculture at a national level. It is also the only producer of hybrid flower seeds in Sri Lanka solely for the export market. The Bangladesh operations now in its 21st year expanded with the purchase of our own premises for growth of seed paddy and contributes positively to profitability. Climate change impacts continue to be a challenge which was exacerbated by the two weeks closure at the close of the year resulting in a decline in profitability although it remains one of the 5 sectors to deliver over Rs.1 bn in PBT. The outlook for this sector remains positive as food security continues to rise in agendas of policymakers.

### Hand Protection

Hand Protection continued to maintain the growth momentum achieved in the previous year, shifting focus from household to industrial gloves in both Sri Lanka and Thailand facilities, pursuing a strategy of margin growth. Accordingly, the sector invested Rs. 445 mn in capex to improve capabilities for manufacturing supported gloves. We continued to explore new export opportunities in the US, EU, Russia and South America. Profitability was driven through growth in nitrile glove segment and conversion of production facilities were handled by the in-house team of engineers which affirms the capacity for innovation and technical capabilities within the team. Operations in Thailand faced challenges due to low margins but this was addressed with the acquisition of a large new customer which has increased capacity utilisation and margins with full order books. This sector continues its lean and six sigma initiatives driving continuous improvement in its operations. The hardwork had brought back the Sector to the Rs.1 bn PBT tier after a period of five years despite lost sales in the last two weeks of March 2020. This sector is also witnessing excess demand due to relevance to healthcare and every effort is being made to meet the demand.

## HIGHLIGHTS

### Transportation & Logistics

Revenue Rs. 43.6 bn	⬆️	5%
EBITDA Rs. 5.5 bn	⬆️	21%
Op. Profit Rs. 3.9 bn	⬆️	10%
PBT Rs. 2.5 bn	⬆️	2%
PAT Rs. 1.5 bn	⬆️	3%
Capex Rs. 1.6 bn		

Total Assets Rs. 41.02 bn ⬆️ 15%

### Purification

Revenue Rs. 22.8 bn	⬆️	9%
EBITDA Rs. 3 bn	⬆️	49%
Op. Profit Rs. 2.5 bn	⬆️	64%
PBT Rs. 2.2 bn	⬆️	77%
PAT Rs. 1.8 bn	⬆️	84%
Capex Rs. 0.7 bn		

Total Assets Rs. 18.7 bn ⬆️ 1%

### Agriculture

Revenue Rs. 13.6 bn	⬆️	9%
EBITDA Rs. 1.7 bn	⬆️	8%
Op. Profit Rs. 1.5 bn	⬆️	10%
PBT Rs. 1.0 bn	⬆️	11%
PAT Rs. 0.75 bn	⬆️	13%
Capex Rs. 0.14 bn		

Total Assets Rs. 13.7 bn ⬆️ 3%

### Hand Protection

Revenue Rs. 17.9 bn	⬆️	4%
EBITDA Rs. 1.7 bn	⬆️	18%
Op. Profit Rs. 1.1 bn	⬆️	23%
PBT Rs. 1.0 bn	⬆️	29%
PAT Rs. 0.8 bn	⬆️	61%
Capex Rs. 0.45 bn		

Total Assets Rs. 13.1 bn ⬆️ 2%

### Eco Solutions

Eco Solutions sustained the higher levels of performance throughout the year despite weaker global demand but was impacted by the lockdown in March 2020. The mattress plant was expanded to cater to the needs of the domestic market with encouraging results. Growing media is also on a favourable trend and opportunities for higher levels of value addition for both the domestic and export markets. The sector also consolidated its operations in India and expanded production of mats. Our continued investment in backward integration operations in the North and East were also expanded by increasing warehousing and purchase of land for drying yards. Future focus areas include expansion of exports to US and Russia and strengthening backward integration.

### Plantations

The Plantation sector delivered a resilient performance as tea prices declined during the year and the prolonged effects of the glyphosate ban on the Japanese market. Talawakelle Tea Estates PLC and Kelani Valley Plantations PLC continue to maintain their No.1 and No.2 positions in GSA rankings for Tea while Kelani Valley also maintains its No.1 position for gross profitability in the rubber sector reflecting our commitment to Good Agricultural Practices and responsible manufacturing processes. RPC's are suggesting a productivity based revenue sharing model to the current wage negotiations as the way forward to this struggling industry. Mabroc Teas (Pvt) Ltd. recorded PBT growth of 25%. We also like to commend the authorities for the introduction of online tea auctions to quickly bounce back the trading.

### Consumer & Retail

Singer recorded growth in profitability despite a difficult year as consumer confidence was at a low end in the months after the terror attacks and the lockdown. The slowdown of mobile phone sales had a significant impact on the performance of the retail business. Singer's customer value proposition continues to expand with an unparalleled portfolio of brands and products in the country. The sector continued to strengthen local manufacture and introduced several models of refrigerators and washing machines to the market during

the year. Profitability was improved by the rationalisation of channels and the solid performance of Singer Finance (Lanka) PLC. Despite significant uncertainties due to COVID-19 impacts, the performance since opening has been encouraging with movement in kitchen appliances and TVs as families spent more time at home due to social distancing measures in place.

### Construction Materials

The Construction Materials sector continued to face intense competition due to excess capacity in the domestic market exacerbated by the two week lockdown in March. While the construction sector in the country recorded growth, this was mainly due to large projects which imported aluminium for their requirements which compounded the woes of this sector. Additionally, Aluminium fabrication business experienced difficulties collecting receivables in line with other players in the construction sector due to delays in completing projects. We expect this industry to develop the extrusion and fabrication of aluminium as government's intention is to restrict importation.

### Industrial Inputs, Power & Energy

Industrial Inputs, Power & Energy sector improved profitability through refocusing effort into growth areas. This sector represents over 67 principals, supporting growth of the country's industrial sector through its industrial inputs, the health sector through its Lifesciences operations and Energy sector through investments in renewable energy and energy solutions while also exporting industrial inputs into Bangladesh. The Engineering division became profitable with efficient project management in the installation of energy efficient lifts and generators and centralising procurement. Lifesciences refocused its business to introduce next generation personalised target therapy treatments for medical professionals enabling better health management and research for patients with higher successful outcomes. Future plans include expansion of wind and solar energy investments, innovative solutions for smarter cities supporting the construction industry, more technology innovation for health sector and specialised solution for greener and smarter manufacturing.

## HIGHLIGHTS

### Eco Solutions

Revenue Rs. 6.2 bn	⊕	6%
EBITDA Rs. 0.5 bn	⊕	4%
Op. Profit Rs. 0.4 bn	⊕	1%
PBT Rs. 0.4 bn	⊕	5%
PAT Rs. 0.3 bn	⊕	16%

Capex Rs.0.6 bn

Total Assets Rs. 11.6 bn ⊕ 18%

### Plantations

Revenue Rs. 12.6 bn	⊕	3%
EBITDA Rs. 0.9 bn	⊕	31%
Op. Profit Rs. 0.4 bn	⊕	57%
PBT Rs. 0.2 bn	⊕	64%
PAT Rs. 0.11 bn	⊕	76%

Capex Rs. 1.2 bn

Total Assets Rs. 13.4 bn ⊕ 6%

### Consumer & Retail

Revenue Rs. 61.5 bn	⊕	8%
EBITDA Rs. 5.8 bn	⊕	24%
Op. Profit Rs. 4.3 bn	⊕	6%
PBT Rs. 0.6 bn	⊕	>100%
PAT Rs. 0.4 bn	⊕	>100%

Capex Rs. 0.9 bn

Total Assets Rs. 65.9 bn ⊕ 8%

### Construction Materials

Revenue Rs. 4.6 bn	⊕	7%
EBITDA Rs. 0.7 bn	⊕	6%
Op. Profit Rs. 0.5 bn	⊕	22%
PBT Rs. 0.07 bn	⊕	62%
PAT Rs. 0.03 bn	⊕	76%

Capex Rs. 0.1 bn

Total Assets Rs. 6 bn ⊕ 3%

## Chairman's Message

### Textiles

Hayleys Fabric continued its growth momentum for most of the year but was adversely impacted by the sudden closure due to the pandemic. Profit levels which tripled last year has been maintained with an additional 28% growth in a year of weakening global demand, reflecting the successful innovation and differentiation strategy pursued over the recent past. It also innovated a mobile application to support its ecofriendly range of fabrics made with ocean waste yarn to connect consumers to the locations of ocean waste recovery, taking the athleisure value proposition to a new level of consumer consciousness. The sector has quickly adapted strategy post COVID pandemic to focus on Personal Protective Equipment which has supported a strong order pipeline. Its main focus category, athleisure, is likely to have demand due to work from home practices adopted across global markets.

### Leisure

The Leisure sector had the most difficult year in its history commencing with the bomb blast at Kingsbury and its aftermath which affected tourist arrivals for most of 2019. By November 2019, the sector showed signs of a strong recovery and had strong bookings for 2020 which were unfortunately impacted by COVID-19 with a complete closure of all properties in the last two weeks of March 2020. While moratoria on loans support with cash flow, the loss of revenue during the year was a body blow coming hard on the heels of the first black swan. We invested in refurbishing the damaged areas of the hotel, augmenting proceeds of insurance claims with our funds to create contemporary spaces. All hotels are now open with safety measures in place, catering to the domestic market and I am pleased to report that our resorts are proving popular with discounted rates and our exclusive "buy now, go whenever" offer in collaboration with credit card issuers which is supporting cashflows. Tour operations handled more passengers than the previous year but earned less due to the discounted rates that prevailed during the year. However, significant concerns remain on the outlook for the sector in the year that has commenced until the value chain becomes fully operational and tourist confidence is restored in the safety of travel.

### Others

"Others" sector was restructured with the transfer of Aviation, Projects and S&T Interiors to Advantis Group in the reporting year leaving BPO operations, Unisyst Engineering PLC, and Fentons which had a year of mixed fortunes. Fentons recorded a strong recovery from a loss situation to reach breakeven during the year. Unisyst Engineering PLC also had a difficult year with debt collection on major projects proving difficult to collect. Other business segments delivered a resilient performance amidst challenges. Finance costs of this sector remain high due to borrowings which funded investments in the past. The sector restructuring continued this year with the transfer of Unisyst Engineering PLC to the Advantis Group, enabling greater focus on refining profitability of remaining segments.

### Committed to Sustainability

Sustainability is living our values with concern for people, planet and profits and making the hard decisions in hard times to maintain the balance between these three priorities. Hayleys has lived its values both after the terror attacks and the COVID-19 pandemic by maintaining the salaries of our employees at the same levels despite moves by many corporates to reduce salaries of their employees in swift response to lockdown measures implemented in March 2020. The Hayleys Group Executive Directors and Group Management Committee have taken a voluntary pay cut but left the salaries of employees intact recognising the additional stress they are likely to endure if we adopted similar practices. Choices made in times like this define the culture and reflect the true sustainability mindset of the organisation. We believe that this is the right thing to do at a time of stress at every level, driving sustainable profitability rather than short term gains which have been derived through pay cuts implemented at a time when employees were powerless to make a choice. I believe we have upheld the trust of our employees and look to their cooperation to take Hayleys PLC to a new level of performance despite the odds and uncertainties.

I am encouraged by the results over the past two months as many returned to work voluntarily to care for plants and ensure

### HIGHLIGHTS

#### Industrial Inputs, Power & Energy

Revenue Rs. 6 bn		2%
EBITDA Rs. 1.6 bn		19%
Op. Profit Rs. 1.2 bn		25%
PBT Rs. 0.99 bn		57%
PAT Rs. 0.9 bn		36%

Capex Rs. 0.1 bn

Total Assets Rs. 13.6.bn 

#### Textiles

Revenue Rs. 12 bn		2%
EBITDA Rs. 0.9 bn		2%
Op. Profit Rs. 0.4 bn		4%
PBT Rs. 0.3 bn		4%
PAT Rs. 0.2 mn		28%

Capex Rs. 0.6 bn

Total Assets Rs. 9.3 bn 

#### Leisure

Revenue Rs. 4.5 bn		30%
EBITDA Rs. 0.4 bn		65%
Op. Profit Rs. 0.35 bn		<100%
PBT (Rs.0.9 bn)		<100%
PAT (Rs.0.9 bn)		<100%

Capex Rs. 1.5 bn

Total Assets Rs. 16.3 bn 

#### Others

Revenue Rs. 4.7 bn		11%
EBITDA Rs. 1.8 bn		7%
Op. Profit Rs. 1.6 bn		6%
PBT (Rs.1.7 bn)		<100%
PAT (Rs.1.7 bn)		<100%

Capex Rs. 0.081 bn

Total Assets Rs. 70.9 bn 

that logistics were supported reflecting their personal commitment and recognition of the importance of their work. The ideas for saving costs have also been flowing fast as people committed to improving processes within their spheres of activity. High levels of environment consciousness inculcated over the year is evident in the solutions provided for cost savings which are rooted in sustainability, proving that continued commitment to sustainability principles is the way forward to a “smarter, greener and fairer world” as propounded by the IMF.

Our philanthropic initiatives continued with as we extended the Going Beyond Puritas Sathdiyawara campaign supporting the communities which received the water purification plants with donations for schools and other capacity building initiatives. The Plantation sector continued its Home for Every Plantation Worker project supporting over 300,000 beneficiaries with their own homes during the year. We also matched staff’s own initiative of one day’s pay donation to the government with the onset of the pandemic to support national efforts to assist the needy.

Readers will note the condensed nature of this year’s annual report as we made choices to spend the money where it mattered. We have pared down the report to its bare elements of Financial and ESG reporting (Environment, Social & Governance), seeking to provide relevant information in the most concise manner without the fuller reporting in compliance with the GRI Standards and the Integrated Reporting Framework. We have drawn on the principles of these standards and frameworks to design this concise report but omitted some aspects that were necessary to ensure full compliance. This is a good example of a trade off of human capital versus intellectual and financial capital under extraordinary circumstances. I trust readers will find the same commitment to evidencing performance through quantitative measures within these pages and the most material matters included to provide sufficient information on our operations. I also wish to assure our shareholders that the policies, systems and processes that produce both financial and non-financial information are

maintained with the same rigour as in the past as the information is integrated into the management information systems of the Group. We maintain our commitment to the UN Global Compact Principles as well and will submit the annual returns demonstrating compliance. Hayleys PLC remains committed to holistic reporting and will resume our fuller report format which has earned coveted awards in the past on resumption of normalised activity.

### Increased Oversight

I welcome Mr. Rohan Karr and Mr. Gamini Gunaratne to the Hayleys PLC Board and Ms. Kawshi Amarasinghe as an Alternate Director to Mr. Dhammika Perera, enhancing the collective skills and experience on the Board. The Board joins me in thanking Mr. Noel Joseph who resigned during the year and thank him for his valuable contributions to the Group.

Extraordinary times require extraordinary measures and Hayleys PLC has strengthened oversight over its business sectors with weekly meetings of the Group Management Committee. Additionally, the rigour of reviews have been strengthened to drive top line growth, derive group synergies and refocus attention on growth areas while simultaneously focusing on potential cost rationalisation. These meetings have proved to be fertile ground for new ideas and we see the evolution of Hayleys taking shape at an accelerated pace as we seek to allocate limited resources to the most productive areas.

I pause a moment to reflect on the legacy that is Hayleys PLC. A 142 years takes us back to a time of steam powered engines and a newly invented telephone that enabled international trade across oceans. The Group has kept pace with innovations each era presented, working its way through challenges as it adapted and evolved to its present shape and form. We are indeed indebted to visionaries of the past who have shaped the vast business interests of the Hayleys Group. The Board of Directors is extremely conscious that our decisions impact the fortunes of the Group in future generations and are committed to steering the Group through the stresses and volatility of the present and to ensuring that its geared to perform in a world that has reset.

### Appreciations

Difficult times have the potential to bring people together in unexpected ways to accomplish great things. As we look ahead to a year of uncertainty in many sectors, I am reminded of the spirit of Hayleys that has endured over the years, passed down through our employees who have shared their wisdom and experiences over innumerable cups of tea at meetings and informal gathering which are part of our rich traditions. I commend our team and the able leadership of the Group Management Committee once again for their contributions to our performance and keeping alive the spirit of Hayleys, specially during the recommencement of business after the pandemic. Our business partners have been a strength throughout the year and I thank them for their cooperation.

I wish to thank the Co-Chairman Mr. Dhammika Perera for the guidance and constructive challenge of ideas as we steered the Group through a difficult year. I also express my sincere appreciation of the deliberations and counsel of my fellow Directors who contributed their expertise to shaping key decisions. In conclusion, I thank the shareholders for their continued confidence in Hayleys PLC to deliver sustainable growth with due care for people, planet and profits.



**Mohan Pandithage**  
Chairman and Chief Executive

17th June 2020



# Board of Directors



**Mohan Pandithage**  
Chairman & Chief Executive



**Dhammika Perera**  
Co-Chairman, Non-Executive



**Sarath Ganegoda**  
Executive Director



**Rajitha Kariyawasan**  
Executive Director



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



**Ruwan Waidyaratne**  
Executive Director



**Hisham Jamaldeen**  
Independent Non-Executive Director



**Aravinda Perera**  
Independent Non-Executive Director



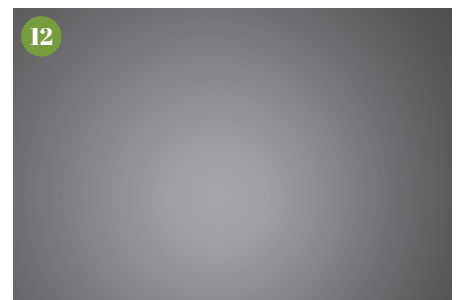
**Mrs. Jayanthi Dharmasena**  
Executive Director



**Rohan Karr**  
Executive Director



**Gamini Gunaratne**  
Independent Non-Executive Director



**Ms. Kawshi Amarasinghe**  
Alternate Director to Mr. Dhammika Perera

## 1 Mohan Pandithage

### Chairman & Chief Executive

Joined the Hayleys Group in 1969. Appointed to the Hayleys PLC Board in 1998. Chairman and Chief Executive of Hayleys PLC since July 2009. Fellow of the Chartered Institute of Logistics & Transport (UK). Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Shipping Agents. Recipient of the Best Shipping Personality Award by the Institute of Chartered Shipbrokers; Leadership Excellence Recognition – Institute of Chartered Accountants of Sri Lanka; honored with Lifetime Achievement Award at the Seatrade – Sri Lanka Ports, Trade and Logistics; Lifetime Award for the Most Outstanding Logistics and Transport Personality of the Year – Chartered Institute of Logistics & Transport. He is the Chairman of Unisyst Engineering PLC, Alumex PLC, Amaya Leisure PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, Talawakelle Tea Estates PLC, The Kingsbury PLC, Horana Plantations PLC, and serves on the Board of Diesel & Motor Engineering Co PLC.

## 2 Dhammika Perera

### Co-Chairman, Non-Executive

Appointed to the board in 2008. Mr. Dhammika Perera is a quintessential strategist and a business leader with interests in a variety of key industries including manufacturing, banking and finance, leisure, plantations and hydro power generation. He has over 30 years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and un-quoted companies. Mr Perera is the Chairman of Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resort PLC, Vallibel Power Erathna PLC, Greener Water Limited, Uni-Dil Packaging

Limited, Delmege Limited, and LB Microfinance Myanmar Company Limited. He is the Co-Chairman of The Kingsbury PLC and Singer (Sri Lanka) PLC. Executive Deputy Chairman of LB Finance PLC, Deputy Chairman of Horana Plantations PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC and Dipped Products PLC.

## 3 Sarath Ganegoda

### Executive Director

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

## 4 Rajitha Kariyawan

### Executive Director

Joined Hayleys Group in January 2010. Appointed to the Group Management Committee in February 2010. Appointed to the Board in June 2010. Holds a BSc. 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 overall responsibility for the Purification Products sector as the Managing Director of Haycarb PLC. Is also the Managing Director of Eco Solutions Sector whilst functioning as a Director of Dipped Products PLC and Hayleys Fibre PLC.

## 5 Dr. Harsha Cabral, PC

### Independent Non-Executive Director

Dr. Cabral is a President's Counsel in Sri Lanka with thirty-two years' experience in the field of Company Law, Intellectual Property Law, Commercial Law, Securities Laws, International Trade Law & Commercial Arbitration. He has been a President's Counsel for fifteen years and commands an extensive practice in the Commercial High Courts and the Supreme Courts of Sri Lanka. He holds a doctorate in Corporate Law from the University of Canberra, Australia and is a sitting member of the International Chamber of Commerce (ICC) International Court of Arbitration in Paris. Dr. Cabral is a Fellow of the Institute of Chartered Secretaries & Administrators (UK). Dr. Cabral is also Representative Member of the Federation of Integrated Conflict Management (FICM) as well as a Representative Member of the International Commercial Disputes Tribunal (ICDT). Dr. Cabral is a Member of the Law Commission of Sri Lanka, a Member of the Board of Investment of Sri Lanka, a Member of the Intellectual Property Advisory Commission of Sri Lanka, a Member of the UGC Standing Committee on Legal Matters, UGC Nominee on the Post Graduate Institute of Medicine (PGIM), a Board Director at SLIIT and a Member of the Board of Management of the NSBM Green University, Sri Lanka. He is a Council Member of the Institute for the Development of Commercial Law & Practice (ICLP) and the Course Director for the Diploma in Commercial Arbitration. As a Member of the Advisory Commission on Company Law in Sri Lanka, Dr. Cabral was one of the architects of the Companies Act No. 7 of 2007, the current Act. As a Member of the

## Board of Directors

Council of Legal Education in Sri Lanka, as a Member of the Ministerial Committee appointed to reform Commercial Arbitration in Sri Lanka, as a Founder Board Member of the Sri Lanka International Arbitration Centre, as a Member of the Corporate Governance Committee of the Institute of Chartered Accountants of Sri Lanka, as a Member of the National Science Foundation, and as the current Vice President of BRIPASL (Business Recovery & Insolvency Practitioners Association of Sri Lanka) Dr. Cabral has contributed immensely to the legal academia and the corporate community of Sri Lanka. He serves as the Chairman of the Tokyo Cement Group, which commands the largest market share for cement in Sri Lanka. He was the immediate past Chairman of LOLC Finance PLC, one of the largest Finance Companies in Sri Lanka. He was a senior Director of the Union Bank of Sri Lanka. Dr. Cabral serves as Independent Non-Executive Director of Hatton National Bank PLC, DIMO PLC, Alumex PLC, Tokyo Cement Company (Lanka) PLC, Tokyo Super Cement Company Lanka (Private) Limited, Tokyo Cement Power Lanka (Private) Limited, Tokyo Eastern Cement Company (Private) Limited, Tokyo Super Aggregate (Private) Limited, Tokyo Supermix (Private) Limited, World Export Centre Limited, CCC-ICLP Alternative Dispute Resolution Centre (Guarantee) Limited and Sri Lanka Institute of Information Technology (Guarantee) Limited (SLIIT) and serves on several Audit Committees, Nomination Committees, Remuneration Committees and the Related Party Transaction Review Committee, chairing most of them. Dr. Cabral is a visiting lecturer at several Universities (local and international) and a regular speaker at public seminars, author of several books and has presented several papers on Corporate Law, Intellectual Property Law, International Trade Law & Commercial Arbitration here and abroad. In addition to his active practice in courts and lecturing, he has been a counsel in many Arbitration and has served as Sole-Arbitrator, Co-Arbitrator and Chairman in a large number of Arbitrations, domestic and international.

### 6 Ruwan Waidyaratne

#### Executive Director

Joined the Hayleys Group in 1985. Has a wide range of expertise in the business of shipping, freight forwarding, logistics and aviation. He has grown through the ranks to become the Managing Director of Hayleys Advantis Limited whilst being appointed as an Executive Director of the Board of Hayleys PLC in April 2013. Currently he holds overall responsibility for the Transportation, and Logistics Sector of the Hayleys Group. Former Chairman of the Ceylon Association of Shipping Agents (CASA). Former Chairman of the Sri Lanka Logistics and Freight Forwarders' Association (SLFFA) and currently serves as a member of its Advisory Council. He is a Chartered Member of the Chartered Institute of Logistics & Transport of Sri Lanka. He is a Member of the Steering Committee on Ports, Shipping, Aviation and Logistics affiliated to the Ceylon Chamber of Commerce and a Member of the National Agenda Committee on Logistics & Transport of the Ceylon Chamber of Commerce. He holds an MBA from the Edith Cowan University of Western Australia and has undergone executive development programmes with the National University of Singapore, Indian School of Business and INSEAD.

### 7 Hisham Jamaldeen

#### Independent Non-Executive Director

Appointed to the Board in February 2014. Mr. Jamaldeen is a finance professional with over 20 years of experience and a seasoned commercial property investor and advisor. Mr. Jamaldeen is the Founding Managing Director of Steradian Capital Investments (Pvt) Ltd and Executive Director of Lanka Realty Investments PLC where he is responsible for financing, corporate structuring, acquisitions and development. He is also the Executive Director of several real estate companies, focusing on commercial, residential and leisure property investment and development. Mr. Jamaldeen serves as a Director of Talawakelle Tea Estates PLC, Singer (Sri Lanka) PLC, Regnis (Lanka) PLC, Singer Industries (Ceylon)

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

### 8 Aravinda Perera

#### Independent Non-Executive Director

Appointed to the Board as Independent Non-Executive Director and as Chairman of Audit Committee in September 2016. Mr Aravinda Perera counts over 36 years in the Banking sector and functioned as the Managing Director of Sampath Bank PLC from 1st January 2012, until his retirement in September 2016.

He is presently the Chairman of Singer Finance (Lanka) PLC. He is also a Director of Pan Asia Banking Corporation PLC, Rocell Bathware Ltd and further to the Directorships, he Chairs the Audit committees of Hayleys Aventura Private Ltd, Hayleys Advantis Ltd and Fentons Ltd.

He was former Chairman of Siyapatha Finance PLC, former Director of Sampath Centre Ltd., Colombo Stock Exchange and Lanka Bangla Finance Limited in Bangladesh. He passed out from University of Moratuwa in 1980 with an Honours Degree in Mechanical Engineering. He is a Member of the Institute of Engineers (Sri Lanka) and a Chartered Engineer. He is also a Fellow Member of the Chartered Institute of Management Accountants (UK) and a Fellow of the Institute of Bankers- Sri Lanka. He also holds an MBA from the Past Graduate Institute of Management. Mr. Perera was honoured with the "CEO Leadership Achievement Award 2016" by the Asian Banker magazine and was also the recipient of the prestigious "Platinum Honours - 2014" Award by the Postgraduate Institute of Management Alumni of Sri Jayawardenapura University. He was honoured with the "Award for the Outstanding Contribution to the Banking Industry - 2015" by the Association of Professional Bankers and was also awarded an Honorary Life Membership by the Association of Professional Bankers in October 2018.



**9 Mrs. Jayanthi Dharmasena**

**Executive Director**

Joined Hayleys Group as a Management Accountant in 1991 and has been with Hayleys Agriculture Sector throughout the career at Hayleys. Appointed to the Group Management Committee and to the Board on 1st April 2018. She is a Fellow Member of the Chartered Institute of Management Accountants, UK. Has responsibility for the Hayleys Agriculture Sector.

**10 Rohan Karr**

**Executive Director**

Joined the Board and Group Management Committee of Hayleys PLC on 1st June 2019. Mr. Karr holds a Masters in Hospitality and Business Studies from UK, and is a veteran in the hospitality industry with 35 years' experience in Executive Vice President / General Manager positions in leading hotels in Sri Lanka and London. He has served as Regional Director of Revenue Management of Marriott Hotels for Whitbread Hotel Company, England, as General Manager of Bristol Marriott Hotel, England and Marriott Marble Arch, London before his return to Sri Lanka. He was instrumental in revitalising standards for the entire domestic hospitality sector through his ground-breaking work as Executive Vice President of John Keells Holdings, overlooking Cinnamon City Hotels and Resorts chain and as Head of Brand Development. He also serves as Managing Director of the Hayleys Leisure sector including Amaya Leisure PLC and The Kingsbury PLC.

**11 Gamini Gunaratne**

**Independent Non-Executive Director**

Appointed to the Board on 1st October 2019. He presently serves as Chairman of Lanka Hotels and Residencies (Pvt) Ltd (Sheraton Colombo), Board Member of Swisstek Ceylon PLC, Regnis (Lanka) PLC, Dipped Products PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Lanka Ceramic PLC and Horana Plantations PLC. Previously he has served as Vice Chairman of the National Water Supply and Drainage Board.

**12 Ms. Kawshi Amarasinghe**

**Alternate Director to Mr. Dhammika Perera**

Appointed as Alternate Director to Mr. Dhammika Perera on the 17th October 2019. Ms. Amarasinghe currently serves as Group Director, International Business Development & CSR at Vallibel One PLC. Prior to joining Vallibel One, Ms. Amarasinghe was attached to World Conference on Youth Secretariat at Ministry of Youth Affairs and Skills Development in Sri Lanka, as a Manager. Earlier in her career, she served as an intern at Strategic Policy Division at Department of Community Safety in Queensland, Australia. Ms. Amarasinghe earned a bachelor's degree in International Studies from University of Queensland in Brisbane, Australia and a specialisation in French Studies at University of Lausanne in Switzerland. She completed her certificate in Management Acceleration at INSEAD Business School in Fontainebleau, France. In addition, she holds a certificate in Hotel Revenue Management from Cornell University in USA.

## Group Management Committee



Dr. Roshan Rajadurai



Rohan Goonetilleke



Mrs. Darshi Talpahewa



Pramuk Dediwela



Niran Ranatunga



Choliya De Silva



Andrew Ng



Hasith Prematillake



Mahesh Wijewardene

**1 Mohan Pandithage**

Please refer profile in Board of Directors

**2 Sarath Ganegoda**

Please refer profile in Board of Directors

**3 Rajitha Kariyawan**

Please refer profile in Board of Directors

**4 Ruwan Waidyaratne**

Please refer profile in Board of Directors

**5 Mrs. Jayanthi Dharmasena**

Please refer profile in Board of Directors

**6 Rohan Karr**

Please refer profile in Board of Directors

**7 Dr. Roshan Rajadurai**

Managing Director of Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC and Horana Plantations PLC. Holds a B.Sc. In Plantation Management, MBA from the Post Graduate Institute of Agriculture, University of Peradeniya, a D.Sc. from Wayamba University and a Ph.D from University of Hawaii, USA. Since 1993 - 2001 held Senior Plantation Management position in Kelani Valley Plantations PLC and from 2002 – 2012 joined Kahawatte Plantations of Dilmah and was Director/CEO 2008–2012.

He was also the Chairman of the Planters' Association of Ceylon and was/is a member of the Sri Lanka Tea Board, Rubber Research Board, Tea Research Institute, Tea Council of Sri Lanka and the Tea Small Holdings Development Authority of Sri Lanka. He was the Chairman of the Consultative Committee on Estate and Advisory Services, a member of the Experiment and Extension Forum of the Tea Research Institute, a Member of the Consultative Committee on Research of the TRI. He is also a member of the Standing Committee on Agriculture, Veterinary and Animal Sciences of the University Grant Commission as well as a member of the Arbitration and Mediation Steering Committee of the Chamber of Commerce.

**8 Rohan Goonetilleke**

Joined the Group as Managing Director /CEO of Hayleys Fabric PLC in March 2013, and was appointed to the Group Management Committee in the same month. Prior to joining Hayleys Fabric, he was appointed as a Director of Brandix X'pressions (Pvt) Ltd, and was appointed to the Board of CLT Apparel (India) (Pvt) Ltd in January 2011, a fully owned subsidiary of Brandix Lanka Ltd. During the period, 2003 to 2010 he was the Managing Director/CEO of Textured Jersey Lanka (Pvt) Ltd, prior to which he was the Managing Director/ CEO of Linea Clothing (Pvt) Ltd, a subsidiary of MAS Holdings (Pvt) Ltd, and prior to that he was at Carson Cumberbatch & Company Ltd as the CEO of Elpitiya Plantations Ltd. He received his higher education in the United Kingdom qualifying as a Graduate Engineer.

**9 Mrs. Darshi Talpahewa**

Joined Hayleys Group in January 2010 and appointed to the Group Management Committee in November 2015. Non-Executive Director Singer Finance (Lanka) PLC . Lawyer by profession, with a LL.B from the University of Colombo and Attorneys-At- Law with first class honours from Sri Lanka Law College. Holds a Master's Degree in Human Resource Management from the University of Northampton. Also holds Master's Degrees in International Relations and Law, from the University of Colombo. Has had the unique opportunity of working in the government, non-governmental, private/corporate sectors including the banking sector and academia. Has responsibility for Human Resources, Legal services and Corporate Communications for the Hayleys Group.

**10 Pramuk Dediwela**

Mr. Dediwela started his career in January 1989 and has over 30 years of experience in the fields of Marketing and Sales, Material and Logistics, Finance, Production and Administration/Human Resources under Alumex group. He was appointed as an Executive Director of the Alumex PLC and its subsidiaries, Alco industries (Private) limited

in December 2010 and appointed as the Managing Director and also to the Group Management Committee in July 2018. Mr. Dediwela is a marketer cum financial economist and holds Master of Financial Economics from University of Colombo, Master of Business Administration from University of Southern Queensland, Post-Graduate Diploma in Business and Financial Administration (CA Sri Lanka/Cranfield - UK), Post- Graduate Diploma in Marketing from Chartered Institute of Marketing - UK. Mr. Dediwela is a Member of the Advisory committee on Light Engineering Sector under EDB, Ministry of Industry & Commerce and holds Memberships of the Chartered Institute of Marketing (UK) and Sri Lanka Economic Association. He is a Council Member of the Foundry Development & Services Institute of Sri Lanka.

**11 Niran Ranatunga**

Commenced a career in tea tasting in 1980 by joining John Keells Ltd. as an auctioneer and a tea broker. Subsequently was trained in tea tasting and blending at UK's Lyons Tetley and R. Twinings & Co. Ltd. Was a founder member of Mabroc Teas (Pvt) Ltd. in 1988 and was appointed Commercial Director in 1991, having undertaken the responsibilities of Marketing Bulk Tea and Branded Teas in numerous international markets. Was responsible for spearheading the initiative to launch an ethical tea brand of the world at the United Nations Global Compact. Was promoted as Managing Director of Mabroc Teas in 2014 and serves on the boards of Hayleys Plantation Services (Pvt) Ltd. and Kelani Valley Instant Tea (Pvt) Ltd. as well as serving on the Committee of Management of the Tea Exporters Association of Sri Lanka. Mr. Ranatunga was appointed to the Group Management Committee in July 2018.

**12 Choliya De Silva**

Mr. De Silva was appointed to the Group Management Committee in July 2018 and is a senior finance professional possessing over 30 years' experience in Multinational FMCG, Investment Banking and Real Estate sectors. He is former Finance Director of Coca-Cola Beverages Sri Lanka Ltd and

## Group Management Committee

holds a varied and multi-faceted international working experience in New Zealand, India, Nepal, Ethiopia, South Africa and United Arab Emirates. He was a governing Council Member of Association of Accounting Technicians of Sri Lanka from 2016 to 2019, held Chairmanship of various Committees of Association of Accounting Technicians of Sri Lanka and CA Sri Lanka. His 30 years' experience includes 14 years at Nestlé Lanka PLC and 9 years at Coca-Cola Beverages Sri Lanka Ltd. Mr. De Silva is a Fellow Member of CA Sri Lanka, Fellow Member of the Chartered Institute of Management Accountants, UK and Fellow Member of Institute of Certified Practising Accountants of Australia. He also holds a MBA from the Postgraduate Institute of Management, University of Sri Jayawardenepura.

### 13 Andrew Ng

Joined Dipped Products PLC in October 2018 as Managing Director and was appointed to the Hayleys Management Committee. Prior to joining Dipped Products PLC, was the Vice-President of Medical Global Operations of a large multinational entity. He has over 25 years of international glove manufacturing experience of which 10 years is in senior managerial positions. Experienced in the areas of Engineering, Operations and holds a degree in Engineering from the University of New South Wales, MBA from Deakin University in Australia and a Master Black Belt in Lean Six Sigma.

### 14 Hasith Prematillake

Joined Hayleys Group in 2018 and was appointed to the Hayleys Group Management Committee in October 2018. Currently serves as the Managing Director of Fentons Limited and Unisyst Engineering PLC and its subsidiaries. Previously Mr. Prematillake served as the Country Director/General Manager of Ansell Lanka (Pvt) Ltd and Chief Executive Officer of Phoenix Industries Ltd. He also held a managerial position at Chevron Lubricants Lanka. He holds a Master of Business Administration Degree (Merit pass) from the University of Colombo where he was awarded the prestigious Dr. Linus Silva Medal for Best Overall Performance, B.Sc. Engineering

Degree (Hon's.) from University of Moratuwa, Fellow Member of the Chartered Institute of Management Accountants, Member of the Chartered Institute of Marketing, Passed Finalist of CA Sri Lanka and a Graduate of the British Computer Society. He is also a certified Lean Six Sigma Black Belt.

### 15 Mahesh Wijewardene

Mr. Mahesh Wijewardene was appointed to the Group Management Committee and also as an Executive Director and the Chief Executive Officer of Singer (Sri Lanka) PLC and its subsidiary companies with effect from 1st November 2018. Mr. Wijewardene holds a Master's Degree in Business Administration from the University of Southern Queensland and received the Dean's Award for Outstanding Academic Achievement. He also holds a Diploma in General Management from the Open University of Sri Lanka. He served as the past Chairman of Ceylon Chamber of Commerce – Import section and Sri Lanka – China Business Council and currently serves in the Executive Council of Sri Lanka Retailers' Association. He serves as a Director of Singer Industries (Ceylon) PLC, Singer Finance (Lanka) PLC, Regnis (Lanka) PLC, Regnis Appliances (Pvt) Limited, Singer Digital Media (Pvt) Limited, Singer Business School (Pvt) Limited, Reality Lanka Limited and Domus Lanka (Pvt) Limited.

# Transparent & accountable



3

## Governance






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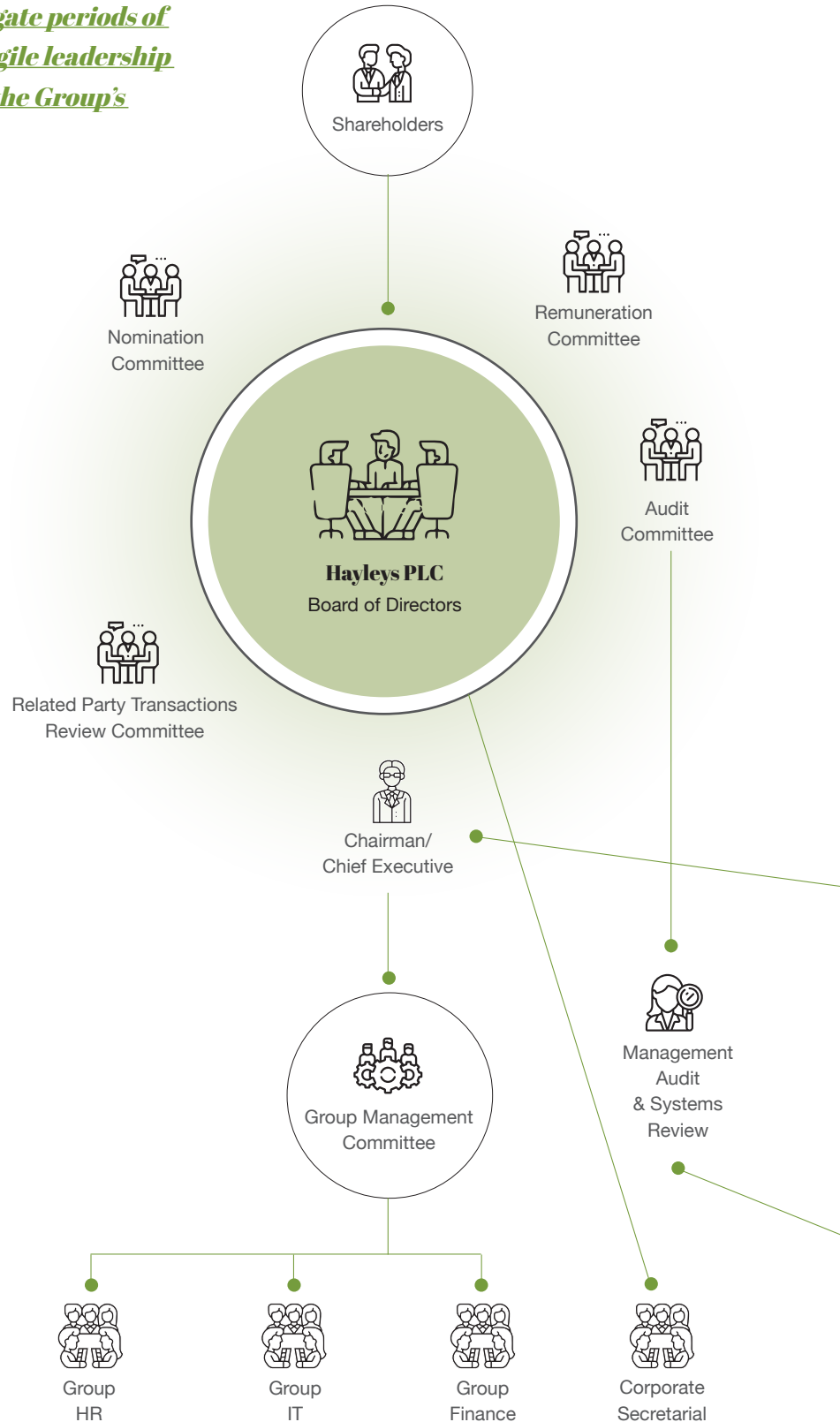
Corporate Governance **28**

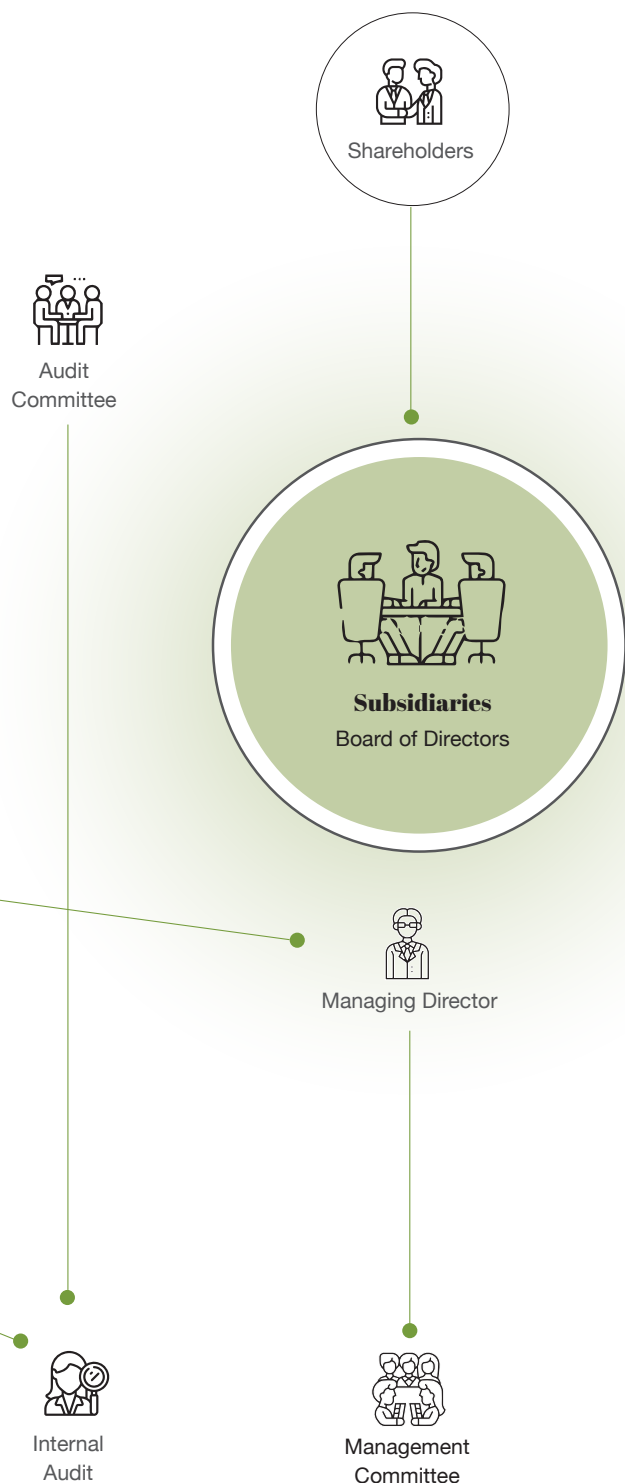
Risk Management **46**

# Corporate Governance

*Sound corporate governance is vital to navigate periods of uncertainty as the Board needs to provide agile leadership to anticipate issues that will be material to the Group's business model and guide strategy.*

Composition	
Executive	
Non-Executive	
Independent	
<b>Skills Diversity</b>	
• Shipping & Logistics .....	<b>02</b>
• Legal .....	<b>01</b>
• Financial .....	<b>05</b>
• Entrepreneurship .....	<b>02</b>
• Hospitality .....	<b>01</b>
<b>Gender Diversity</b>	
 <b>91%</b>	 <b>9%</b>
<b>Age Diversity</b>	
• 40 – 50 .....	<b>01</b>
• 50 – 60 .....	<b>07</b>
• >60 .....	<b>03</b>
<b>Tenure of Services</b>	
• < 3 .....	<b>03</b>
• 3 – 5 .....	<b>01</b>
• 5 – 7 .....	<b>01</b>
• 7 – 9 .....	<b>01</b>
• > 9 .....	<b>05</b>





### Compliance Framework

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#### Regulatory Frameworks

- Companies Act No.7 of 2007,
- Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- Continued Listing Requirements of the Colombo Stock Exchange
- Inland Revenue Act No. 24 of 2017
- Customs Ordinance No. 17 of 1869
- Exchange Control Act No. 22 of 2017
- Industrial Disputes Act No. 43 of 1950
- The Shop and Office Employees Act No. 15 of 1954
- Factories Ordinance No. 45 of 1942

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#### Voluntary Standards, Codes & Frameworks

- Code of Best Practice on Corporate Governance issued by CA Sri Lanka 2017
- Integrated Reporting Framework
- Global Reporting Initiative Standards
- Requirements of Environmental & Social Certifications
- Quality Standard Certifications obtained by companies

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#### Internal Documents & Policies

- Articles of Association
- Board Charter
- Human Rights Policy
- Whistle Blower Policy
- Health & Safety Policy
- Grievance Handling Policy
- Anti Sexual Harassment Policy

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#### The Hayleys Way

- Shareholders
- Employees
- Business Integrity
- Environment
- Consumes Corporate
- Public Responsibility
- Conflicts of Interest
- Compliance
- Fair Competition



## Corporate Governance

The Board of Hayleys PLC, appointed by the shareholders, is the highest decision making authority and has overall responsibility for determining the strategic direction of the Group, adopting a sound governance framework and setting in place robust risk management and internal control systems. Being a diverse conglomerate, our operations encompass 178 companies organised in to 12 sectors each of which is headed by a Group Management Committee member who is responsible for delivering agreed strategic goals for their sectors. Hayleys PLC has 14 subsidiaries which are publicly listed companies with different shareholders and our structures facilitate accountability to them as well. The key elements of our governance framework comprise the governance structure and a compliance framework as set out above.

This report is structured on the principles of corporate governance set out in the Code of Best Practice on Corporate Governance issued by CA Sri Lanka in December 2017 and the listing rules of the Colombo Stock Exchange.

### Board Highlights

- Rights Issue of Unisyst Engineering PLC - Hayleys PLC was allotted with 6,251,724 ordinary shares at Rs 10/- each during the financial year.
- Rights issue of Fentons Limited - Hayleys PLC was allotted with 55,000,000 ordinary shares at Rs. 10/- each during the financial year.
- Issue of shares of World Export Centre Limited - Hayleys PLC allotted with 16,500,000 ordinary shares at Rs.10/- each during the financial year.
- Rights issue of Hayleys Agriculture Holdings Limited - Hayleys PLC was allotted with 4,245,173 ordinary shares at Rs. 117.78 each during the financial year.
- Class 'B' shares of Hayleys Agriculture Holdings Limited - Transfer of 298,483 Class 'B' Shares held by Hayleys PLC to the eligible employees under ESOP of Hayleys Agriculture Holdings Limited at Rs.117.78 per share during the financial year.
- Review of Quarterly Financial Statements
- Review of KMP remuneration and Group remuneration policy

### Code of Best Practice in Corporate Governance 2017

The Company	Shareholders
A. Directors	E. Institutional Investors
B. Directors' Remuneration	F. Other Investors
C. Relations with Shareholders	G. Internet of Things & Cybersecurity
D. Accountability & Audit	H. Environment, Society & Governance

#### A. Directors

##### A1. The Board

Composition of the Board is key to governance and the Board of Hayleys PLC comprises 11 Directors. Five Executive Directors head key sectors of the Group and bring significant insights and networks to drive growth of our businesses. The Non-Executive Directors are eminent professionals and dynamic entrepreneurs who widen the perspectives of the Board with objective views and professional judgements, enriching deliberations. Profiles of the Directors are given on pages 20 to 26.

**Being a diverse conglomerate, our operations encompass 178 companies organised in to 12 sectors each of which is headed by a Group Management Committee member**



#### Directors

- A1. The Board
- A2. Chairman & Chief Executive
- A3. Chairman's Role
- A4. Financial Acumen
- A5. Board Balance
- A6. Supply of Information
- A7. Appointments
- A8. Re-election
- A9. Board Appraisal
- A10. Annual Report Disclosures
- A11. Appraisal of the CEO



<b>Executive Directors</b>	Mr. A.M. Pandithage – Chairman & Chief Executive
	Mr. S.C. Ganegoda
	Mr. H.S.R. Kariyawasan
	Mr. R. Waidyaratne
	Mrs. J. Dharmasena
	Mr. R. J. Karunarahaj (appointed w.e.f. 01/06/2019)
<b>Non-Executive, Non-Independent</b>	Mr. K.D.D. Perera – Co-Chairman
<b>Independent Non-Executive Directors</b>	Dr. H. Cabral PC - Senior Independent Director
	Mr. M.H. Jamaldeen
	Mr. M.Y.A. Perera
	Mr. K.D.G. Gunaratne (appointed w.e.f.01/10/2019)
<b>Alternate Director</b>	Ms. A.A.K. Amarasinghe (appointed w.e.f 17/10/2019)

Company Secretarial Services are provided by Hayleys Group Services (Pvt) Ltd., which has competent secretarial professionals registered as company secretaries with the Registrar of Companies.

### Roles and Responsibilities of the Board

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

The Board has appointed 04 board committees to assist in the discharge of its duties as summarised below.

Board Committee	Areas of Oversight	Composition as at 31.03.20
<b>Audit Committee</b> Report of the Audit Committee is given on page 87 to 88	<ul style="list-style-type: none"> <li>• Financial Reporting</li> <li>• Internal Controls</li> <li>• Internal Audit</li> <li>• External Audit</li> </ul>	<ul style="list-style-type: none"> <li>• Independent Non-Executive Directors - 4</li> </ul>
<b>Nominations Committee</b> Report of the Nominations Committee is given on page 83	<ul style="list-style-type: none"> <li>• Appointment of Key Management Personnel</li> <li>• Succession Planning</li> <li>• Effectiveness of the Board and its Committees</li> <li>• Code of Ethics</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman – 1</li> <li>• Independent Non-Executive Directors - 1</li> <li>• Non-Executive Directors – 1</li> </ul>

## Corporate Governance

Board Committee	Areas of Oversight	Composition as at 31.03.20
<p><b>Remuneration Committee</b> Report of the Remuneration Committee is given on page 84</p>	<ul style="list-style-type: none"> <li>• Remuneration policy for Group with particular reference to Key Management Personnel</li> <li>• Goals and targets for Key Management Personnel</li> <li>• Performance evaluation</li> <li>• HR Policy</li> <li>• Organisation structure</li> </ul>	<ul style="list-style-type: none"> <li>• Independent Non-Executive Directors -3</li> <li>• Non-Executive Directors - 1</li> </ul>
<p><b>Related Party Transaction Review Committee</b> Report of the RPTRC is given on page 86</p>	<ul style="list-style-type: none"> <li>• Related party transaction policy</li> <li>• Disclosure of related party transactions</li> </ul>	<ul style="list-style-type: none"> <li>• Independent Non-Executive Directors - 2</li> <li>• Executive Director - 1</li> </ul>

Attendance of Directors at Board and Sub-Committee meetings are summarised below.

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Related Party Transaction Review Committee
Mr. A.M. Pandithage	11/11	-	-	2/2	-
Mr. K.D.D. Perera	3/11	-	1/1	2/2	-
Mr. S.C. Ganegoda	11/11	-	-	-	4/4
Mr. H.S.R. Kariyawasan	9/11	-	-	-	-
Dr. H. Cabral PC	10/11	4/4	1/1	2/2	4/4
Mr. M.H. Jamaldeen	8/11	4/4	1/1	-	-
Mr. R. Waidyaratne	11/11	-	-	-	-
Mr. M.Y.A. Perera	10/11	4/4	1/1	-	4/4
Mr. N.S.L Joseph (Resigned on 03.11.2019)	6/7	-	-	-	-
Mrs. J. Dharmasena	11/11	-	-	-	-
Mr. R J. Karunarahaj (Appointed on 01/06/2019)	7/9	-	-	-	-
Mr. K.D.G Gunaratne (Appointed on 01/10/2019)	5/5	-	-	-	-
Ms. A. A. K. Amarasinghe - Alternate to Mr K.D.D Perera (-Appointed on 17/10/2019)	4/4	-	-	-	-
Total No. of Meetings	11	04	01	02	04

Board functions are supported by robust information technology, enabling Board members to access their Board papers via secure connections and participate in meetings even remotely. Each Board member spent a minimum of 40 hours on matters related to the Board whilst members of the Audit Committee spent a further 12 hours on matters delegated to the committee.

## Summary of Roles & Responsibilities

### Role of Chairman

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

### Role of Senior Independent Director

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

The Chairman ensures that Board members have opportunities to obtain clarifications on matters set before the Board which include access to Key Management Personnel (KMP) and presentations done by experts and other team members. Executive Management provide updates to the Board on performance, compliance and regulatory changes among other matters to facilitate effective participation by Non-Executive Directors. Minutes which are circulated within the agreed time are confirmed by the Board at the following meeting on concurrence of Board members. They also receive minutes of the monthly Hayleys Group Management Committee meetings which provide information on issues discussed and views expressed at the same.

The Board provides guidance for the formulation of the Group's short, medium and long-term strategic plans and approves the same at meetings convened specifically for this purpose. It also monitors performance against agreed Key Performance Indicators at monthly meetings of the Board while specialised areas are identified for oversight by Board Committees to report on progress and concerns to the Board.

### A2. Chairman and CEO

Functions of Chairman and Chief Executive are vested in one person as the Board is of the opinion that it is the most appropriate arrangement for Hayleys PLC considering the diversity and size of the Group. The Board has also appointed Mr. K.D.D. Perera as Co-Chairman and Dr H Cabral, PC, who is a Non-Executive Director functions as Senior Independent Director to facilitate Board balance.

### A3. The Chairman's Role

The Chairman is responsible for the efficient conduct of Board meetings and ensures effective participation of both Executive and Non-Executive Directors. It is also the responsibility of the Chairman to ensure that views of Directors on issues under consideration are ascertained; and that the Board is in complete control of the

Company's affairs and alert to its obligations to all shareholders and other stakeholders. The Chairman maintains close contact with all Directors and, where necessary, holds meetings with Non-Executive Directors without Executive Directors being present.

### A4. Financial Acumen

The Board of Directors, collectively, have experience in all business sectors where Hayleys operates and are supported by relevant academic and professional qualifications. There are five Chartered/ Management Accountants on the Board as noted below:

- Mr. M.Y.A. Perera
- Mr. S.C. Ganegoda
- Mr. H.S.R. Kariyawan
- Mr. M.H. Jamaldeen
- Mrs. J. Dharmasena

### A5. Board Balance

The board comprises 6 Executive Directors and 5 Non-Executive Directors of whom 4 are independent. The Non-Executive Directors are professionals/academics/ business leaders, holding senior positions in their respective fields. Four Non-Executive Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

Each Non-Executive Director submits an annual declaration of independence/ Non-Independence in a prescribed format and the Board has determined the independence of Directors based on the same. The following Directors are also Directors of the following listed subsidiary Companies.

- Dr. H. Cabral PC served on the Board of Hayleys PLC for a period exceeding 9 years.

## Corporate Governance

- Dr. Cabral PC, is also an Independent Non-Executive Director of Alumex PLC.
- Mr. M.Y.A. Perera is a Non-Executive Chairman of Singer Finance (Lanka) PLC.
- Mr. M. H Jamaldeen is an Independent Non-Executive Director of Haycarb PLC, Talawakelle Tea Estates PLC, Singer (Sri Lanka) PLC, Regnis (Lanka) PLC and Singer Industries (Ceylon) PLC.
- Ms. I. Jamaldeen, an Independent Non-Executive Director of The Kingsbury PLC, a subsidiary of Hayleys PLC, is the spouse of Mr. M. H. Jamaldeen
- Mr. K.D.G. Gunaratne is an Independent Non-Executive Director of Regnis (Lanka) PLC, Singer Industries (Ceylon) PLC and Dipped Products PLC

The Board is of the opinion that the above Directors conduct themselves in an impartial manner on matters deliberated by the Board and that independence will not be affected by being Board members of the above subsidiaries and by Mr. M.H. Jamaldeen's spouse being a Director of The Kingsbury PLC.

The Board of Directors of the Company has determined that Dr. H. Cabral PC nevertheless be independent as the objectivity of his role is not compromised by him being on the Board for a period exceeding 9 years.

Accordingly the following Directors are deemed to be independent:

- Dr. H.C. Cabral, PC
- Mr. M.H. Jamaldeen
- Mr. M.Y.A. Perera
- Mr. K.D.G. Gunaratne

Board balance is further strengthened by the presence of a Senior Independent Director whose role has been discussed above. Additionally, the Chairman meets with Non-

Executive Directors only, without the Executive Directors being present as necessary. Board minutes record concerns of the Board as a whole or those of individual Directors regarding matters placed for their approval/guidance/action.

Senior Independent Director is having two meetings per year with only Non-Executive Directors and at least one with Executive Directors to discuss governance matters and communicate same to Chairman. The Senior Independent Director is available at all meetings with majority, significant and minority shareholders and be made aware of their concerns by the Company Secretary.

If a Director resigns over an unresolved issue, the Chairman will bring the issue to the attention of the Board. The Director concerned is also required to provide a written statement to the Chairman for circulation to the Board.

### A6. Supply of Relevant Information

The Chairman ensures that all Directors are properly briefed on issues arising at Board Meetings by requiring management to provide comprehensive information including both quantitative and qualitative information for the monthly Board meetings 7 days prior to the Board/Sub-Committee meetings.

The Directors have free and open access to Management at all levels to obtain further information or clarify any concerns they may have. As described above, they also have the right to seek independent professional advice at the Company's expense and copies of advice obtained in this manner are circulated to other Directors who request it. Any Director who does not attend a meeting is updated on proceedings prior to the next meeting through:

- Formally documented minutes of discussions.
- By clarifying matters from the Board Secretary.

- Separate discussions at start of meeting regarding matters arising for the previous meeting.
- Archived minutes and Board papers accessible electronically at the convenience of the Directors.

Directors also have an open invitation to attend the meetings of the Management Committees and have the opportunity to interact with Senior Management after Board meetings. Directors are provided with monthly reports on performance, minutes of review meetings and such other reports and documents as necessary. Minutes of meetings are circulated with the Board packs for the next monthly meeting within the agreed time.

### A7. Appointments to the Board

Nomination Committee makes recommendations to the Board on all new Board appointments. The Nomination Committee of Hayleys PLC consists of the following Directors.

- Mr. A.M. Pandithage - Chairman Executive
- Mr. K.D.D. Perera - Non-Executive
- Dr. H Cabral, PC - Independent Non-Executive

The Board believes it is appropriate for the Chairman and Chief Executive to chair this committee and that the composition of the committee ensures its balance. The Nomination Committee Report is given on page 83.

The Nomination Committee annually assesses Board-composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the company. The findings of such assessment are taken into account when new Board appointments are considered. Following details of new Directors are disclosed on their appointment to the Colombo Stock Exchange, selected newspapers and Annual Report;

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

**A8. Re-Election**

The Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting and seek election by the shareholders at that meeting whereby a reasonable opportunity was given to the shareholders to participate in the election of such Directors. One third of the Directors in office to retire at each Annual General Meeting by rotation. Directors who retire are those who have served for the longest period after their appointment/re-appointment. Retiring Directors are generally eligible for re-election. The names of Directors submitted for election or re-election are accompanied or disseminated to the CSE by a resume to enable shareholders to make an informed decision on their election. Provisions of the Articles of the Company do not require the Director who is the Chief Executive to retire by rotation.

**A9. Appraisal of Board Performance**

The Chairman and Remuneration Committee are responsible for evaluating the performance of the Executive Directors and Committees through an annual self-evaluation of its own performance. The responses are being submitted to the Chairman for discussion at a Board Meeting. Board evaluation criteria are given in the adjacent box.

**A10. Disclosure of Information in Respect of Directors**

Information specified in the Code with regards to Directors are disclosed within this Annual Report as follows:

- Name, qualifications, expertise, material business interests and brief profiles on pages 20 to 26.


Board Evaluation Criteria

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

- Membership of sub-committees and attendance at Board Meetings and Sub-Committee meetings on page 32
- Remuneration paid to Directors on page 74
- Related Party Transactions and other business interests on page 195 to 198
- Names of listed companies in Sri Lanka in which the Director serves as a Director on pages 20 to 26

**A11. Appraisal of Chief Executive Officer**

Prior to the commencement of each financial year, the Board in consultation with the Chief Executive, set reasonable financial and non-financial targets which are in line with short, medium and long-term objectives of Hayleys, achievement of which should be ensured by the Chief Executive. A monthly performance evaluation is performed at which actual performance is compared to the budget. The Chief Executive is responsible to provide the Board with explanations for any adverse variances together with actions to be taken.



Directors' Remuneration

- B1.** Remuneration Procedures
- B2.** Level & Makeup of Remuneration
- B3.** Disclosure of Remuneration

**B. Directors' Remuneration**

**B1. Remuneration Procedures**

The Remuneration Committee determines the remuneration of the Chairman/Chief Executive and the Executive Directors and sets guidelines for the remuneration of the Management staff within the Group. Please refer page 84 of the Remuneration Committee Report for the terms of reference for Remuneration Committee.

The Remuneration Committee comprises the following Non-Executive Directors and the Chairman of this committee is appointed by the Board.

- Dr. H. Cabral, PC – Chairman, Independent Non-Executive
- K.D.D. Perera - Non-Executive
- M.H. Jamaldeen - Independent Non-Executive
- M.Y.A Perera - Independent Non- Executive

The Board as a whole determines the remuneration of the NED's who receive a fee for being a Director of the Board and additional fee for being a member of a Committee. They do not receive any performance related/ incentive payments.

Remuneration Committee consults the Chairman about its proposal relating to the remuneration of other Executive Directors and have access to professional advice from within and outside Hayleys PLC, in discharging their responsibilities. No Director is involved in deciding his own remuneration.

**B2. Level & Make Up of Remuneration**

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

## Corporate Governance


A performance based incentive has been determined by the Remuneration Committee to ensure that the total earnings of the executives are aligned with the achievement of objectives and budgets of the Group companies.

Presently the Group does not have an Executive Share Option Schemes. The Remuneration Committee follows the provisions set out in Schedule D of the Code as required. No special early termination clauses are included in the contract of employment contract of Executive Directors that would entitle them to extra compensation. However, any such compensation would be determined by the Board of Directors.

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

### B3. Disclosure of Remuneration

The Report of the Remuneration Committee is set out on page 84 which includes a statement on Remuneration Policy. Please refer page 74 for the total Directors' Remuneration



### Relations with Shareholders

- C1.** Constructive use of AGM
- C2.** Communication with shareholders
- C3.** Material transactions

### C. Relations with Shareholders

#### C1. Constructive Use of AGM

The Annual General Meeting is used for constructive engagement with shareholders. Hayleys PLC has in place an effective mechanism to count all proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hand, except where a poll is called.

Hayleys PLC proposes a separate resolution at the AGM on each substantially separate issue. The adoption of the Annual Report of the Board of Directors and the Financial Statements is considered as a separate resolution. The Chairman of Hayleys PLC ensures the Chairmen of the Audit, Remuneration and Nomination Committees to be available to answer questions at the AGM if so requested by the Chairman.

Notice of the meeting and the Form of Proxy together with the relevant links to access the Annual Report including the Financial Statements are sent to shareholders 15 working days prior to the date of the AGM as required by the Statute in order to provide the opportunity to all the shareholders to attend the AGM. A summary of the procedures governing voting at General Meeting is circulated to shareholders with every notice of the General Meeting. Printed copies of the Annual Reports will be sent to the Shareholders upon requests.

We are making arrangements to comply with the requirement to provide information on the following at the Annual General Meeting and also make it available on the Company website:

- Number of shares in respect of which proxy appointments have been validly made
- Number of votes for and against the resolution

In the event that a significant proportion of the votes is casted against a resolution, the Board will take steps to understand the reasons behind the vote results and determine if any further actions are required.

#### C2. Communication with Shareholders

The shareholder engagement mechanisms include the conduct of the Annual General Meeting, and having a dedicated page of the Hayleys website [www.hayleys.com/investor-relations](http://www.hayleys.com/investor-relations), which provides the following information:

- Hayleys PLC Annual Report
- Stock information
- Stock exchange announcements

Comments and suggestions can be sent through [lasantha.somaratne@sbdh.hayleys.com](mailto:lasantha.somaratne@sbdh.hayleys.com)


The Group has an open door policy, which enables shareholders to keep in constant touch, visit and obtain information from the Company Secretaries and engage in dialogue. Details of the contact person for inquiries regarding this annual report is disclosed in the inner back cover of the Annual Report.

The Company Secretary maintains a record of all correspondence received. All major issues and concerns of shareholders are referred to the Board of Directors with the views of the management.

In the case of major issues, the Company Secretary sends the response to the relevant shareholder after referring to the Hayleys Board of Directors and for other issues the Company Secretary responds directly to shareholders.

### C3. Material Transactions

Transactions, if any, which materially affect the net asset base of Hayleys PLC, will be disclosed in the Quarterly / Annual Financial Statements. During the year, there were no major transactions as defined by Section 185 of the Companies Act No 07 of 2007 which materially affect the asset base of Hayleys PLC or consolidated Group asset base



### Accountability & Audit

- D1.** The Annual Report
- D2.** Risk Management & Internal Control
- D3.** Audit Committee
- D4.** Related Party Transactions Review Committee
- D5.** Code of Business Conduct & Ethics
- D6.** Corporate Governance Disclosures



## D. Accountability & Audit

### D1. The Annual Report

The Board recognises its responsibility to present a balanced and understandable assessment of the Group's financial position, performance and prospects in accordance with the requirements of the Companies Act No. 07 of 2007. The Financial Statements included in this Annual Report are prepared and presented in accordance with Sri Lanka Accounting Standards. The Annual Report also conforms to the G4 standard on Sustainability Reporting published by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council.

Hayleys PLC has complied with the reporting requirements prescribed by the Colombo Stock Exchange. The following specialised information requirements are also included in this Annual Report:

- Risk management on pages 46 to 54
- The Annual Report of the Board of Directors on the Affairs of the Company given on pages 73 to 80 cover all areas of this section
- The Statement of Directors' Responsibilities is given on page 85
- The Directors' Statement on Internal Controls is given on page 82
- The "Independent Auditors' Report" on pages 90 to 93 for the Auditor's responsibility.
- The Financial Capital Review on pages 73 to 74.

There has been no serious loss of capital to convene an EGM in terms of the Companies Act.

### D2. Risk Management & Internal Control

The Board is responsible for the Group's 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, however that any system can ensure only reasonable, and not absolute, assurance that errors and irregularities are prevented or detected within a reasonable time.

The Group's Management Audit & System Review Department (MA & SRD) plays a significant role in assessing the effectiveness of controls and strengthening them 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. Group's Management Audit & System Review Department is responsible for internal audit function.

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 the accounts. There is a direct channel between the Head of MA & SRD and the Chairman of the Audit Committee without the interference of any Directors or Executives.

The Audit Committee reviews internal control issues and risk management measures identified by MA & SRD and evaluate the adequacy and effectiveness of the risk management and internal control systems including financial reporting.

### D3. Audit Committee

The Board has established an Audit Committee which has oversight responsibility for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the external auditors. The composition of the Audit Committee is as follows:

- Mr. M.Y.A. Perera – Chairman, Independent Non-Executive
- Dr. H. Cabral. PC - Independent Non-Executive
- Mr. M.H. Jamaldeen - Independent Non-Executive
- Mr.K.D.G.Gunaratne - Independent Non-Executive (appointed with effect from 17th June 2020)

Hayleys Group Services (Pvt) Ltd, serves as its Secretary. The Chairman and Chief Executive, Group CFO and Head of MA & SRD are invited to attend meetings, and other Executive Directors attend meetings as required. The input of the statutory auditors is obtained where necessary.

The Audit Committee reviews the scope and results of the audit and its effectiveness, and the independence and objectivity of the auditors. They also review the nature and extent of non-audit services provided by the auditors to ensure that auditor's are able to maintain objectivity and independence.

The Terms of Reference of the Audit Committee have been approved by the Board. This addresses the purpose of the Committee, its duties and responsibilities including the scope and functions of the Committee which are summarised in the Audit Committee Report on pages 87 to 88.

Names of the members of the Audit Committee disclosed on page 87 under the Section on the " Audit Committee Report" and the disclosure of the independence of the Auditors is disclosed in page 88 under the section on the " External Audits" in the "Audit Committee Report" on pages 87 to 88 of this Report

### D4. Related Party Transaction Review Committee

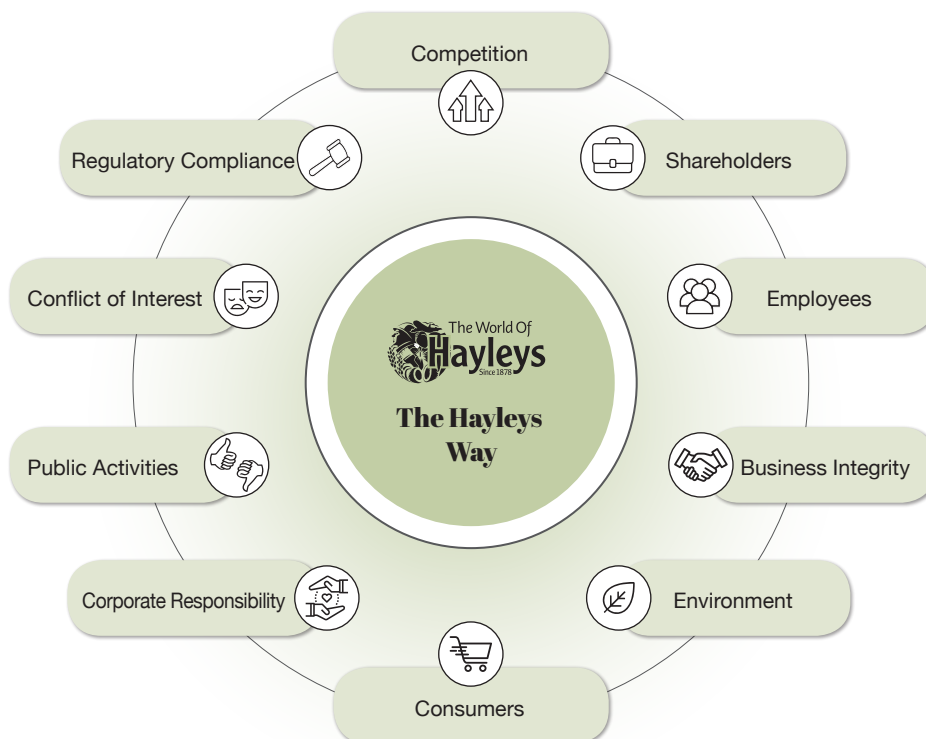
The Related Party Transactions Review Committee of the parent company has oversight responsibility for related party

## Corporate Governance

transactions. The Committee composition is given on page 86 and comprises of two Independent Non-Executive Directors and one Executive Director. Additionally, the Chairman of the Committee is an Independent Non-Executive Director appointed by the Board. Its operations comply with the requirements of the CSE Listing Rules and LKAS 24. The committee has a written Terms of Reference and procedures set in place which includes

- a. A procedure for documenting related parties
- b. Obtaining a statement of related party interest on a quarterly basis, in the event of change in status and prior to entering in to any transaction that comes within the definition of a related party transaction
- c. Provision of a list of related parties to Key Management Personnel related to their areas of responsibility
- d. Process for KMPs to capture and report any related party transaction
- e. A procedure to identify and Directors to report recurrent and non-recurrent related party transactions and obtain Board or shareholder approvals as required by CSE listing Rules
- f. Guideline and procedure to facilitate KMP dealings with recurrent related party transactions
- g. A procedure and definition of disclosures that are required to be made on an annual basis, those requiring immediate disclosure, those requiring shareholder approval and those requiring shareholder approval by special resolution at an extra- ordinary general meeting
- h. A process to identify related party transactions requiring immediate disclosure as per CSE Listing Rules and to ensure that disclosures are in accordance with the same

The Company Secretaries maintain a permanent record of such statement, submissions, approvals and minutes. The Committee ensures that the Board is updated on the activities of the committee and also review and recommend the related party disclosures to be included in the Annual Report of the Company.



### D5. Code of Business Conduct & Ethics

Hayleys has developed “ The Hayleys Way”- The Ethical Road Map for Code of Conduct for its employees including Key Management Personnel. It is based on the following principles:

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 the countries in which they operate.
3. Every employee shall be responsible for the implementation of and compliance with the Code in his/her environment.

The Code of Conduct provides guidelines for employees on the conduct of its businesses and operations in all the countries we operate in.

### D6. Corporate Governance Disclosures

The Corporate Governance Report set out on pages 28 to 45 (of which this paragraph is part of ) describes the extent to which Hayleys PLC adheres to established principles and practices of good corporate governance.

Institutional Investors

**E1.** Shareholder voting

**E2.** Evaluation of governance disclosures


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



ensures the views of the shareholders are communicated to the Board as a whole.

Shareholders are provided with Quarterly Financial Statements and the Annual Report, which the Group considers as its principal communication with them and other stakeholders. These reports are also made available on the Group's website and are provided to the Colombo Stock Exchange.

The Board structure, composition, board balance and relevant factors are drawn to Shareholders attention through the Annual Report.



**Other Investors**

- F1.** Investing/divesting decision
- F2.** Shareholder voting

**F. Other Investors**

Individual investors are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions. They are also encouraged to participate in General Meetings of companies and exercise their voting rights. Information is disseminated to all shareholders Any information that the Board considered as price sensitive is disseminated to the shareholders by way of announcements to the CSE and press releases by either the Chairman and Chief Executive or the Company Secretaries as appropriate. Discussions are held with Institutional Investors, involving the Chairman, and other Executive Directors where necessary. This process is supported by the Strategic Business Development Unit and the Corporate Affairs Unit. During these meetings, the Directors ensure protection of share price sensitive information that has not been made available to the company's shareholders. The Institutional Investors are encouraged to give due weight to all relevant matters relating to the Board structure and composition.



**G. Internet of Things & Cybersecurity**

The Board has identified the need for management of IT and cyber risk which is now the responsibility of an Executive Director of the Group. The Group Head of IT is tasked with implementing the Group IT policy and the Group Information Security Policy under the supervision of the Group Director while liaising with the Group companies to facilitate implementation at entity level. Coverage and scope of related Group policies and guidelines are given below. IT and Cybersecurity is an agenda of the monthly Group Management Committee meetings with matters escalated to the Board where deemed necessary considering risk, impact and other prudential measures. IT and Cybersecurity formed part of the Group's annual statutory audit of Financial Statements.

Group IT Policy	Group Information Security Policy	Acceptable IT Use	Guidelines for Corporate Websites
<ul style="list-style-type: none"> <li>Group Connectivity</li> <li>Access requirements/ Resource utilisation</li> <li>Individual Sector Networks/ System Management</li> <li>Backup &amp; Recovery/Software Modification</li> <li>IT Equipment &amp; Software &amp; Third party Involvement</li> <li>IT Assets &amp; Media disposal and procurement</li> <li>Responsibility for Adherence</li> </ul>	<ul style="list-style-type: none"> <li>Protection of information from unauthorised access</li> <li>Confirmation of information</li> <li>Confidentiality, availability and integrity of information</li> <li>Regulatory requirements</li> <li>Business continuity plans</li> <li>Information security training</li> <li>Reporting breaches of information security</li> <li>IT policy embedded in to employee induction programme</li> </ul>	<ul style="list-style-type: none"> <li>Acceptable IT Use</li> <li>Password Protection Standards</li> <li>Email Usage</li> <li>Internet Usage</li> <li>Monitoring</li> <li>Enforcement</li> </ul>	<ul style="list-style-type: none"> <li>Guidelines for web hosting</li> <li>Guidelines for secure web development</li> <li>Enforcement</li> </ul>

## Corporate Governance



### H. Environment, Society and Governance

Hayleys PLC's Integrated Annual Report provides information on policies and procedures that enable investors and other stakeholders to assess how ESG risks and opportunities are identified, measured and reported. Information required by the Code is given in the following sections of the Annual Report:

- Portfolio Review (pages 54 to 65)
- Governance and Risk Management (page 28 to 52)

### Appendix I: Compliance with the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka

The table below summarises the status of compliance with the revised Code, providing details where it has not been explained in the Corporate Governance Report which has been summarised to maintain a high level view of the subject.

Code Ref.	Compliance and Implementation	Compliance
<b>A. Directors</b>		
A.1 An effective Board should direct, lead and control the Company	Refer Principle A.1. in Corporate Governance Report and details given below from A.1.1 to A.1.8.	
A.1.1 Regular meetings, structure and process of submitting information	<p>The Board meets on a monthly basis and attendance at meetings is given on page 32 Board packs are circulated one week prior to the Board meeting and typically include the following information:</p> <ol style="list-style-type: none"> <li>Financial and operational information including progress on agreed Key Performance Indicators and information on the external operating environment</li> <li>Financial statements for the relevant quarter and year to date together with comparatives for the corresponding period of the previous financial year and budgets</li> <li>Forecast performance for the financial year</li> <li>A description of key risks including an assessment of their impact and likelihood of occurrence, assessment of the previous quarter, how the risks are managed and those accountable for monitoring or managing risk</li> <li>Operational and financial compliance statements confirming regulatory compliance and other matters considered necessary in accordance with policies of the Group and Board.</li> <li>These statements include information regarding breaches of internal controls or fraud detected during the period together with any action taken or confirm the absence thereof</li> <li>Information on human resources and capital expenditure</li> <li>Share trading of the Company and related party transactions by key management personnel</li> <li>Documents to which the company seal has been affixed to</li> <li>Resolutions on other matters referred to the Board</li> </ol>	☑
A.1.2 Role & Responsibilities of the Board	The Role and Responsibilities of the Board are given on page 31 and encompass those set out in the Code.	☑

Code Ref.	Compliance and Implementation	Compliance
A.1.3 Act in accordance with laws	The Board has set in place a framework of policies as set out on pages 46 to 52, procedures and a risk management framework to ensure compliance with relevant laws, and international best practices with regards to the operations of the Group. Directors have the power to obtain independent professional advice as deemed necessary and these functions are co-ordinated by the Group Legal Department or Group Finance, as and when it is necessary.	✔
A.1.4 Access to advice and services of Company Secretary	All Directors have access to the advice and services of the Company Secretarial function provided by Hayleys Group Service (Pvt) Ltd. which is responsible for ensuring follow up of Board procedures, compliance with rules and regulations, directions and statutes, keeping and maintaining minutes and relevant records of the Group.  Hayleys PLC has obtained a Directors & Officers Liability insurance cover for the Board, Directors and Key Management Personnel.	✔
A.1.5 Independent judgement	Directors bring independent judgment to bearing on decisions taken by the Board on issues of strategy, performance, resources and business conduct. Composition of the Board ensures that there is a sufficient balance of power and contribution by all Directors. Many of the Board members are independent professionals who are required to conform to professional codes of conduct which require the exercise of independent judgement in discharge of their duties.	✔
A.1.6 Dedicate adequate time and effort to matters of the Board and the Company	Dates of regular Board meetings and Board Sub-Committee meetings are scheduled well in advance and the relevant papers are circulated a week prior to the meeting giving sufficient time for review. There is provision to circulate papers closer to the meeting on an exceptional basis.  It is estimated that Non-Executive Directors dedicate not less than 12 days per annum for the affairs of the Group and those Directors who are also on Audit Committee dedicate a further 4 days for the affairs of the Group	✔
A.1.7 Calls for resolutions	Any Director can call for a resolution to be presented to the Board if deemed necessary.	✔
A.1.8 Board induction and training	Directors recognise the need for continuous training and expansion of their knowledge and skills to effectively discharge their duties and are encouraged to attend sessions of the Sri Lanka Institute of Directors and other corporate forums on relevant matters. As independent professionals, many of the Directors also conform to Continuing Professional Development requirements of their respective professional organisations. Board members are also given insights in to regulatory changes that may impact the industry at Board meetings.  Audit Committee members receive updates on regulatory changes relating to matters entrusted to the Committee on a semi-annual basis to ensure that they are updated on regulatory requirements impacting reporting and risk management processes. They are also given insights in to organisation wide initiatives to strengthen internal controls, risk management and financial reporting processes at the same meetings.	✔
A.2 Chairman and Chief Executive Officer	Refer Principle A.2 in Corporate Governance Report	✔
A.3. Chairman's role in preserving good Corporate Governance	Refer Principle A.3 above in Corporate Governance Report.	✔

## Corporate Governance

Code Ref.	Compliance and Implementation	Compliance
A.3.1 Conduct of Board Meetings	<p>The Chairman ensures the following:</p> <ul style="list-style-type: none"> <li>a. Development of an appropriate agenda for Board meetings with the Company Secretaries taking in to consideration recommendations of the Directors, Best Practices in Corporate Governance, regulatory and other compliance requirements, and business needs of the company including performance review, resource allocation and risk management</li> <li>b. Sufficiency of information in Board packs and timely availability of the same</li> <li>c. Induction programmes for newly appointed Directors to acquaint them with their duties and responsibilities and Corporate Governance structure of the Group</li> <li>d. Effective participation of Executive and Non-Executive Directors</li> <li>e. Directors are encouraged to seek additional information necessary to engage in discussion of agenda items and to request inclusion of matters of concern on the agenda</li> <li>f. Sufficient balance of power between Executive and Non-Executive Directors</li> <li>g. Views of directors are obtained and the minutes reflect the deliberations of the Board</li> <li>h. Board's control of the affairs of the company and its obligations to shareholders and stakeholders</li> </ul>	☑
A.4 Availability of financial acumen	Refer Principle A.4. in Corporate Governance Report.	☑
A.5 Board Balance	There are only five Non-Executive Directors and hence, Executive Directors form the majority of the Board. The Board is reviewing this requirement at present with a view to achieve compliance.	Under review
A.5.1 Majority of Non-Executive Directors		
A.5.2 If only 3 NEDs, they should be independent	Of the 5 NEDs, 4 are independent of any material business relationships subject to the disclosure made on pages 32 to 34.	☑
A.5.3 Independence of Directors	<p>Independent Directors are independent of management and free of business dealings that may be perceived to materially interfere with the exercise of their unfettered and independent judgement.</p> <p>The Chairman holds a meeting at least once a year with only the NEDs without the presence of the Executive Directors. Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes.</p>	☑
A.5.4 Annual declaration by Directors	The Board determines the independence of Directors on an annual basis based on annual declarations submitted by the Directors and other information based on the requirements of the Code as set out in A.5.5.	☑
A.5.5 Annual determination of independence		
A.5.6 Alternate Directors	Ms. A.A.K. Amarasinghe act as an alternate Director to Mr.K.D.D.Perera and such appointment is in line with the Articles of Association of the Company.	☑
A.5.7 & A.5.8 Senior Independent Directors	Dr. H. Cabral PC has been appointed as Senior Independent Director as disclosed in A.1. in the Corporate Governance Report. The role has being expanded to 2 meetings a year with NEDs and 1 meeting with Executive Directors on governance matters and communicating matters discussed to the Chairman.	☑
A.5.9 Annual In camera meeting with NED	The Chairman holds a meeting with only Non-Executive Directors at least once a year.	☑

Code Ref.	Compliance and Implementation	Compliance
A.5.10 Recording of dissent in minutes	Directors' concerns on matters which have not been resolved unanimously are recorded in the Board minutes and Directors have the opportunity to review minutes and correct the same at the next Board meeting.	☑
A.6. Supply of Information	Refer Principle A.6. in Corporate Governance Report.	☑
A.7. Appointments to the Board & re-election	Refer A.7. of Corporate Governance Report.	☑
A.8 Directors to submit themselves for re-election	Refer A.8. of Corporate Governance Report.	☑
A.9 Appraisal of Board & Committee Performance	Refer A.9.of the Corporate Governance Report.	☑
A.10 Annual Report to disclose specified information regarding directors	Refer A.10 of the Corporate Governance Report.	☑
A.11 Appraisal of the CEO	Refer A.11 of the Corporate Governance Report	☑
<b>B. Directors' Remuneration</b>		
B.1. Establish process for developing policy on Executive and Director remuneration.	Refer B.1 of the Corporate Governance Report	☑
B.2. Level & Make Up of Remuneration	Refer B.2 of the Corporate Governance Report	☑
B.3 Disclosure of Remuneration	Refer B.3 of the Corporate Governance Report	☑
<b>C. Relations with Shareholders</b>		
C.1. Constructive use of the AGM & other General Meetings	Please refer C.1 in Corporate Governance Report.	☑
C.2. Communication with shareholders	Refer C.2 in Corporate Governance Report.	☑
C.3. Disclosure of major transactions	Please refer Principle C.3. in Corporate Governance Report.	☑
<b>D. Accountability &amp; Audit</b>		
D.1 Accountability & audit	Refer D.1 on corporate Governance Report	☑
D.2. Risk Management & Internal Control	Refer D.2 on corporate Governance Report	☑
D.3. Audit Committee	Refer D.3 on the Corporate Governance Report and the Audit Committee Report on pages 87 to 88.	☑
D.4 Related Party Transactions Review Committee	Refer D.4 of the Corporate Governance Report and the Reporting of the Committee on page 86.	☑
D.5. Code of Ethics	Refer D5 of the Corporate Governance Reporting	☑
D.5 Corporate Governance Disclosures	This Corporate Governance Report from pages 28 to 45 complies with the requirement to disclose the extent of compliance with the Code of Best Practices on Corporate Governance as specified in Principle D5.	☑
<b>E. Institutional Investors</b>		
E.1 Shareholder voting	Institutional Shareholders are encouraged to participate at the AGM and vote on matters set before them.	☑
E.2 Evaluation of Governance Disclosures	Refer principle E under Corporate Governance.	☑

## Corporate Governance

Code Ref.	Compliance and Implementation	Compliance
<b>F. Other Investors</b>		
F.1 Investing/ Divesting decisions	Refer principle F under Corporate Governance.	☑
F.2 Shareholder voting	Individual Shareholders are encouraged to participate at the AGM and vote on matters set before them.	☑
<b>G. Internet of Things &amp; Cybersecurity</b>		
G.1 Identify connectivity and related cyber risks	Refer Principle G under Corporate Governance	☑
G.2 Appoint a CISO and allocate budget to implement a cybersecurity policy	Refer Principle G under Corporate Governance	☑
G.3 Include cybersecurity in Board agenda	Refer Principle G under Corporate Governance	☑
G.4 Obtain periodic assurance to review effectiveness of cybersecurity risk management	Refer Principle G under Corporate Governance	Partially complied but requires further attention
G.5 Disclosures in Annual Report	Refer Principle G under Corporate Governance	☑
<b>H. Environment, Society &amp; Governance Reporting</b>		
H .1 ESG Reporting	ESG principles are embedded in our business operations and considered in formulating our business strategy and reported in a holistic manner throughout this report. Information required by the Code is located as follows:	☑
H 1.2 Environmental factors	Refer Natural Capital Report on pages 71 to 72.	☑
H 1.3 Social factors	Refer Social & Relationship Capital Report on pages 70.	☑
H 1.4 Governance	Refer Corporate Governance on pages 28 to 45.	☑
H 1.5 Board's role on ESG factors	Refer Corporate Governance on pages 28 to 45.	☑

### Compliance With CSE Continuing Listing Rules

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys' Extent of Adoption
7.10.1(a)	Non-Executive Directors	Compliant	Five out of eleven Directors are NEDs
7.10.2(a)	Independent Directors	Compliant	Four 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 the criteria set by Hayleys PLC, which is in with the regulatory requirements.
7.10.3(a)	Disclosure relating to Directors	Compliant	The Board assessed the independence declared by the Directors and determined the Directors who are independent and disclosed same in item on pages 33 to 34
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 satisfy the criteria for "independence" set out in the Listing Rules.
	Disclosure relating to Directors	Compliant	Please refer pages 20 to 26 for the brief resume of each Director.
7.10.3(c)	Disclosure relating to Directors	Compliant	Disclosed the appointments of new Directors to the Colombo Stock Exchange to be disclosed to the public. Brief resumes of the Directors appointed during the year have been provided to the Colombo Stock Exchange.
7.10.3(d)			
7.10.5 (a)	Composition of Remuneration Committee	Compliant	Please refer the Remuneration Committee Report on page 84 and Principles B1 to B3 on pages 35 to 36 of this Corporate Governance Report.
7.10.5(b)	Functions of Remuneration Committee	Compliant	The remuneration paid to Directors is given in note 10 to the financial statements on page 134
	Disclosure in the Annual Report relating to Remuneration Committee	Compliant	
7.10.5(c)			
7.10.6(a)	Composition of Audit Committee	Compliant	Refer Audit Committee Report on pages 87 to 88.
7.10.6(b)	Audit Committee Functions	Compliant	
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	Compliant	
9.2.1& 9.2.3	Related Party Transactions Review Committee	Compliant	The Functions of the Committee are stated in the Report of the Related Party Transaction Review Committee in page 86.
9.2.2	Composition	Complaint	Please refer the Report of the Related Party Transaction Review Committee in page 86.
9.2.4	Related Party Transactions Review Committee Meetings	Complaint	Met 04 times during the Financial year 2019/20.
9.3.1	Immediate Disclosures	Complaint	Please refer Note 38 of the Notes to the Accounts on pages 195 to 198.
9.3.2(a) & (b)	Disclosure of Non-Recurrent and Recurrent Related Party Transactions	Compliant	Please refer Note 38 of the Notes to the Accounts on pages 198 to 198.
9.3.2(C)	The Report by the Related Party Transaction Review Committee	Compliant	Please refer the Report of the Related Party Transaction Review Committee on page 86.
9.3.2(d)	A Declaration by the Board of Directors	Compliant	Please refer the Annual Report of Board of Directors for an affirmative statement of compliance of the Board on pages 73 to 80.

# Risk Management

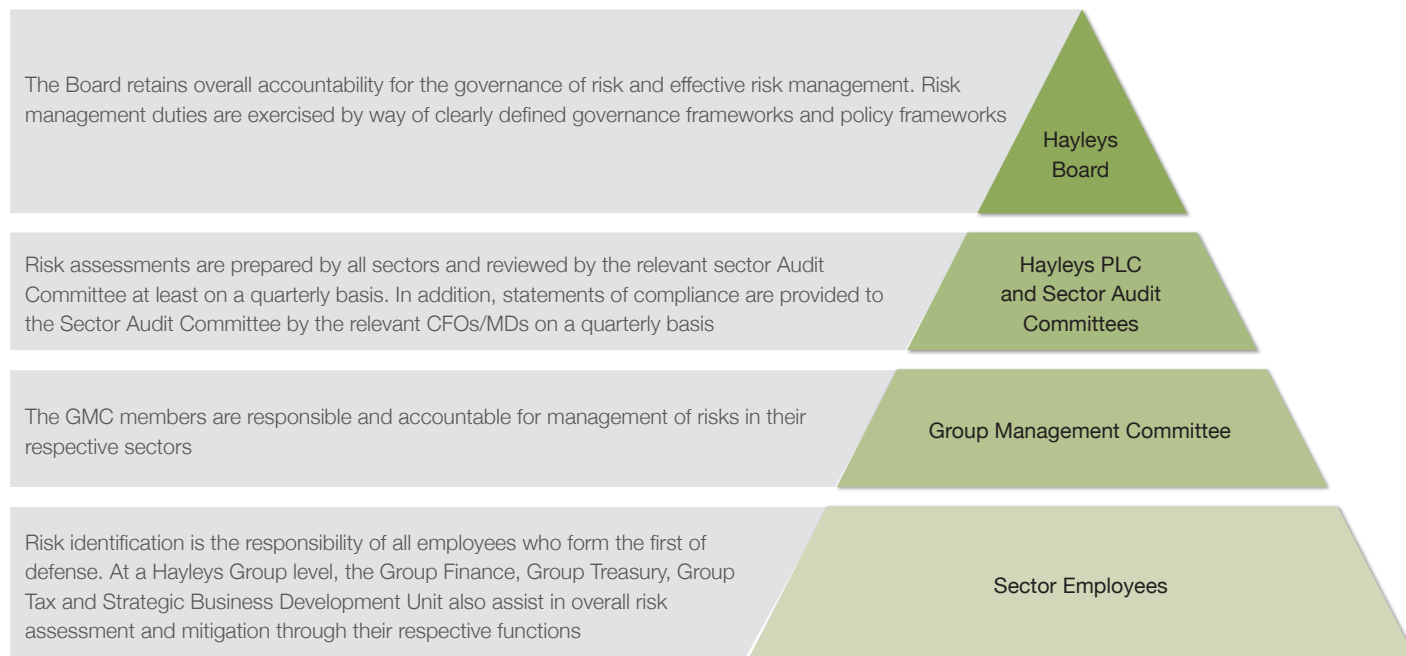
The size, geographical reach and diversity of the Hayleys Group expose it to numerous risks stemming from the internal and external environments. Risk management is inextricably linked to the Group's strategy and is a crucial enabler in exploiting opportunities. Hayleys Group adopts a broad definition of risk management interpreting risk to be any factor that can diminish the Group's capacity to create value to stakeholders. A structured and transparent Enterprise Risk Management (ERM) system, adopting guidelines presented by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) is in place to identify, manage and mitigate risks in a consistent and structured manner. A comprehensive policy framework, risk governance structures, defined responsibilities for risk identification, measurement, mitigation, audit and reporting nurtures a group wide risk culture, a key element for effective risk management.

## Risk Governance

The apex responsibility for the management of risk rests with the Board of Directors who have set in place policies and processes to manage the same. As the different business sectors have relative autonomy in running their businesses which are conglomerates in their respective fields, the Group Management Committee Members and Audit Committee of their companies play a key role in identifying, monitoring and managing risk.

The Group's risk management structures are strengthened by 20 Audit Committees at Sector and Subsidiary level, which evaluate risk exposures on an ongoing basis. The minutes of these Audit Committee meetings are tabled to the Hayleys PLC Audit Committee, enabling main Board Directors to gain a deep and holistic understanding of risks faced at sector level.

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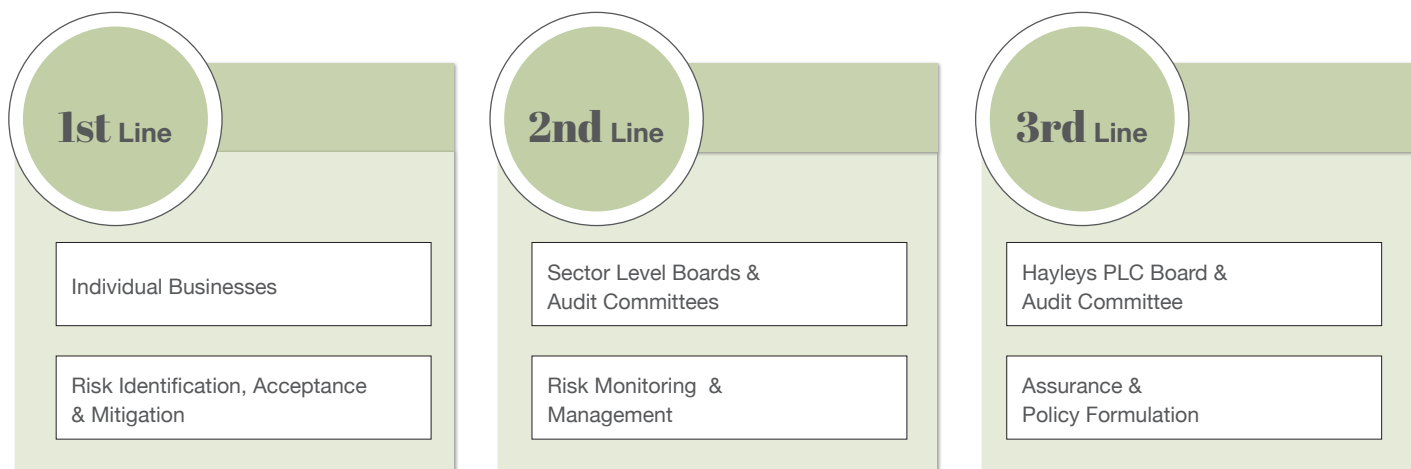


Independent verification is provided by Group Management Audit and Systems Review department and outsourced audit teams.



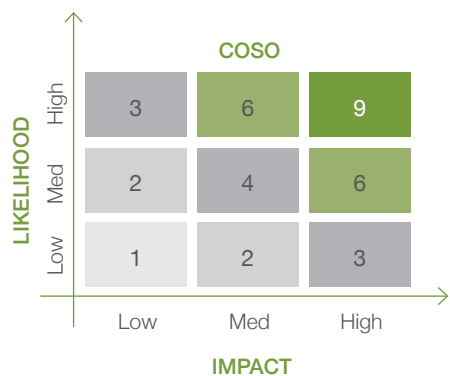
### Approach to Risk Management

We adopt the globally accepted three-lines-of-defense model in identifying and managing risks; this framework allows for the clear segregation of duties and empowerment in risk management.



### Risk Assessment methodology

The Group adopts the COSO approach in assessing potential risk exposures, which are ranked and prioritised based on the impact and likelihood of occurrence.

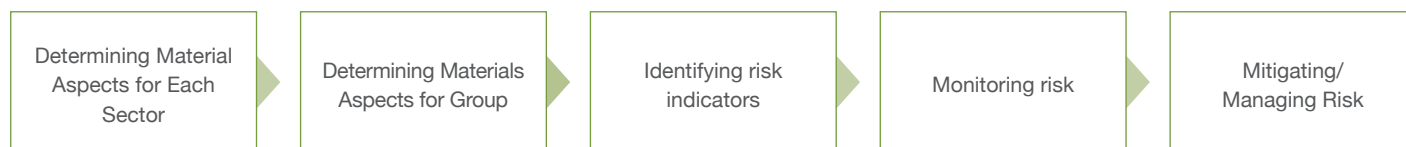


$Likelihood \times Impact = Risk$

Likelihood and Impact has been categorised based on the sample that we have verified. Rating has been decided as mentioned below.

Likelihood		
Classification	Guideline	Ranking
High	Risk frequency is fairly high / Likely to occur	3
Medium	Risk frequency is moderate / Possible to occur	2
Low	Risk frequency is negligible / Rare or remote to occur	1
Impact		
Classification	Guideline	Ranking
High	Major effect on operation, profitability and reputation	3
Medium	Medium level impact on financial, operation. etc.	2
Low	Considerably small effect	1

On a Group level, risk identification commences with the review of each sector's value creation model and shareholder concerns identified from the stakeholder engagement processes. Material aspects are determined through this exercise and then risk indicators are identified at a Group level, taking into account materiality of the various aspects on the Group performance. Information from all sectors is collated and evaluated on a quarterly basis which are reviewed by GMC members.



## Risk Management

### Risk Landscape

The year under review presented an extremely challenging risk landscape with two black swans at the beginning and the end of the financial year with its characteristic severity of impact. Easter Sunday terror attacks raised the specter of terrorism in the country once again with a direct impact on the Group as the Kingsbury was one of the three hotels impacted. This led to a weakening of economic growth in the country in addition to exacerbating the pressure on the exchange rate as foreign exchange earnings from tourism declined sharply. Other consequences included a decline in the per capita income and the job losses in the Food and Accommodation sector which amounted to 8,000 in the 2nd quarter of 2019 and the impact on the entire tourism ecosystem which included a number of SMEs and micro entrepreneurs. Impacts of the reduced purchasing power of consumers were felt particularly the Group's Consumer and Retail arm Singer which witnessed a decline in sales due to the discretionary nature of the goods.

Sri Lanka Tourism made a strong recovery with numbers resurging back to a mere 4.5% below 2018 by December 2019 although rates were well below 2018 levels. Balance of payment, trade deficits and exchange rate pressures combined to give rise to monetary and fiscal policy changes during the year with resultant impacts on various sectors. Consumer and Retail was impacted by the restrictions on import of non-essential goods while policies to stimulate economic activity saw interest rates declining during the year with the benchmark AWPR moving from 12.23% to 9.24% during the reporting year which was favourable to the Group.

US China trade relations had far reaching impacts with global merchandise trade growth recording 0.9% growth in 2019, the lowest since 2012. A direct impact to the Hayleys Group was the US restrictions on Huawei phones connecting to Google which led to a lull in sales of Huawei phones which accounted for approximately 20% of Singer revenue. The issue has since been resolved and sales have picked up although they remain below forecast levels.

The onset of the COVID-19 pandemic in 2019 and its potential consequences were felt by February 2020 with cancellations of tour bookings. Global spread of the pandemic accelerated after the Chinese New Year was

rapid and by 20th March 2020 Sri Lanka had closed its borders for tourism and the country was under lockdown. By mid April all countries had restrictions in place for tourism and the passenger airline industry had come to a virtual standstill as the healthcare crisis worsened. Forecasts for global growth were revised to reflect a 3% decline and Sri Lanka has forecast a 1.5% decline for 2020. The World Trade Organisation has forecast that world trade would decline by 30% during the year. Significant downside risks are attached to these forecasts which could worsen depending on the duration and severity of the threat and the possibility of a second wave.

Oil prices fell sharply as supply exceeded demand, briefly going into negative territory in April 2020 but climbed back to US\$38 towards the end of June reflecting the volatility in both forecast demand and supply. It is noteworthy that IMF has identified this as a valuable opportunity for countries with fuel subsidies to move towards market based pricing towards a greener economy. This may have potential consequences in the future for Sri Lanka which has been subsidising fuel which contributes significantly to its budget deficits.

Global headlines changed during the past month to reflect rising concern over inequalities spurred by police brutality leading to anti racism activism across the world and the Black Lives Matter movement. As an ethnically diverse country Sri Lanka must continue to stand united and respectful of the rights of all Sri Lankans to prevent a resurgence of social unrest rooted in ethnicity, economical or other factors, moving to a fairer world.

Many companies recommenced work while under lockdown as essential services which included several companies within the Hayleys Group. Hand Protection and Purification sectors have seen a surge in demand and have full order books for health related applications. Agriculture is also expected to have stable demand due to food security concerns. Hayleys Fabrics has shifted focus to manufacturing fabric for Personal Protective Equipment, filling capacity as demand for high-end fabrics waned in the wake of the pandemic. Encouragingly, Singer has seen an uptick in sales for electronics and household appliances driven by work from home practices embraced by corporates, a shift to online schooling by private and international schools and a trend of cooking together as a family. Plantations commenced work in April with

appropriate safety measures as Tea auctions went online and tea prices have picked up since. Scheduled general elections resulted in a strong push by the government to provide a Rs.1,000 wage increase to plantation workers which will be detrimental to the entire industry which is making strong representations to ensure that it is attached to productivity benchmarks which will give a win win solution to both regional plantation companies and plantation workers. The construction sector is likely to have a challenging year ahead due to over capacity and subdued demand in the market. The Transport and Logistics sector will be impacted by lower trade volumes and passenger traffic. The outlook for the Leisure sector is subdued although all properties are now open, operating at 50% capacity due to social distancing measures with a positive response from the domestic tourism segment, albeit at discounted prices. Industry Inputs, Power & Energy is also expected to feel performance pressure due to demand issues.

It is noteworthy that Hayleys portfolio tilt towards the local economy means that domestic political and policy changes have a significant impact on the operations of the Group. Downward revision of sovereign ratings by international agencies are a key consideration as well as the pressure on the exchange rate. Current import restrictions on white goods included in the non-essential items is an example of policy impacts that could adversely impact performance. Additionally, credit risk is also elevated, not just within the local economy but with overseas debtors as well as fashion retailers and tour operators experience extreme cashflow constraints. Volatility in fuel prices can also impact the bunkering operations of the Transportation & Logistics Group which will need careful monitoring and development of expertise to forecast movements. Volatility in raw material prices could be exacerbated by the convergence on multiple factors and will need equal vigilance and insight to manage margin pressures. Overall, many risks are elevated at present and remain fluid with the potential for convergence of multiple risk factors also at elevated levels with narrower margins for comfort due to resource limitations which could also limit options for mitigating risks. Hayleys seeks to identify potential risks early and take necessary action to seize opportunities and minimise impacts of adverse movements in a timely manner and has increased Group oversight to biweekly frequencies during this period in recognition of the risk landscape.

**Principals Risks in 2019/20**

Risk Exposure and Impact	Potential Impact	Developments in 2019/20	Mitigating Activities	Net Risk Assessment	
				Impact	Likelihood
<b>Weak economic outlook</b>	Weak economic outlook will adversely impact both consumer and business confidence and purchasing power resulting in fewer opportunities for growth in established business lines.	IMF has forecast a 3% decline in world output for 2020 post COVID-19 pandemic while CBSL has forecast weaker economic growth for Sri Lanka of 1.5%. These forecasts signal top line and bottom line pressures not witnessed since the 1930s for corporates. Additionally, WTO has forecast a decline of 30% in global trade in 2020.	<ul style="list-style-type: none"> <li>• Businesses focused on responding to opportunities that have arisen post COVID-19 and other growth areas</li> <li>• Hayleys PLC is perhaps the most diversified conglomerate in the country with activities across 12 business sectors which are in turn engaged in related and highly specialised areas covering a wide spectrum of activities.</li> <li>• Increased oversight by the Group Management Committee to monitor performance and operations of the various business sectors of the Group</li> <li>• Forecasts for 2021 are positive with a resurgence of economic growth to 5.8% for the global economy and 4.5% for the Sri Lankan economy.</li> </ul>	High	High
<b>Business interruptions</b>	The financial year under review saw significant business interruptions due to curfews imposed post terror attacks and later due to COVID-19 impacts resulting in lost sales, lower productivity for corporates.	In 2019/20 there were at least 10 working days lost due to COVID-19 and additional days due to terror attacks. We commenced 2020/21 under lockdown recording an unprecedented 6 weeks of business closures. However, the threat of a second wave of the pandemic continues to cause concern although it is likely that measures will be more pragmatic to avoid exacerbating the economic and financial risks	<ul style="list-style-type: none"> <li>• Businesses declared essential were able to commence activity with special permission prior to lifting lockdown</li> <li>• All business have resumed business and are operating at satisfactory levels of capacity with some sectors operating at full capacity</li> </ul>	High	Medium
<b>Availability and pricing of raw material/ commodities</b>	Our key business sectors are engaged in manufacture and processing activities and a continuous supply of raw materials at a predictable price is vital in ensuring the smooth continuity of operations.	<p>Lower levels of productivity globally may cause disruptions in supply of various raw materials and price volatility across a broad range of commodities and other inputs</p> <p>Construction Materials and Purification sectors were impacted by raw material price increases during the year, stemming from adverse weather conditions and geopolitical tensions. Meanwhile, the Plantation sector was impacted by the decline in commodity prices which have picked up in 2020/21. Bunkering operations of the Advantis Group were also impacted by a decline in fuel prices.</p>	<ul style="list-style-type: none"> <li>• Broad base of suppliers for raw materials</li> <li>• Supplier screening to ensure capability</li> <li>• Quality control processes from receiving point to ensure a match with specifications</li> <li>• Monitoring market trends for key inputs at sector level to ensure we receive competitive pricing</li> </ul>	High	High

## Risk Management

Risk Exposure and Impact	Potential Impact	Developments in 2019/20	Mitigating Activities	Net Risk Assessment	
				Impact	Likelihood
<b>Exchange rate fluctuations</b>	<p>As a Group with significant interests in manufacturing, we import a range of raw materials for our production process.</p> <p>The depreciation of the Sri Lankan Rupee during the year, resulted in an escalation of import costs in several key sectors including Construction Materials, Hand Protection and Agriculture, particularly in the aftermath of the pandemic.</p>	<p>The Sri Lankan Rupee depreciated by 6% during the year ending 31st March 2020, although further decline has been arrested by the coordinated quantitative easing measures adopted across several countries.</p>	<ul style="list-style-type: none"> <li>• Ongoing monitoring of macro- economic trends</li> <li>• Forward booking of foreign exchange rates</li> <li>• Natural hedge afforded by the Group's export business</li> <li>• Centralised Group Treasury to manage overall foreign exchange risk</li> </ul>	High	High
<b>Government Policy and macro-economic variables such as interest rates</b>	<p>Monetary and fiscal policy as well as Government approach to foreign relationships have a direct impact on the Group impacting operating margins and profitability. Government policy determines the interest rate and exchange rate trends.</p>	<p>The rising interest rates during most part of the year inserted significant pressure on the Group through higher interest costs.</p>	<ul style="list-style-type: none"> <li>• Rising inflation, interest rates and wages is monitored and strategies were adopted to minimise impact where possible. An example is the re-negotiation of interest rates on loans based on improved financial performance which has reduced finance costs</li> <li>• Joint industry action to promote favourable terms of trade with other countries</li> </ul>	High	Medium
<b>Implications of Climate Change</b>	<p>The impacts of climate change are being felt more pronouncedly with erratic weather patterns affecting agricultural supply as well as the tourism sector.</p>	<p>Several of our sectors including Hand Protection and Purification experienced raw material shortages which ultimately had to be imported at a higher cost, thereby impacting profitability.</p>	<ul style="list-style-type: none"> <li>• Strengthening supplier relationships</li> <li>• Group-wide efforts to reduce carbon footprint through switching to renewable energy</li> </ul>	High	Medium
<b>Supply and affordability of Energy</b>	<p>Energy is required at every stage of our manufacturing operations and has a direct impact on our carbon footprint</p>	<p>Heavy rainfall in catchment areas supported increased hydro power generation during the year. However, demand has continued and the CEB has submitted its long term plan to enhance energy supply with the participation of the private sector. This underscores the importance of increasing NCRE generation.</p> <p>The Group has made concerted efforts to switch to renewable energy with several sectors installing bio-mass boilers and rooftop solar panels.</p>	<ul style="list-style-type: none"> <li>• Reviewing energy mix and reducing dependency on non- renewable sources</li> <li>• Increased investments in renewable energy sources to supply power to main grid</li> <li>• Investing in energy efficient machinery and equipment</li> <li>• Continuous monitoring of energy intensity ratio to drive required action</li> </ul>	High	High

Risk Exposure and Impact	Potential Impact	Developments in 2019/20	Mitigating Activities	Net Risk Assessment	
				Impact	Likelihood
<b>Geopolitical Risk</b>	Approximately 47% of Group's turnover is now derived from exports or indirect exports with a fair amount of exposure to the Middle East, Russia and Ukraine arising from particularly the Plantations sector, geopolitical risk has become a key risk that will impact our top line.	Global economic conditions remained subdued during the year, reflecting trade tensions.	<ul style="list-style-type: none"> <li>Diversified export markets</li> <li>Growth aspirations in new markets</li> <li>Increasing penetration to stable markets</li> <li>Monitoring developments in formulating strategy</li> </ul>	Medium	Medium
<b>Availability of Water</b>	Several of our Sector operations are water intensive, particularly Textile, Hand Protection and Plantations. The inability to source a continued supply of water is likely to impact continuity of operations and affect profitability.	Sri Lanka experienced wide fluctuations in weather patterns during the year, with heavy rainfall in certain areas of the country.	<ul style="list-style-type: none"> <li>Principal sources of water are assessed for sufficiency and quality</li> <li>Recycling water withdrawn from source for cooling and heating purposes</li> <li>Review operations to reduce water usage intensity</li> <li>Compliance with licensing requirements of the Central Environment Authority (Refer page 224 of the Natural Capital segment for further information)</li> </ul>	Medium	Low
<b>Employee Health &amp; Safety</b>	Employee Health and Safety concerns are elevated due to the pandemic and we have implemented several safety measures under the advisement of local health authorities to provide a safe working environment for our employees in addition to the regular health and safety protocols in place.	All operational locations of the Group have implemented measures to counter spread of the pandemic with many entities incurring additional costs in this regard for Personal Protective Equipment and social distancing measures. The Group's total workplace injuries recorded a decrease to 192 during the year	<ul style="list-style-type: none"> <li>Regular visits by local health authorities to review adequacy of measures to contain the contagion</li> <li>Establishment of worker managed health and safety committees to ensure their views are understood and addressed</li> <li>Establishing safety procedures for all operations that present risks to employees and ensuring implementation of the same</li> <li>Maintaining and monitoring employee health and safety statistics</li> </ul>	Low	Low
<b>Employee Relations</b>	Employee relations are a key concern as many employees in manufacturing operations are from the vicinity and over 60% are members of politically allied trade unions as Hayleys Group recognises the right to freedom of association	We maintained cordial relationships with trade unions during the year with several sectors signing collective agreements in 2019/20. An industry-wide disruption to work occurred in the Plantations Sector due to wage negotiations.	<ul style="list-style-type: none"> <li>Grievance policy for employees to discuss areas of concern</li> <li>Regular structured dialogue with union representatives to identify areas of concern</li> <li>Balanced HR policies applied in a consistent manner building trust with employees</li> <li>Communicating how personal goals are aligned with organisation goals through an organisation wide performance management system (Refer page 202 of the Human Capital Report for further information)</li> </ul>	Low	Low

## Risk Management

Risk Exposure and Impact	Potential Impact	Developments in 2019/20	Mitigating Activities	Net Risk Assessment	
				Impact	Likelihood
<b>Effluents &amp; Waste</b>	Effluents from our manufacturing processes containing chemicals are discharged only after treatment in compliance with Central Environment Authority licensing requirements to ensure that it does not adversely affect the community and the bio-diversity of the surrounding area.	Manufacturing sectors continuously monitor the quality of effluents discharged and during the year there were no reported instances of non-compliance to CEA guidelines on water quality parameters.	<ul style="list-style-type: none"> <li>Investing in effluent treatment and solid waste management</li> <li>Monitoring quality of effluents on an hourly basis to ensure conformity with CEA requirements</li> </ul>	Low	Low
<b>Customer Satisfaction</b>	Satisfied customers are critical to ensuring sustainable business growth	During the year, we acquired 1.12 mn customers, with most sectors recording an increase in the customer base. 99% of customer complaints received during the year were resolved.	<ul style="list-style-type: none"> <li>High levels of customer engagement to understand areas of concern</li> <li>Compliance with requirements and specifications</li> <li>Focus on innovation</li> <li>Monitoring customer rankings where possible</li> </ul>	High	Medium
<b>Product Responsibility</b>	Product responsibility is critical to our reputation, customer retention and growth	We maintained compliance with all related certifications, and during the year there were no reported instances of non-compliance to any product responsibility related regulations/ codes.	<ul style="list-style-type: none"> <li>Compliance with regulatory and certification requirements</li> <li>Monitoring of customer complaints</li> <li>Supplier screening for financial, social and environmental criteria</li> <li>Quality control processes</li> </ul>	Low	Low
<b>Local Community Relations and Indirect Economic Impacts</b>	We engage with local communities providing employment opportunities and indirect employment which are critical for the socio- economic progress of these communities which create a level of interdependency requiring active management.	The Group maintained meaningful and mutually beneficial community relationships during the year, with total investment in CSR amounting to Rs. 272 mn of which inclusive of donor funds for plantation workers housing projects.	<ul style="list-style-type: none"> <li>High levels of engagement with employees and community</li> <li>Robust employee and community value propositions to maintain an appropriate balance</li> <li>Building pride in the organisation with employees and community</li> </ul>	Medium	Low

# Focused and progressive



4

## Sector Performance

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Eco Solutions **54**  
Hand Protection **55**  
Purification **56**  
Textiles **57**  
Construction Materials **58**  
Plantations **59**  
Agriculture **60**  
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# Eco Solutions

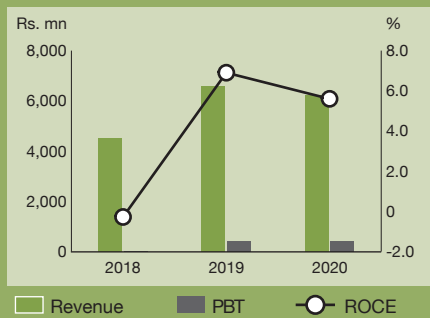
- Sri Lanka's leading provider of eco fibre solutions
- Offers an array of 13 new products in over 1,200 variants and 4 patented products
- Products sold in over 70 countries



## Strategy & Performance

- The Sector performed commendably given the prevalent operating conditions, generating substantial profits for the 2nd consecutive year following its significant business turnaround in 2018/19.
- Revenue and PBT declined by a respective 6% and 5%, mainly due to the impacts of the terror attacks in April 2019 and the COVID-19 pandemic in the latter part of March 2020, and resultant delays in shipping and finalising new client contracts.
- Expanded presence in USA, Europe, and Russia during the year.
- The floor covering sector recorded significant growth and is expected to generate further opportunities supported by increased demand and expansion of manufacturing footprint in India. The growing media cluster continues to demonstrate considerable upside potential with increasing interest from key markets.
- The Sector reinforced its backward integration, pursuing deeper penetration in the coconut triangle and North and East of the Country.

## FINANCIAL PERFORMANCE



## Manufacturing Capabilities

- The Sector operates 8 manufacturing facilities in Sri Lanka and 2 in India. Regional expansion of the manufacturing footprint has enabled the Sector to limit exposure to the risks related to raw material availability.
- Superior manufacturing capabilities and product quality is a key source of competitive edge. The Sector complies with a range of international certifications including ISO9001: Quality Management, BRC (British Retail Consortium) Certification for floor coverings, SA8000 and SMETA / SEDEX Social Compliance Initiative, among others.



## Risks & Opportunities

- + Emerging opportunities in growing media
- + Regional expansion of manufacturing footprint
- - Raw material shortages in coconut fibre and timber
- - Exchange rate volatility



## People

- Widened the network of local suppliers during the year and continue to generate value through sharing knowledge and technical assistance.

## Relevance to Group

Revenue	3%
EBIT	2%
Total Assets	4%
Borrowings	2%
Employees	2%

584

Employees

878

Suppliers



## Planet

- Around 62% of the Sector's energy requirements are fulfilled through biomass, which has enabled it to reduce dependency on fossil fuels. Waste from the manufacturing process including timber and fibre waste are used as biomass energy sources.
- Our products also contribute towards environmental conservation; this includes horticultural and erosion control products and plastic-free cleaning equipment.

4,464 tCO<sub>2</sub>e (+11%)

17% increase in GHG emission intensity



## COVID 19 Impacts & Outlook

- **PEOPLE:** In line with the Group guidelines, the Sector retained all employees and maintained remuneration levels. Also facilitated technology to work-from-home and implemented a range of safety measures at manufacturing facilities.
- **DEMAND:** Export markets have begun to show signs of recovery and is expected to present upside potential over the medium term.
- **SUPPLY CHAIN:** Delays and disruptions to shipping services impacted sales volumes, particularly in the immediate aftermath of the outbreak of the pandemic.
- **LIQUIDITY:** Measures taken to preserve liquidity include negotiating with suppliers and deferring all non-essential expenditure.
- **ADAPTABILITY:** Trade tensions between USA and China are likely to present growth opportunities.
- **PLANS:** Hope to increase capacity in the floor coverings segment for which we see significant growth potential. Product development and value addition will also be a priority in 2020/21 as we pursue customer acquisition in both the domestic and export markets. Also strengthen backward integration and focus on building a sustainable operating model.



# Hand Protection

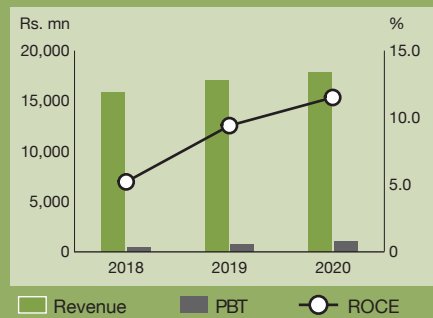
- **Among top 5 glove manufacturers in the world**
- **5 manufacturing facilities in Sri Lanka, & Thailand**
- **Products are sold in 70+ countries**



## Strategy & Performance

- Strategic emphasis was placed on shifting to a higher-value product mix through increasing focus on synthetic-latex, supported and specialised gloves.
- DPL developed 17 new products and leads to 260+ variants of existing products in 2019/20.
- The DPL Production System, comprising a holistic program aimed at achieving cost efficiencies, productivity improvements and eliminating waste generated significant savings.
- A stronger digital presence and active participation in trade fairs enabled DPL to acquire 30 new customers in 2019/20. Customer satisfaction levels reached a high of 87% during the year (2018/19: 81%) while the scrap and reject rate was below 1%.
- Revenue and PBT grew by 4% and 29% respectively driven by a richer product mix, customer acquisition, new product development, cost efficiencies and productivity improvements.

## FINANCIAL PERFORMANCE



## Manufacturing Capabilities

The Sector operates 5 manufacturing facilities which are equipped to manufacture an array of household, industrial, and disposable gloves. CAPEX for 2019/20 was Rs. 445 Mn, comprising capacity expansions in specialised products and process automation.



## Risks & Opportunities

- +Rising demand for synthetic latex-based gloves
- +Increased demand for medical gloves
- - Fluctuations in agricultural output and raw material prices
- -Exchange rate volatility
- -Labour shortages
- -Water scarcity
- -Implications of climate change



## People

- Continued investment in people development with focus on lean management, leadership, and team building.
- Added 300+ farmers to the Firstlight network in 2019/20 and continued to invest in supplier development and empowerment.

## Relevance to Group

Revenue	8%
EBIT	6%
Total Assets	4%
Borrowings	1%
Employees	6%

**1,750**

Employees

**4,000+**

Firstlight farmers



## Planet

- 100% conversion of thermal energy plants to renewable energy, resulting in the reduced reliance on fossil-fuel based energy sources.
- 17% improvement in energy intensity reflecting proactive efforts to drive energy efficiencies within the organisation, which in turn led to a 4% reduction in carbon intensity relating to scope 1 & 2 carbon emissions
- Established waste-water heat recovery systems in 7 production lines of 4 factories.
- Commenced rainwater harvesting in production plants and 6% of water recycled in our operations.

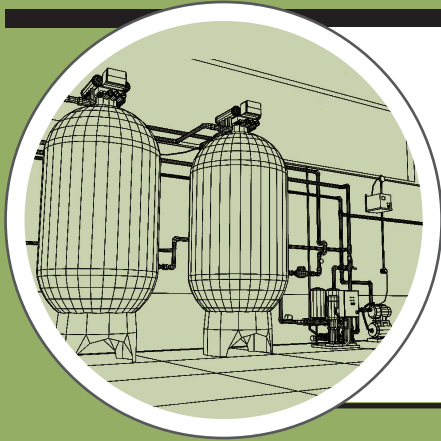
**22,138** tCO<sub>2</sub>e (+7%)

**92%** Reliance on renewable energy sources



## COVID 19 Impacts & Outlook

- **PEOPLE:** Our key priority is to ensure the health and safety as well as job security of our employees and a Group-wide decision has been made to retain all employees and maintain remuneration at previous levels.
- **DEMAND:** Increasing global focus on health and safety considerations have led to an increase in demand for gloves and the Sector's order book remains strong
- **SUPPLY CHAIN:** Raw material imports from China have recommenced and disruptions to the supply chain have been relatively limited.
- **LIQUIDITY:** Key cost management initiatives include deferment of all recruitment, advertising, and promotion expenditure as well as renegotiation with suppliers.
- **ADAPTABILITY:** Deployed increased resources towards products which have seen a rise in demand, such as medical, industrial, and supported gloves.
- **PLANS:** Capacity expansion in medical and non-medical gloves and pursue growth aspirations across key product verticals



# Purification

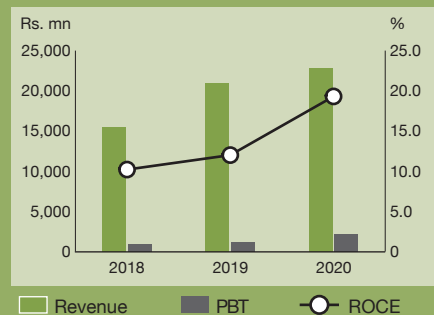
- **A global leader in activated carbon with a market share of 16%**
- **Leading provider of water and waste management solutions in Sri Lanka and Maldives**
- **Products sold in over 150 countries**



## Strategy & Performance

- The Sector delivered yet another year of strong growth, with revenue and PBT increasing by a respective 9% and 77%. Performance was upheld by increasing contributions from value-added products, volume growth, resilient demand from major markets, lean initiatives, and effective supply chain management.
- Demand demonstrated resilience across key applications such as water and air purification and mining.
- Operating margins recorded significant improvement, supported by the strong performance of value-added products such as super capacitor carbons.
- The Sector increased sourcing from local suppliers during the year, thereby reducing dependency on imports.
- Performance of the Environmental Engineering arm was below expectations as moderating economic growth and the slowdown of the construction sector impacted demand.

## FINANCIAL PERFORMANCE



## Manufacturing Capabilities

- The Sector operates 7 manufacturing facilities in Sri Lanka, Indonesia, and Thailand. Regional diversification has enabled the Sector to mitigate exposure to fluctuations in raw material availability.
- The Sector's competitive edge is sharpened by its strong R&D capabilities, and has a healthy pipeline of new products and innovations.



## Risks & Opportunities

- +New market opportunities in personal protective equipment
- + Growth opportunities in regional markets
- -Fluctuations in raw material availability
- +/-Exchange rate volatility



## People

- The Company increased its value injection across the local supply chain with local procurement increasing by 20% in 2019/20.
- Haycarb is the driving force behind the Hayleys' Group's flagship CSR initiative, Puritas Sathdiyawara through which we continue to provide access to clean water to over 33,900 people in 19 villages affected by Chronic Kidney Disease.
- Donation of critical medical equipment to the ICU of the Infectious Diseases Hospital (IDH)

## Relevance to Group

Revenue	11%
EBIT	14%
Total Assets	6%
Debt	3%
Employees	5%

**352**  
suppliers

**33,951**  
CSR beneficiaries



## Planet

- Ongoing investments in lean initiatives have led to sustained reductions in energy and water consumption
- The Sector promotes environmentally friendly charcoaling across its supply chain through its unique initiative, Haritha Angara. During the year, 101 new green charcoaling pits were added bringing the total to 280.
- Achieved a reduction in carbon intensity, supported by ongoing efforts to enhance direct energy consumption

**30,140** tCO<sub>2</sub>e Scope 01 & 02  
GHG emission (-2%)

**957 MWh** (waste to energy project)  
of electricity generated through waste heat recovery system at Recogen



## COVID 19 Impacts & Outlook

- **PEOPLE:** In line with the Group guidelines, the Sector retained all employees and maintained remuneration levels. Also facilitated technology to work-from-home and implemented a range of safety measures at all facilities.
- **DEMAND:** Demand for activated carbon remained relatively unchanged and new opportunities have emerged in new applications such as face masks.
- **SUPPLY CHAIN:** Foresee an escalation in expenditure related to logistics, arising from disruptions to the supply chain.
- **LIQUIDITY:** Measures taken to preserve liquidity include negotiating with suppliers and deferring all non-essential expenditure.
- **ADAPTABILITY:** The sector has directed R&D investments to pursue new market opportunities resulting from the global focus on health and safety.
- **PLANS:** The Sector intends to drive further investments in Sri Lanka, thereby supporting employment creation and foreign exchange generation. Demand has remained resilient and we will continue to optimise manufacturing and distribution to continually serve our customers.



# Textiles

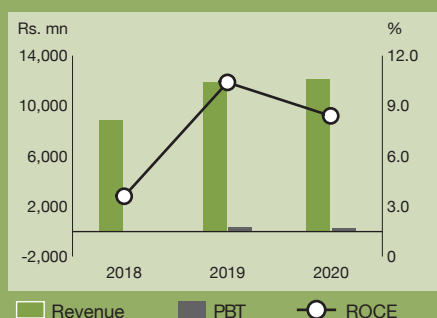
- *Supplier of innovative high-quality fabrics for leading global fashion brands*
- *End-to-end solutions from design to manufacturing*



## Strategy & Performance

- Gains made in an extremely successful 11 months up to February 2020 enabled the Sector to record revenue and PAT growth of 2% and 28% respectively, despite considerable losses in the 2nd half of March 2020 following outbreak of the COVID-19 pandemic.
- Our strategy of moving up the value chain by developing our own portfolio continues to gain traction as we secured new orders supporting higher capacity utilisation and profitability.
- Innovation is a key pillar of our strategy and during the year we widened contributions from INNO-our own brand supported by 9 new fabric innovations and 90 product developments.
- The Sector's strategy was also supported by effective deployment of advanced technology, ongoing efforts to reduce lead time and initiatives to enhance product quality.
- The Sector sought to proactively manage its inventory and working capital through tight controls and deploying Artificial Intelligence technology for the procurement of dyes and chemicals.

## FINANCIAL PERFORMANCE



## Manufacturing Capabilities

- The Sector's design and manufacturing capabilities has enabled Hayleys Fabrics to be recognised as one of the Sri Lanka's best innovators in fabric and among the top vendors in the global supply chain of leading international clothing brands. The Sector commenced an expansion project in February 2020, which has now been temporarily halted with plans to recommence once there is greater visibility of the way forward.



## Risks & Opportunities

- - Cancellation of orders post-COVID19
- - Changing customer preferences
- + Increasing focus on sustainability considerations
- - Exposure to fluctuations in yarn prices
- - Exposure to exchange rate volatility



## People

- The Sector adopted the Hayleys Group's new state-of-the-art HRIS system, which will enable to leverage global best practices in managing people.
- Continued commitment in driving socio economic development in the surrounding village through job creation and community engagement

## Relevance to Group

Revenue	6%
EBIT	3%
Total Assets	3%
Debt	3%
Employees	4%

**1,300**  
employees

**94%**  
employee retention rate



## Planet

- Development of a fabric made by plastic recovered from the ocean and launch of a mobile app by the INNO Team to trace back the origin of the fabric
- Increased the reuse of water in the dyeing machine operations
- Ongoing initiative on generating renewable energy through rooftop solar
- Bio-diversity enhancement through tree planting initiatives and internal wetland conservation programmes

**25,198** tCO<sub>2</sub>e **(-5%)**

**63%** of sustainable & renewable energy applications



## COVID 19 Impacts & Outlook

- **PEOPLE:** In line with the Hayleys Group guidelines, retained all employees and maintaining remuneration levels, facilitating work from home arrangements for office employees and implementing stringent health and safety measures across manufacturing facilities.
- **DEMAND:** The pandemic compelled leading brands to hold back and postpone orders given closure of malls and cancellation of major events and fashion weeks in key markets have been called off. In recent months we have secured orders for face masks and other protective clothing for medical use, with sufficient orders to recommence operations.
- **SUPPLY CHAIN:** Temporary disruptions to the supply chain following the immediate outbreak of the pandemic.
- **LIQUIDITY:** Short-term pressure on liquidity arising from postponement of orders. Measures adopted to preserve liquidity include deferment of capex and all non-essential expenditure and renegotiations with suppliers.
- **ADAPTABILITY:** Pursuing opportunities in health-related fabrics and directed resources towards producing face masks and PPE for which we see a surge in demand.





# Construction Materials

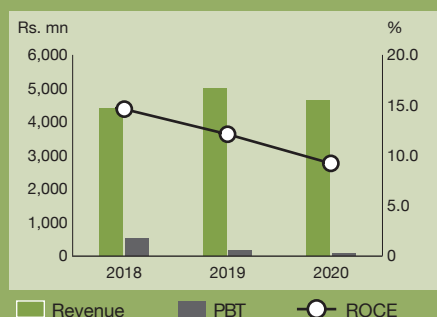
- **Market leader in the manufacture of aluminium extrusions**
- **Approved applicator for global powder coating brands**
- **Offers leading global aluminium proprietary systems under license**



## Strategy & Performance

- The slowdown in the Construction industry had a direct impact on Alumex PLC, which saw revenue contracting by 7%. Profitability was affected by the contraction in margins reflecting pressure on pricing and material cost increases due to sharp depreciation of the Rupee towards the latter part of 2019/20, which resulted in PBT decreasing by 62% y-o-y.
- Performance of the domestic market was below expectations, as demand from the general hardware and dealer markets were subdued for most part of the year.
- The Sector secured several large projects supported by its design and manufacturing capabilities and access to world-class aluminum proprietary systems.
- We also pursued growth opportunities in exports, entering new markets such as USA, UK and Kenya and forming relationships with large-scale fabricators. While performance of the export market was below expectations during the year, we hope to capitalise on emerging growth opportunities, thereby somewhat countering the adverse impacts of the slowdown in the domestic market.

## FINANCIAL PERFORMANCE



## Manufacturing Capabilities

The Sector operates 2 manufacturing facilities in Sri Lanka including a state-of-the-art extrusion and powder coating facility. Current capacity utilisation levels amount to 30%, presenting significant potential for growth.

The Sector has obtained a range certifications including the prestigious European Qualicoat (seaside) and Qualanod certifications for powder coating and anodising, widely considered to be the gold standard in aluminum.



## Risks & Opportunities

- + Growth opportunities in export markets
- + Reduction in global metal prices
- - Subdued demand from domestic market
- - Exchange rate volatility



## People

- The Sector propagates industry best practices across the supply chain through conducting numerous training programs for fabricators, school teachers, and technocrats in the SL Navy, SL Army, Vocational Training Authority and NAITA

## Relevance to Group

Revenue	2%
EBIT	3%
Total Assets	2%
Debt	3%
Employees	2%

**607**

Employees

**3,768**

fabricators trained



## Planet

- Ongoing project for identifying cleaner disposal method for aluminum sludge generated through operations
- Nearly 36% of input material consists of recycled aluminum, which in turn reduces the natural resources extracted from the environment, energy consumption and carbon footprint.

**8,691** tCO<sub>2</sub>e (-0.12%)

**+7%** increase in GHG emission intensity



## COVID 19 Impacts & Outlook

- **PEOPLE:** In line with the Group guidelines, the Sector retained all employees and maintained remuneration levels. We also facilitated technology to work-from-home and implemented a range of safety measures at our manufacturing facilities.
- **DEMAND:** Domestic demand is expected to be lackluster over the short-to-medium term while we expect export demand to recover at a faster pace.
- **SUPPLY CHAIN:** Temporary restrictions on imports were subsequently removed by the authorities for main raw material items. We are currently engaging with the authorities and suppliers to manage imports within the defined procedures.
- **LIQUIDITY:** Measures taken to preserve liquidity include negotiating with suppliers and deferring all non-essential expenditure include capex and advertising/promotion expenses.
- **ADAPTABILITY:** The sector will aggressively pursue growth opportunities in export markets, which is expected to somewhat counter the adverse impact of weak domestic demand.
- **PLANS:** Recent capacity expansions have positioned the Sector in good stead to capture growth opportunities, particularly in the export market. We will continue to leverage our manufacturing and R&D capabilities as well as access to world-class proprietary systems to drive medium to long-term growth.



# Plantations

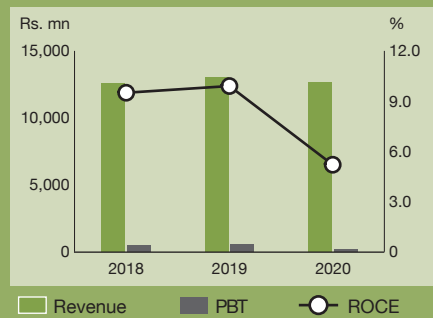
- Produces 3.6% and 3.9% of Sri Lanka's tea and rubber output respectively.
- Commands highest pricing for tea and rubber



## Strategy & Performance

- The Sector experienced yet another challenging year, due to adverse weather, decline in global prices, rising cost of production and prolonged impacts of the glyphosate ban. Resultantly, revenue and PBT declined by a respective 3% and 64%.
- Despite the challenging industry conditions, both Regional Plantation Companies (RPC) continued to invest in developing its employees, empowering estate community, and ensuring environmental sustainability.
- TTE and KVPL maintained their long-standing positions as the No.1 and No. 2 price commanders at the Colombo Tea Auction while KVPL continues to be the leading performer for rubber.
- The Sector has sought increased diversification of its crop base through the cultivation of cinnamon, coconut, and other crops.
- The Sector's tea exporter, Mabroc recorded PBT growth of 25%, countering the weak performance of the RPCs. Growth was driven by customer acquisition and launch of several new products.

## FINANCIAL PERFORMANCE



## Manufacturing Capabilities

The Sector's leasehold land bank exceeds 19,000 hectares in the hill country and low country wet zones. The Sector annually invests approximately Rs. 400 million in replanting and rejuvenating land, which in turn has enabled it to achieve above-average yields.



## Risks & Opportunities

- + Increasing customer prevalence towards healthy beverages
- + Buyers' emphasis on sustainability considerations
- - Implications of climate change
- - Escalating cost of production
- - Fluctuations in tea and rubber prices
- - Exchange rate volatility
- - Plantation wage increase demands



## People

- Our RPCs are frequently recognised for industry-leading HR practices; key areas of focus in 2019/20 included improving employee health and nutrition, driving towards zero Anaemia and offering training opportunities including NVQ level trainings.
- We are committed to uplifting the living standards of over 26,113 estate families living in our estates.

## Relevance to Group

Revenue	█	6%
EBIT	█	2%
Total Assets	█	5%
Debt	█	2%
Employees	█	50%

15,342

Employees

26,113

estate families



## Planet

- The Sector obtained the ISO 14064-1:2018 GHG Emission Reporting certification to achieve sustained reductions in the carbon footprint through science-based targets
- Renewable energy generation through solar and hydro power plants
- Rainforest Alliance, ISO 14001:2015 – Environment Management System, 'Organic Latex', and ISO 50001:2011 –Energy Management System certifications are key environmental certifications obtained.
- Ongoing initiatives to drive resource efficiency including optimisation of fertilizers/chemical consumptions

10,453 tCO<sub>2</sub>e (+12%)

-2% reduction in energy intensity



## COVID 19 Impacts & Outlook

- **PEOPLE:** In line with the Group guidelines, the Sector retained all employees and maintained remuneration levels. Also implemented numerous curative/preventive measures to prevent infections in our estate communities.
- **DEMAND:** Demand is expected to be strong due to the anti-viral properties of black tea and global consumer prevalence towards healthy beverages.
- **SUPPLY CHAIN:** The suspension of tea and rubber auctions for several weeks impacted the supply chain. Logistical challenges are expected to impact distribution over the short-term but return to normalcy relatively quickly.
- **LIQUIDITY:** Measures taken to preserve liquidity include negotiating with suppliers and deferring all non-essential expenditure.
- **ADAPTABILITY:** Estate operations have now returned to normalcy under stringent health and safety guidelines.
- **PLANS:** Despite several downside risks such as escalating cost of production, crop losses and low labour productivity and yields, we will continue to invest in upskilling our employees, uplifting the standard of living of estate sector communities and investing in replanting to support the survival of the plantation industry.



# Agriculture

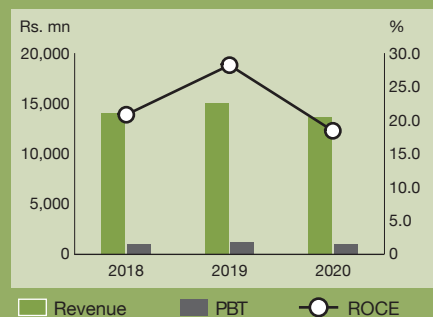
- **Largest Sri Lankan exporter of processed fruits and vegetables**
- **Leading provider of agri equipment and agri solutions**
- **Leading player in the animal health industry**



## Strategy & Performance

- The Crop Protection and Planting Materials sub-sector recorded a turnaround driven by optimisation of the product portfolio and distribution network.
- While operating conditions in the Fertilizer business remained challenging, we improved profitability through timely procurement and efficient working capital management.
- Agricultural Equipment cluster was adversely impacted by severe drought during the Yala season. We widened our product range supporting increased mechanisation in the tea and coconut industries.
- Animal Health cluster achieved strong growth with a wider globally renowned product range supported by extension services and rationalisation of the distribution network.
- Exports also performed relatively well supported by penetration in new markets, client acquisition and new product development.
- The Sector's revenue declined by 9% mainly due to challenging market conditions which impacted several key sub-sectors. Profit after Tax for the year also decreased by 13% to Rs. 750 million.

## FINANCIAL PERFORMANCE



## Manufacturing Capabilities

- The sector operates 6 facilities and plants in Sri Lanka; we have continued to invest in enhancing our physical infrastructure and the facilities which cater to our export businesses.
- The Sector's domain-specific knowledge and expertise has enabled it to play an important role in driving development of the country's Agriculture Sector; during the year we were awarded a project to install 10 greenhouses by the Dept. of Agriculture and 775 micro irrigation systems under the Agriculture Sector Modernisation Project of the Ministry of Agriculture.



## Risks & Opportunities

- +Opportunities for regional expansion
- +Climate smart agriculture
- - Adverse weather conditions
- -Exchange rate volatility
- -Labour shortages
- -Policy instability
- -Implications of climate change



## People

- We maintain strong relationships with agricultural communities, sharing technology, knowledge, and agricultural best practices with farmers across the island. We launched the 'Innotech Piyasa' in 2019 to provide climate-smart agriculture solutions to farmers.
- The Sector also conducts training programs to industry practitioners through the Hayleys Agriculture Training School.

## Relevance to Group

Revenue	6%
EBIT	9%
Total Assets	5%
Debt	4%
Employees	4%

**1,247**

employees

**2,584**

out-growers and suppliers



## Planet

- We continue to partner the Government's agri-modernisation initiatives such as drip irrigation and integrated pest management to ensure the sustainability of the agriculture sector along with preservation of natural resources.
- Water management solutions for our out-grower network, particularly in water stressed areas.
- Increased focus on rainwater harvesting in our operations

**5,877** tCO<sub>2</sub>e (+0.4%)

**14,710** m<sup>3</sup> of rain water harvested (7% of total consumption)



## COVID 19 Impacts & Outlook

- **PEOPLE:** While retaining all employees and maintaining remuneration levels, we facilitated technology to work-from-home and implemented a range of safety measures at all our facilities.
- **DEMAND:** Export market demand has demonstrated resilience and the Sector currently has a strong order book. On the other hand, products/services catering to the domestic market such as local horticultural products and services recorded a decline due to market conditions.
- **SUPPLY CHAIN:** Despite Agriculture being considered an essential service, distribution and logistics were somewhat impacted during the curfew period. However, the supply chain has now returned to normalcy.
- **LIQUIDITY:** Cash cycle was affected by the liquidity crunch across the supply chain. Moreover the limited banking hours and facilities were not conducive for our customers to settle dues.
- **ADAPTABILITY:** The sector has embraced the new norm of working and is exploring avenues to build more productive and lean operating models.
- **PLANS:** We will pursue growth opportunities in online sales channels introducing climate smart agriculture and value added exports while strengthening relationships with farming networks.





# Consumer & Retail

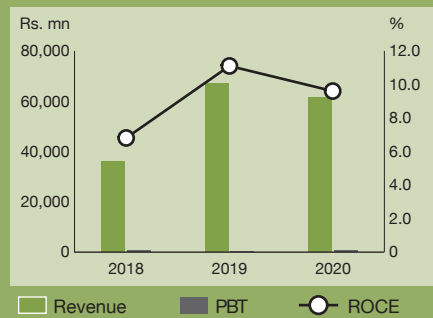
- **Market leader in consumer durables with an estimated 80% household penetration**
- **433 customer contact points**
- **Singer: 'People's Choice Brand of the year' for 14 consecutive years**



## Strategy & Performance

- The Sector was affected by the sharp downturn in consumer spending following the April attacks and the COVID-19 pandemic resulting in revenue decreasing by 8%.
- Profitability improved supported by ongoing focus on cost rationalisation, optimisation of the distribution network and strong performance of Singer Finance (Lanka) PLC.
- Singer widened its product offering by increasing its local manufacturing footprint with the launch of several new refrigerators and washing machines.
- The distribution network was optimised with the conversion of all Sisil World stores to Singer outlets, thereby ensuring a consistent customer experience.
- The agency for Proctor & Gamble recorded volume growth supported by consolidation of the distribution network, new leadership capabilities.

## FINANCIAL PERFORMANCE



## Manufacturing Capabilities

- Singer has continued to invest in enhancing its manufacturing capabilities, producing a range of high quality refrigerators, washing machines, water pumps and furniture.
- With a network of over 430 customer contact points the Sector has the most extensive geographical reach in the consumer durables market, affording substantial opportunities for growth.



## Risks & Opportunities

- + Increased demand for laptops/smart phones due to virtual learning
- + Increasing customer sophistication
- + Low penetration of consumer durables
- - Slowdown in consumer spending
- - Import restrictions imposed by government
- - Policy instability



## People

- The Sector implemented a learning management system to drive convenient learning solutions for employees.
- Singer creates significant value across its supply chain, supporting the livelihoods of service agents, 3rd party transporters, suppliers and property owners who lease their properties.
- The Singer Business School aims to empower youth by providing opportunities for skill development and entrepreneurship.

## Relevance to Group

Revenue	29%
EBIT	24%
Total Assets	22%
Debt	31%
Employees	10%

**3,121**

employees

**17.5**

Average training hours per employee



## Planet

- Replacing Styrofoam packaging with paper pulp.
- Tree planting initiatives
- Efforts to reduce customers' carbon footprint by enhancing the energy efficiency of our products
- Installation of LED lighting solutions across the distribution network
- Continuation of zero ozone impact gases in all refrigerators

**16,278** tCO<sub>2</sub>e (-6%)

**+2%**

increase in GHG emission intensity



## COVID 19 Impacts & Outlook

- **PEOPLE:** Despite the challenging market conditions, the Sector retained all employees and maintained full remuneration. We also ensured the health and safety of our people by facilitating work-from-home mechanisms.
- **DEMAND:** Demand has increased above expectations following the easing of restrictions and is expected to return to normalcy by the 3rd quarter of the year.
- **SUPPLY CHAIN:** Import restrictions on luxury goods is expected to have a considerable impact on the industry, although our local manufacturing places us in a strong position to capture market share from competitors.
- **LIQUIDITY:** Collection difficulties and customer defaults have led to some pressure on liquidity. Measures adopted to address this includes proactive working capital management, negotiating with suppliers and deferring all non-essential expenditure.
- **ADAPTABILITY:** We foresee increased demand for certain product categories given new ways of working and living and intend to capitalize on these opportunities.
- **PLANS:** We are keen to widen our local manufacturing footprint through diversifying into related products, particularly given policy impetus towards strengthening local industries.



# Leisure

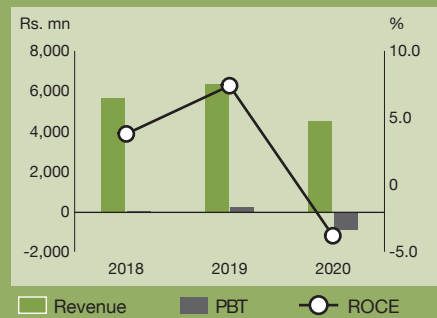
- Owns and operates 7 resort properties through the Amaya chain
- Own and operate Kingsbury Hotel, a 5-star city hotel



## Strategy & Performance

- It was a year of unprecedented challenges for the Leisure Sector with the terror attacks in April 2019 and the COVID-19 pandemic having devastating impacts on the entire tourism industry. Accordingly, tourist arrivals to Sri Lanka declined by 29% during the 12 months ending March 2020.
- While occupancies showed some recovery in the 3rd quarter of 2019/20 driven by domestic demand and arrivals from India and China, rates remained depressed thereby impacting profitability margins. Accordingly, the Sector's revenue declined by 30% while losses for the year amounted to Rs.889 mn.
- Following the outbreak of COVID-19 in March 2020 and the resultant lockdown, the Sector adopted a range of stringent cost control measures including the deferment of capex and all non-essential expenses.
- With the gradual easing of restrictions, we have sought to entice the domestic market through attractive promotions such as 'Buy Now-Stay Whenever' and credit card offers, the response to which has been extremely encouraging.

## FINANCIAL PERFORMANCE



## Manufacturing Capabilities

The Sector owns and operates 7 resort properties (including 1 in Maldives) and The Kingsbury, a five-star city hotel. During the year, the Kingsbury underwent significant refurbishment following the terror attacks, effectively using it as an opportunity to further enhance its restaurant offering.



## Risks & Opportunities

- - Border closures and travel restrictions
- - Safety of travel
- - Impact of social distancing measures on banquets and events
- + Pent-up demand in the domestic market
- + Increasing focus on sustainable tourism



## People

- Despite the extremely challenging industry conditions, particularly in the aftermath of COVID-19 we retained all employees. We are also aware of the difficulties faced by our Hotel Sector employees and continue to pay their salaries.

## Relevance to Group

Revenue	█	2%
Total Assets	█	6%
Liability	█	6%
Employees	█	5%

1,651

Employees

8.5

Avg. trainings per employee



## Planet

- Resort-wide mechanisms are in place to recycle water
- Amaya Kuda-rah, Maldives engages in a coral frame sponsorship program, engaging guests in the preservation and conservation of coral reefs.
- Tree planting programs across the Sector

10,477 tCO<sub>2</sub>e (-20%)

1,700+ trees planted



## COVID 19 Impacts & Outlook

- **PEOPLE:** Ensured the safety and hygiene of all employees through installing necessary safety equipment and raising awareness.
- **DEMAND:** The domestic market is anticipated to drive demand over the short-to-medium term, as international arrivals are likely to remain subdued until end-2020. The Kingsbury is likely to see a gradual increase in its F&B revenue, although earnings from banquets and other events will be restricted due to social distancing requirements
- **VALUE CHAIN:** Travellers are likely to opt for traditional Destination Management Companies as opposed to Online Travel Agents given the fluidity of the current market conditions and preference towards direct engagement.
- **LIQUIDITY:** Stringent cost saving measures including deferment of all capex, recruitment, advertising, and promotion expenditure. The Sector has also successfully applied for the debt moratoriums offered to the Tourism Sector.
- **ADAPTABILITY:** We are pursuing potential revenue streams in F&B, offering both dine-in and delivery services under stringent health and safety guidelines.
- **PLANS:** The sector has adopted a range of measures to preserve liquidity and curtail losses while offering numerous promotions to attract the domestic market. We anticipate a gradual recovery of international arrivals towards the latter part of the year and are aptly positioned to capitalise on any emerging opportunities.



# Industry Inputs & Power and Energy

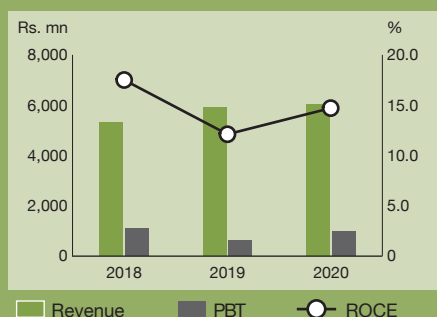
- Provides an array of inputs to the industrial sector
- Generated 31+ GWh of renewable energy in 2019/20
- Leading supplier of generators



## Strategy & Performance

- The Sector delivered a year of strong earnings growth, with PBT increasing by 57% to Rs.990 mn. Performance was upheld by the turnaround in the Industrial Inputs cluster and sustained performance of the Power & Energy cluster.
- Weather conditions were conducive to power generation during the year, resulting in the Power & Energy cluster recording a 15% growth in PBT.
- Industrial Raw Material cluster performed well, supported by client acquisitions, entry into new markets and a wider product range including nano carbon tubes and natural enzymes for the food industry.
- The Engineering cluster recorded a turnaround due to efficient project execution and entry into several new solutions such as lifts and car parking solutions.
- The Lifesciences cluster was impacted by technological disruption and competitive intensity in the traditional x-ray business. The cluster diversified into several new areas including critical care, genetics, surgical care, and analytical instruments, among others.
- The Sector placed strategic focus on driving productivity and lean initiatives and sought to outsource non-critical functions.

## FINANCIAL PERFORMANCE



## Manufacturing Capabilities

The Sector owns and operates 6 mini hydro plants, 1 solar plant and 3 wind power plants, which collectively contribute nearly 50 MW of renewable energy to the national grid.



## Risks & Opportunities

- + Global drive towards renewable energy
- - Exposure to weather patterns
- - Exchange rate impacts
- + Overseas expansion opportunities
- - Import restrictions



## People

- The Sector initiated training programs across all operational locations focusing on employee health and safety.
- Our long-standing relationship with leading international principals is a key source of competitive edge, as it ensures the quality of our products, facilitating new client acquisition.

## Relevance to Group

Revenue	██████████	3%
EBIT	██████████	7%
Total Assets	██████████	5%
Debt	██████████	3%
Employees	██████████	1%

**316**

Employees

**67+**

principals



## Planet

- The Sector commercialised carbon nano tubes for solid tyres during the year, which is anticipated to reduce the consumption of raw material and result in a lighter carbon footprint.
- Renewable energy generation plays an important role in reducing the dependence on fossil fuels and thereby emissions.

**590**

tCO<sub>2</sub>e (-32%)

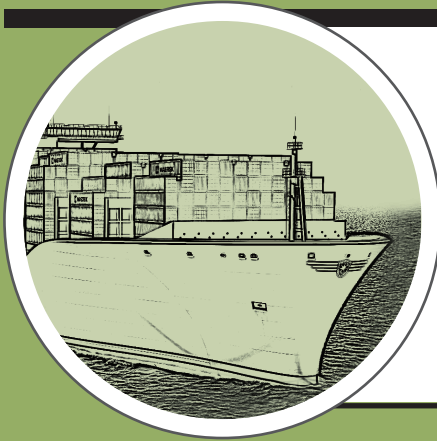
**-33%**

decrease in GHG emission intensity



## COVID 19 Impacts & Outlook

- **PEOPLE:** In line with the Group guidelines, the Sector retained all employees and maintained remuneration levels. We also introduced numerous safety mechanisms and hygiene practices across all operational locations.
- **DEMAND:** Demand for energy has been relatively stable and largely unaffected by the pandemic. On the other hand, demand for Industrial Raw Materials has been subdued, reflecting a downturn in global industrial activity.
- **SUPPLY CHAIN:** Import restrictions by the Government will impact our Industrial Raw Material sector over the short-to-medium term, given its reliance on imports.
- **LIQUIDITY:** Measures taken to preserve liquidity include negotiating with suppliers and deferring all non-essential expenditure.
- **PLANS:** Key medium to long-term priorities include expanding our renewable energy generation, widening the product portfolio in Industrial Inputs and strengthening our presence in regional markets.



# Transportation and Logistics

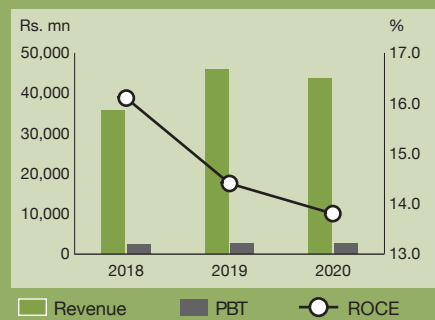
- **Largest player in Sri Lanka's transportation and logistics industry**
- **Owner of the largest commercial fleet of floating assets in Sri Lanka**
- **Presence in 9 regional markets**



## Strategy & Performance

- The Sector delivered a commendable performance in a challenging year to record a PBT growth of 2% to Rs.2.5 bn. Despite a 5% reduction in revenue, strategic focus on widening profitability margins enabled the Sector to record earnings expansion.
- International Freight Management cluster was affected by weaker trade volumes and lower freight rates, which was further exacerbated following the outbreak of COVID-19. The cluster was strengthened with the addition of a new logistics partner during the year.
- Integrated Logistics cluster delivered strong growth supported by new customer acquisition which enabled higher capacity utilisation. The Sector also sought deeper penetration in regional markets such as Myanmar, Indonesia, and Bangladesh.
- In Terminals & Engineering, we secured several large infrastructure projects and was successful in winning the contract to construct the largest pre-engineered building in Sri Lanka.
- The B2B platform, Advantis Ultra was fully operationalised during the year, gaining market acceptance within a relatively short time.

## FINANCIAL PERFORMANCE



## Physical infrastructure

Hayleys Advantis owns and operates 24 vessels and is the largest private sector owner of floating assets in the country. During the year, the Sector also purchased a sophisticated anchor handling tug for salvage operations, one of the largest salvage tugs operating in the ISC region.



## Risks & Opportunities

- - Slowdown in global trade
- - Volatility in freight rates
- + Opportunities in technologically advanced logistics
- + Regional growth
- - Volatile global oil prices



## People

- During the year, the Sector strengthened its health and safety policy and procedure framework and sought to nurture a culture of safety across the Organisation.
- Fedex and Logiwiz were awarded the Great Place to Work (GPTW) certification during the year.

## Relevance to Group

Revenue	21%
EBIT	23%
Total Assets	14%
Debt	18%
Employees	8%

**2,557**  
Employees

**2,279**  
indirect employees



## Planet

- First Sri Lankan organisation to comply with the regulations introduced by the international convention of prevention of pollution of ships. In complying with this regulation, our bunkering division was the first to import and commence trading in low sulphur fuel oil (LSFO) in Sri Lanka
- Comprehensive spill management systems for marine operations

**32,283** tCO<sub>2</sub>e (+37%)

**+45%** increase in GHG emission intensity



## COVID 19 Impacts & Outlook

- **PEOPLE:** Given the high vulnerability of our employees contracting the virus, all recommended precautionary measures have been enforced, and the sector developed and introduced a digital self-declaration mechanism across all operations, which will enable the effective tracking in the event of infection.
- **DEMAND:** global shipping although slow, has shown signs of early recovery. The significant increase seen in Sea and Air freight rates due to the imbalance in supply and demand, has positively impacted our trading margins. Demand from Myanmar and Indonesia remain healthy. Integrated Logistics has seen a gradual increase in storage demand, although demand for value-added services were subdued.
- **LIQUIDITY:** The Sector has adopted several guidelines in line with the parent entity's Haysmart initiatives to preserve liquidity over the short-term.
- **ADAPTABILITY:** The sector hired 9 freighters to facilitate effective passenger and cargo movement between markets, during the lockdown period.
- **PLANS:** Improving efficiency and productivity while driving consolidation and rationalisation of operations. Digitisation will be a key priority in 2020 and the Sector has already formulated a Digital Road Map to drive technologically advanced logistic solutions.





# Others

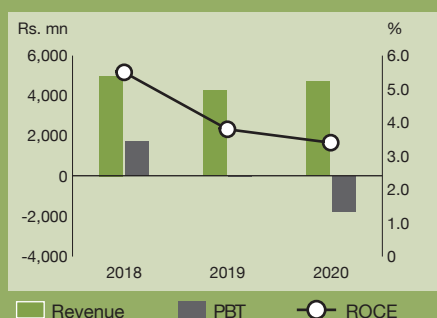
- **Provider of Integrated Engineering solutions through Fentons**
- **Leading supplier of aluminium profiles through Unisyst Engineering**
- **BPO operations**



## Strategy & Performance

- The Sector achieved a 11% increase in revenue, although profitability was affected by a substantial increase in interest costs during the year.
- Fentons posted strong turnaround during the year driven by the proactive tracking and management of projects and effectively managing liquidity and working capital cycles. Leadership capabilities were also strengthened during the year
- Unisyst Engineering (formerly Alufab PLC) experienced a challenging year due to adverse industry conditions and the slowdown in construction projects during the year.
- The Group's BPO operations recorded earnings growth driven by deeper relationships with customers, ongoing efforts on process efficiencies and acquisition of new customers.
- Group IT Division commenced the implementation of SAP across the Group, driving better productivity and better access to management information.

## FINANCIAL PERFORMANCE



## Engineering Capabilities

As one of Sri Lanka's leading engineering companies, Hayleys Fentons has unmatched capabilities in integrated engineering solutions including solar power, electrical, fire safety, plumbing, renewable energy, security, ICT and heating, ventilation, and air conditioning.



## Risks & Opportunities

- - Slowdown in Construction sector
- - Liquidity crunch in construction industry
- + BPO: Entry into new markets
- - Exchange rate volatility
- - Intensifying competition



## People

- Hayleys Fentons placed strategic emphasis on nurturing a learning culture, directing considerable investments towards knowledge sharing and overseas training exposure, among others.
- Hayleys PLC launched a state-of-the-art HRIS system, which will enable the propagation of world class HR practices across the Group.
- Continuation of Puritas Sath Diyawara

## Relevance to Group

Revenue	█	2%
EBIT	█	9%
Total Assets	█	24%
Debt	█	24%
Employees	█	3%

**1,047** Employees



## Planet

- Hayleys PLC is currently driving roof solar programs across sectors wherever possible
- Fentons is one of the largest installers of solar power solutions
- Fentons engaged in a tree planting initiative during the year
- Fentons obtained the ISO 14001:2015 Environment Management certification during the year

**2,335** tCO<sub>2</sub>e (+9%)

**10,434** GJ (-23%)

total energy consumption



## COVID 19 Impacts & Outlook

- **PEOPLE:** In line with the Group guidelines, all employees have been retained and remuneration maintained. Remote working arrangements have been implemented for BPO cluster employees while stringent safety measures have been installed in all operating locations.
- **DEMAND:** The temporary stoppage of construction projects will adversely impact the demand for engineering services over the short-to-medium term. Demand conditions for the BPO operations remain relatively unchanged.
- **SUPPLY CHAIN:** Temporary disruptions to supply chains in the immediate aftermath of the pandemic have now returned to normalcy.
- **LIQUIDITY:** Measures taken to preserve liquidity include deferring all non-essential expenditure include capex and advertising/promotion expenses and negotiating with suppliers.
- **PLANS:** Fentons will continue to strengthen its project management capabilities and aggressively pursue client acquisition as the construction industry gradually returns to normalcy. At Hayleys PLC level, we intend to rationalise the Group's portfolio through divesting idle assets and restructuring certain operations to optimise resource utilisation.

# Our People

***With a truly diverse team of 31,029 employees, Hayleys Group is one of the largest private sector employers in the country with a strong reputation for nurturing talent and developing skills across sectors and geographies. A unique employee value proposition enables the Group to attract and retain the country's top talent as a preferred employer.***

		2020	Change %	2019	2018
<b>Consolidated Statement of Social Performance</b>					
<b>Employees</b>					
Employees on payroll*	No.	31,029	(0.01)	31,255	31,832
Female representation	%	38	-	38	39
New recruits	No.	4,651	30.04	3,567	2,684
Investment in training	Rs.mn	68	(35.24)	105	95
Training hours	Hours	224,279	34.53	166,708	250,623
Average training hours per employee	Hours	7.23	36.42	5.3	7.9
Retention rate	%	85	(6.60)	91	83
Workplace Injuries	No.	192	(88.02)	1,603	383
Lost working days	No.	4,162	(71.16)	14,432	1,252

\* Restated

### Areas of focus in 2019/20

#### • Human Resource Information System (HRIS) implementation

The Group commenced implementation of a state-of-the-art HRIS during the year, which will enable the consistent application of processes across sectors and contribute to the propagation of global best practices across the organisation. The cloud-based system includes several modules including recruitment, performance management, talent review and succession planning. The system incorporates Artificial Intelligence technology which facilitates predictive capabilities on a range of variables such as voluntary turnover and predicted employee performance. Comprehensive dashboards will also be available to C-level, enabling more effective decision making across Hayleys Group. Employees can also access the system through their smart phones with an app available on both Android and Apple platforms.

#### • Ensuring employee health and safety

The Group has a comprehensive Health and Safety policy ensuring a hazard free environment to all employees. Following the outbreak of COVID-19 we further strengthened safety mechanisms, improving hygiene practices, raising employee awareness, and facilitating remote working arrangements for office-based employees. Several sectors offer free medical testing for executive employees while health and safety aspects have also been added to selected collective agreements.

- 0** fatalities
- 43** commuting accidents/injuries
- 192** workplace accidents/injuries
- 376** first-aid cases
- 4,162** lost working days

### Team Profile

31,029 employees

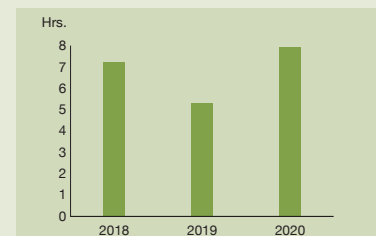
 **62%**

 **38%**


**85%**  
Retention

**4,651**  
New recruits

### AVERAGE TRAINING HOURS PER EMPLOYEE



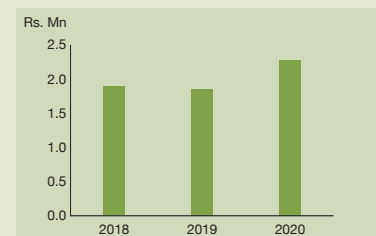
### Diversity

 **25%** at Executive level  
**11%** at Assistant Manager and above levels

### Productivity

Rs. **6.8** million Revenue per employee | **>Rs. 93,000** Profit per employee

### VALUE ADDED PER EMPLOYEE



● **Talent Development**

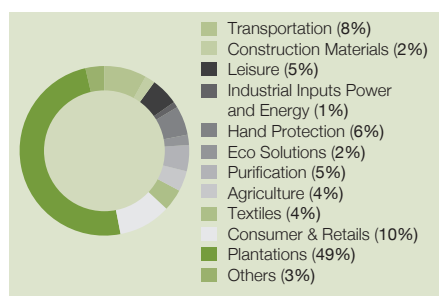
We continue to invest in developing employees across all sectors, categories, and locations. Following the 70:20:10 rule, our learning comprises of On the Job Training also featuring cross – functional and cross – sectoral exposures, coaching and mentoring relationships as well as structured training programmes. The training catalogue, developed in line with the Group’s Competency Framework and consisting of over 50 programmes, was utilised as a framework to roll out training programmes within the year based on the needs identified and thus ensuring the learning culture was consistently and continuously maintained across the Group.

Our unique Management Trainee program, ‘FYOUTURE CEO’ also continued during the year with the recruitment of 6 aspiring young professionals to the program. The Group’s investment in training amounted to Rs.68 million during the year, translating to average training hours of 7.2 per employee.

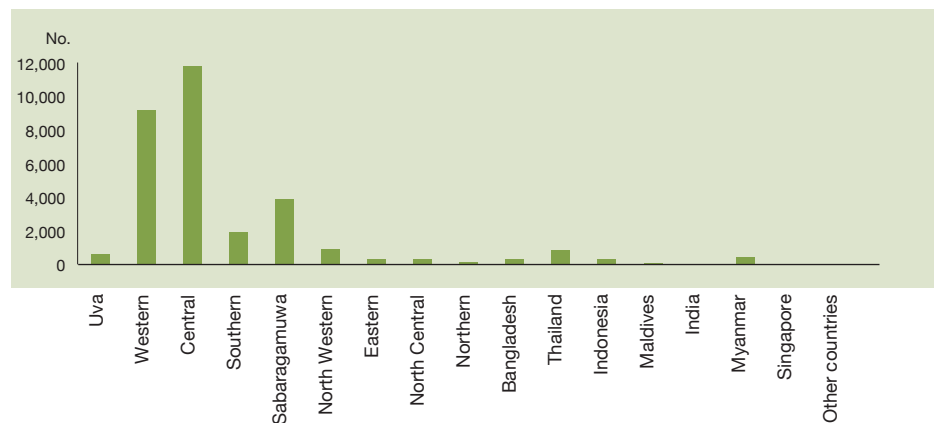
● **Diversity and Gender Parity**

The Group is committed to building diverse talent pools and continues to refine its HR policies and practices to ensure that all employees are treated fairly and equitably in a conducive environment. The policy framework supporting diversity and gender parity includes equal opportunity, anti-sexual harassment, and a dedicated grievance handling mechanism for harassment related grievances. Female representation amounted to 38% during the year, while representation at management and senior management levels have continued to increase.

**EMPLOYEES BY SECTORS**



**EMPLOYEES BY REGION**



**Impact of COVID-19**

Following the outbreak of COVID-19, our immediate priority was ensuring the health and safety of our employees. Despite significant stress on our performance, a Group-wide decision was also made to retain all employees and maintain full remuneration. Measures introduced to address post COVID-19 impacts included,

- Facilitate technology to enable remote working and work-from-home as far as possible
- Deferment of all employee engagement and training activities in the short-term
- Merging job functions to optimise workforce
- Cross-utilise employees across sectors wherever possible
- Freeze new recruitments

**Way Forward**

As operations gradually return to normalcy, we hope to recommence our development programmes with focus on management and leadership development programmes. Digitising HR processes remains a key priority as we seek to digitise all personnel files thereby improving efficiency and reliability while reducing paper consumption. We also hope to widen engagement with employees utilising chatbots and artificial intelligence tools through social media platforms, thereby catering to the engagement preferences of our younger employees.



# Community Engagement

***Hayleys' philanthropic initiatives are conducted in accordance with the guidance set out in the Community Engagement Pillar of the Group's Sustainability and Corporate Responsibility Policy. Initiatives are formulated and driven at Sector level based on an identified community need, while key strategic projects are also driven by the Centre.***

		2020	Change %	2019	2018
<b>Consolidated Statement of Social Performance</b>					
<b>Community Engagement</b>					
Investment in CSR***	Rs.mn	273	-	>250	>350
Beneficiaries of CSR****	No.	418,038	354.39	92,000	>250,000
No. of new products developed	No.	193	(2.03)	197	348
Investment in R&D	Rs.mn	129	(53.6)	278	103

\*\*\* Includes Plantation Sector projects done with external contributions

\*\*\*\* Broadened scope to include estate communities benefiting from Plantation Sector CSR

Key projects carried out during the year include (but are not limited to) the following:

- Puritas Sath Diyawara- Going Beyond**

The Hayleys Group's flagship CSR project, Puritas Sath Diyawara aims to provide purified water to families in areas affected by Chronic Kidney Disease (CKD) through the commissioning of Reverse Osmosis (RO) plants. During the year, the Group maintained the 16 RO plants that have so far been commissioned, which benefits over 19,000 people in 19 villages. 'Going beyond' is the 2nd phase of the project through which the Group addresses broader socio-economic issues faced by these villagers; in 2019/20, 9 Sectors contributed towards supporting the educational requirements of school going children in these villages.

- Contributions post COVID-19**

Following the outbreak of the COVID-19 pandemic, several sectors engaged in donations to communities and hospitals. This included the donation of medical equipment, face masks, rubber gloves, essential items, and dry rations, among others. A summary of these donations are presented alongside. All Group employees donated one day's salary to the COVID-19 fund, which the Group matched by a similar contribution. The total monetary contributions made by the Group amounted to over Rs.30 mn.

In addition to the above programs, Sectors engaged in numerous projects including blood donation programs, donations to schools and sponsorships, among others. Health remained an area of focus with several sectors directing resources towards constructing/ renovating hospitals and donating machinery and equipment, among others.

- Home for Every Plantation Worker**

Carried out as an ongoing program by the Group's Plantation Sector, this multi-dimensional initiative aims to uplift the living standards of nearly 150,000 individuals living in estate communities. The project is structured around the four focus areas of Improving living conditions, Health and Nutrition, Community Capacity Building and Youth Empowerment. Key highlights are presented alongside.

- Singer Business School and Fashion Academy**

The Singer Business School continues to empower youth by providing opportunities for skill development through 6 fashion academies, 8 computer academies and 3 vocational academies. During the year over 4600 students attended fashion related through which they obtained an understanding of the scope and opportunities available in the field of fashion design.

## Community Investments



Rs. **273** million  
Investment in CSR



**418,000**  
Beneficiaries



> **8,000**  
Volunteer hours

## Puritas Sathdiyawara – Going Beyond

**4**th consecutive year

**9** sectors

**11** schools

**2,674** children

## Home for Every Plantation Worker

**43** mn (Rs.) - micro financing facilities

**79** oral cancer programs

**108** houses electrified

**196** new houses

**214** small business management training sessions

## COVID-19 contributions

Over 9,000 face masks donated to front line workers by Purification sector

Hand Protection sector : 1,000 rubber gloves donated to a quarantine centre

Rs. 3.5 mn worth medical instruments donated to IDH hospital

Consumer & Retail sector - Air conditioners and washing machines to hospitals

Essential consumer items for COVID patients / quarantine centres / government workers

Dry rations to low income families and plantation communities

# Environmental Commitment

***The depth and diversity of the Group’s business interests places us in a strong position to drive meaningful change in the consumption and preservation of natural resources. A robust policy framework, clearly defined procedures and a tailor-made information system administered by the Hayleys Corporate Sustainability Unit ensure that all environmental impacts pertaining to raw materials, energy, water, waste, and emissions are tracked on a consistent basis.***

		2020	Change %	2019	2018
<b>Consolidated Statement of Environmental Performance</b>					
Energy consumption	Mn GJ	3.74	(1.32)	3.79	2.54
Renewable electricity generation*	%	43	53.57	28	-
Water usage	Mn m <sup>3</sup>	5.99	27.99	4.68	4.61
Water recycled through treatment plants	%	56.5	126.9	24.9	10.2
Recycled water usage**	%	8	-	-	-
Solid waste	MTs	52,051	(33.23)	77,952	22,080
Effluents discharged	Mn m <sup>3</sup>	3.93	5.93	3.71	3.07
Carbon footprint***	tCO <sub>2</sub> e	168,924	3.71	162,876	116,547
Emission intensity	KgCO <sub>2</sub> e/revenue mn	803	8.08	743	714

\* Electricity generated Vs. Electricity consumed

\*\*New water efficient technology has enabled an increase in the reuse of recycled water and process recirculation

\*\*\*The carbon footprint of 2018/19 has been restated following the refinement of waste related emission computation of the Purification Sector

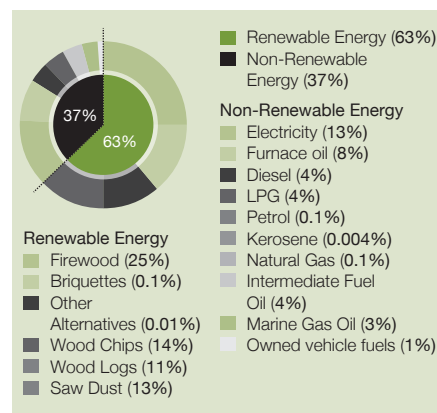
### Areas of focus in 2019/20

#### • Renewable energy generation

Sectors such as Hand Protection, Textiles, Purification and Plantations continue to drive concerted efforts towards increasing renewable energy generation through bio-mass sources, waste heat recovery and solar, among others. This includes a Group-wide initiative to install rooftop solar systems in the Group’s factories with a total planned generation capacity of 10MW; of this projects totalling a capacity of 2.4MW are currently under development with the participation of the Textiles, Construction Materials and Transportation Sector. The project investment will be driven by Hayleys Power with installation and management through Fentons, thereby effectively leveraging Group synergies. Meanwhile, through the Power & Energy sector Hayleys generates nearly 3% of the country’s renewable energy, with an installed capacity of 50MW in wind and hydro power. In 2019/20

the Group’s total renewable energy generation amounted to 58,493 MWh which in turn amounted to 43% of Group’s total electricity consumption.

### ENERGY PROFILE



### Environmental Highlights

- 1%** reduction in energy consumption
- 43%** renewable electricity generation
- 57%** water recycled / internally treated
- 180,334** trees planted
- 4%** increase in carbon footprint

### Certifications and Awards

- First Sri Lankan tea factory certified under ISO 50001:2011 – Energy management system certification – Talawakelle Plantations
- ISO 14064-1:2018 GHG Emission reporting certification-Talawakelle Plantations
- Presidential Environment Award winners-Talawakelle Plantations and Hayleys Fabrics
- Asia Sustainable Reporting Award-Talawakelle Plantations and Hayleys Fabric

### Hayleys Fabrics- Recycled Fabric

The sector developed a fabric made by PET bottles recovered from the coastal area, catering to the new trend of using recycled polyester. The Team also developed an app which ensures traceability of the product, providing details such as number of PET bottles used and location of the beach from where the bottles were sourced etc.

## Environmental Commitment

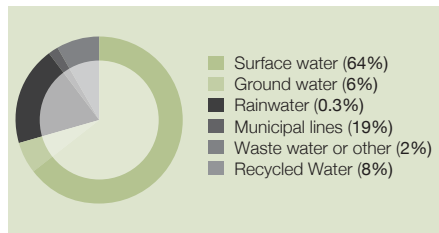
- Tree Planting**

The Group widened its contribution to ‘One Million Saplings’ campaign, a tree planting initiative launched by the Plantation Sector in 2013. During the year, 9 other sectors joined the program and to date, the Group has planted a total of 633,584 trees at a total investment of Rs.65 million. In addition to this, several sectors such as Plantations, Construction Materials and Textiles engage in tree planting on an ongoing basis.

- Water Preservation**

Increasing water stress in several operating locations have compelled the Group to increase focus on the recycling/reuse of water. During the year, 57% of our wastewater was treated and recycled supported by advanced water treatment solutions installed by several sectors. Hand protection and Agriculture sectors engage in rainwater harvesting, which as a Group amounted to 0.3% during the year. In total, the Group re-used 8% of its water withdrawals during the year.

### WATER CONSUMPTIONS BY SOURCE



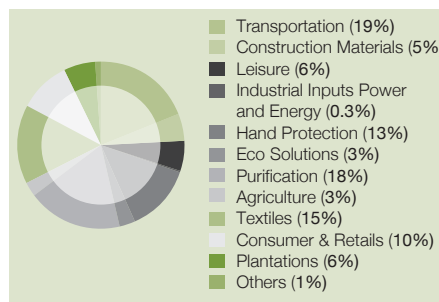
- Material usage**

Several initiatives were launched during the year to reduce the usage of non-renewable and/or non-biodegradable material. For instance, 36% of the Construction Materials sector’s key input material, aluminium, consisted of recycled material (refer alongside). Meanwhile, our retail arm, Singer (Sri Lanka) PLC replaced a portion of its Styrofoam packaging with paper pulp. In an exciting innovation, the Textiles Sector Development of a fabric made by plastic recovered from the ocean (refer alongside)

- Carbon footprint**

Achieving sustained reductions in our carbon footprint and emission intensity are key long-term environmental aspirations and Sectors continue to drive concerted efforts towards achieving this goal. This includes renewable energy generation, enhancing the energy efficiency of operations and introducing new energy saving technologies. Capacity increases by several sectors led to a 4% increase in total carbon footprint to 168,924 tCO<sub>2</sub>e during the year. Increased reliance on bio-mass energy application resulted in 307,929 tCO<sub>2</sub>e of biogenic carbon emissions, which enabled the 65% reduction of GHG emissions during the year.

### GHG EMISSIONS BY SECTORS



### Recycled input material at Alumex

By utilising recycled aluminium for its manufacturing, the Sector is able to considerably reduce its carbon footprint of entire life cycle through,

- Reduced natural resource extraction
- Reduction in energy consumption and GHG emissions arising from raw material manufacturing & upstream logistics
- Close looping the production circle while minimising the waste footprint

# Consolidated Statement of Financial Performance

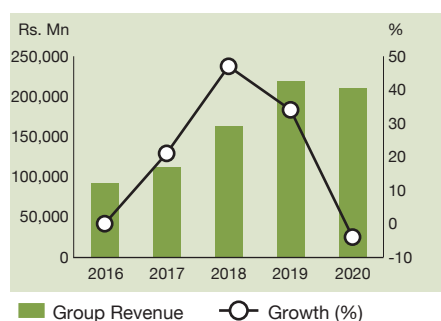
***Despite the drop in revenue, the Group recorded a 2% increase in gross profit to Rs. 50.15 bn during the year, with the GP margin widening to 24% from 22% the year before.***

## Financial Performance

### Revenue

The Hayleys Group achieved a consolidated Revenue of Rs. 210.3 bn. By leveraging its geographical and sectoral diversity, contained the Revenue decline to 4% in a year riddled with numerous external challenges. The drop in revenues of the Leisure (-30%) and Consumer & Retail (-8%) sectors which were considerably affected by the April terror attacks and the outbreak of the COVID-19 pandemic, were partially offset by the strong performance of the export-oriented businesses, primarily Purification (+9%), Hand Protection (+4%) and Textiles (+2%). In terms of contribution, Consumer & Retail and Transportation & Logistics retained their positions as the largest contributor to revenue, with a share of 29% and 21% respectively. Given the challenging domestic conditions, revenue contributions from the domestic market declined to 53% from 55% the previous year.

### REVENUE



### Gross Profit

Despite the drop in revenue, the Group recorded a 2% increase in Gross Profit to Rs. 50.15 bn during the year, with the GP margin widening to 24% from 22% the year before.

This improvement was supported by a richer product mix in key sectors such as Hand Protection and Purification which pursued increased contributions from value added products. The improvement in profitability also reflects the Group-wide emphasis on enhancing productivity, lean initiatives, and cost optimisation. The direct interest cost deducted prior to Gross Profit represents the funding costs of Singer Finance (Lanka) PLC.

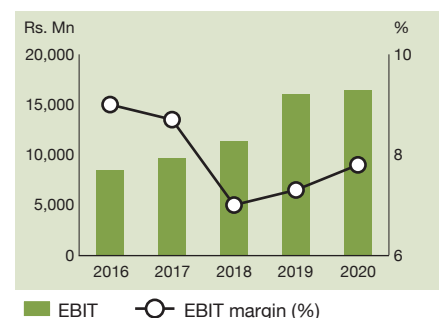
### Cost Management

Ongoing focus on increasing efficiencies and optimising costs enabled the Group to maintain its overhead costs at Rs.35.35 bn during the year. Administrative expenses which account for the most significant portion of overheads declined by 4% during the year, while the increase in Distribution and Other expenses were contained at 8% and 3% respectively. Several key sectors including Hand Protection, Eco Solutions and Consumer & Retail have generated cost savings arising from the implementation of Lean Management and TPM initiatives in recent years.

### Operating profitability

The Group's core performance strengthened during the year, reflected by EBIT growth of 3% to Rs.16.47 bn, a commendable achievement given the challenging market conditions that prevailed. Key sectors of Purification (+64%), Hand Protection (+23%) Transportation (+10%) and Consumer & Retail (+6%) recorded EBIT growth during the year, reflecting relentless focus on improving product/service portfolio profitability. Understandably, the Leisure sector generated operating losses during the year while all other sectors remained profitable at operating level. Overall, the Group's consolidated EBIT margin widened to 7.8% during the year, from 7.3% the previous year.

## TRENDS IN EBIT



## Finance Costs

Net finance costs increased by 5% to Rs. 11.01 bn during the year, primarily due to a reduction in finance income while finance costs recorded a marginal decline in comparison to the previous year. The 21% decline in finance income reflects a reduction in foreign exchange gains and interest income on loans & receivables. Meanwhile finance expenses declined marginally to Rs. 13.05 bn during the year despite a 9% increase in borrowings, thereby reflecting the gradual decline in market interest rates. The Group's strong business positions and excellent payment track record also enables it to borrow from Banks at relatively favourable rates while interest trends and outlook is monitored on on-going basis at Sector level as well as at Group level by a dedicated Treasury Unit

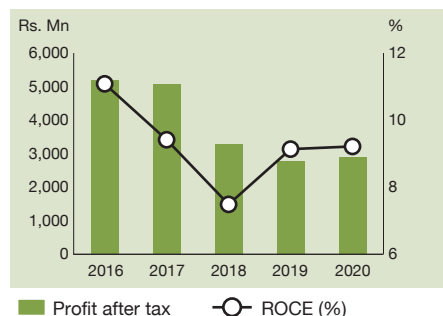
## Profitability and OCI

The Group's PBT recorded an increase of 1% to Rs.5.50 bn during the year, mainly reflecting the improvement in operating profitability. The Transportation & Logistics sector retained its position as the key contributor to Group profitability with a share of 38%, followed by Purification (32%), Hand Protection (15%) and Agriculture (15%). A 4% decline in tax expenses enabled the Group to deliver a 5% growth in profit after tax to Rs.2.89 bn during the year.

Meanwhile the Group's Other Comprehensive Income (OCI) amounted to Rs.390.35 mn mainly consisting of net exchange differences on the translation of foreign operations. Accordingly, the Group's total comprehensive income amounted to Rs.3.29 bn during the year under review.

## Consolidated Statement of Financial Performance

### TRENDS IN PAT

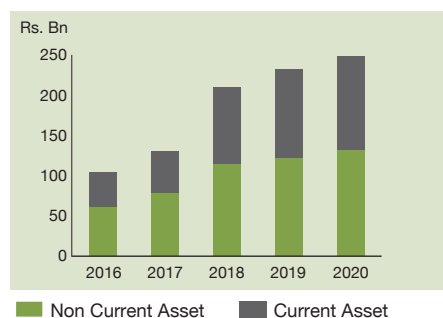


### Financial Position

#### Assets

Consolidated assets increased by 7% to Rs.248.31 bn reflecting capital expenditure by several sectors, increase in working capital and the recognition of leasehold assets as right-of-use assets with the adoption of SLFRS-16 during the year. Asset growth was driven primarily by Consumer & Retail (+8%) and Transportation & Logistics (+15%) which invested in Manufactured Capital during the year. Meanwhile the Group's non-current assets and current assets increased by a respective 8% and 6%, resulting in the asset composition tilting more towards the former, which accounted for 53% of consolidated assets as at end-March 2020.

### ASSET GROWTH



### Capital Structure

The 9% increase in borrowings is primarily due to the recognition of lease liabilities in line with the adoption of SLFRS 16 and increased debt in Transportation & Logistics, Agriculture and Consumer & Retail to fund capacity expansions and working capital requirements. Debt funded approximately 50% of the Group's total assets, relatively unchanged over the previous year. Meanwhile shareholders' funds increased by 2% to Rs.62.86 bn during the year, reflecting improved earnings retention during the year. Overall, the Group's gearing ratio (Debt/Debt+Equity) increased marginally to 0.66 times, from 0.65 times the previous year.

# 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 2020. The details set out herein provide the pertinent information required under Section 168 of the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules, Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and Finance Companies Corporate Governance Direction No 03 of 2008 issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011.

## 2. Review of the Business

### 2.1 Principal Business activities of the Company and the Group

Hayleys PLC is a holding Company that owns, directly or indirectly, investments in the numerous Companies constituting the Hayleys Group and provides services to its Group Companies. The Group consists of a portfolio of diverse business operations. The main subsidiaries and equity accounted investees of Hayleys PLC are listed on pages 224 to 226.

The Principal activities of the Group are categorised into different business sectors. i.e. Eco Solutions, Hand Protection, Purification Products, Textiles, Construction Materials, Agriculture, Plantations, Transportation & Logistics, Consumer & Retail, Power & Energy, Leisure and Others. The main activities of the sectors are described in the Portfolio Review pages 54 to 65 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, as well as future business developments are appraised in the Chairman's message (pages 14 to 19) Portfolio review (pages 54 to 65) of this Report. Those also provide an overall assessment of the state of affairs of the Group and the Company with details of important events that took place during the period. The investment/disposal activities during the year include the following;

- Rights Issue of Unisyst Engineering PLC - Hayleys PLC was allotted with 6,251,724 ordinary shares at Rs. 10/- each during the financial year.
- Rights issue of Fentons Limited - Hayleys PLC was allotted with 55,000,000 ordinary shares at Rs. 10/- each during the financial year.
- Issue of shares of World Export Centre Limited – Hayleys PLC was allotted with 16,500,000 ordinary shares at Rs.10/- each during the financial year.
- Rights issue of Hayleys Agriculture Holdings Limited - Hayleys PLC was allotted with 4,245,173 ordinary shares at Rs. 117.78 each during the financial year.
- Class 'B' shares of Hayleys Agriculture Holdings Limited - Transfer of 298,483 Class 'B' Shares held by Hayleys PLC to the eligible employees under ESOP of Hayleys Agriculture Holdings Limited at Rs.117.78 per share during the financial year.

### 2.3 Financial Statements of the Company and the Group

The Financial Statements of the Company and the Group are given on pages 94 to 211 of this report.

### 2.4 Auditors' Report

The Auditor's Report on the Financial Statements of the Company and the Group is given on pages 90 to 93.

### 2.5 Accounting Policies and changes during the year

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 which requires compliance with Sri Lanka Accounting Standards. The detailed accounting policies adopted in the preparation of the Financial Statements are given on pages 105 to 130. There were no changes to the Accounting Policies used by the Group and the Company during the year.

### 2.6 Entries in the Interests Register

The Company, in compliance with the Companies Act No.7 of 2007, maintains an Interests Register. As further required by

the Act, particulars of entries in the interests register of the Company and those subsidiaries which have not dispensed with the requirement to maintain interests registers, as permitted under Section 30 of the Companies Act, are detailed below.

#### 2.6.1 Directors' interest in transactions

The Directors of the Company and its Subsidiaries have made the general disclosures provided for in section 192(2) of the Companies Act No.7 of 2007. Note 38 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

#### 2.6.2 Directors' interests in shares

Directors of the Company and its Subsidiaries who have relevant interests in the shares of the respective Companies have disclosed their shareholdings and any acquisitions/ disposals to their Boards, in compliance with section 200 of the Companies Act.

#### Hayleys PLC

Details of Directors' shareholdings in the Company are given later in this report. There were no changes in holdings during the period other than the following.

- 430,000 shares were purchased during the financial year by Mr.Dhammika Perera, a Director of Hayleys PLC.

#### Unisyst Engineering PLC

- The following shares were allotted to the Directors from the Rights Issue made by Unisyst Engineering PLC during the financial year.

Name of Director	Number of ordinary shares
Mr. S.C. Ganegoda	9,830
Mr. S. Munaweera	4,146

#### Hayleys Agriculture Holdings Limited

- The following Class "B" (Non-voting) shares were allotted to the Directors from the Right Issue and ESOP made by Hayleys Agriculture Holdings Limited during the financial year.



## Annual Report of the Board of Directors

Name of Director	Number of Class 'B' shares
Mr. A.M. Pandithage	130,560
Mr. S.C. Ganegoda	16,287
Mrs. J. Dharmasena	16,449
Mr. A.C. Pathirage	13,441
Mr. L.N. Abesekera	7,178
Mr. A.N.K. Perera	7,000

### Alumex PLC

- 47,700 shares were purchased by Mr. S.C. Ganegoda during the financial year, Mr. S.C. Ganegoda is a common Director of Hayleys PLC and Alumex PLC.
- 200,000 shares were purchased by Akbar Brothers (Pvt) Ltd, Mr. A.A. Akbarally, a Non-Executive Director and Mr. T. Akbarally, Alternate Director to Mr. A.A. Akbarally of Alumex PLC are also Directors of Akbar Brothers (Pvt) Ltd.

### Hayleys Fabric PLC

- 25,000 shares were purchased by Mr. M.W.R.N. Somaratne, Independent Non-Executive Director of Hayleys Fabric PLC during the financial year.
- 50,000 shares were purchased by Mr. S.C. Ganegoda, Non-Executive Director of Hayleys Fabric PLC during the financial year.

### Kelani Valeey Plantations PLC

- 100 shares were purchased by Dr.W.G.R.Rajadurai, Managing Director of Kelani valley Plantations PLC during the financial year.

### Amaya Leisure PLC

- 1,278 shares were purchased by Elles (Pvt) Ltd (Mr. L.T. Samarawickrama, Non-Executive Director of Amaya Leisure PLC has the controlling interest in Elles (Pvt) Ltd.

### 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 2020, which is given in Note 10 includes the value of perquisites granted to them as part of their terms of service.

The total remuneration of Non-Executive Directors for the year ended 31st March 2020, which is given in Note 10, is determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of remuneration is fair to the Company.

### 2.6.4 Insurance & Indemnity

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

### 2.7 Directors' remuneration

Directors' remuneration, in respect of the Company for the financial year 2019/2020 is Rs. 381.4 mn (Rs. 254.6 mn) consisting of Rs. 372.1mn for Executive Directors and Rs. 9.3 mn for Non-Executive Directors.

Directors' remuneration in respect of the Company's Subsidiaries for the financial year 2019/20 is Rs. 1,310.1 mn (Rs. 1,137 mn) consisting of Rs. 1,252.3 mn for Executive Directors and Rs. 57.8 mn for Non-Executive Directors.

### 2.8 Corporate Donations

Donations by the Company amounted to Rs. 262,910 (Rs. 764,550) which includes a sum of Rs. 42,000 (Rs. 52,000) made to Government approved charities.

Donations by the Subsidiaries amounted to Rs. 24.0 mn (Rs. 23.9 mn).

## 3. Future Developments

Future developments are discussed in the Chairman's message (pages 14 to 19), Portfolio review (pages 54 to 65) of this Report.

## 4. Group Revenue and International trade

The revenue of the Group was Rs. 210.3 bn (Rs. 219.2 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. 69.1 bn (Rs. 68.5 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. 99.8 bn (Rs. 99.5 bn) in the year under review.

Trade between Group companies is conducted at fair market prices.

## 5. Performance and Reserves

### 5.1 Performance

The Group's profit before taxation amounted to Rs. 5.5 bn (Rs. 5.48 bn). After deducting Rs. 2.61 bn (Rs. 2.72 bn) for taxation the profit was Rs. 2.89 bn (Rs. 2.75 bn). When an amount of Rs. 2.52 bn (Rs. 2.48 bn) for non-controlling interests was deducted, the Group profit attributable to owners of the Parent for the year was Rs. 372.4 mn (Rs. 265.4 mn).

### 5.2 Reserves

Total Group Reserves at 31st March 2020 amounts to Rs. 39.7 bn (Rs. 40.2 bn) comprising Capital Reserves of Rs. 0.6 bn (Rs. 0.6 bn), Other components of equity of Rs. 23.6 bn (Rs. 23.1 bn) and Revenue Reserves of Rs. 13.8 bn (Rs. 14.9 bn). The composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

## 6. Property, Plant and Equipment

Capital expenditure during the year, on Property, Plant & Equipment (including capital work-in-progress), Biological assets, Intangible assets and Right-of-use asset by the Group and the Company amounted to Rs. 8.5 bn (Rs. 6.8 bn) and Rs. 57.5 mn (Rs. 26.7 mn) respectively.



Details relating to capital expenditure on Property, Plant & Equipment (including capital work-in-progress), Right-of-use asset, Biological assets, Investment properties, Intangible assets, are given in Notes 13, 14, 15, 16 and 17 to the Financial Statements.

Extents, locations, number of buildings and valuations of the properties of the Group are given in Statement of Value of Real Estate on pages 216 to 219.

## 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 of the lands were carried out as at 31st March 2019. Details of revaluations, carrying values and market values are provided in Note 13 to the Financial Statements. The Statement on Value of Real Estate on pages 376 to 379 gives details of freehold land held by the Group.

## 8. Issue of 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 2020.

The Company, in August 2019, issued Twenty Million (20,000,000) Senior, Unsecured, Listed, Redeemable, Rated Five year (2019/2024) debentures at a face value of Rs.100/- each with an option to increase such amount by a further Ten Million (10,000,000) of said Debentures. The Company, having received subscriptions for over 30,000,000 (Thirty Million) Debentures for a value of over Rs. 3,000,000,000 (Rs. Three Billion Only) exercised the over subscription option by issuing debentures for the above amount.

### 8.2 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 2020. There was no change in stated capital during the year.

The debentures of the Company consist of the following:

- Thirty five million two hundred and sixty eight thousand two hundred (35,268,200) listed rated senior unsecured redeemable five year (2018/23) debentures amounting to Rs.3.5bn.
- Thirty Million (30,000,000) listed rated senior unsecured redeemable five year (2019/2024) debentures amounting to Rs.3bn.

## 9. Share Information

Information relating to earnings, dividend, net assets, market value per share, share trading and distribution of shareholding is given on pages 221 to 222.

## 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 221.

### 10.2 Public holding

There were 6,271 (6,153) registered shareholders as at 31st March 2020. The percentage of shares held by the public, as per the Colombo Stock Exchange rules, being 37.10% (37.66%) representing 6,262 shareholders.

## II. Directors

### Hayleys PLC

The names of the Directors who held office during the financial year are given below. The brief profiles of the Board of Directors appear on pages 20 to 26.

#### Executive Directors

- Mr. A.M. Pandithage (Chairman & Chief Executive)  
 Mr. S.C. Ganegoda  
 Mr. H.S.R. Kariyawasan  
 Mr. L.R.V. Waidyaratne  
 Mrs. J. Dharmasena  
 Mr. R.J. Karunarahaj (appointed w.e.f. 01.06.2019)

#### Non-Executive Directors

Mr. K.D.D. Perera - (Co-Chairman-Non-Executive)

Ms. A.A.K. Amarasinghe - Alternate Director to Mr.Dhammika Perera (appointed w.e.f 17.10.2019)

#### Non-Executive Independent Directors

Dr. H. Cabral, PC

Mr. M.H. Jamaldeen

Mr. M.Y.A. Perera

Mr. K.D.G. Gunaratne (Appointed w.e.f.01.10.2019)

Mr. N.L.S. Joseph (resigned w.e.f 03.11.2019)

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

Mr. R.J. Karunarahaj was appointed to the Board with effect from 1st June 2019.

Mr. N.L.S. Joseph who served as an Independent Non-Executive Director resigned from the Board with effect from 3rd November 2019.

Mr. K.D.G. Gunaratne, was appointed to the Board as an Independent Non-Executive Director with effect from 1st October 2019. and in terms of Articles 27(2) of the Articles of Association of the Company, shareholders will be requested to elect him at the Annual General meeting.

Ms. A.A.K. Amarasinghe was appointed as an Alternate Director to Mr.Dhammika Perera with effect from 17th October 2019.

Mr. M.H. Jamaldeen, Mr. Dhammika Perera and Mrs. J. Dharmasena retire by rotation and being eligible offer themselves for re- election.

## Annual Report of the Board of Directors

### 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.

<b>Eco Solutions</b>			
A.M. Pandithage	H.S.R. Kariyawasan	S.C. Ganegoda	Dr. S.A.B. Ekanayake
K.S. Padiwita	T.G. Thoradeniya	L. Uralagamage	Ms. M. Hirai
Ms. A.M.C. Holder - Vermunt	A. Venugopal	A.R.K. Jayawardena	Ms. M. Shiraishi
M.I.L.Perera	J.A.M.V.D. Hout	T. Fukushima	S. Fukushima
Dr. P.C. Vermunt	Dr. T.K.D.A.P. Samarasinghe	L.A.K.I. Kodytuakku	Ms. I. Weiland
C.D. Weiland	D. K. De S Wijeyeratne	W.A.K. Kumara	G. Chapman - Alternate
H.C.S Mendis	M.C. Sampath		
<b>Hand Protection</b>			
A.M. Pandithage	K.D.D. Perera	S.C. Ganegoda	Ng Soon Huat
H.S.R. Kariyawasan	N.A.R.R.S. Nanayakkara	M. Bottino	S. Rajapakse
F. Mohideen	K.D.G. Gunaratne	S.P. Peiris	T.G. Thoradeniya
M. Orlando	A. Orlando	B.A. Mahipala	R.H.P. Janadheera
K.M.D.I. Prasad	K.S. Padiwita	A. Muthukuda	K.K.D.P. Senanayake
B.K.C.R. Ratnasiri	Ms. Y. Bhaskaran - Alternate	(Ms. R.N.Obeyesekere)	
<b>Purification Products</b>			
A.M.Pandithage	K.D.D. Perera	H.S.R. Kariyawasan	A.M. Senaratna
S.C.Ganegoda	Ms. M.J.A.S. Abeyratne	Dr. S.A.K. Abayawardana	M.S.P. Udaya Kumara
Ms. S.S. Ragunathan	B. Balaratnarajah	M.H. Jamaldeen	S. Rajapakse
J.D. Naylor	B.R.P. Liyanage	K. Karnchanabatr	Ms. J.J.J. Lerche
P. Karnchanabatr	B. Karnchanabatr	Ms. C. Karnchanabatr	T. Karnchanabatr
Y.P.A.S. Pathiratna	A.A.M. Caderbhoy	G.B.M.H. Dourdin	R.K.A. Karim
R. Bittel	M. Marques	J. Yaurai	E. Senduk
W.Y. Fei	E. Srinivasulu	I.A.S.L. Athukorala	A. Kaur
Ms. Y. Bhaskaran -Alternate	(A. Parashar)		
<b>Textiles</b>			
A.M. Pandithage	K.D.D Perera	E.R.P. Goonetilleke	S.C. Ganegoda
R.N. Somaratne	Dr. N.S.J. Nawaratne	A.S. Jayatilleke	H. Somashantha
H.B.R.R. Bandara	M .H. Jayasinghe	Ms. Y. Baskaran - Alternate	
<b>Construction Materials</b>			
A.M. Pandithage	D.W.P.N. Dediwela	S.C. Ganegoda	R.P.P.K. Rajapaksha
R.P. Pathirana	A.A. Akbarally	Dr. H. Cabral, PC	S. Munaweera
A.J. Hirdaramani - Alternate	T. Akbarally - Alternate		

<b>Plantations</b>			
A.M. Pandithage	Dr. W.G.R. Rajadurai	A. Weerakoon	S.C. Ganegoda
S.B. Alawattegama	M.H. Jamaldeen	C.V. Cabraal	Merrill J Fernando
Malik J Fernando	S.L. Athukorala	L.N. De S Wijeyeratne	Ms. M.D.A. Perera
N.T. Bogahalanda	F. Mohideen	N.R. Ranatunge	M.F.M. Ismail
Ng Soon Huat	N.A.R.R.S. Nanayakkara	R.M. Hanwella	C. Perera
J.A.G. Anandarajah	Tomokatsu Ishida	Takashi Ishida	R.J. Karunarajah
T.M.L.J. Peris	L.G. Perera	R.S. Samarasinghe	D.C. Fernando - Alternate
(D.S. Seneviratne)	(L.T. Samarawickrama)	(Dr. S.S.S.B.D.G. Jayawardena)	
<b>Agriculture</b>			
A.M. Pandithage	Mrs. J. Dharmasena	S.C. Ganegoda	L.K.B. Godamunne
S.M. Gamage	D. Nilaweera	L.N. Abesekara	S. Rajapakse
M. Symons	A.C. Pathirage	G. Olbrechts	A.N.K. Perera
S. Kodama	Mrs. D.G. Talpahewa	M.A.S. Mallawaarachchi	M.A. Rajap
S.I.H.M. Musfiqur	M. Yamahara	(A. Patnaik)	(P. Patnaik)
<b>Consumer &amp; Retail</b>			
A.M. Pandithage	K.D.D. Perera	S.C. Ganegoda	J.A.M.W. Jayasekera
M.H. Wijewardene	N.L.S. Joseph	M.H. Jamaldeen	J.M.J. Perera
S.L. Athukorala	J.A. Setukavalar	D. Sooriyaarachchi	V.G.K. Vidyaratne
K.K.L.P. Yatiwella	K.D. Kospelawatta	D.H. Fernando	A.K. Halambaarachchige
Mrs. D. G. Talpahewa	K.D.J.M. Perera	D.K.de S. Wijeyeratne	M.Y.A. Perera
L.S.S. Perera	M.P. A. Salgado	Ms. W.A.I. Sugathadasa	C. De Silva
N.M.P. Fernando	T. A. Amarasuriya	A.C.M. Irzan - Alternate	H.P.S. Perera - Alternate
Ms. A.A.K. Amarasinghe - Alternate	(M.R. Zaheed)	(Ms. O.D. Gunewardene)	(S. Goodman)
(L.N.S.K. Samarasinghe - Alternate)			
<b>Leisure</b>			
A.M. Pandithage	K.D.D. Perera	R.J. Karunarajah	S.C. Ganegoda
M.H. Jamaldeen	N.J. De S. Deva-Aditya	L.N. De.S. Wijeyeratne	Ms. R.N. Ponnambalam
C.J. Wickramasingha	J.P. Van Twest	R.S. Tissanayagam	K.T.M. De Soysa
S.J. Wijesinghe	D.L.C. Fernando	(Ms.) I. Jamaldeen	S. Senaratne
P.N.R. Dias	L.T. Samarawickrama	S.H. Amarasekera	T.W. De Silva
K.A.Y.P. Sumanapala	Ms. W.D. De Costa	Capt. J.L.C. Fernando	Ms. A.A.K. Amarasinghe - Alternate
(D.J. De Cruz)	(D.E. Silva)	(S.L. Athukorala)	
<b>Industry Inputs and Power &amp; Energy</b>			
A.M. Pandithage	S.C. Ganegoda	H.S.R. Kariyawan	J.A.W.M. Jayasekera
M.Y.A. Perera	A.R. De Silva	C. Kapugeekiyana	Malik J Fernando
S.M.H.C. Jayasiri	M.B.C.M.K. Gunasekara	L.J.C. De Silva	D. Rangalle
M. Najmudeen	Dr. W.G.R. Rajadurai	D.S. Arangala	Merrill J Fernando
K.B.M.I. Perera	H. A. Wijayananda	V.K. Hirdaramani	B. Balaratnarajah
M.B.C.M. Gunasekara	Ms. W.A.I. Sugathadasa	R.P. Pathirana - Alternate	(A.A. Akbarally)
(D.D.W. Siriwardene)	(C.S.B. Wijesundera)	(M.C.T. Ockersz)	(D. Hewageegana)

## Annual Report of the Board of Directors

### Transportation & Logistics

A.M. Pandithage	L.R.V. Waidyaratne	S.C. Ganegoda	M.Y.A. Perera
A.B. Ratnayake	Ms. E.M.C.S. Gamage	A.M. Senaratna	M.I.S. Sabar
T.U.K. Peiris	I.A.M. Gahazali	D. Rangalle	A.R. Jowhershah
M.G. Gomez	K.L.C. Fernando	P.S. Gunawardena	C. James
R.W.P. Polonowita	S.J. Wijesinghe	P. Jayanetti	C.I.J. Charles
F.S. Abeygoonnewardena	Z. Feng	R. Angkriwan	Capt. P.L. Cumaratunga
M.S. M.Rizan	H.A.H. Rodrigo	J.R. Hill	M.R.S.M.S.R.C. Samaratunge
J.C. Anandappa	L.B.M. Calrino	M.C.J. Friedberg	A.A. Djohan
U.C.H. Vincent	A. Saaid	R. Hassan	M.A.A. Irfan
M.S.M. Ibrahim	W.D.K. de Silva	S.N. Wickremesooriya	T.K. Wijemanne
M.A.J. Ranatunge	M.A. Muttalib	S. Mahadeva	C.K. de Zoysa
R.A. Perera	D.N.W.Y. Min	J. Mathew	W.Y. Fei
M. Haijiao	T. Hanajima	T.S.D. Peiris	C.R.K. Bandara
K.M.A. Fernando	M. Nabeel	S. Djohan	W.W.J.L. Fernando
A.B. Barnet	Y. Sasada	L. Senanayake	Ms. Z. Yinghui
T.A.S.R. Fernando	D.M. Jayawardana	Mrs. I. Shaheen	S.E.J. Abeyesundere
See Han E Hans	S.K.J. Wijayasinghe	M.G.I. Ahamed	R.L. Karunartne
A.V.A. Perera	K. Abeywickrama	Y. Suzuki	K. Celly
C.N.J. Gunawardena	J.R.U. De Silva	Ms. S.S. Jayawardana	M.M. Hossain
K.S.R. Abrew	R.E. Lisapaly	S.I.S.M.H. Sharaf	J.D.F. Peries
S.D.D.K. Senaratne	M.S. Thin	J.G. Victoria	Ms. V. Jayasundera
E.J. Pietersz	U. I. B. Dunuwilla	D.J.A. Wijesinghe	Ms. D.S. Ediriweera
T. Vaseeharan	H.T.N. Perera	I.A.V.A. Perera -Alternate	H. Ishizaki - Alternate
U.L.J. Perera - Alternate	M.P. Kurukulasuriya - Alternate	D.H. Lee - Alternate	D.M. Jayawardana - Alternate
(L.B. Culas)	(D.D.W. Siriwardene)	(M.D.D. Pieris)	(A.T.S. Perera)
(P.H. Rohani)	(S.I. Ramakrishnan)	(R.S. Ramakrishnan)	(M.S. Lalachandra)
(N.P. Samarasinghe)	(W. Shanhe)	(H. Noguchi)	(S.L. Athukorala)
(T. Kato)	(C.V.B. Hulangamuwa - Alternate)		

### Others

A.M. Pandithage	S.C. Ganegoda	M.H. Jamaldeen	Dr. H. Cabral, PC
H.C. Prematilleke	M.Y.A. Perera	S. Munaweera	A.S. Jayatilleke
S. Senaratne	Dr. A. Sivagananathan	E.R.P. Goonetilleke	S.A.S. De Silva
Ms. S. Abeytunge	Ms. M.P. Abeysekera	Mrs. D.G. Talpahewa	M.S. Moahmed
C. De Silva	H.P.G.S.E.M. De Alwis	G.J.W. De Silva	R.S.S. Perera
R.W. Abhayaratne	C.J. Wickramasinghe	N.J.C. De Mel	S.J. Wijesinghe
T.M. Hewagama	T.G. Thoradeniya	D. Rangalle	N.M.P. Fernando
J. Sheriff	S. Karunaratne	(Chandev W. Abhayaratne)	(Chandesa W. Abhayaratne)
(M.R. Zaheed)	(D.D.W. Siriwardene)		

## 12. Disclosure of Directors' dealing in Shares and Debentures

Directors' dealings in shares are given under Note 2.6.2 of this report.

Directors' holdings, in ordinary shares of the Company are given on page 222.

None of the Directors hold debentures in Hayleys PLC.

## 13. Employee share ownership plans

The Company does not operate any share option schemes.

## 14. Directors' disclosure of interest

Disclosure of interest by the Directors of the Company and its subsidiaries are detailed in Note 2.6 above.

## 15. Related Party Transactions

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

The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee and are in compliance with the Section 09 of the CSE Listing Rules.

## 16. Environmental Protection

The Group's efforts to conserve scarce and non-renewable resources, as well as its environmental objectives and key initiatives, are described in the Natural Capital on pages 71 to 72.

## 17. Statutory payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government, other regulatory institutions and those related to employees have been made on time.

The declaration relating to statutory payments is made in the Statement of Directors' Responsibilities on page 85.

## 18. Events after the reporting date

No event of material significance that requires adjustment to the Financial Statements, has occurred subsequent to the date of the reporting date, other than those disclosed in Note 35 to the Financial Statements on page 194.

## 19. Going concern

The Directors, after considering the financial position, operating conditions, regulatory and other factors including matters addressed in the Corporate Governance Code, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis has been adopted in the preparation of the Financial Statements.

## 20. Exposure to risk

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

The Hayleys Board Audit Committee and the sector Audit Committees play a major role in this process. The Risk Management section of this report elaborates these practices and the Group's risk factors.

## 21. Appointment of Auditors

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 for the year 2020/21.

## 22. 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. 1.9 mn (Rs. 1.9 mn), and Rs. 52.8 mn (Rs. 52.8 mn) as audit fees by the Company

and its Subsidiaries respectively. In addition, they were paid Rs. 1.1 mn (Rs. 1.3 mn) and Rs. 34.32 mn (Rs. 32.3 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. 31.3 mn (Rs. 29.3 mn) and Rs. 10.3 mn (Rs. 8.9 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.

## 23. 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 on pages 222 to 223 of this Report.

## 24. Employees & Industrial Relations

The Group has a structure and a culture that recognises the aspirations, competencies and commitment of its employees. Career growth and advancement within the Group is promoted.

Details of Group's human resource practices and employee and industrial relationships are given in Social Performance section of the Sustainability Review.

The number of persons employed by the Group at year-end was 31,029 (31,255).

## 25. Shareholders

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

## 26. Internal Controls

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

## Annual Report of the Board of Directors

The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board, having reviewed the system of internal controls, is satisfied with the Group's adherence to and effectiveness of these controls for the period up to the date of signing the Financial Statements.

### 27. 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 28 to 45 discusses this further.

### 28. Annual General Meeting

The Annual General Meeting will be held at the Registered Office of the Company, No.400, Deans Road, Colombo 10, Sri Lanka at 3.00 p.m on Tuesday, 28th July 2020. The Notice of the Annual General Meeting appears on page 232.

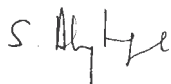
For and on behalf of the Board



**A. M. Pandithage**  
Chairman & Chief Executive



**S. C. Ganegoda**  
Director



**Hayleys Group Services (Pvt) Ltd.**  
Secretaries

17th June 2020

Comparative figures are shown in brackets.

# Chairman/Chief Executive’s and Group Chief Financial Officer’s Responsibility Statement

The Financial Statements of Hayleys PLC and the Consolidated Financial Statements of the Group as at 31st March 2020 are prepared and presented in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by CA Sri Lanka;
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Listing Rules of the Colombo Stock Exchange;
- Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka;
- Finance Companies Corporate Governance Direction No 03 of 2008 issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011.

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

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

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the effectiveness of the audits and to discuss auditing, internal control and financial reporting

issues. The Independent Auditors and the Internal Auditors have full and free access to the Audit Committee to discuss any matter of substance.

The Financial Statements were audited by independent external auditors, Messers Ernst & Young, Chartered Accountants. Their report is given on pages 90 to 153 of the Annual Report.

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

We confirm that,

- the Company and its subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- there are no material non-compliances; and
- there are no material litigations that are pending against the Group other than those disclosed in the Note 32 to the Financial Statements in this Annual Report.



**A.M. Pandithage**  
Chairman & Chief Executive



**Choliya De Silva**  
Group Chief Financial Officer

17th June 2020



## Directors' Statement on Internal Controls

The following statement fulfills the requirement to publish the Directors' Statement on internal control as per the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

The Board of Directors is responsible for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and Group. This process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The Board has implemented the following to obtain reasonable assurance that proper systems of internal controls are in place:

- Instituted various committees to assist the Board in ensuring the effectiveness of Company's operations and the operations are in accordance with the corporate strategies and annual budget.
- The Management Audit and System Review 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 LKAS and SLFRS in 2013, processes that are required to comply with new requirements of recognition, measurement, presentation and disclosures were introduced and implemented. Continuous monitoring is in progress to ensure effective implementation of the required processes.
- The Board also has taken into consideration the requirements of the Sri Lanka Accounting Standard – SLFRS 16 on "Leases" that has been issued with effective date being January 1, 2019. The Group has completed a high level assessment of the potential impact on its Financial Statements for the year ended March 31, 2020, resulting from the application of SLFRS 16. The impact to the Financial Statements has been adjusted and disclosed as at 31st March 2020 in the Financial Statements.
- The comments made by External Auditors in connection with the internal control system during the financial year 2018/19 were taken into consideration and appropriate steps have been taken to incorporate them where appropriate.

### Conclusion

The Board having implemented the above is aware that such systems are designed to manage rather than eliminate the risk of failure to achieve business objective and can only provide reasonable and not absolute assurance against material misstatements of loss.


The Board of Directors confirm that the financial reporting system of Hayleys PLC has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards, requirements of the Company's Act No 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.



**A.M. Pandithage**  
Chairman & Chief Executive



**Sarath Ganegoda**  
Director



**Aravinda Perera**  
Chairman, Audit Committee

17th June 2020

# Nomination Committee Report

## Composition

- A.M. Pandithage (ED) - Chairman
- K.D.D. Perera (NED)
- Dr. H. Cabral PC (IND/NED)

ED - Executive Director, NED - Non- Executive Director, IND/NED - Independent Non-Executive Director

(Refer to pages 20 to 26 for a brief profile of the Directors)

## Attendance at Committee Meetings

Director	Attendance
A. M. Pandithage	2/2
K.D.D. Perera	2/2
Dr. H. Cabral PC	2/2

## Duties of the Nomination Committee

- Consider of making any appointment of new Directors or re-electing current Directors to the Board.
- Provide advice and recommendations to the Board on any such appointment.
- Review criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment to the Board and Key Management Personnel in the Company.
- Consider if a Director is able to and has been adequately carrying out his or her duties as a Director, taking in to consideration the number of Listed Company Boards on which the Director is represented and other principal commitments.
- Review the structure, size, composition and competencies of the Board and make recommendations to the Board with regard to any changes.
- Recommend the requirements of new expertise and succession arrangements for retiring Directors.
- Recommend on any matter referred by the Board of Directors.
- The Committee has recommended based on the performance and the contribution made to achieve the objectives of the Board to re-elect Messrs. M.H. Jamaldeen, K.D.D. Perera and Mrs. J. Dharmasena to the Board at the Annual General Meeting to be held on 28th July 2020.
- Mr. K.D.G. Gunaratne had been recommended to the Board by the Committee and has been appointed to the Board on 01.10.2019 subject to the election by the shareholders at the Annual General Meeting.



**A.M. Pandithage**  
Chairman  
Nomination Committee

17th June 2020

# Remuneration Committee Report

## Composition

- Dr. H. Cabral, PC (IND/NED) - Chairman
- K.D.D. Perera (NED)
- M.Y.A Perera (IND/NED)
- M.H. Jamaldeen (IND/NED)

IND/NED - Independent Non-Executive Director, NED - Non-Executive Director

(Refer to pages 20 to 26 for a brief profile of the Directors)

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

## Attendance At Committee Meetings

Director	Attendance
Dr. H. Cabral, PC	1/1
K.D.D. Perera	1/1
M.Y.A. Perera	1/1
M.H. Jamaldeen	1/1

## Duties of the Remuneration Committee

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

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

## Remuneration Policy

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

## Activities in 2019/20

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

Dr. Harsha Cabral, PC.  
Chairman  
Remuneration Committee

17th June 2020

# Statement of Directors' Responsibilities

The Directors are responsible under sections 150 (1), 151, 152 (1,) and 153 of the Companies Act No. 7 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 (SLFRS/ LKAS), 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.

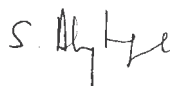
The external Auditors, Messrs Ernst & Young who were deemed re-appointed in terms of Section 158 of the Companies Act No. 7 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, shown on pages 254 to 257 sets out their responsibilities in relation to the Financial Statements.

## Compliance Report

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

By order of the Board

**HAYLEYS GROUP SERVICES (PVT) LTD.**



**Secretaries**

17th June 2020

# Related Party Transactions Review Committee Report

The Board has established the Related Party Transaction Review Committee in terms of the Code of Best practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange.

## Composition

- Dr. H. Cabral, PC (IND/NED) - Chairman
- Mr. M.Y.A. Perera (IND/NED)
- Mr. S.C. Ganegoda (ED)

ED - Executive Director, IND/NED - Independent Non-Executive Director

(Refer to pages 20 to 26 for a brief profile of the Directors)

## Attendance at Committee Meetings

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

## Duties of the Related Party Transactions

### Committee

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

## Activities in 2019/20

- During the year the Committee reviewed the related party transactions and their compliances in Hayleys PLC and the its Group Companies and communicated the same to the Board and relevant Companies.
- The Committee in its review process recognised the adequacy of the content and quality of the information forwarded to its members by the management.

**Dr. Harsha Cabral, PC.**  
Chairman  
Related Party Transactions Review Committee

15th June 2020

# Audit Committee Report

## Composition

- Mr. M.Y.A. Perera (Chairman) : (IND/NED)
- Dr. H. Cabral : (IND/NED)
- Mr. M.H. Jamaldeen : (IND/NED)

IND/NED - Independent Non-Executive Director

(Refer to pages 20 to 26 for a brief profile of the Directors)

## Attendees,

- Chairman & Chief Executive
- Group Chief Financial Officer
- Head- Corporate Affairs Unit
- Head- Group Management Audit & System Review

## The Authority of the Audit Committee

- Recommend appointment, dismissal, service period and audit fee of the external auditors.
- The Audit Committee shall establish and maintain a direct communication channel with the external auditors.
- Resolve any issues regarding financial reporting between the management and the external auditor.
- Pre-approve all auditing and non-audit services performed by the external audit firm and internal audit service providers.
- Seek any information it requires from employees or external parties relating to investigations.
- Meet with the management, external auditors as necessary to carry out the assigned duties.

## Attendance at Committee Meetings

Director	Attendance
Mr. M.Y.A. Perera	4/4
Dr. H. Cabral	4/4
Mr. M.H. Jamaldeen	4/4

## Charter of the Audit Committee

The Audit Committee Charter is periodically reviewed and revised with the concurrence of Board of Directors to make sure that new developments relating to the function of the Committee. The Charter of the Committee was last reviewed and approved by the Board in May 2018. The terms of reference of the Committee are clearly defined in the Charter of the Audit Committee.

Rules on Corporate Governance' under listing rules of the Colombo Stock Exchange on corporate governance, 'Code of Best Practice on Corporate Governance' issued by CA Sri Lanka 2017 and in the case of the subsidiary company, Singer Finance (Lanka) PLC 'Finance Leasing (Corporate Governance) Direction No 03 of 2008 issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011', further regulate the composition, roles and functions of the Board Audit Committee.

## Activities in 2019/20

### Financial Reporting System

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

### Internal Audits

The Committee reviewed the process to assess the effectiveness of the Internal Financial Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements.

The Group Management Audit & Systems Review Department reports on key control elements and procedures in Group companies that are selected according to the Group annual audit plan.

### Annual Audit Plan

175 audits were performed covering all 12 sectors of the group. Obtained significant findings and recommendations together with management's responses of the review of the internal controls carried out by internal auditors and provide recommendations for improvement.

Selected entities' internal audits were outsourced in 2019/20 to leading audit firms in line with an agreed annual Group audit plan. The Committee also invited representatives from the audit firms to make presentations on their observations and findings.

Follow up reviews were scheduled to ascertain that audit recommendations are being acted upon.

The Committee evaluated the Internal Audit Function covering key areas such as scope, quality of internal audits, independence and resources. The Committee appraised the independence of the Group MA&SRD and other internal auditors, in the conduct of their assignments.

Members of the Committee visited some of the group companies to get a better understanding of company operations.

### Risk Management

The committee obtained and reviewed statements from the Heads of Business Sectors identifying their respective major Business Risks, mitigatory action taken or contemplated for management of these risks.

The COSO Enterprise Risk Reporting Process is used within the Group.

Review of the risk management, internal controls, business continuity planning and information security systems are carried out and appropriate remedial actions recommended to the board.

## Audit Committee Report

### Subsidiary Company Audit Committees

14 listed subsidiaries and 6 unlisted subsidiaries have appointed their own Audit Committees comprising Independent Non-Executive Directors and have met minimum four times each during the year 2019/20. These Audit Committees function independent of the Audit Committee of Hayleys PLC but have similar terms of reference. The minutes of their meetings were made available to 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., continued as Auditors for the financial year ending 31st March 2021 after evaluating the scope, delivery of audit resources and the quality of the assurance initiatives taken during the year 2019/20.

### Compliance

The Committee obtained representations from Group Companies on the adequacy of provisions made for possible liabilities and reviewed reports tabled by Group Companies certifying their compliance with relevant statutory requirements. Obtained regular updates from Head of HR and Legal regarding compliance matters.

### Ethics and Good Governance

The committee continuously emphasised on upholding ethical values of the staff members. In this regard, Code of Ethics and Whistle-Blowers Policies were put in place and followed

educating and encouraging all members of the staff. All appropriate procedures are in place to conduct independent investigations into incidents reported through Whistle-Blowing or identified through other means. The Whistle-Blower Policy guarantees strict confidentiality of the identity of the Whistle-Blowers.

### Sri Lanka Accounting Standards

The Committee reviewed the revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the Group companies and made recommendation to the Board of Directors.

### Audit Committee Report

The Committee will continue to monitor the compliance with relevant Accounting Standards and keep the Board of Directors informed at regular intervals.


The committee has pursued the support of Messers Ernst and Young to assess and review the existing SLFRS policies and procedures adopted by the Group.

### Support to The Committee

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

### Evaluation of the Committee

An independent evaluation of the effectiveness of the Committee was carried out by the other Members of the Board during the year. Considering the overall conduct of the Committee and its contribution on the overall performance of the group, the Committee has been rated as highly effective.



M.Y.A. Perera  
Chairman  
Audit Committee

15th June 2020



# Resilient and Transformative



# 5

## Financial Statements

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## Financial Calendar

### Financial Calendar 2019/20

01st Quarter Report	08th August 2019
02nd Quarter Report	08th November 2019
03rd Quarter Report	13th February 2020
04th Quarter Report	18th June 2020
Annual Report 2019/2020	03rd July 2020
69th Annual General Meeting	28th July 2020

# Independent Auditor's Report



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## TO THE SHAREHOLDERS OF HAYLEYS PLC

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Hayleys PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2020, and of their financial performance

and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most

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

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

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Valuation of land</b></p> <p>The Group carries freehold land at fair value amounting Rs. 30.96 Bn, representing 12.5% of the Group's total assets. The valuation is sensitive to judgments applied by professional valuers which include estimates on the price range per perch, considering factors such as the location, condition and accessibility of the property.</p> <p>The valuation of land was considered a key audit matter due to the use of significant judgments and estimates, including the judgments relating to possible effects of the COVID-19 outbreak on those significant assumptions as disclosed in Notes 13 in the financial statements.</p>	<p>Our audit procedures focused on the valuation carried out by professional valuers, which included among others, the following procedures;</p> <ul style="list-style-type: none"> <li>We evaluated the competence, capabilities and objectivity of the external valuers appointed by the management. We inspected valuation reports signed by the valuers to obtain an understanding of the work of the valuers and evaluated its appropriateness as audit evidence for the recorded valuation of freehold land in the financial statements.</li> <li>We engaged our internal specialised resources to assist us in; <ul style="list-style-type: none"> <li>evaluating the appropriateness of the valuation method adopted by management's valuers, and</li> <li>the reasonableness of the range of values per perch in comparison to market data and recent transaction prices of comparable land; also taking into consideration the possible effects of the COVID-19 outbreak on the valuations performed.</li> </ul> </li> </ul> <p>In addition, we assessed the adequacy of the related financial statement disclosures in Note 13 to the financial statements.</p>

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Determination of Net Realizable Values (NRV) of inventories</b></p> <p>Inventories amount to Rs. 42.23 Bn as at the reporting date, being 17% of the Total Assets of the Group.</p> <p>The Group has applied judgment in determining net realizable value (NRV) of inventories; having taken into consideration factors such as the usability and marketability of inventories, market developments affecting the selling price of inventories and possible effects the COVID-19 outbreak may have on the Group's business and product lines.</p> <p>The significance of the balance coupled with the judgment involved has resulted in the valuation of inventories being identified as a key audit matter.</p>	<p>Our audit procedures focused on assessing the reasonableness of judgements applied by the Group in determining net realizable values of inventories, which included among others, the following procedures;</p> <ul style="list-style-type: none"> <li>we assessed the reasonableness of assumptions made on the usability and marketability of inventories, taking into account past patterns of usage/ sale, planned sales orders and the expiries of inventories,</li> <li>we assessed the appropriateness of net realizable values determined by management, performing tests on prices agreed on sales contracts entered and sales prices secured by the Group for similar or comparable items of inventories, and</li> <li>we assessed the reasonability of assumptions applied by management on the possible effects that the COVID-19 outbreak may have on the Group's business and product lines specifically in relation to expectations of customer orders as well as the usability and marketability of inventories maintained.</li> </ul> <p>We also assessed the appropriateness of disclosures made in relation to the valuation of inventories in Note 21 to the financial statements.</p>
<p><b>Impairment Test of Goodwill</b></p> <p>The Group's financial statements includes an amount of Rs. 12.09 Bn relating to goodwill acquired on business combinations. Goodwill has been allocated to Cash Generating Units (CGUs) which are tested annually for impairment.</p> <p>Significant judgements are applied by management in performing the impairment test, including inter alia aspects such as business volumes, margins, working capital management, perpetual growth rates and discount rates. Management has also applied judgements in determining the possible effects the COVID-19 outbreak would have on the CGUs.</p> <p>In considering the significance of the balance and the significant judgements applied in performing the impairment test, such has been identified as a key audit matter.</p>	<p>Our audit procedures included, among others, the following;</p> <ul style="list-style-type: none"> <li>we used an internal specialist to assist us in evaluating the assumptions and methodologies used by the Group, in particular those relating to business volumes, expected margins, working capital management, perpetual growth rates and discount rates applied in performing the impairment test for each CGU,</li> <li>we assessed the reasonableness of assumptions made by management on the impact of the COVID-19 outbreak on the CGUs, taking into account industry related expectations as well as production and revenue pipelines.</li> </ul> <p>we also assessed the adequacy of the disclosure in Note 17 about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of Goodwill.</p>
<p><b>Impairment allowance for current and non-current trade and other receivables in the Consumer &amp; Retail Sector of the Group</b></p> <p>Our audit considered impairment allowance for current and non-current trade and other receivables in the Consumer and Retail sector of the Group as a key audit matter. The materiality of the reported current and non-current trade and other receivables (and impairment allowance thereof), the subjectivity associated with management's impairment estimation, involvement of complex manual calculations and overarching economic conditions in Sri Lanka underpinned our basis for considering it as a key audit matter.</p>	<p>We evaluated the competence and independence of the firm of chartered accountants performing the component audit of the Consumer and Retail sector. We thereon directed and supervised the audit procedures performed, which included among others, the following;</p> <ul style="list-style-type: none"> <li>we assessed the appropriateness of the selection of accounting policies based on the requirements of SLFRS 09,</li> <li>we assessed the appropriateness of the management approach over the application and use of practical expedients applied for SLFRS 9,</li> <li>we assessed the management's processes, systems and controls implemented over impairment assessment,</li> </ul>

## Independent Auditor's Report

Key Audit Matter	How our audit addressed the key audit matter
<p>Further, COVID-19 outbreak resulted in loss of income for majority of the corporates as well as for individuals which increases the credit risk and the outbreak significantly affected on the macro economic forecasts which affects the expected credit loss (ELC) adjustment.</p>	<ul style="list-style-type: none"> <li>• we identified and tested the relevant key controls and evaluated the completeness, accuracy and relevance of data used,</li> <li>• we assessed the logics and compilation of the overdue information of loans and advances to customers including hire purchases,</li> <li>• we evaluated the appropriateness of the assumptions used based on our knowledge and information of the sector and the industry and assessed whether the macro economic factors have been used with the latest available information to ensure that the latest economic forecasts have been used pursuant to the COVID-19 outbreak for the ECL adjustment, and</li> <li>• we evaluated and tested the mathematical accuracy of models applied and post- model adjustments.</li> </ul> <p>In addition, we assessed the completeness, accuracy and relevance of the disclosures required by SLFRS 9, as disclosed in Notes 3.9.1.4 and 22 to the financial statements.</p>

### Other information included in the 2019/20 Annual Report

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

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

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

### Responsibilities of management and those charged with governance

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as

management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from

fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

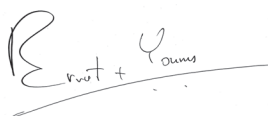
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and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

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

### Report on other legal and regulatory requirements

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

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



30 June 2020  
Colombo

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA 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 FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA  
Principal G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

# Statement of Profit or Loss

For the year ended 31st March	Notes	Consolidated		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Revenue	6	210,307,003	219,181,960	400,102	388,745
Cost of sales		(158,324,525)	(168,941,516)	(173,195)	(213,963)
Direct interest cost		(1,829,082)	(1,265,014)	-	-
<b>Gross profit</b>		<b>50,153,396</b>	<b>48,975,430</b>	<b>226,907</b>	<b>174,782</b>
Group dividend		-	-	1,021,949	1,595,879
Other income	7	1,672,923	2,495,977	15,705	1,085,498
Distribution expenses		(10,687,848)	(9,889,236)	-	-
Administrative expenses		(24,247,578)	(25,188,277)	13,952	(116,332)
Other expenses	8	(418,013)	(404,613)	-	(2,549)
<b>Results from operating activities</b>		<b>16,472,880</b>	<b>15,989,281</b>	<b>1,278,513</b>	<b>2,737,278</b>
Finance income	9	2,038,444	2,565,712	31,841	41,388
Finance cost	9	(13,047,348)	(13,077,319)	(3,092,129)	(2,730,347)
<b>Net finance cost</b>		<b>(11,008,904)</b>	<b>(10,511,607)</b>	<b>(3,060,288)</b>	<b>(2,688,959)</b>
Change in fair value of investment properties	15	86,882	113,899	5,550	9,600
Share of profit of equity accounted investees (net of tax)	18	264,061	176,096	-	-
Value added tax on financial services		(310,867)	(292,156)	-	-
<b>Profit/(loss) before tax</b>	10	<b>5,504,052</b>	<b>5,475,513</b>	<b>(1,776,225)</b>	<b>57,919</b>
Tax expense	11	(2,609,260)	(2,725,596)	(8,959)	(4,408)
<b>Profit/(loss) for the year</b>		<b>2,894,792</b>	<b>2,749,917</b>	<b>(1,785,184)</b>	<b>53,511</b>
<b>Profit for the period attributable to:</b>					
Owners of the parent		372,432	265,385		
Non-controlling interest		2,522,360	2,484,532		
<b>Profit for the year</b>		<b>2,894,792</b>	<b>2,749,917</b>		
<b>Earnings per share</b>					
Basic - (Rs.)	12	4.97	3.54	(23.80)	0.71
Diluted - (Rs.)	12	4.97	3.54	(23.80)	0.71
<b>Dividend per share - (Rs.)</b>	12			<b>0.00</b>	<b>5.00</b>

Notes from pages 105 to 211 form an integral part of these Financial Statements. Figures in brackets indicate deductions.



# Statement of Comprehensive Income

For the year ended 31st March	Notes	Consolidated		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Profit/(loss) for the year		2,894,792	2,749,917	(1,785,184)	53,511
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified subsequently to the Statement of Profit or Loss</b>					
Revaluation of land	13	-	2,822,617	-	-
Actuarial loss on employee benefit obligations	28	(63,113)	(480,645)	(24,857)	(76,550)
Net change on equity instruments designated at fair value through other comprehensive income		(2,446)	(25,178)	-	-
Tax on other comprehensive income	11	149,411	(631,099)	1,879	-
<b>Items that will be reclassified subsequently to the Statement of Profit or Loss</b>					
Net exchange differences on translation of foreign operations		601,790	1,379,961	-	-
Net loss on cash flow hedges		(294,433)	(529,138)	-	-
Share of other comprehensive income of equity accounted investees		(858)	(161)	-	-
<b>Total Other comprehensive income for the year, net of tax</b>		<b>390,351</b>	<b>2,536,357</b>	<b>(22,978)</b>	<b>(76,550)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>3,285,143</b>	<b>5,286,274</b>	<b>(1,808,162)</b>	<b>(23,039)</b>
<b>Total comprehensive income for the year attributable to:</b>					
Owners of the parent		553,340	2,141,336		
Non- controlling interest		2,731,803	3,144,938		
		<b>3,285,143</b>	<b>5,286,274</b>		

Notes from pages 105 to 211 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

# Statement of Financial Position

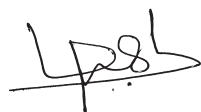
As at 31st March	Notes	Consolidated		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant & equipment	13	88,485,496	86,885,736	178,930	227,170
Right-of-use assets	14	9,613,729	-	-	-
Investment properties	15	2,719,260	2,006,528	75,900	70,350
Biological assets	16	505,240	449,926	-	-
Intangible assets	17	13,293,849	14,174,114	35,229	-
Investments in subsidiaries	18	-	-	39,144,873	37,738,545
Investments in equity accounted investees	18	2,113,980	1,967,409	1,504,863	1,504,863
Other non-current financial assets	19	252,027	259,195	77,597	86,497
Non-current trade and other receivables	22	11,333,929	11,611,815	-	-
Other non-current assets	20	1,119,034	2,486,134	-	-
Deferred tax assets	27	1,241,800	926,286	71,215	-
<b>Total non-current assets</b>		<b>130,678,344</b>	<b>120,767,143</b>	<b>41,088,607</b>	<b>39,627,425</b>
<b>Current assets</b>					
Inventories	21	42,225,729	39,742,514	1,775	909
Amounts due from subsidiaries	38	-	-	3,187,550	3,413,891
Amounts due from equity accounted investees	38	150,137	102,677	40,239	13,570
Trade and other receivables	22	59,115,893	55,138,266	44,177	19,809
Other current assets	20	2,318,473	2,319,599	8,613	11,562
Income tax recoverable	30	1,497,885	777,540	62,917	42,885
Other current financial assets	19	412,536	187,948	5,110	6,647
Short term deposits		3,495,891	3,684,941	-	-
Cash in hand and at bank		8,411,179	8,971,145	313,293	56,413
Assets classified as held for sale	39	3,021	54,921	-	-
<b>Total current assets</b>		<b>117,630,744</b>	<b>110,979,551</b>	<b>3,663,674</b>	<b>3,565,686</b>
<b>Total assets</b>		<b>248,309,088</b>	<b>231,746,694</b>	<b>44,752,281</b>	<b>43,193,111</b>
<b>Equity and liabilities</b>					
Stated capital	23	1,575,000	1,575,000	1,575,000	1,575,000
Capital reserves		676,104	636,039	13,226	13,226
Other components of equity		23,644,932	23,072,120	-	-
Revenue reserves		13,808,523	14,958,752	14,309,726	16,492,888
<b>Total equity attributable to equity holders of the company</b>		<b>39,704,559</b>	<b>40,241,911</b>	<b>15,897,952</b>	<b>18,081,114</b>
Non-controlling interest		23,151,943	21,636,556	-	-
<b>Total equity</b>		<b>62,856,502</b>	<b>61,878,467</b>	<b>15,897,952</b>	<b>18,081,114</b>

Notes from pages 105 to 211 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

As at 31st March	Notes	Consolidated		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
<b>Non-current liabilities</b>					
Interest-bearing borrowings	25	52,239,814	39,661,994	17,969,123	12,104,097
Grants	26	787,993	777,850	-	-
Deferred tax liabilities	27	5,120,949	5,191,022	-	-
Security deposits	24	1,394,611	1,388,434	-	-
Other non-current liabilities	29	1,730,000	1,448,000	-	-
Other non-current financial liabilities	19	1,979,089	804,556	-	-
Employee benefit obligations	28	9,240,100	8,500,108	952,633	883,063
<b>Total non-current liabilities</b>		<b>72,492,556</b>	<b>57,771,964</b>	<b>18,921,756</b>	<b>12,987,160</b>
<b>Current liabilities</b>					
Trade and other payables	29	32,019,839	28,540,236	474,980	456,872
Other current liabilities	29	3,447,003	3,690,060	6,248	32,201
Deferred revenue	29	383,218	273,972	-	-
Other current financial liabilities	19	5,035,956	5,196,568	-	33,452
Amounts due to subsidiaries	38	-	-	69,312	37,303
Amounts due to equity accounted investees	38	3,152	4,557	3,152	3,152
Income tax payable	30	754,952	768,660	-	-
Current portion of long term interest-bearing borrowings	25	26,774,764	25,811,627	3,847,776	6,183,524
Short-term interest-bearing borrowings	31	44,540,814	47,810,251	5,531,105	5,378,333
Liabilities directly associated with assets classified as held for sale	39	332	332	-	-
<b>Total current liabilities</b>		<b>112,960,030</b>	<b>112,096,263</b>	<b>9,932,573</b>	<b>12,124,837</b>
<b>Total liabilities</b>		<b>185,452,586</b>	<b>169,868,227</b>	<b>28,854,329</b>	<b>25,111,997</b>
<b>Total equity and liabilities</b>		<b>248,309,088</b>	<b>231,746,694</b>	<b>44,752,281</b>	<b>43,193,111</b>

Notes from pages 105 to 211 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

These Financial Statements have been prepared in compliance with the requirements of Companies Act No. 7 of 2007.



**Choliya De Silva**  
Group Chief Financial Officer

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



**Mohan Pandithage**  
Chairman & Chief Executive



**Sarath Ganegoda**  
Director

17th June 2020

# Statement of Changes in Equity

For the year ended 31st March 2020					
Consolidated	Capital Reserves			Other Components	
	Stated capital	Reserve on scrip issue	Other capital reserve	Revaluation reserve	Fair value reserve of financial assets at FVOCI
	Rs. '000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 31st March 2019 - As previously stated	1,575,000	161,499	474,540	21,088,371	3,554
Effect of transition to SLFRS 16 (Note 14.1)	-	-	-	-	-
Balance as at 1st April 2019 - Restated	1,575,000	161,499	474,540	21,088,371	3,554
Profit for the year	-	-	-	-	-
<b>Other comprehensive income</b>					
Net exchange differences on translation of foreign operations	-	-	-	-	-
Share of other comprehensive income of equity accounted investees	-	-	-	-	-
Net loss on cash flow hedges	-	-	-	-	-
Net change on equity instruments designated at fair value through other comprehensive income	-	-	-	-	(1,816)
Realised gain on timber	-	-	-	-	-
Actuarial loss on employee benefit obligations	-	-	-	-	-
Income tax on other comprehensive income	-	-	-	86,084	-
<b>Total other comprehensive income</b>	-	-	-	86,084	(1,816)
<b>Total comprehensive income for the year</b>	-	-	-	86,084	(1,816)
<b>Transactions with owners, recorded directly in equity</b>					
Dividends to equity holders	-	-	-	-	-
Unclaimed dividend-write back	-	-	-	-	-
Change in fair value of investment properties	-	-	-	-	-
Transfers	-	-	23,832	-	-
<b>Total contributions by and distributions to owners</b>	-	-	23,832	-	-
<b>Changes in ownership interests in subsidiaries</b>					
Adjustment on changes to non-controlling interest in subsidiaries	-	15,296	937	343,696	47
<b>Total changes in ownership interests in subsidiaries</b>	-	15,296	937	343,696	47
<b>Total transactions with owners</b>	-	15,296	24,769	343,696	47
<b>Balance as at 31st March 2020</b>	<b>1,575,000</b>	<b>176,795</b>	<b>499,309</b>	<b>21,518,151</b>	<b>1,785</b>

Revaluation reserve relates to the revaluation of land

Details of the other capital reserves are given in Note 23.1 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								
of Equity		Revenue Reserves				Shareholders' funds	Non-controlling interest	Total equity
Cash flow hedge reserve	Foreign currency translation reserve	General reserve	Timber reserve	Bearer Biological reserve	Retained earnings			
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
(480,373)	2,460,568	2,244,906	102,166	8,992	12,602,688	40,241,911	21,636,556	61,878,467
-	(87)	-	-	-	(542,526)	(542,613)	58,000	(484,613)
(480,373)	2,460,481	2,244,906	102,166	8,992	12,060,162	39,699,298	21,694,556	61,393,854
-	-	-	13,790	(5,512)	364,154	372,432	2,522,360	2,894,792
-	413,815	-	-	-	-	413,815	187,975	601,790
-	-	-	-	-	(820)	(820)	(38)	(858)
(263,307)	-	-	-	-	-	(263,307)	(31,126)	(294,433)
-	-	-	-	-	-	(1,816)	(630)	(2,446)
-	-	-	(4,264)	-	4,264	-	-	-
-	-	-	-	-	(52,628)	(52,628)	(10,485)	(63,113)
-	-	-	-	-	(420)	85,664	63,747	149,411
(263,307)	413,815	-	(4,264)	-	(49,604)	180,908	209,443	390,351
(263,307)	413,815	-	9,526	(5,512)	314,550	553,340	2,731,803	3,285,143
-	-	-	-	-	(375,000)	(375,000)	(1,534,733)	(1,909,733)
-	-	-	-	-	922	922	734	1,656
-	-	-	-	-	94,112	94,112	7,127	101,239
-	-	(1,679)	-	-	(22,153)	-	-	-
-	-	(1,679)	-	-	(302,119)	(279,966)	(1,526,872)	(1,806,838)
(6,725)	1,105	47,217	22	2	(669,710)	(268,113)	252,456	(15,657)
(6,725)	1,105	47,217	22	2	(669,710)	(268,113)	252,456	(15,657)
(6,725)	1,105	45,538	22	2	(971,829)	(548,079)	(1,274,416)	(1,822,495)
(750,405)	2,875,401	2,290,444	111,714	3,482	11,402,883	39,704,559	23,151,943	62,856,502

Fair value reserve of financial assets at FVOCI relates to change in fair value of financial assets at FVOCI.

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

Details of the Cash flow hedge reserves is given in Note 23.1.4 to the Financial Statements.

Notes from pages 105 to 211 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

## Statement of Changes in Equity

For the year ended 31st March 2019					
Consolidated	Capital Reserves			Other Components	
	Stated capital	Reserve on scrip issue	Other capital reserve	Revaluation reserve	Fair value reserve of financial assets at FVOCI
	Rs. '000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April, 2018	1,575,000	446,229	441,111	19,380,070	19,843
Profit for the year	-	-	-	-	-
<b>Other Comprehensive income</b>					
Net exchange differences on translation of foreign operations	-	-	-	-	-
Share of other comprehensive income of equity accounted investees	-	-	-	-	-
Net loss on cash flow hedges	-	-	-	-	-
Net change on equity instruments designated at fair value through other comprehensive income	-	-	-	-	(16,346)
Realised gain on timber	-	-	-	-	-
Revaluation of land	-	-	-	2,326,538	-
Actuarial loss on employee benefit obligations	-	-	-	-	-
Income tax on other comprehensive income	-	-	-	(594,370)	-
<b>Total other comprehensive income</b>	-	-	-	1,732,168	(16,346)
<b>Total comprehensive income for the year</b>	-	-	-	1,732,168	(16,346)
<b>Transactions with owners, recorded directly in equity</b>					
Dividends to equity holders	-	-	-	-	-
Unclaimed dividend-write-back	-	-	-	-	-
Transfers	-	-	31,127	-	-
<b>Total contributions by and distributions to owners</b>	-	-	31,127	-	-
<b>Changes in ownership interests in subsidiaries</b>					
Acquisition of subsidiaries	-	-	-	-	-
Adjustment on changes to non-controlling interest in subsidiaries	-	(316,550)	2,302	4,886	57
Transfer to equity accounted investees	-	-	-	-	-
Disposal of subsidiaries	-	31,820	-	(28,753)	-
<b>Total changes in ownership interests in subsidiaries</b>	-	(284,730)	2,302	(23,867)	57
<b>Total transactions with owners</b>	-	(284,730)	33,429	(23,867)	57
<b>Balance as at 31st March 2019</b>	1,575,000	161,499	474,540	21,088,371	3,554

Attributable to equity holders of the Company

of Equity		Revenue Reserves				Shareholders' funds	Non-controlling interest	Total equity
Cash flow hedge reserve	Foreign currency translation reserve	General reserve	Timber reserve	Bearer Biological reserve	Retained earnings			
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
-	1,578,573	2,241,335	90,309	7,134	13,445,884	39,225,488	20,088,299	59,313,787
-	-	-	13,097	1,858	250,430	265,385	2,484,532	2,749,917
-	881,464	-	-	-	-	881,464	498,497	1,379,961
-	-	-	-	-	(147)	(147)	(14)	(161)
(480,373)	-	-	-	-	-	(480,373)	(48,765)	(529,138)
-	-	-	-	-	-	(16,346)	(8,832)	(25,178)
-	-	-	(1,240)	-	1,240	-	-	-
-	-	-	-	-	-	2,326,538	496,079	2,822,617
-	-	-	-	-	(277,028)	(277,028)	(203,617)	(480,645)
-	-	-	-	-	36,213	(558,157)	(72,942)	(631,099)
(480,373)	881,464	-	(1,240)	-	(239,722)	1,875,951	660,406	2,536,357
(480,373)	881,464	-	11,857	1,858	10,708	2,141,336	3,144,938	5,286,274
-	-	-	-	-	(375,000)	(375,000)	(1,654,089)	(2,029,089)
-	-	-	-	-	545	545	-	545
-	-	1,696	-	-	(32,823)	-	-	-
-	-	1,696	-	-	(407,278)	(374,455)	(1,654,089)	(2,028,544)
-	-	-	-	-	-	-	18,396	18,396
-	531	1,875	-	-	(1,284,227)	(1,591,126)	(45,471)	(1,636,597)
-	-	-	-	-	952,504	952,504	202,325	1,154,829
-	-	-	-	-	(114,903)	(111,836)	(117,842)	(229,678)
-	531	1,875	-	-	(446,626)	(750,458)	57,408	(693,050)
-	531	3,571	-	-	(853,904)	(1,124,913)	(1,596,681)	(2,721,594)
(480,373)	2,460,568	2,244,906	102,166	8,992	12,602,688	40,241,911	21,636,556	61,878,467



## Statement of Changes in Equity

For the year ended 31st March Company	Capital Reserve		Other Component of Equity	Revenue Reserve		Total Rs.'000
	Stated capital	Other capital reserve	Revaluation reserve	General reserve	Retained earnings	
	Rs. '000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Balance as at 1st April, 2019	1,575,000	13,226	-	382,087	16,110,801	18,081,114
Loss for the year	-	-	-	-	(1,785,184)	(1,785,184)
<b>Other comprehensive income</b>						
Actuarial loss on employee benefit obligations	-	-	-	-	(24,857)	(24,857)
Income tax on other comprehensive income	-	-	-	-	1,879	1,879
<b>Total other comprehensive income</b>	-	-	-	-	(22,978)	(22,978)
<b>Total Comprehensive income for the year</b>	-	-	-	-	(1,808,162)	(1,808,162)
<b>Transactions with owners, recorded directly in equity</b>						
Dividends to equity holders	-	-	-	-	(375,000)	(375,000)
<b>Total contributions by and distributions to owners</b>	-	-	-	-	(375,000)	(375,000)
<b>Total transactions with owners</b>	-	-	-	-	(375,000)	(375,000)
<b>Balance as at 31st March 2020</b>	<b>1,575,000</b>	<b>13,226</b>	<b>-</b>	<b>382,087</b>	<b>13,927,639</b>	<b>15,897,952</b>
<b>Balance as at 1st April, 2018</b>	<b>1,575,000</b>	<b>13,226</b>	<b>-</b>	<b>382,087</b>	<b>16,508,295</b>	<b>18,478,608</b>
Profit for the year	-	-	-	-	53,511	53,511
<b>Other Comprehensive income</b>						
Actuarial loss on employee benefit obligations	-	-	-	-	(76,550)	(76,550)
<b>Total other comprehensive income</b>	-	-	-	-	(76,550)	(76,550)
<b>Total comprehensive income for the year</b>	-	-	-	-	(23,039)	(23,039)
<b>Transactions with owners, recorded directly in equity</b>						
Dividends to equity holders	-	-	-	-	(375,000)	(375,000)
Unclaimed dividend-write-back	-	-	-	-	545	545
<b>Total contributions by and distributions to owners</b>	-	-	-	-	(374,455)	(374,455)
<b>Total transactions with owners</b>	-	-	-	-	(374,455)	(374,455)
<b>Balance as at 31st March 2019</b>	<b>1,575,000</b>	<b>13,226</b>	<b>-</b>	<b>382,087</b>	<b>16,110,801</b>	<b>18,081,114</b>

# Statement of Cash Flows

For the year ended 31st March	Notes	Consolidated		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	A	22,834,854	4,764,096	951,466	906,707
Employee benefit paid	28	(810,401)	(677,545)	(87,704)	(28,277)
Income tax paid	30	(3,176,145)	(2,899,484)	(98,327)	(34,623)
<b>Net cash inflow from operating activities</b>		<b>18,848,308</b>	<b>1,187,067</b>	<b>765,435</b>	<b>843,807</b>
<b>Cash flows from investing activities</b>					
Purchase and construction of Property, plant & equipment		(8,290,039)	(6,651,342)	(57,572)	(26,688)
Investments in Other non- current assets		(677,903)	-	-	-
Investments in Other current financial assets		(4,483,323)	(4,730,956)	(64)	(128)
Development of Biological assets	16	183	(3,409)	-	-
Grants received - capital	26	38,095	36,626	-	-
Improvements to Investment property	15	(13,600)	-	-	-
Proceeds from disposal of Property, plant & equipment/ investment property		488,555	254,855	62	8
Proceeds from disposal of Intangible assets		5,340	5,498	-	-
Proceeds from disposal of Current financial assets		4,281,574	4,715,482	-	496,430
Proceeds from disposal of Assets held for sale		51,900	-	-	-
Proceeds from disposal of subsidiaries	37	-	706,497	-	-
On acquisition of right to generate hydro power/ ERP system		(236,905)	(167,989)	-	-
Long term investments in group companies and others		-	(6,124)	(669,443)	(2,418,738)
Acquisition of subsidiary		-	(121,670)	-	-
Interest received		543,634	715,661	21,955	40,978
Net movement in Deferred revenue		109,246	(61,291)	-	-
Dividends received from Equity accounted investees		116,632	43,296	-	-
Dividends received from non-group companies		4,094	4,102	456	357
<b>Net cash used in investing activities</b>		<b>(8,062,517)</b>	<b>(5,260,764)</b>	<b>(704,606)</b>	<b>(1,907,781)</b>
<b>Net cash inflow before financing</b>		<b>10,785,791</b>	<b>(4,073,697)</b>	<b>60,829</b>	<b>(1,063,974)</b>
<b>Cash flows from financing activities</b>					
Capital payment on lease		(1,987,712)	(39,441)	-	-
Recovery of employee share trust loan		-	-	-	-
Interest paid (including interest capitalised)		(10,997,452)	(10,910,311)	(3,054,139)	(2,637,210)
Dividend paid to Non-controlling interest		(359,353)	(1,654,089)	-	-
Proceeds from Interest-bearing borrowings		52,136,197	22,960,782	10,500,000	5,526,820
Repayment of Interest-bearing borrowings		(46,168,149)	(15,812,087)	(7,010,338)	(3,271,653)
Forward contract gain		-	-	-	60,567
Long term loan facility fee		-	-	(2,000)	-
Net movement in Financial liabilities		1,013,921	-	-	-
Net movement in Security deposits		6,177	189,306	-	-
Acquisition of Non-controlling interest		(1,533,999)	(2,348,287)	-	-
Debenture issue fee		-	-	(15,244)	(14,719)
Dividends paid to equity holders of parent		(375,000)	(375,000)	(375,000)	(375,000)
<b>Net cash inflow / (outflow) from financing activities</b>		<b>(8,265,370)</b>	<b>(7,989,127)</b>	<b>43,279</b>	<b>(711,195)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>2,520,421</b>	<b>(12,062,824)</b>	<b>104,108</b>	<b>(1,775,169)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>(35,153,050)</b>	<b>(23,090,226)</b>	<b>(5,321,920)</b>	<b>(3,546,751)</b>
<b>Cash and cash equivalents at end of the year</b>	B	<b>(32,632,629)</b>	<b>(35,153,050)</b>	<b>(5,217,812)</b>	<b>(5,321,920)</b>

Notes from pages 105 to 211 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

## Statement of Cash Flows

For the year ended 31st March	Notes	Consolidated		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
<b>A. Cash generated from operations</b>					
Profit before tax		5,504,052	5,475,513	(1,776,225)	57,919
<b>Adjustments for:</b>					
Net finance costs	9	11,008,904	10,511,607	3,060,288	2,688,959
Share of profits from Equity accounted investees	18	(264,061)	(176,096)	-	-
Depreciation on Property, plant & equipment	13	5,159,375	4,810,981	70,583	114,076
Impairment of Property, plant & equipment	13	79,870	61,987	-	-
Depreciation of Right-of-use assets	14	1,442,333			
Impairment of Investment properties	8	-	4,080	-	-
Derecognition of Property, plant & equipment	13	110,462			
Dividend receivable utilised for investment in subsidiary		-	-	-	(18,649)
Change in fair value of Investment properties	15	(86,882)	(113,899)	(5,550)	(9,600)
Change in fair value of agricultural produce on bearer biological assets		14,944	(3,464)	-	-
Change in fair value of Biological assets	16	(39,650)	(35,972)	-	-
(Gain)/loss on the disposal of Property, plant & equipment	7/8	(56,545)	190	(62)	(2,676)
Loss on the disposal of Intangible assets	8	-	664	-	-
(Gain)/loss on deemed disposal of subsidiary	7	-	(272,419)	(15,643)	-
Scrip Dividend		-	-	-	(36,121)
Reversal of provision	7	-	(312,807)	-	-
Amortisation of Intangible assets	17	193,974	216,255	-	-
Net gains/(loss) on translation of foreign currency		711,428	1,783,565	-	-
Impairment of Investments in subsidiaries	8	-	-	-	2,500
Impairment of Trade & other receivables	22	940,203	1,507,363	-	-
Provision for unrealised profit and write-down of inventories	21	361,581	691,369	-	-
Impairment/ amortisation of other non-current assets	20	(173,310)	175,988	-	-
Gain on the disposal of Subsidiaries /equity accounted investees	7	-	(444,725)	-	(1,082,773)
Provision for post employee benefit obligations	28	1,484,181	1,313,330	132,416	121,060
Grants amortised	7	(27,952)	(30,908)	-	-
		26,362,907	25,162,602	1,465,807	1,834,695
(Increase)/decrease in Trade and other receivables and other current assets		(4,248,022)	(10,999,188)	(534,997)	(1,049,656)
(Increase)/decrease in Inventories		(2,859,741)	(7,751,794)	(867)	149
Increase/(decrease) in Trade and other payables		3,579,710	(1,647,524)	21,523	121,519
		22,834,854	4,764,096	951,466	906,707
<b>B. Analysis of cash and cash equivalents</b>					
Cash in hand and at bank *		8,412,294	8,972,260	313,293	56,413
Short-term deposits		3,495,891	3,684,941	-	-
		11,908,185	12,657,201	313,293	56,413
Short-term interest bearing borrowings	31	(44,540,814)	(47,810,251)	(5,531,105)	(5,378,333)
<b>Cash and cash equivalents</b>		<b>(32,632,629)</b>	<b>(35,153,050)</b>	<b>(5,217,812)</b>	<b>(5,321,920)</b>

\* 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. Corporate information, the address of the Company's registered office and the principal place of business are given on page 230 in this Annual Report.

### 1.2 Consolidated Financial Statements

The Financial Statements for the year ended 31 March 2020 comprise "the Company" referring to Hayleys PLC as the holding Company and the "Group" referring to companies that have been consolidated therein together with the group's Interests In Equity Accounted Investees.

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

Descriptions of the nature of operations and principal activities of the Company, its subsidiaries and equity accounted investees are given on page 230 and on pages 224 to 226 to the Financial Statements.

Hayleys PLC does not have an identifiable parent of its own. Hayleys PLC is the ultimate parent of the Group.

### 1.4 Approval of Financial Statements

The Consolidated Financial Statements of Hayleys PLC and its subsidiaries (collectively, the Group) for the year ended 31 March 2020 were authorised for issue by the Directors on 16 May 2020.

### 1.5 Responsibility for Financial Statements

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

## 2. Basis of Preparation

### 2.1. Statement of Compliance

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

### 2.2 Basis of Measurement

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

- Lands which are recognised as property plant and equipment which are measured at cost at the time of the acquisition and subsequently carried at fair value
- Land and buildings which are recognised as investment property which are measured at cost at the time of the acquisition and subsequently carried at fair value
- Financial instruments reflected as fair value through profit or loss which are measured at fair value.
- Financial instruments designated as fair value through other comprehensive income (OCI) which are measured at fair value.
- Consumable biological assets and agricultural produce from bearer biological assets which are measured at fair value, less costs to sell.

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

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

### 2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (Rs), which is also the Company's functional currency. Subsidiaries whose functional currencies are different as they operate in different economic environments are reflected in Note 34 to the Financial Statements.

### 2.4 Materiality and Aggregation

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

### 2.5 Comparative information

Comparative information including quantitative, narrative and descriptive information as relevant is disclosed in respect of previous period in the Financial Statements. The presentation and classification of the Financial Statement of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

The Group applied SLFRS 16 with effect from 1 April 2019. Due to the transition method chosen in applying these standards, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standards.

### 2.6 Rounding

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

### 2.7 Offsetting

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

## 3. Summary of Significant Accounting Policies

### 3.1 Basis of Consolidation

The consolidated financial statements encompass the Company, its subsidiaries (together referred to as the "Group") and the Group's interest in equity accounted investees (Associates and Joint Ventures).

Subsidiaries and equity accounted investees are disclosed in Note 18 to the Financial Statements.

#### 3.1.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group

## Notes to the Financial Statements

is exposed, or rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Profit or Loss and each component of Other Comprehensive Income are attributed to equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group

assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### 3.1.2 Consolidation of subsidiaries with different accounting periods

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

Most subsidiaries with 31 December financial year ends prepare for consolidation purposes, additional financial information as of the same date as the financial statements of the parent.

Subsidiaries which are unable to prepare additional financial information then the parent uses the most recent financial statements of the subsidiaries and is adjusted for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements. The difference between the date of the subsidiary's financial statements and that of the consolidated financial statements will not be more than three months.

### 3.1.3 Equity accounted investees (Investment in associates and joint ventures)

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net

assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries. The Group's investments in its associates and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The Statement of Profit or Loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in Other Comprehensive Income of those investees is presented as part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the Statement of Profit or Loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The Financial Statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.



After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit or loss of equity accounted investees' in the Statement of Profit or Loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the Statement of Profit or Loss.

### 3.2 Business combination and goodwill

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair

value at the acquisition date. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the Statement of Profit or Loss in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the Statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the Statement of Profit or Loss.

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

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

The Group measures the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

### 3.3 Foreign currency

#### 3.3.1 Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in Statement of Profit or Loss. Tax charges and credit attributable to exchange differences on those monetary items are also recognised in other comprehensive income. Non-monetary assets and liabilities which are measured in terms of historical cost in a foreign currency are translated using exchange rates at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.



## Notes to the Financial Statements

### 3.3.2 Foreign operations

The results and financial position of all Group entities that have a functional currency other than the 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 prevailing at the reporting date;
- Income and expenses are translated at the average exchange rates for the period.

The exchange differences arising on translation for Consolidation are recognised in Other Comprehensive Income. On disposal of a foreign operation, the relevant amount in the translation reserve is transferred to the Statement of 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 that foreign operation. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to the Statement of Profit or Loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation, and translated at the spot rate of exchange at the reporting date.

### 3.3.3 Current versus non-current classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is current when it is:

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

liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- It does not have a right at the reporting date to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

### 3.4 Fair value measurement

The Group measures financial instruments such as investments which are designated as fair value through other comprehensive income (OCI) financial assets at fair value through profit or loss and derivatives; non-financial assets such as owner occupied land and investment properties, at fair value at each reporting date.

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset

or liability, assuming that market participants act in their economic best interest.

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

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

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

**Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

**Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

**Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value related disclosures for financial instruments and non-financial assets that are

measured at fair value or where fair values are disclosed are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions - Note 19.
- Quantitative disclosures of fair value measurement hierarchy - Note 19.
- Property (land) under revaluation model - Note 17.
- Investment properties - Note 15.
- Financial instruments (including those carried at amortised cost) - Note 19.
- Biological assets (Consumables and agricultural produce) - Note 16.

### 3.5 Property, plant & equipment

The group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of the services or for administration purpose and are expected to be used for more than one year.

#### 3.5.1 Basis of recognition

Property, plant and equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

#### 3.5.2 Basis of measurement

Items of property, plant & equipment including construction in progress are measured at cost net of accumulated depreciation and accumulated impairment losses, if any, except for land which is measured at fair value.

#### 3.5.3 Owned assets

The cost of property, plant & equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and includes the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying

assets. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

Revaluation of land is done with sufficient frequency to ensure that the fair value of the land does not differ materially from its carrying amount, and is undertaken by professionally qualified valuers.

Any revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the Statement of Profit or Loss, the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

#### 3.5.4 Subsequent costs

The cost of replacing a component of an item of property, plant & equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised in accordance with the derecognition policy given below.

The costs of the repair and maintenance of property, plant & equipment are recognised in the Statement of Profit or Loss as incurred.

#### 3.5.5 Permanent land development costs

Permanent land development costs which relate to the Group's Plantation Sector are those costs incurred in major infrastructure development and building new access roads on leased lands. The costs have been capitalised and amortised over the shorter of useful lives or remaining lease periods.

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

#### 3.5.6 Derecognition

The carrying amount of an item of property, plant & equipment is derecognised on disposal; or when no future economic benefits are expected from its use. Any gains and losses on derecognition are recognised (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in the Statement of Profit or Loss. Gains are not classified as revenue.

#### 3.5.7 Depreciation

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

Description	Period
Buildings	20 – 50 years
Software	03 – 05 years
Plant & machinery	05 – 20 years
Stores equipment	05 – 10 years
Motor vehicles	04 – 10 years
Furniture, fittings & office equipment	02 – 13 years
Vessels	05 – 25 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognised. The asset's residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end and adjusted prospectively, if appropriate.

#### 3.5.8 Leases

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

## Notes to the Financial Statements

### 3.5.8.1 Group as a lessee

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

#### 3.5.8.1.1 Right-of-use assets

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

Description	Period
Land	02-50 years
Buildings	02-16 years
Machinery & store equipment	20 years
Motor vehicles	02-05 years
Furniture, fittings & office equipment	05 years
Vessels	01-02 years
Mature/Immature plantation	20-33 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment as more fully described in Note 3.13 Impairment of non financial assets.

#### 3.5.8.1.2 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to

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

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

The Group's lease liabilities are included in Interest-bearing loans and borrowings in Note 28 to the Financial Statements.

#### 3.5.8.1.3 Short-term leases and leases of low-value assets

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

### 3.5.8.2 Group as a lessor

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

### 3.6 Investment property

Investment 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 properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair values of investment properties are included in the Statement of Profit or Loss in the year in which they arise, including the corresponding tax effect. Fair values are evaluated annually by an accredited external, independent valuer.

Investment properties are derecognised either when they have been disposed of, or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. The difference between the net disposal proceeds and the carrying amounts of the asset is recognised in Statement of Profit or Loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner occupied property the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property,

the group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### 3.7 Intangible assets

#### 3.7.1 Basis of recognition

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

#### 3.7.2 Basis of measurement

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

#### 3.7.3 Useful economic lives and amortisation

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

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

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

#### 3.7.4 Derecognition of intangible assets

Intangible assets are de-recognised 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 Statement of Profit or Loss when the asset is derecognised.

#### 3.7.5 Research and development

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

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

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

#### 3.7.6 Brand name

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

#### 3.7.7 Customer list

The present value of the income anticipated from repeat customer lists of travel agents as at the acquisition date is recognised as an intangible asset based on a valuation carried out by an independent valuer. Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses. Customer lists recognised at the acquisition date are amortised over the period over which income is anticipated to derive from repeat customers and reviewed annually for any impairment in value if there are indicators of impairment.

#### 3.7.8 Trade mark

Trade marks purchased, being determined to have an indefinite useful life, are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

#### 3.7.9 Other Intangible assets.

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

#### 3.7.10 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

## Notes to the Financial Statements

### 3.7.11 Amortisation

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

Description	Period
Right to generate hydro power	15- 20 years
Right to generate solar power	20 years
Customer List	5 years
ERP Systems	5-10 years

### 3.8 Biological assets

Biological assets are classified as either mature biological assets or immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, rubber, other plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset include tea and rubber trees, being biological assets that are not intended to be sold or harvested, but are used to grow for purpose of harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets.

#### 3.8.1 Bearer Biological Assets

Bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – Property Plant & Equipment.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilising, etc., incurred between the time of planting and harvesting (when the

planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea, Rubber) which comes into bearing during the year, is transferred to mature plantations.

#### 3.8.2 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, only where the number of plants per hectare exceeded 3,000 plants and, also if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalised have been charged to the Statement of Profit or Loss in the year in which they are incurred.

#### 3.8.3 Consumable Biological Asset

Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair 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.

#### The main variables in DCF model concerns

Variable	Comment
Timber content	Estimate based on physical verification of girth, height and considering the growth of the 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 fulfill in bringing the trees in to saleable condition.
Planting cost	Estimated costs for the further development of immature areas are deducted.

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

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



### 3.8.4 Nursery Plants

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

## 3.9 Financial instruments

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

### 3.9.1 Financial assets

#### 3.9.1.1 Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash

flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

#### Business model assessment in the context of Financial Services within the Consumer & Retail Sector

In relation to entities in the Group engaged in financial services, the Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### Assessment whether contractual cash flows is solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional



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compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

### 3.9.1.2 Subsequent measurement

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

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

#### Financial assets at amortised cost (debt instruments)

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

The Group's financial assets at amortised cost includes trade receivables, and loan to an associate and non-current trade and other receivables.

#### Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in

OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

#### Financial assets designated at fair value through OCI (equity instruments)

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

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

This category includes listed and non-listed equity instruments under this category.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted

for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

### 3.9.1.3 Derecognition

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

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

### 3.9.1.4 Impairment of financial assets

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

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

#### 3.9.1.4.1 Impairment model for segments other than the Consumer & Retail sector

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

#### 3.9.1.4.2 Impairment model for the Consumer & Retail sector (Excluding financial services)

The group measures loss allowances at an amount equal to lifetime ECLs, except for the

following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

#### Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that

have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default in payments
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

#### Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

#### 3.9.1.4.3 Impairment model for the Financial Services within the Consumer & Retail sector;

The Company recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

## Notes to the Financial Statements

- Financial assets that are debt instruments;
- Lease & loan receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL is the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

### Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The key inputs used for measurement of ECL are likely to be the term structures of the following variables:

### Probability of Default (PD)

PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using various categories based on homogeneous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. The Group forecast PD by incorporating forward looking economic variables (unemployment, GDP growth, inflation, interest rate and using lag effect of these variables).

### Loss Given Default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

### Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

The Group has used these parameters from internally-developed statistical models using historical data. All inputs were adjusted to reflect forward-looking information and future economic scenarios.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

- **Stage 1 :** The 12 month ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
- **Stage 2 :** When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- **Stage 3 :** For loans considered credit-impaired the Group recognises the lifetime expected credit losses. The method is similar to that of Stage 2 assets, with the PD set at 100%.

### Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset

#### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 180 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness .
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

#### Presentation of allowance for ECL in the statement of financial position.

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn components presented as a provision; and
- Debt instruments measured at FVOCI.- no loss allowance is recognised in the statement of financial position because the

carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

#### Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

### 3.9.2 Financial liabilities

#### 3.9.2.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

#### 3.9.2.2 Subsequent measurement

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

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading

## Notes to the Financial Statements

and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss so designated at the initial date of recognition, and only if criteria of SLFRS 9 are satisfied. The group has not designated any financial liability at fair value through profit or loss.

### Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

### Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the

reporting date and the amount recognised less cumulative amortisation.

#### 3.9.2.3 Derecognition

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

#### 3.9.3 Offsetting of financial instruments

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

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

#### 3.9.4 Derivative financial instruments and hedge accounting

##### 3.9.4.1 Initial recognition and subsequent measurement

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

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

At the inception of a hedge relationship, the documentation includes identification of the hedging instrument, the hedged item, the

nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

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

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

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

#### Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.



When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

### Cash flow hedges

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

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

Any gains or losses arising from changes in the fair value of derivatives were taken directly to profit or loss, except for the effective portion of cash flow hedges, which were recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

When the hedge cash flow affect the statement of profit or loss, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the income statement. When a hedging instrument expires, or is sold, terminated, exercised or when a hedge no longer meet the criteria for hedge accounting, any cumulative gains/losses existing in other comprehensive no longer expected to occur, the cumulative gains/loss was reported in other comprehensive income is immediately transferred to the income statement.

### 3.10 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 19 to the Financial Statements.

### 3.11 Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sell expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations  
Or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Disclosures are provided in Note 39. All other notes to the Financial Statements include amounts for continuing operations, unless indicated otherwise.

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.

### 3.12 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

## Notes to the Financial Statements

- All inventory items, except manufactured inventories and work-in-progress are measured at weighted average directly attributable cost.
- Manufactured inventories and work-in-progress are measured at weighted average factory cost which includes all direct expenditure and appropriate share of production overhead based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business less, the estimated cost of completion and the estimated costs necessary to make the sale.

### 3.12.1 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.

### 3.12.2 Agricultural produce harvested from biological assets

Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agriculture produce are valued by adding the cost of conversion to the fair value of the agricultural produce.

### 3.13 Impairment of non- financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely

independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying

amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

### Formers - Provision for impairment

In respect of formers, a 10% provision on the written down value is recognised as impairment in the Statement of Profit or Loss.

### 3.14 Cash and cash equivalents

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

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts and short term borrowings as they are considered an integral part of the Group's cash management.

### 3.15 Employee benefits

#### 3.15.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive



obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

### 3.15.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – “Employee benefits”. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 28. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. Actuarial gains or losses are recognised in full in the Other Comprehensive Income.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefits. However for entities of the Group operating in Sri Lanka, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded. The settlement of the liability is based on legal liability method or the following basis as applied by the respective entities.

Length of each service (Years) No. of month's salary for completed year of service

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

### 3.15.3 Short-term benefits

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

### 3.16 Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 3.17 Grants and subsidies

Grants and subsidies are recognised where there is a reasonable assurance that the grant / subsidy will be received and all attaching conditions, if any, will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Grants and subsidies related to assets, including non- monetary grants at fair value are deferred in the Statement Financial Position and credited to the Statement of Profit or Loss over the useful life of the asset)

### 3.18 Warranties

The Group provides warranties for general repairs of defects that existed at the time of sale, as required by law. Provisions related to these assurance-type warranties are recognised when the product is sold or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

### 3.19 Contingent Liabilities recognised in a Business Combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

### 3.20 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### 3.21 Regulatory Provisions

#### 3.21.1 Deposit Insurance Scheme

In terms of the Finance Companies Direction No. 02 of 2010 – ‘Insurance of Deposit Liabilities’ issued on 27th September 2010 all Registered Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No. 01 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1st October 2010.

- Deposits to be insured include demand, time and savings deposit liabilities and exclude the following:
- Deposit liabilities to member institutions

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- Deposit liabilities to Government of Sri Lanka
- Deposit liabilities to Directors, Key Management Personnel and other related parties as defined in Finance Companies Act Direction No. 03 of 2008 on Corporate Governance of Registered Finance Companies
- Deposit liabilities held as collateral against any accommodation granted
- Deposit liabilities falling within the meaning of dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to the Central Bank of Sri Lanka
- Registered Finance Companies are required to pay a premium of 0.15% on eligible deposit liabilities as at end of the month to be payable within a period of 15 days from the end of the respective month

### 3.21.2 Investment Fund Account

As proposed in the Budget 2011, an investment fund has been established and operated in the manner described below. As and when taxes are paid after 1st January 2011, following fund are transfer to the investment fund account and build a permanent fund in the Singer Finance (Lanka) PLC.

- 8% of the profits calculated for the payment of Value Added Tax (VAT) on financial services on the dates as specified in the VAT Act for the payment of VAT.
- 5% of the profit before tax calculated for payment of income tax purposes on date specified in Section 113 of the Inland Revenue Act for the Self-Assessment Payment of tax.

Singer Finance (Lanka) PLC shall utilise the funds in the investment fund account as specified by the direction. The operation of this fund was ceased with the effect from 1st October 2014.

### 3.21.3 Reserve Fund

Singer Finance (Lanka) PLC, a subsidiary of the Group maintains a reserve fund in compliance with Direction No. 01 of 2003 – Central Bank (Capital Funds) issued to Finance Companies and it will be used for only the purpose

specified in the said Direction above. The details of the reserve fund are disclosed in Note 23.1.2.

### 3.22 Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has several operating segments which are described in Note 41 to these financial statements. In all operating segments, the Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

#### 3.22.1 Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

##### 3.22.1.1 Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

##### 3.22.1.2 Significant financing component

The Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. Where long-term advances are received from customers, the transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

##### 3.22.1.3 Warranty Obligations

In several sectors, the Group provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets. These service-type warranties are sold either separately or bundled together with the sale of goods. Contracts for bundled sales of goods and a service-type warranty comprise two performance obligations because the promises to transfer the equipment and to provide the service-type warranty are capable of being distinct. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognised as a contract liability. Revenue is recognised over the period in which the service-type warranty is provided based on the time elapsed.

##### 3.22.1.4 Loyalty points programme

The Group has loyalty point programmes, in several sectors, which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimates of the points that will be redeemed on a quarterly basis and any adjustments to the contract liability balance are charged against revenue.

Prior to the adoption of SLFRS 15, loyalty points were not considered as a separate performance obligation, and no adjustment was made in relation to the revenue recognised. A provision was separately recognised by the Group, and loyalty points redeemed were accounted for as a settlement against the recognised provision.

### 3.22.1.5 Non Cash Considerations

Certain sectors of the Group have arrangements where customers are offered a scheme where new goods could be acquired through part exchange of old goods. The transaction price for contracts in which a customer promises consideration in a form other than cash is measured;

- Based on the fair value of the non-cash consideration (or promise of non-cash consideration) at the point of sale, unless the group is unable to reasonably estimate the fair value of the non-cash consideration, in which case;
- The group measures the consideration indirectly, by reference to the stand-alone selling price of the goods or services promised to the customer (or class of customer), in exchange for the consideration at the point of Sale.

Prior to the adoption of SLFRS 15, the Group recognised the pre-determined value for the old product received as a trade discount at the point of sale

### 3.22.1.6 Consignment Arrangements

Certain Sectors engage in business which includes the delivery of goods to another party but retain control of the goods. Examples of such arrangements may include the delivery of a good to a dealer or a distributor for sale to an end customer of the Group. Revenue on such arrangements are recognised at the point of sale to an end customer net of commission expenses incurred.

## 3.22.2 Rendering of services

Several entities within the Group engage in the provision of services to its customers. The Group recognises revenue from services over time, applying methods to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

### 3.22.2.1 Hospitality revenue

Accommodation revenue generated by the hospitality sector is recognised on the rooms occupied on a daily basis. Food and beverage revenue is recognised at the time of related sale.

### 3.22.2.2 Maintenance Services

Certain sectors within the group provide customers with complementary servicing of consumer durable goods sold by the Group within a defined period. Such servicing arrangements are identified as separate performance obligations and revenue is recognised when the complementary services are provided to the customer.

Prior to the adoption of SLFRS 15, the Group accounted for revenue from free services together with revenue from the sale of the related equipment.

### 3.22.2.3 Agency Services

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount that it retains for its agency services.

## 3.22.3 Construction and Installation Contracts

In relation to contracts which involve the construction and installation of assets on behalf of its customers, the Group assesses the nature of the respective contracts as to whether such is reflective of goods or services transferred at a point in time or satisfied over a period of time.

The Group determines that arrangements include transfers of a good or service over time when any of the following criteria are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The entity's performance creates or enhances an asset (e.g., work in progress) that the customer controls as the asset is created or enhanced
- The entity's performance does not create an asset with an alternative use the entity and the entity has an enforceable right to payment for performance completed to date.

When either of the above criteria is met, the Group recognises revenue on the respective contracts similar to the rendering of services. If an entity is unable to demonstrate that control transfers over time, the presumption is that control transfers at a point in time, and revenue is recognised similar to the sale of goods.

## 3.22.4 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

## 3.22.5 Contract liabilities

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

## 3.22.6 Assets and liabilities arising from rights of return

### 3.22.6.1 Right of return assets

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory,

## Notes to the Financial Statements

less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

### 3.22.6.2 Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

### 3.22.6.3 Cost to obtain a contract

In several sectors, the Group pays sales commission to its employees and third party representative for sales carried out. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under employee benefits and part of cost of sales) because the amortisation period of the asset that the Group otherwise would have used is one year or less.

### 3.22.7 Hire purchase, lease, loans and advances

The excess of aggregated contract receivables over the cost of the hired assets constitutes the total unearned income at the commencement of a contract. The unearned income is recognised as revenue as it is earned, using the effective interest rate method.

#### 3.22.7.1 Service fee income on hire purchase

Service fee income is recognised over the length of hire purchase agreement using the effective interest rate method. In the event of early termination of the hire purchase contract or cash conversion remaining deferred, service income is recognised when such contract is recognised or converted.

### 3.22.8 Fees and commission

Fees and commission income and expense that are integral to the effective interest rate

on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, are recognised as the related services are performed.

## 3.23 Other income and gains

### 3.23.1 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

The calculation of effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Interest income is presented in finance income in the Statement Profit or Loss.

### 3.23.2 Dividends

Dividend income is recognised in profit or loss on the date the entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

### 3.23.3 Grants

Grants are recognised initially as deferred income when there is a reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

### 3.23.4 Gains and losses

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with

the carrying amounts of property, plant & equipment and are recognised net within "other income" in profit or loss.

### 3.23.5 Other income

Other income is recognised on an accrual basis.

## 3.24 Expenses

Expenses are recognised in the profit or loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year. For the purpose of presentation of the Statement of Profit or Loss, the function of expenses method is adopted.

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

### 3.24.1 Borrowing costs

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

### 3.24.2 Finance income and finance cost

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in the Statement of Profit or Loss. Interest income is recognised as it accrues in the Statement of Profit or Loss.

Finance cost comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in the Statement of Profit or Loss.

### 3.25 Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Statement of Profit or Loss except to the extent that it relates to a business combination, or items recognised directly in Equity or in Other Comprehensive Income.

#### 3.25.1 Current tax

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

Current tax relating to items recognised directly in Other Comprehensive Income is recognised in Other Comprehensive Income and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### 3.25.2 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 part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside the Statement of Profit or Loss is recognised outside the Statement of Profit or Loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

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

Tax on dividend income from subsidiaries is recognised as an expense in the Consolidated Statement of Profit or Loss at the same time as the liability to pay the related dividend is recognised.

#### 3.25.3 Value added Tax on Financial Services

VAT on Financial Services is calculated in accordance with the amended VAT Act No. 07 of 2013. The base for the computation of Value Added Tax on Financial Services is the accounting profit before income tax adjusted for the economic depreciation and emolument of employees computed on prescribed rate.

#### 3.25.4 Crop Insurance Levy

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1st April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is Payable at 1% of the profit after tax.

#### 3.25.5 Sales tax

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



## Notes to the Financial Statements

- 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.

### 3.25.6 Debt Repayment Levy (DRL)

As per the Finance Act No. 35 of 2018, with effect from October 1, 2018, DRL of 7% was introduced on the value addition attributable to the supply of financial services by each financial institution. DRL is chargeable on the same base used for calculation of VAT on financial services as explained in Note 3.25.3 above.

## 4. General

### 4.1 Events Occurring After the Reporting Date

All material post reporting date events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

### 4.2 Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 4.3 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "indirect method".

Interest paid is classified as financing cash flow. Grants received, which are related to purchase

and construction of property, plant & equipment are classified as investing cash flows. Dividend and interest income are classified as cash flows from investing activities.

Dividends paid are classified as financing cash flows. Dividends received by Hayleys PLC, which is an investment company, are classified as operating cash flows and are not disclosed separately in the Company Cash Flow Statement.

### 4.4 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Chairman and the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chairman include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

### 4.5 Changes in Accounting Policies and Disclosures

#### 4.5.1 New and amended standards and interpretations

The Group applied SLFRS 16 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019/20, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### 4.5.1.1 SLFRS 16 Leases

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted SLFRS 16 using the modified retrospective method of adoption, without restating comparative information. Instead, it has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of Retained earnings at the date of initial application, as permitted under the specific transitional provisions in the standard. The impact on adoption of SLFRS 16 is reflected in Note 40 to the Financial Statements. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

In Plantation Sector, right-of-use asset (Land) was previously accounted under Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka dated 21 August 2013. However, SLFRS 16 was applicable with effect from 01 January 2019, and therefore, above "Right-of-use asset-land" has accounted in accordance with such standard with effect from 01 April 2019. "Right-of-use asset-land" have been executed for all estates for a period of 53 years.

This Right-of-use asset-land is amortised over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets.



An adjustment to the “Right-of-use asset-land” is made to the extent that the change relate to the future period on the reassessment of lease liability.

The lease liability as at 01 April 2019 has been reassessed under the provisions of SLFRS 16 and both “Right-of-use asset-land” and “Lease Liability” has been enhanced.

#### 4.5.1.2 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company’s and the subsidiaries’ tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax

treatments. The Group determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

#### 4.5.1.3 Amendments to SLFRS 9:

Prepayment Features with Negative Compensation Under SLFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to SLFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

#### 4.5.1.4 Amendments to LKAS 19: Plan Amendment, Curtailment or Settlement

The amendments to LKAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the consolidated financial statements of the Group

as it did not have any plan amendments, curtailments, or settlements during the period.

#### 4.5.1.5 Amendments to LAKS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies SLFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in SLFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying SLFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying LKAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Group does not have long term interests in its associate and joint venture.

#### 4.5.1.6 Annual Improvements 2015-2017 Cycle

##### • SLFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no significant impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

## Notes to the Financial Statements

### • SLFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in SLFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no significant impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

### • LKAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no significant impact on the consolidated financial statements of the Group.

### • LKAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no significant impact on the consolidated financial statements of the Group.

### 4.6 Standards Issued but not yet Effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### 4.6.1 Amendments to SLFRS 3: Definition of a Business

Amendments to the definition of a business in SLFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted. Pending the completion of detailed review of the above amendment, the extent of the probable impact is not reasonably estimable.

#### 4.6.2 Amendments to LKAS1 and IAS 8: Definition of Material

Amendments to LKAS 1 Presentation of Financial Statements and IAS 8 Accounting policies, Changes in accounting Estimates and Errors are made to align the definition of "material" across the standard and to clarify certain aspects of the definition. The new definition states that, "information is material if omitting or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are applied prospectively for the annual periods beginning on or after 1 January 2020 with early application permitted. Pending the completion of detailed review of such amendments, the extent of the probable impact is not yet reasonably estimable.

#### 4.6.3 Amendments to references to the conceptual framework in SLFRS standards

Revisions to the Conceptual Framework were made because some important issues were not covered, and some guidance was unclear or out of date. The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The amendments are effective for annual periods beginning on or after 1 January 2020, with early application permitted. Pending the detailed review of such amendments, the extent of the probable impact is not yet known.

## 5. Critical Accounting Estimates and Judgements

The preparation of Financial Statements in conformity with SLFRS/LKAS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

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

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

### 5.1 Going Concern

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

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

The Group tests annually whether goodwill requires impairment, in accordance with the accounting policy stated in Note 3.13. The basis of determining the recoverable amounts of cash generating units and key assumptions used are given in Note 17 to the Financial Statements.

### 5.3 Taxation

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

The Group has Rs. 9,626 mn (2019: Rs. 6,382 mn) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

On this basis, the Group has determined that it cannot recognise deferred tax assets on tax losses carried forward and described in Note 11 to the Financial Statements.

### 5.4 Measurement of the Employee Benefit Obligations

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

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

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

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates. Further details about employee benefit obligation are provided in Note 28 to the Financial Statements.

### 5.5 Revaluation of property, plant and equipment and investment properties

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

The Group engaged a valuation specialist to assess fair values as at 31 March 2019 for the freehold lands and at 31 March 2020 for the investment properties. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Notes 13 and 15 to the Financial Statements.

### 5.6 Valuation of Inventories

The Group has applied judgment in the determination of impairment in relation to inventories that are slow moving or obsolete. The Group's impairment assessment in relation to such inventories take into account factors such as the ageing of items of inventories, dates for possible expiry and expectations in relation to how the inventories will be utilised or sold. Judgment has also been applied by management in determining net realisable value of inventories (NRV). The estimates and judgements applied in the determination of NRV are influenced by expectations of sales relating to identified goods and historically realised sales prices.

## Notes to the Financial Statements

### 5.7 Provision for expected credit losses of Non current and Current trade and receivables in Consumer and Retail sector

The Group uses a provision matrix to calculate ECLs for loans and trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the relevant sectors, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's loans and trade receivables is disclosed in Note 22 to the Financial Statements.

## 6. Revenue

### 6.1 Industry Segment Revenue

For the year ended 31st March	Consolidated							
	Revenue from contract with customers			Total revenue 2020 Rs.'000	Revenue from contract with customers			Total revenue 2019 Rs.'000
	Sale of goods Rs.'000	Rendering of services Rs.'000	Interest Income Rs.'000		Sale of goods Rs.'000	Rendering of services Rs.'000	Interest Income Rs.'000	
Eco solutions	6,216,160	-	-	6,216,160	6,592,987	-	-	6,592,987
Hand protection	17,870,232	-	-	17,870,232	17,110,824	-	-	17,110,824
Purification	22,822,743	-	-	22,822,743	20,917,945	-	-	20,917,945
Textiles	12,099,878	-	-	12,099,878	11,858,435	-	-	11,858,435
Construction materials	4,644,728	-	-	4,644,728	4,991,460	-	-	4,991,460
Plantations	12,643,867	-	-	12,643,867	13,008,198	-	-	13,008,198
Agriculture	13,631,015	-	-	13,631,015	14,967,457	-	-	14,967,457
Consumer & retail	53,611,807	726,647	7,226,079	61,564,533	59,890,970	1,057,805	6,256,229	67,205,004
Leisure	-	4,481,442	-	4,481,442	-	6,362,887	-	6,362,887
Industry inputs	4,414,328	-	-	4,414,328	4,399,715	-	-	4,399,715
Power & energy	1,600,072	-	-	1,600,072	1,505,769	-	-	1,505,769
Transportation & logistics	-	43,604,357	-	43,604,357	-	45,998,415	-	45,998,415
Others	3,834,702	878,946	-	4,713,648	3,417,981	844,883	-	4,262,864
	153,389,532	49,691,392	7,226,079	210,307,003	158,661,741	54,263,990	6,256,229	219,181,960

### 6.2 Geographical Segment Revenue

For the year ended 31st March	Consolidated	
	2020 Rs.'000	2019 Rs.'000
Asia (excluding Sri Lanka)	43,734,661	39,688,745
Australia	2,453,475	2,260,367
Europe	18,586,999	17,776,519
United States of America	10,762,614	9,846,455
Africa	2,106,574	1,594,636
Indirect exports	22,157,310	28,331,527
Sri Lanka	110,505,370	119,683,711
	210,307,003	219,181,960

## Notes to the Financial Statements

### 6.3 Gross Revenue

For the year ended 31st March	Company	
	2020 Rs.'000	2019 Rs.'000
Rent and building related income	400,102	388,745
	400,102	388,745

### 6.4 Contract Balances

As at 31st March	Notes	Consolidated	
		2020 Rs.'000	2019 Rs.'000
<b>Contract Assets</b>			
Retention receivables		232,742	123,358
		232,742	123,358
<b>Contract Liabilities</b>			
Advances received	29.3	2,878,647	2,252,850
Deferred revenue	29.4	383,218	273,972
Maintenance warranties	29.1	327,964	401,567
		3,589,829	2,928,389

## 7. Other Income

For the year ended 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Grants amortised*	27,952	30,908	-	-
Gain on disposal of property, plant & equipment	123,122	55,189	62	2,725
Change in fair value of biological assets	24,706	39,436	-	-
Gain on deemed disposal of subsidiaries	-	272,419	15,643	-
Gain on disposal of subsidiaries	-	444,725	-	1,082,773
Sundry Income/Scrap sales	938,401	865,587	-	-
Rent income	99,363	52,029	-	-
Reversal of provision	-	312,807	-	-
Income from financial services	222,765	257,663	-	-
Indent commission	236,614	165,214	-	-
	1,672,923	2,495,977	15,705	1,085,498

\* Details of the grants are given in Note 26 to the Financial Statements.



## 8. Other Expenses

For the year ended 31st March	Consolidated		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Loss on disposal of property, plant & equipment	66,577	55,379	-	49
Loss on disposal of intangible assets	-	664	-	-
Derecognition of property, plant & equipment	110,462	9,378	-	-
Impairment/write-off of property, plant & equipment	79,870	50,500	-	-
Impairment of investment properties	-	4,080	-	-
Impairment of inventory	8,981	68,357	-	-
Impairment of investment in subsidiary	-	-	-	2,500
Amortisation of intangible assets	152,123	216,255	-	-
	418,013	404,613	-	2,549

## 9. Net Finance Cost

### 9.1 Finance Income

For the year ended 31st March	Consolidated		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest income on loans and receivables	217,452	322,967	17,223	2,030
Interest income on bank deposits/ unit trust income	326,182	392,694	4,785	4,228
Guarantee income	-	-	-	53
Dividend income from equity instruments	4,094	4,102	456	357
Change in fair value of financial assets at fair value through profit or loss	30,001	15,909	-	-
Foreign exchange gain	1,460,715	1,830,040	9,377	34,720
	2,038,444	2,565,712	31,841	41,388

### 9.2 Finance Cost

For the year ended 31st March	Consolidated		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest on long term loans	5,974,460	4,958,341	2,586,788	2,109,544
Interest on short term loans	4,968,983	5,865,357	477,969	539,766
Finance charges payable under leases	905,220	90,428	-	-
Change in fair value of financial assets at fair value through profit or loss	2,973	3,968	1,601	2,281
Impairment of financial assets	8,900	8,900	8,900	8,900
Foreign exchange loss	1,186,812	2,150,325	16,871	69,856
	13,047,348	13,077,319	3,092,129	2,730,347
<b>Net finance cost</b>	<b>11,008,904</b>	<b>10,511,607</b>	<b>3,060,288</b>	<b>2,688,959</b>

## Notes to the Financial Statements

### 10 Profit Before Tax

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

For the year ended 31st March	Notes	Consolidated		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Director's emoluments		1,691,523	1,391,652	381,363	254,637
Auditors' fees (includes overseas subsidiaries)					
Audit services					
Ernst & Young		54,749	54,751	1,945	1,945
Other auditors		31,260	29,272	-	-
Non audit services					
Ernst & Young		35,336	33,611	1,016	1,325
Other auditors		10,309	8,927	-	-
Depreciation on property, plant & equipment	13	5,159,375	4,810,981	70,583	114,076
Donations		24,222	24,695	263	765
Impairment for bad trade and other receivables	22	940,203	1,125,021	-	-
Provision for unrealised profit and write-down of inventories		361,581	691,369	-	-
Staff cost					
Defined contribution plan cost		2,416,759	2,093,893	116,343	107,843
Employee benefit plan cost	28	1,484,181	1,313,331	132,416	121,060
Other Staff cost (excluding defined contributions & defined benefits)		23,525,153	22,421,350	1,038,289	933,404
Staff training and development cost		127,171	146,755	5,398	7,164
Legal fees		65,755	88,144	-	-
Research and development cost		55,068	45,096	-	-

## II Taxation

### 11.1 Tax Expense

For the year ended 31st March	Consolidated	
	2020 Rs.'000	2019 Rs.'000
<b>Consolidated Statement of Profit or Loss</b>		
<b>Current income tax</b>		
Income tax on current year profits		
Parent	-	-
Subsidiaries	2,349,625	2,065,431
	2,349,625	2,065,431
Under/(Over) provision in respect of previous years	(16,887)	69,249
Provision on Economic Service Charge recoverable	67,552	173,713
	2,400,290	2,314,393
<b>Deferred tax expense</b>		
Origination of temporary differences		
Parent	69,336	-
Subsidiaries	(101,031)	(90,154)
	(31,695)	(90,154)
Tax on dividend income	240,665	501,357
<b>Tax expense reported in the Statement of Profit or Loss</b>	<b>2,609,260</b>	<b>2,725,596</b>

### 11.2 Consolidated Statement of Other Comprehensive Income

For the year ended 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
<b>Deferred tax related to items charged or credited directly to other comprehensive income during the year :</b>				
Actuarial gain/(loss) on defined benefit plans	(149,411)	(64,323)	1,879	-
Revaluation of land	-	695,422	-	-
<b>Tax charged directly to other comprehensive income</b>	<b>(149,411)</b>	<b>631,099</b>	<b>1,879</b>	<b>-</b>

## Notes to the Financial Statements

### 11.3 Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Profit before tax	5,504,052	5,475,513	(1,776,225)	57,919
Share of profit of equity accounted investees	(264,061)	(176,096)	-	-
Intra-group adjustments	1,806,172	3,786,413	-	-
	7,046,163	9,085,830	(1,776,225)	57,919
Disallowable expenses	16,420,013	15,777,667	404,162	1,876,919
Tax deductible expenses	(12,974,936)	(13,073,712)	(124,571)	(216,092)
Tax exempt income	(2,291,281)	(3,892,364)	(607,193)	(1,677,716)
Tax loss b/f	(6,381,687)	(11,165,393)	(198,701)	(239,731)
Recoverable write off to Profit or Loss	-	6,984	-	-
Tax loss c/f	9,625,618	6,381,687	2,302,528	198,701
Taxable income	11,443,890	3,120,699	-	-
Income tax @ 28%	731,274	1,172,274	-	-
Income tax @ 24%	362,001	-	-	-
Income tax @ 15%	164,211	130,056	-	-
Income tax @ 14%	603,523	296,672	-	-
Income tax @ 12%	25,408	-	-	-
Income tax at other tax rates	463,208	466,429	-	-
Income tax on current year profit	2,349,625	2,065,431	-	-
Under / (Over) provision in respect of previous years	(16,887)	69,249	(78,295)	4,408
Provision on Economic Service Charge recoverable	67,552	179,713	-	-
	2,400,290	2,314,393	(78,295)	4,408
Origination of temporary differences	(31,695)	(90,154)	69,336	-
Tax on dividend income	240,665	501,357	-	-
Tax expense	2,609,260	2,725,596	(8,959)	4,408
Effective tax rate	50%	51%	1%	8%

- 11.4 Corporate Income Taxes of companies resident in Sri Lanka have been computed in accordance with the Inland Revenue Act No. 24 of 2017 and proposed amendments to the same. Corporate Taxes of non-resident companies in the Group have been computed in keeping with the domestic statutes in their respective countries.

Resident companies in the Group, excluding those which enjoy a tax holiday or concessionary tax rates, were liable to income tax during the year of assessment 2019/20 at the rate of 28% for the 9 months ending 31.12.2019 and 24% for the 3 months ending 31.03.2020 (Y/A 2018/19 - 28 %).

## 11.5 Tax Exemptions

### 11.5.1 In terms of the Inland Revenue Act

Ultracarb (Pvt) Ltd is entitled for a 6 year income tax holiday. The tax holiday period has commenced during the Y/A 2014/15.

Solar One Ceylon (Pvt) Ltd is entitled for a 10 year income tax holiday. Tax holiday period has commenced during the Y/A 2016/17.

Kelani Valley Plantations PLC is entitled for an income tax exemption for its undertaking associated with farming of agricultural produce. The tax holiday period has commenced during the Y/A 2019/20.

Talawakelle Tea Estates PLC is entitled for an income tax exemption for its undertaking associated with farming of agricultural produce. The tax holiday period has commenced during the Y/A 2019/20.

Hayleys Business Solutions International (Pvt) Ltd is entitled for an income tax exemption as a company providing information technology and enabled services. The tax holiday period has commenced during the Y/A 2019/20.

### 11.5.2 In terms of BOI Agreements

Companies enjoying Tax Holidays under BOI Law are as follows;

Hayleys Neluwa Hydro Power (Pvt) Ltd.	5 Year tax holiday ending August 31, 2022
Sun Tan Beach Resorts Ltd.	15 year tax holiday ending March 31, 2027
Martin Bauer Hayleys (Pvt) Ltd	10 year tax holiday ending March 31, 2028

### 11.5.3 Exemptions outside Sri Lanka

Shizuka Co.Ltd.	8 year tax holiday (Ended September 2019)
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## 11.6 Concessionary Tax Rates

### 11.6.1 In terms of the Inland Revenue Act No.24 of 2017

In terms of the Inland Revenue Act No. 24 of 2017, the profits of companies listed below enjoy tax concessionary rates of income tax at 14% / 18% for the detailed undertaking.

Sunfrost (Pvt) Ltd.	Profits from agro processing
HJS Condiments Ltd.	Profits from agro processing
Hayleys Agro Biotec (Pvt) Ltd.	Profits from agro processing
Kelani Valley Plantations PLC	Profits from agro processing
Talawakelle Tea Estates PLC	Profits from agro processing
Haycolour (Pvt) Ltd.	Profits from export of goods
Haycarb PLC	Profits from export of goods
Haycarb Value Added products (Pvt) Ltd.	Profits from export of goods
Mabroc Teas (Pvt ) Ltd.	Profits from export of goods
Meridian Exports (Pvt) Ltd.	Profits from export of goods
Blue Mountain Tea Exports (Pvt) Ltd.	Profits from export of goods
Hayleys Fabric PLC	Profits from export of goods
Hayleys Fibre PLC	Profits from export of goods
Ravi Industries Ltd.	Profits from export of goods

## Notes to the Financial Statements

### 11.6.1 In terms of the Inland Revenue Act No.24 of 2017 (Contd.)

Rileys (Pvt) Ltd.	Profits from export of goods
Haymat (Pvt) Ltd.	Profits from export of goods
Toyo Cushion Lanka (Pvt) Ltd.	Profits from export of goods
Chas P Hayley & Co (Pvt) Ltd.	Profits from export of goods
Bonterra Ltd.	Profits from export of goods
Hanwella Rubber Products Ltd.	Profits from export of goods
Dipped Products PLC	Profits from export of goods
Creative Polymats (Pvt) Ltd.	Profits from manufacturing of goods
Kelani Valley Resorts (Pvt) Ltd.	Profits from promotion of tourism
Hayleys Tours (Pvt) Ltd.	Profits from promotion of tourism
The Kingsbury PLC	Profits from promotion of tourism
Culture Club Resorts (Pvt) Ltd.	Profits from promotion of tourism
Star Lanka Shipping (Pvt) Ltd.	Profits from specified undertakings
Sharaf Shipping Agency (Pvt) Ltd.	Profits from specified undertakings
Neluwa Cascade Hydro Power (Pvt) Ltd.	Profits from operating project for renewable energy
Bhagya Hydro (Pvt) Ltd.	Profits from operating project for renewable energy
Kalupahana Power Company (Pvt) Ltd.	Profits from operating project for renewable energy
Nirmalapura Wind Power (Pvt) Ltd.	Profits from operating project for renewable energy
TTEL Somerset Hydro Power (Pvt) Ltd.	Profits from operating project for renewable energy
TTEL Hydro Power Company (Pvt) Ltd.	Profits from operating project for renewable energy
Singer Business School (Pvt) Ltd.	Profits from educational services

### 11.6.2 BOI Companies

As per agreements signed with the Board of Investment, the business income of the Companies listed below would be subject to the following concessionary tax rates. Periods indicated below:

Kandyan Resorts (Pvt) Ltd.	02% on turnover for 15 years up to Y/A 2026/27
Civaro International Ltd.	15% Indefinitely
Lanka Bunkering Services (Pvt) Ltd.	15% indefinitely
Regnis Appliances (Pvt) Ltd.	20% Indefinitely



### 11.6.3 Non Resident Companies

Corporate income tax rates of non-resident companies are:

Company	Income tax rate
Haychem (Bangladesh) Ltd.	35%
PT Mapalus Makawanua Charcoal Industry	25%
Haycarb USA Inc	21%
Logiwiz Logistics India (Pvt) Ltd.	25%
Eurocarb Products Ltd.	19%
Haycarb Holding Australia (Pty) Ltd.	27.5%
Carbokarn Co. Ltd.	20%
ICOGUANTI S.p.A.	27.5%
CK Regen Systems Co.Ltd.	20%
Haylex Ltd.	19%
Haylex BV	20%
Haylex Japan	30.6%
Charles Fibre (Pvt) Ltd.	25%
PT Haycarb Palu Mitra	25%
Dipped Products (Thailand) Ltd.	20%
Total Transport Solutions Maldives (Pvt ) Ltd.	15%
Nautical Maldives (Pvt) Ltd.	15%
One World Logistics Maldives (Pvt) Ltd.	15%
Advantis Kusuvara Sedate Myanmar (Private) Ltd.	25%
Advantis Sedate Myanmar (Private) Ltd.	25%
Advantis Singapore (Pte) Ltd.	17%
Advantis Sabang Raya Lines (Pte) Ltd.	17%
PT Advantis Akaza Indonesia	25%
Advantis Intasl Bangladesh (Pvt) Ltd.	35%
Super Logistics (Pvt) Ltd.	15%
Civaro Freight India (Pvt) Ltd.	30%
Shizuka Co Ltd.	20%
Puricarb Pte Ltd.	17%
Luxury Resorts (Pvt) Ltd.	15%

## Notes to the Financial Statements

### 12.1 Earnings Per Share

#### Basic Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the parent and the weighted average number of ordinary shares outstanding during the year.

#### Diluted Earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the parent and the weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares.

There were no potentially dilutive ordinary shares outstanding at any time during the year /previous year.

Basic/diluted earning per share calculated as follows.

For the year ended 31st March	Consolidated		Company	
	2020	2019	2020	2019
Profit attributable to equity holders of the parent (Rs.'000)	372,432	265,385	(1,785,184)	53,511
Weighted average number of ordinary shares of the parent ( No.)	75,000,000	75,000,000	75,000,000	75,000,000
Basic/diluted earnings per share (Rs.)	4.97	3.54	(23.80)	0.71
Qualifying ordinary shares at beginning of the year ( No.)	75,000,000	75,000,000	75,000,000	75,000,000
Qualifying ordinary shares at the end of the year	75,000,000	75,000,000	75,000,000	75,000,000

### 12.2 Dividends

For the year ended 31st March	Company	
	2020	2019
Interim/final dividend (Rs'000)	-	375,000
Dividend per ordinary share (Rs.)	-	5.00

### 13 Property, Plant & Equipment

#### 13.1 Consolidated

As at 31st March	Freehold Land	Mature/immature plantations	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Vessels	Total 2020	Total 2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost or valuation:</b>									
Gross book value									
<b>At the beginning of the year</b>	31,729,267	7,646,947	25,442,398	39,227,267	2,071,280	6,195,607	6,573,716	<b>118,886,482</b>	108,831,828
Transferred to Right-of-use assets	(763,214)	(635,524)	(148,426)	(35,101)	(117,378)	-	-	<b>(1,699,643)</b>	-
Revaluation of land	-	-	-	-	-	-	-	-	2,822,617
Acquisition through business combinations	-	-	-	-	-	-	-	-	59,018
Additions (13.4)	518,959	329,570	2,777,796	3,342,544	144,175	881,142	689,476	<b>8,683,662</b>	8,728,672
Transferred to Investment properties	(425,250)	-	(85,764)	-	-	-	-	<b>(511,014)</b>	-
Derecognition of property, plant & equipment	-	-	(121,593)	-	-	-	-	<b>(121,593)</b>	(16,520)
Transferred to Equity accounted investees	-	-	-	-	-	-	-	-	(2,319,483)
Transferred to Intangible assets	-	-	-	-	-	(125,370)	-	<b>(125,370)</b>	-
Disposals	(57,650)	-	(121,081)	(663,911)	(285,983)	(411,412)	(114,050)	<b>(1,654,087)</b>	(704,528)
Disposals of subsidiaries	-	-	-	-	-	-	-	-	(495,568)
Transferred to Biological asset	-	(15,847)	-	-	-	-	-	<b>(15,847)</b>	(5,886)
Effect of movements in exchange rates	86,971	-	126,723	718,923	(5,598)	60,808	68,409	<b>1,056,236</b>	1,986,332
<b>At the end of the year</b>	<b>31,089,083</b>	<b>7,325,146</b>	<b>27,870,053</b>	<b>42,589,722</b>	<b>1,806,496</b>	<b>6,600,775</b>	<b>7,217,551</b>	<b>124,498,826</b>	<b>118,886,482</b>
<b>Depreciation:</b>									
<b>At the beginning of the year</b>	305,202	2,090,724	5,475,963	20,302,014	990,922	3,823,369	874,317	<b>33,862,511</b>	28,791,716
Transferred to Right-of-use assets	(192,926)	(501,213)	(148,425)	(35,101)	(80,262)	-	-	<b>(957,927)</b>	-
Acquisition through business combinations	-	-	-	-	-	-	-	-	34,491
Derecognition of property, plant & equipment	-	-	(11,131)	-	-	-	-	<b>(11,131)</b>	(7,142)
Depreciation for the year	14,770	192,431	943,097	2,651,572	213,868	639,574	504,063	<b>5,159,375</b>	4,810,981
Transferred to Equity accounted investees	-	-	-	-	-	-	-	-	(230,501)
Disposals of subsidiaries	-	-	-	-	-	-	-	-	(154,095)
Transferred to Intangible assets	-	-	-	-	-	(47,692)	-	<b>(47,692)</b>	-
Disposals	(4,564)	-	(72,705)	(527,236)	(166,822)	(345,358)	(58,001)	<b>(1,174,686)</b>	(449,484)
Effect of movements in exchange rates	-	-	53,654	459,158	21,025	47,754	33,692	<b>615,283</b>	1,066,545
<b>At the end of the year</b>	<b>122,482</b>	<b>1,781,942</b>	<b>6,240,453</b>	<b>22,850,407</b>	<b>978,731</b>	<b>4,117,647</b>	<b>1,354,071</b>	<b>37,445,733</b>	<b>33,862,511</b>
<b>Impairment :</b>									
<b>At the beginning of the year</b>	2,260	-	67,082	92,799	-	4,307	-	<b>166,448</b>	112,816
Effect of movements in exchange rates	-	-	-	3,259	-	-	-	<b>3,259</b>	1,023
Disposals	-	-	-	(47,391)	-	-	-	<b>(47,391)</b>	-
Impairment for the year	-	-	-	79,870	-	-	-	<b>79,870</b>	52,609
<b>At the end of the year</b>	<b>2,260</b>	<b>-</b>	<b>67,082</b>	<b>128,537</b>	<b>-</b>	<b>4,307</b>	<b>-</b>	<b>202,186</b>	<b>166,448</b>
<b>Net book value as at 31st March</b>	<b>30,964,341</b>	<b>5,543,204</b>	<b>21,562,518</b>	<b>19,610,777</b>	<b>827,765</b>	<b>2,478,821</b>	<b>5,863,481</b>	<b>86,850,907</b>	<b>84,857,523</b>
Capital work -in progress								<b>1,634,589</b>	<b>2,028,213</b>
<b>Carrying amount as at 31st March</b>								<b>88,485,496</b>	<b>86,885,736</b>

## Notes to the Financial Statements

### 13.2 Company

As at 31st March	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Total 2020	Total 2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost or valuation:</b>						
At the beginning of the year	226,410	45,945	139,485	344,370	756,210	723,130
Additions	-	118	-	16,077	16,195	55,052
Disposals	-	-	-	(32,325)	(32,325)	(21,972)
At the end of the year	226,410	46,063	139,485	328,122	740,080	756,210
<b>Depreciation :</b>						
At the beginning of the year	167,236	42,531	31,219	291,587	532,573	427,637
Depreciation for the year	11,624	1,338	34,875	22,746	70,583	114,076
Disposals	-	-	-	(32,325)	(32,325)	(9,140)
At the end of the year	178,860	43,869	66,094	282,008	570,831	532,573
Net book value as at 31st March	47,550	2,194	73,391	46,114	169,249	223,637
Capital work in progress					9,681	3,533
Carrying amount as at 31st March					178,930	227,170

### 13.3 Carrying Value

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
At cost	59,515,777	49,411,502	178,930	227,170
At valuation	24,301,557	24,301,557	-	-
On leases	4,668,162	13,172,677	-	-
	88,485,496	86,885,736	178,930	227,170

**13.4 Includes capitalisation of Borrowing costs**

Subsidiary	2020	2019
	Rs.'000	Rs.'000
The Kingsbury PLC	68,907	-
Alumex PLC	-	41,356
Singer (Sri Lanka) PLC	-	17,695
Hayleys Advantis Ltd.	-	135,823
Creative Polymats (Pvt) Ltd.	-	1,315
Hayleys Fabric PLC	24,260	22,495
	<b>93,167</b>	<b>218,684</b>

**13.5** Group Property, plant & equipment includes buildings on leasehold land. As at 31st March 2019 the 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 2020 Rs.'000	Carrying value 2019 Rs.'000
Land	-	-	-	631,168
Mature/Immature plantations	-	-	-	5,556,223
Buildings	5,805,676	1,137,514	4,668,162	6,919,725
Motor vehicles	-	-	-	62,310
Furniture fittings and office equipment	-	-	-	3,251
	<b>5,805,676</b>	<b>1,137,514</b>	<b>4,668,162</b>	<b>13,172,677</b>

## Notes to the Financial Statements

**13.6** Amounts by which values have been increased in respect of land revalued by independent qualified valuers are indicated below, together with the last date of revaluation:

As at 31st March Company	Location	Revaluation surplus	
		2020 Rs.'000	2019 Rs.'000
Darley Property Holdings (Pvt) Ltd. / Hayleys PLC	Colombo (31.03.2020)	2,618,471	2,618,471
World Export Center Ltd.	Colombo (31.03.2020)	12,698,466	12,698,466
Volanka (Pvt) Ltd.	Katana (31.03.2019)	318,831	318,831
	Galle (31.03.2019)	226,452	226,452
Chas P. Hayley & Co. (Pvt) Ltd.	Galle (31.03.2019)	949,630	949,630
Dipped Products PLC *	Kottawa (31.03.2019)	206,591	206,591
	Weliveriya (31.03.2013) **	70,973	70,973
Venigros (Pvt) Ltd.	Weliveriya (31.03.2013) **	50,925	50,925
Alumex PLC	Gonawala (31.03.2019)	77,799	77,799
	Ekala (31.03.2019)	61,460	61,460
	Makola (31.03.2019)	354,191	354,191
Alco Industries (Pvt) Ltd.	Makola (31.03.2019)	10,525	10,525
Haycarb PLC	Badalgama & Madampe (31.03.2019)	221,082	221,082
	Wewalduwa (31.03.2019)	265,773	265,773
Recogen (Pvt) Ltd.	Badalgama (31.03.2019)	78,981	78,981
Carbokarn Co. Ltd.	Thailand (31.03.2019)	90,941	90,941
Shizuka Co. Ltd.	Ratchaburi (31.03.2019)	35,298	35,298
PT Mapalus Makawanua	Bitung (31.03.2019)	84,545	84,545
PT Haycarb Palu Mitra	Palu City (31.03.2019)	34,002	34,002
Lignocell (Pvt) Ltd.	Kuliyapitiya (31.03.2019)	36,233	36,233
	Madampe (31.03.2019)	41,239	41,239
Hayleys Agriculture Holdings Ltd.	Dambulla (31.03.2019)	5,549	5,549
	Kottawa (31.03.2019)	127,014	127,014
Haychem (Bangladesh) Ltd.	Mymensingh (31.03.2019)	47,636	47,636
Hayleys Aventura (Pvt) Ltd.	Malabe (31.03.2019)	262,785	262,785
Haycolour (Pvt) Ltd.	Kalutara (31.03.2019)	57,736	57,736
Hayleys Fibre PLC	Kuliyapitiya (31.03.2019)	203,019	203,019
Hayleys Advantis Ltd.	Welisara/Kelaniya/Seeduwa/Sedawatte (31.03.2019)	2,443,088	2,443,088
	Kotugoda (31.03.2019)	1,024,531	1,024,531
Singer (Sri Lanka) PLC	Ambalantota (31.03.2019)	3,300	3,300
	Balangoda (31.03.2019)	1,550	1,550
	Bandarawela (31.03.2019)	1,948	1,948
	Borella (31.03.2019)	11,600	11,600



As at 31st March Company	Location	Revaluation surplus	
		2020 Rs.'000	2019 Rs.'000
	Chilaw (31.03.2019)	1,913	1,913
	Colpetty (31.03.2019)	6,700	6,700
	Eheliyagoda (31.03.2019)	1,146	1,146
	Gampaha (31.03.2019)	8,935	8,935
	Hikkaduwa (31.03.2019)	2,185	2,185
	Katugastota (31.03.2019)	919	919
	Kiridiwella (31.03.2019)	2,025	2,025
	Middeniya (31.03.2019)	413	413
	Mount Lavinia (31.03.2019)	3,750	3,750
	Mount Lavinia-Mega (31.03.2019)	9,235	9,235
	Negombo (31.03.2019)	3,000	3,000
	Pussellawa (31.03.2019)	2,486	2,486
	Trincomalee (31.03.2019)	2,790	2,790
	Wellawatta (31.03.2019)	9,200	9,200
Singer Industries (Ceylon) PLC	Ratmalana (31.03.2019)	25,750	25,750
Ravi Industries (Pvt) Ltd.	Ekala (31.03.2019)	396,000	396,000
Volanka Exports (Pvt) Ltd.	Welipanna (31.03.2019)	43,843	43,843
Rileys Ltd.	Ekala (31.03.2019) **	408,838	408,838
Toyo Cushion Lanka (Pvt) Ltd.	Katana (31.03.2013) **	48,174	48,174
Sunfrost (Pvt) Ltd.	Allawwa (31.03.2019)	33,204	33,204
	Padiyatalawa (31.03.2019)	21,174	21,174
Bhagya Hydro (Pvt) Ltd.	Gomala Oya (31.03.2019)	1,293	1,293
Neluwa Cascade Hydro Power (Pvt) Ltd.	Neluwa (31.03.2019)	1,925	1,925
Hayleys Neluwa Hydro Power Pvt (Ltd).	Mawanana (31.03.2019)	342	342
Hayleys Fabric PLC	Neboda (31.03.2019)	94,306	94,306
Unisyst Engineering PLC	Kotugoda (31.03.2019)	17,250	17,250
Kandyan Resorts (Pvt) Ltd.	Kandy (31.03.2019)	431,319	431,319
Culture Club Resorts (Pvt) Ltd.	Dambulla (31.03.2019)	1,280	1,280
		24,301,557	24,301,557
Revaluation reserve attributable to Non-controlling interest		(1,180,524)	(1,180,524)
Deferred tax on revaluation		(1,973,244)	(2,059,328)
		21,147,789	21,061,706
Acquisition of non controlling interest in subsidiaries		370,362	26,666
		21,518,151	21,088,371

\* As per the independent chartered valuers report, the Land value of Dipped Products (Thailand) Ltd has been same as acquisition date.

\*\* Investment Properties

## Notes to the Financial Statements

- 13.7** Land owned by the Group was revalued as at 31st March 2019 by an independent Chartered Valuation Surveyor except for Darley Property Holdings (Pvt) Ltd. and World Export Center Ltd. The fair value of the land was determined based on transaction observed in the market, appropriately adjusted for differences in the nature, location or condition of the specific property.

Directors believe that there are no significant difference in the market value compared to last year.

- 13.8** Lands owned by the Group other than that mentioned above have been stated at cost as the appreciation in value is insignificant. Further information is provided on page 216 to 219.

- 13.9** There has been an impairment of property, plant & equipment amounting to Rs. 79.8 mn (2019- 52.6). Details are as follows:

	Rs.'000
Machinery & store equipment	79,870

The impairment loss was relating to items of knitting and dyeing machinery of Hayleys Fabric PLC, which was recognised based on specific identification of assets which are idle and which are unlikely to be brought back into use by the Group.

- 13.10** Property, plant & equipment with a carrying value of Rs.20,440 mn (2019- Rs.20,155 mn) and Rs. Nil (2019- Nil) for the Group and Company respectively have been pledged as security for term loans obtained. The details are shown in Note 25 to the Financial Statements.
- 13.11** The carrying value of revalued lands given above, had the said lands been included at cost, would amount to Rs.6,788 mn (2019 -Rs. 7,428 mn) for the Group and Rs. Nil (2019- Nil) to the Company.
- 13.12** The cost of fully depreciated property plant and equipment which are still in use at the reporting date is as follows:

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Mature Plantations	-	72,727	-	-
Buildings	491,804	349,229	-	-
Machinery & stores equipment	6,127,484	5,093,444	39,122	39,111
Furniture, fittings and office equipment	1,951,163	2,343,981	209,223	214,450
Motor vehicles	1,143,105	638,507	-	3
	<b>9,713,556</b>	<b>8,497,888</b>	<b>248,345</b>	<b>253,564</b>

### 13.13 Capital Expenditure Commitments

The approximate amounts of capital expenditure approved by the Directors as at 31st March, 2020 were: Capital expenditure contracted for which no provision is made in the Financial Statements for the Group Rs. 377 mn (2019 - Rs. 939 mn) and for the Company Rs. Nil (2019- Nil). Capital expenditure approved by the Directors but not contracted for the Group Rs. 2,312 mn (2019 - Rs.1,600 mn) and for the Company Rs. Nil (2019- Nil).

### 13.14 Unobservable Inputs used in Measuring Fair Value

The table below sets out information about significant unobservable inputs used in measuring fair value of land.

Category	District	Valuation Technique	Significant Unobservable Input	Range of Estimate (Weighted Average) for Unobservable Input Rs'000	Fair Value Measurement Sensitivity to Unobservable Input
Freehold land	Matale	Open market basis	Land -Rate per perch	4 to 22	Significant increases / (decreases) in estimated price per perch in isolation would result in a significantly higher / (lower) fair value.
	Ampara			9 to 13	
	Kurunegala			35 to 75	
	Kalutara			75 to 150	
	Kegalle			80 to 100	
	Puttalam			30 to 4,500	
	Gampaha			35 to 5,000	
	Colombo			100 to 21,000	
	Kandy			200 to 4,000	
	Hambantota			500 to 3,000	
	Badulla			500 to 3,500	
	Ratnapura			500 to 4,000	
	Galle			1000 to 3500	
	Trincomalee			1000 to 4,500	

## 14 Right-of-Use Assets

	Consolidated							
	Land	Mature/ Immature Plantations	Building	Machinery & store equipment	Motor Vehicles	Furniture, fittings & Office equipment	Vessels	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Recognised on adoption of SLFRS 16 on April 1, 2019								
Asset recognised on adoption of SLFRS 16	970,869	-	4,070,803	-	62,124	57,023	487,154	5,647,973
Transferred from Property, plant & equipment	570,289	134,312	-	31,876	5,239	-	-	741,716
Transferred from Intangible Assets	1,000,100	-	-	-	-	-	-	1,000,100
Transferred from Other assets	1,076,393	-	88,473	-	-	-	-	1,164,866
<b>As at April 1, 2019</b>	<b>3,617,651</b>	<b>134,312</b>	<b>4,159,276</b>	<b>31,876</b>	<b>67,363</b>	<b>57,023</b>	<b>487,154</b>	<b>8,554,655</b>
Additions	492,259	-	1,895,259	26,787	9,300	-	-	2,423,605
Effect of movements in exchange rates	78,259	-	(457)	-	-	-	-	77,802
Depreciation for the period	(135,562)	(14,170)	(1,041,537)	(1,483)	(26,997)	(17,466)	(205,118)	(1,442,333)
<b>At the end of the year</b>	<b>4,052,607</b>	<b>120,142</b>	<b>5,012,541</b>	<b>57,180</b>	<b>49,666</b>	<b>39,557</b>	<b>282,036</b>	<b>9,613,729</b>

## Notes to the Financial Statements

14.1 The effect of adoption of SLFRS 16 as at 1st April 2019 is as follows:

	Consolidated Rs.'000
<b>Assets</b>	
Right-of-use assets	8,554,655
Transferred from Property, plant & equipment	(741,716)
Transferred from Intangible Assets	(1,000,100)
Transferred from Other assets	(1,164,866)
Deferred tax assets	234,287
Trade and other receivables	(616,977)
<b>Total assets</b>	<b>5,265,283</b>
<b>Equity and liabilities</b>	
Revenue reserves	(542,526)
Foreign currency translation reserve	(87)
Non- controlling interest	58,000
Interest bearing borrowings/Lease liability	5,749,896
<b>Total liabilities</b>	<b>5,265,283</b>

## 15 Investment Properties

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
<b>Carrying value :</b>				
<b>At the beginning of the year</b>	2,006,528	1,948,609	70,350	60,750
Additions	13,600	-	-	-
Transferred to Assets held for sale	-	(51,900)	-	-
Transferred from Property plant & equipment	511,014	-	-	-
Change in fair value resulting in transfer from Property plant & equipment	101,236	-	-	-
Impairment	-	(4,080)	-	-
Change in fair value during the year	86,882	113,899	5,550	9,600
<b>At the end of the year</b>	<b>2,719,260</b>	<b>2,006,528</b>	<b>75,900</b>	<b>70,350</b>

## 15.1 Rental Income

For the year ended 31st March	Consolidated	
	2020 Rs.'000	2019 Rs.'000
Rental income derived from investment properties	110,574	70,951
Direct operating expenses generating rental income	(5,930)	(12,769)
<b>Net profit arising from investment properties</b>	<b>104,644</b>	<b>58,182</b>

### 15.1.1 The Group as a lessor

The Group has entered into operating leases on its investment property portfolio consisting of certain office and manufacturing buildings. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 31 March are as follows:

For the year ended 31st March	2020 Rs.'000	2019 Rs.'000
Within one year	104,644	58,182
After one year but not more than five years	418,576	116,364

### 15.1.2 The Company as a lessor

The Company has entered into operating leases on its building rented as office space to other related and non-related companies. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Rental income recognised by the Company during the year is Rs. 316mn (2019: Rs. 304mn).

Future minimum rentals receivable under non-cancellable operating leases as at 31 March are as follows:

For the year ended 31st March	2020 Rs.'000	2019 Rs.'000
Within one year	315,961	303,825
After one year but not more than five years	1,263,844	1,215,300

## Notes to the Financial Statements

**15.2** Investment properties are stated at fair value. The fair values of investment properties as at 31st March, 2020 based on valuation performed by Mr. P.B. Kalugalgedara (Chartered Valuation Surveyor), an accredited independent, industry specialist are given below.

The valuations had been carried out based on transactions observed in the market.

The details of fair value of investment properties of the Group are as follows:

Company	Location	Building area (Sq Ft)	Land in acres	Value of building Rs '000	Value of land Rs '000	Total Rs'000 2020
Eastern Hotels (Pvt) Ltd.	Nilakarai Estate, Nilaweli, Trincomalee	600	23.47	1,400	676,100	677,500
Hayleys Advantis Group	No. 49/4 -18A, Galle road, Kollupitiya	2,450	-	73,700	-	73,700
	No. 46/12, Sayuru Sevana, Nawam Mawatha, Colombo 2	45,980	0.24	257,500	462,500	720,000
Dipped Products PLC	Nadungamuwa, Weliveriya	-	7.85	-	169,500	169,500
Venigros (Pvt) Ltd.	Nadungamuwa, Weliveriya	55,581	7.09	62,450	136,210	198,660
Rileys (Pvt) Ltd.	131, Minuwangoda Road, Ekala	91,582	3.80	456,000	189,000	645,000
Toyo Cushion Lanka (Pvt) Ltd.	105, Thimbrigaskatuwa road, Katana	25,703	3.40	24,200	134,800	159,000
Hayleys PLC	Kaluwamodara, Bentota	-	0.28	-	75,900	75,900
				875,250	1,844,010	2,719,260

Category	District	Significant Unobservable Input	Valuation Technique	Range of Estimate for Unobservable Input Rs'000
Freehold land	Colombo	Land rate per perch	Open market basis	10,000 to 12,500
	Gampaha			75 to 300
	Kalutara			1,500 to 2,500
	Trincomalee			150 to 200

**15.3** The Group has no restriction on the realisability of its investment properties and has no contractual obligations to purchase, construct or develop the investment properties or for maintenance and enhancement.



## 16 Biological Assets

As at 31st March	Consolidated	
	2020 Rs.'000	2019 Rs.'000
At the beginning of the year	449,926	404,659
Increase due to development	15,197	7,885
Change in fair value of biological assets	39,650	35,972
Decrease due to harvest	(15,380)	(4,476)
Transfer from immature/mature plantation	15,847	5,886
At the end of the year	505,240	449,926

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

### Talawakelle Tea Estates PLC

The fair value of matured managed trees were ascertained in accordance with SLFRS 13. The valuation was carried by Messer's Sunil Fernando & Associates (Pvt) Ltd, chartered valuation surveyors, using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber, a physical verification was carried out covering all the estates.

### Kelani Valley Plantations PLC

The fair value of managed trees was ascertained in accordance with SLFRS 13. The valuation was carried out by Messer's KPMG Sri Lanka, using Market Approach. In ascertaining the fair value of timber, a physical verification was carried out covering the estates on sample basis.

### 16.1 Information About Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

#### Talawakelle Tea Estates PLC

Non Financial Asset	Valuation technique	Unobservable inputs	Range of unobservable inputs (Probability weighted average)		Relationship of Unobservable Inputs to Fair Value
			2020	2019	
Consumable managed biological assets	Discounted cash flows	Discounting Rate	17.5%	17.5%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	25-35 Years	25-35 Years	Lower the rotation period, the higher the fair value
		Volume at rotation	25-85 cu.ft	25-85 cu.ft	The higher the price per cu. dcm., the higher the fair value
		Price per cu.ft.	Rs.450 to Rs.9,000	Rs.450 to Rs.9,000	The higher the price per cu. ft., the higher the fair value

Other key assumptions used in valuation

- 1 The harvesting is approved by the PMMD and the Forest Department based on the Forestry Development Plan.
- 2 The prices adopted are net of expenditure
- 3 Though the replanting is a condition precedent for harvesting, yet the costs are not taken in to consideration.

## Notes to the Financial Statements

### 16.1 Information About Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Contd.)

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable. The Board of Directors is of the opinion that the sensitivity analysis regarding selling price and discount rate variations are as follows;

It does, nevertheless, concern the directors that no estimate of fair value can ever be completely accurate. Moreover, in the case of the group's biological assets, small differences in valuation assumptions can have a quite disproportionate effect on results. Another concern is that, as shown from an international benchmark, there is currently no uniform approach within the plantation sector when it comes to defining the major variables, such as selling price and/or discount rates, in the DCF models resulting in the LKAS 41 values.

The carrying amount of biological assets pledged as securities for liabilities as at the date of the statement of Financial Position is Rs. Nil. (2019 - Rs. Nil).

#### Kelani Valley Plantations PLC

Non Financial Asset	Valuation technique		Unobservable inputs	Range of unobservable inputs (Probability weighted average.)		Relationship of Unobservable Inputs to Fair Value
	2020	2019		2020	2019	
	Consumable managed biological assets	Market Approach		Discounted cash flows	Discounting Rate	
Optimum rotation (Maturity)	20-25 Years		25-35 Years		Lower the rotation period, the higher the fair value	
Volume at rotation	23 - 95 cu.ft		25-85 cu.ft		The higher the price per cu. dcm., the higher the fair value	
Price per cu.ft.	Rs.140 to Rs.2,800		Rs.450 to Rs.9,000		The higher the price per cu. ft., the higher the fair value	

#### Other key assumptions used in valuation

1. It is assumed that the felling of trees will be undertaken at maturity for the period not covered under the Forestry Management Plan. Majority of the timber trees which have reached their maturity at the date of valuation are valued using the adjusted market prices based on the location and accessibility. Remaining timber trees which have not come up to a harvestable age are valued considering their future incremental growth in the coming years and discounting the future value of such trees by appropriate present value discount ratio, which is assumed as the Expected Rate of Return (ERR) of a rational investor, i.e. 15.0%.
2. The price adopted could vary based on the species and the girth of the respective species and are on the spare net of expenditure.
3. Though the replanting is a condition precedent for harvesting, yet the cost are not taken in to consideration.
4. Pre commercial stand are valued on cost approach and 15 years is taken as per merchantable depending on the growth.
5. Contiguous area of trees with trees a similar specie silviculture and other characteristics.

The valuations, as presented in the external valuation models based on market values, take into account the possible market conditions and long-term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the active market prices and other variables, their carrying value may differ from their realisable value. The Board of Directors retains their view that commodity markets are inherently volatile and that active market price projections are highly unpredictable. The sensitivity analysis regarding selling price and discount rate variations are as follows,

## 16.2 Sensitivity Analysis

### Sensitivity variation sales price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

Sales Price fluctuation	+10%	-10%
Managed Timber	Rs.'000	Rs.'000
Talawakelle Tea Estates PLC		
As at 31 March 2020	21,443	(21,861)
As at 31 March 2019	19,929	(20,348)
Kelani Valley Plantations PLC		
As at 31 March 2020	18,304	(18,304)
As at 31 March 2019	17,010	(17,010)

### Sensitivity variation discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber show that an increase or decrease by 1.5% of the discount rate has the following effect on the net present value of biological assets:

Discount rate fluctuation	+1.5%	-1.5%
Managed Timber	Rs.'000	Rs.'000
Talawakelle Tea Estates PLC		
As at 31 March 2020	(2,048)	1,995
As at 31 March 2019	(1,858)	1,735
Kelani Valley Plantations PLC		
As at 31 March 2020	(1,053)	1,114
As at 31 March 2019	(6,509)	6,169

## Notes to the Financial Statements

### 17 Intangible Assets

As at 31st March	Consolidated							Total 2020 Rs.'000	Total 2019 Rs.'000
	Right to generate Hydro/ solar power/ development cost Rs.'000	Goodwill Rs.'000	ERP system Rs.'000	Brand name/ trade mark Rs.'000	Customer list Rs.'000	Operating lease Rs.'000	Rs.'000		
<b>Cost :</b>									
<b>At the beginning of the year</b>	237,231	12,232,347	1,564,763	320,128	152,420	1,177,111	15,684,000	15,413,961	
Acquisition through business combinations	-	-	-	-	-	-	-	105,852	
Additions	-	-	239,874	-	-	-	239,874	136,474	
Transferred from Property plant & equipment	-	-	125,370	-	-	-	125,370	-	
Transferred to Right-of-use assets	-	-	-	-	-	(1,177,111)	(1,177,111)	-	
Disposals of Subsidiary	-	-	-	-	-	-	-	(7,590)	
Disposals	-	-	(18,723)	-	-	-	(18,723)	(8,232)	
Effect of movements in exchange rates	-	-	32,144	-	-	-	32,144	43,535	
<b>At the end of the year</b>	237,231	12,232,347	1,943,428	320,128	152,420	-	14,885,554	15,684,000	
<b>Amortisation :</b>									
<b>At the beginning of the year</b>	73,110	145,959	970,180	32,000	152,420	177,011	1,550,680	1,308,598	
Amortisation for the year	12,550	-	181,424	-	-	-	193,974	216,255	
Transferred from Property plant & equipment	-	-	47,692	-	-	-	47,692	-	
Transferred to Right-of-use assets	-	-	-	-	-	(177,011)	(177,011)	-	
Disposals	-	-	(13,383)	-	-	-	(13,383)	(2,070)	
Effect of movements in exchange rates	-	-	27,578	-	-	-	27,578	27,897	
<b>At the end of the year</b>	85,660	145,959	1,213,491	32,000	152,420	-	1,629,530	1,550,680	
<b>Net book value</b>	151,571	12,086,388	729,937	288,128	-	-	13,256,024	14,133,320	
Capital work in progress	-	-	37,825	-	-	-	37,825	40,794	
<b>Carrying amount</b>							13,293,849	14,174,114	

As at 31st March	Company	
	ERP system Rs.'000	Total 2020 Rs.'000
Capital work in progress	35,229	35,229
<b>Carrying amount</b>	35,229	35,229

17.1 There has been no impairment of intangible assets.

## 17.2 Right to Generate Hydro/Solar Power and Development Costs

The details of remaining amortisation period of right to generate hydro power, solar power and development cost.

Company	Category	Remaining amortisation period	2020 Rs.'000	2019 Rs.'000
Bhagya Hydro (Pvt) Ltd.	Hydro power	2 years	653	1,213
Neluwa Cascade Hydro Power (Pvt) Ltd.	Hydro power	3 years	642	875
TTEL Somerset Hydro Power (Pvt) Ltd.	Hydro power	3 years	3,080	3,959
TTEL Hydro Power Company (Pvt) Ltd.	Hydro power	3 years	3,163	4,242
Nirmalapura Wind Power (Pvt) Ltd.	Development cost	11 years	32,483	35,307
Solar One Ceylon (Pvt) Ltd.	Solar power	16 years	111,550	118,525
			151,571	164,121

## 17.3 Goodwill

The aggregate carrying amount of goodwill allocated to each unit is as follows;

As at 31st March	2020 Rs. mn	2019 Rs. mn
Dipped Products PLC	97	97
Dipped Products Group Companies	33	33
Advantis Group Companies	538	538
Haycarb Group Companies	202	202
The Kingsbury PLC	633	633
Hayleys Plantation Services (Pvt) Ltd.	220	220
Alumex PLC	1,052	1,052
Amaya Group Companies	1,553	1,553
Unisyst Engineering PLC	20	20
Fentons Group Companies	532	532
Singer (Sri Lanka) PLC	7,205	7,205
	12,086	12,086

### 17.3.1 Methods used in estimating recoverable amounts are given below

The recoverable values of the above CGU's were subjected to an impairment test based on value in use. The 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 (10% - 20%), 2019 - (10% - 20%)

**Inflation** - Based on the current inflation rate and the percentage of the total cost subjected to the inflation

**Discount Rate** - Average market borrowing rate adjusted for risk premium (15%- 20%), 2019 - (15% - 20%)

**Margin** - Based on current margin and business plan

## 17.4 Brand Name / Trade Mark

### 17.4.1 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.

## Notes to the Financial Statements

17.4.2 Group has recognised an intangible asset in respect of brand name, trade mark, distribution rights through the acquisition of Singer (Sri Lanka) PLC.

### SISIL trademark

Singer (Sri Lanka) PLC had acquired the "SISIL" trade mark in December 2000, amounting to Rs. 55 mn. The management is of the opinion that the aforementioned trademark has an indefinite useful life as their associated brand awareness and recognition has existed over 50 years and the company intends to utilise the said trademark for the foreseeable future. There are no legal, regulatory, contractual, competitive, economic or other factors that may limit its useful life and accordingly, the carrying amount of this trademark is determined after testing for impairment annually. Following assumptions are made to test for any impairment as at 31st March 2020:

Annual sales growth for next five years	12%
Gross margin	26%
Discount rate	10%
Indefinite growth rate after year 2025	2%

### UNIC trademark

Singer (Sri Lanka) PLC had acquired the 'UNIC' Trade mark in 2006 amounting Rs. 38.5 mn. This trade mark is also considered to have an indefinite useful life due to the factors mentioned in the preceding paragraph and accordingly, the carrying amount of this trademark is determined after testing for impairment annually. Following assumptions are made to test for impairment as at 31st March 2020:

Annual sales growth for next five years	12%
Gross margin	29%
Discount rate	10%
Indefinite growth rate after year 2025	2%

### SONY distribution rights

Singer (Sri Lanka) PLC had acquired the distribution rights of brand 'SONY' in 2014 amounting to Rs. 46.4 mn. These assets are now carried at cost subject to annual impairment test. This distribution right also considered to have an indefinite useful life due to the factors mentioned in the preceding paragraph accordingly, the carrying amount of this trademark is determined after testing for impairment annually. Following assumptions are made to test for impairment as at 31st March 2020:

Annual sales growth for next five years	12%
Gross margin	22%
Discount rate	10%
Indefinite growth rate after year 2025	2%

## 17.5 Customer List

Group has recognised an intangible asset in respect of customer relationship through the acquisition of Amaya Leisure PLC.

The established customer lists of Amaya Hotels is acknowledged as a key component in generation of revenue through travel agents and tour operators. The management is of the opinion that the company is capable of retaining the travel agents through business relationship strategies and this would ensure retention and lead to repeat business over the future years and inflow of future economic benefits from them.



## 18 Investments

### 18.1 Company Investment in Subsidiaries

As at 31st March	% Holding		No. of Shares			Value Rs.'000		
	2020	2019	2020	Movement	2019	2020	Movement	2019
<b>Investee</b>								
<b>Quoted investments*</b>								
Haycarb PLC (Rs. 3,220 mn)	68	68	20,125,103	-	20,125,103	47,204	-	47,204
Hayleys Fibre PLC (Rs. 453 mn)	65	65	5,200,000	-	5,200,000	3,575	-	3,575
Dipped Products PLC (Rs. 1,437 mn)	42	42	25,210,938	-	25,210,938	408,490	-	408,490
Hayleys Fabric PLC (Rs. 1,066 mn)	59	59	122,487,023	-	122,487,023	1,355,791	-	1,355,791
Amaya Leisure PLC (Rs. 544 mn)	40	40	21,769,457	-	21,769,457	2,238,341	-	2,238,341
Alumex PLC (Rs. 1,133 mn)	53	53	157,413,032	-	157,413,032	1,381,879	-	1,381,879
Unisyst Engineering PLC (Rs. 95 mn)	63	63	13,790,178	6,251,724	7,538,454	236,809	62,517	174,292
Singer (Sri Lanka) PLC (Rs. 5,278 mn)	70	70	261,267,037	-	261,267,037	12,375,298	-	12,375,298
The Kingsbury PLC (Rs. 760 mn)	36	36	87,307,057	-	87,307,057	1,449,123	-	1,449,123
			714,569,825	6,251,724	708,318,101	19,496,510	62,517	19,433,993
<b>Unquoted Investments</b>								
Chas P. Hayley & Company (Pvt) Ltd.	100	100	999,920	-	999,920	698	-	698
Ravi Industries (Pvt) Ltd.	86	86	10,843,554	9,733	10,833,821	18,105	303	17,802
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.	98	98	11,764,704	-	11,764,704	104,620	-	104,620
Hayleys Advantis Ltd.	95	94	34,337,989	82,170	34,255,819	389,543	9,487	380,056
Volanka Exports (Pvt) Ltd.	4	4	128,899	-	128,899	2,104	-	2,104
Sunfrost (Pvt) Ltd.	5	5	423,300	-	423,300	4,233	-	4,233
Rileys (Pvt) Ltd.	4	4	5,000,000	-	5,000,000	10,333	-	10,333
Volanka (Pvt) Ltd.	62	62	6,440	-	6,440	23,107	-	23,107
Toyo Cushion Lanka (Pvt) Ltd.	18	18	1,238,111	7,236	1,230,875	13,994	333	13,661
Hayleys Produce Marketing Ltd.	100	100	250,000	-	250,000	2,532	-	2,532
Carbotels (Pvt) Ltd.	75	75	27,578,769	-	27,578,769	308,004	-	308,004
HJS Condiments Ltd.	10	9	1,266,264	32,667	1,233,597	19,127	2,023	17,104
Hayleys Agriculture Holdings Ltd.	97	98	23,112,900	3,958,546	19,154,354	757,205	481,881	275,324
Hayleys Consumer Products Ltd.	99	99	19,484,984	-	19,484,984	252,629	-	252,629
Hayleys Aventura (Pvt) Ltd.	100	100	38,748,400	-	38,748,400	387,484	-	387,484
Hayleys Business Solutions International (Pvt) Ltd.	100	100	15,000,000	-	15,000,000	150,000	-	150,000
Nirmalapura Wind Power (Pvt) Ltd.	30	30	29,900,000	-	29,900,000	154,204	-	154,204
Fentons Ltd.	100	75	59,442,630	56,095,301	3,347,329	810,953	560,953	250,000
Hayleys Tours (Pvt) Ltd.	100	100	500,000	-	500,000	5,000	-	5,000
Luxury Resort (Pvt) Ltd.	100	100	18,349,800	1,079,400	17,270,400	1,780,934	123,830	1,657,104
World Export Center Ltd.	100	100	1,055,641,701	16,500,000	1,039,141,701	10,556,417	165,000	10,391,417
Hayleys Fabric Solutions Ltd.	100	100	6	-	6	-	-	-
Haylex BV	100	100	1,000	-	1,000	25,733	-	25,733
Darley Property Holdings (Pvt) Ltd.	100	100	394,630,388	-	394,630,388	3,946,303	-	3,946,303
			1,749,611,614	77,765,053	1,671,846,561	19,819,050	1,343,810	18,475,239
<b>Company investment in subsidiaries (at cost)</b>			2,464,181,439	84,016,777	2,380,164,662	39,315,560	1,406,327	37,909,232
<b>Provision for fall in value of investment made by the company</b>								
Hayleys Electronics (Pvt) Ltd.						(95,687)	-	(95,687)
Hayleys Business Solutions International (Pvt) Ltd.						(75,000)	-	(75,000)
<b>Company investment in subsidiaries</b>						39,144,873	1,406,327	37,738,545

\* Figures in brackets indicate market value of Quoted investments.

## Notes to the Financial Statements

18.1.1 Countries of incorporation of overseas subsidiaries are give in Note 18.3 to the Financial Statements.

### 18.2 Investment in Equity Accounted Investees

As at 31st March Investor	Investee	Consolidated							
		% Holding		No. of Shares			Value Rs.'000		
		2020	2019	2020	Movement	2019	2020	Movement	2019
Hayleys Advantis Group	Yusen Logistics & Kusuvara (Pvt) Ltd. **	30	30	195,000	-	195,000	1,950	-	1,950
Hayleys Fibre PLC	Bonterra Ltd. *	50	50	803,394	-	803,394	8,034	-	8,034
Puritas (Pvt) Ltd.	Lakdiyatha (Pvt) Ltd. **	49	49	2,450,000	-	2,450,000	24,500	-	24,500
Hayleys Aviation and Projects (Pvt) Ltd.	S & T Interiors (Pvt) Ltd. **	30	30	780,000	-	780,000	7,800	-	7,800
Hayleys Aventura (Pvt) Ltd.	Joule Power (Pvt) Ltd.**	25	25	26,250,000	-	26,250,000	262,500	-	262,500
Hayleys Aventura (Pvt) Ltd.	Beta Power (Pvt) Ltd.**	25	25	26,250,000	-	26,250,000	262,500	-	262,500
Kelani Valley Plantations PLC	Martin Bauer Hayleys (Pvt) Ltd.**	10	10	39,091,550	-	39,091,550	390,920	-	390,920
Hayleys PLC	Martin Bauer Hayleys (Pvt) Ltd. **	39	39	150,484,550	-	150,484,550	1,504,863	-	1,504,863
Group investments in equity accounted investees (at cost)							2,463,067	-	2,463,067

As at 31st March Investor	Investee	Company							
		% Holding		No. of Shares			Value Rs.'000		
		2020	2019	2020	Movement	2019	2020	Movement	2019
<b>Unquoted Investments</b>									
Hayleys PLC	Martin Bauer Hayleys (Pvt) Ltd. **	39	39	150,484,550	-	150,484,550	1,504,863	-	1,504,863
Company Investment in equity accounted investees (at cost)							1,504,863	-	1,504,863

\* Joint venture

\*\* Associates

18.2.1 Net assets of Equity Accounted Investees as follows

As at 31st March	Consolidated							
	Investment at Cost		Profit/(Loss)		Others		Net Assets	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Yusen Logistics & Kusuhara (Pvt) Ltd.	1,950	1,950	5,336	1,694	-	(918)	11,435	6,308
Bonterra Ltd.	8,034	8,034	81,061	54,129	-	(42,538)	130,640	78,721
S & T Interiors (Pvt) Ltd.	7,800	7,800	2,015	(865)	-	-	12,848	11,471
Lakdiyatha (Pvt) Ltd.	24,500	24,500	(15,643)	(5,644)	-	-	78,535	94,178
Joule Power (Pvt) Ltd.	262,500	262,500	96,893	72,298	(40,000)	-	457,010	400,117
Beta Power (Pvt) Ltd.	262,500	262,500	101,872	77,075	(47,500)	(39,900)	464,705	410,333
Martin Bauer Hayleys (Pvt) Ltd.	1,895,783	1,895,783	(7,473)	(22,591)	-	-	958,807	966,281
<b>Group Investments in equity accounted investees</b>	<b>2,463,067</b>	<b>2,463,067</b>	<b>264,061</b>	<b>176,096</b>	<b>(87,500)</b>	<b>(83,356)</b>	<b>2,113,980</b>	<b>1,967,409</b>

18.2.2 Summarised financial information of equity accounted investees which has not been adjusted for the Group's share.

As at 31st March	Consolidated	
	2020 Rs.'000	2019 Rs.'000
<b>Assets and liabilities</b>		
Current Assets	2,497,892	1,546,646
Non-current Assets	6,390,468	6,185,816
Current Liabilities	1,839,434	1,224,083
Non-current Liabilities	1,433,370	1,412,406

For the year ended 31st March	Consolidated	
	2020 Rs.'000	2019 Rs.'000
<b>Revenue and profit</b>		
Revenue from contracts with customers	4,456,915	2,837,816
Profit after tax	932,367	663,556
Total comprehensive income	964,202	663,959
<b>Cash flows</b>		
Cash flows from operating activities	959,002	995,173
Cash flows from Investing activities	(86,846)	1,818
Cash flows from financing activities	(874,834)	(1,021,336)

## Notes to the Financial Statements

18.2.3 The Company has neither contingent liabilities nor capital commitments in respect of its equity accounted investees.

### 18.3 Countries of Incorporation of Overseas Subsidiaries and Equity Accounted Investees

Countries of incorporation of companies incorporated outside Sri Lanka are stated below,

Sector	Company	Countries of Incorporation
Eco solutions	Charles Fibre (Pvt) Ltd.	India
	Haylex USA	USA
Hand protection	Dipped Products (Thailand) Ltd.	Thailand
	ICOQUANTI S.p.A	Italy
Purification products	PT Mapalus Makawanua Charcoal Industry	Indonesia
	Haycarb Holdings Bitung Ltd.	British Virgin Island
	Eurocarb Products Ltd.	UK
	Haycarb Holdings Australia (Pty) Ltd.	Australia
	Haycarb USA Inc.	USA
	Carbokarn Co. Ltd.	Thailand
	Shizuka Co. Ltd.	Thailand
	CK Regen Systems Co.Ltd.	Thailand
	PT Haycarb Palu Mitra	Indonesia
	Puricarb Pte Ltd.	Singapore
Agriculture	Haychem (Bangladesh) Ltd.	Bangladesh
Transportation & logistics	Logiwiz Logistics India (Pvt) Ltd.	India
	Civaro Freight India (Pvt) Ltd.	India
	Nautical Maldives (Pvt) Ltd.	Maldives
	One World Logistics Maldives (Pvt) Ltd.	Maldives
	Super Logistics (Pvt) Ltd.	Maldives
	Total Transport Solutions Maldives (Pvt) Ltd.	Maldives
	Advantis Singapore Pte Ltd.	Singapore
	Advantis Sabang Raya Lines Pte. Ltd.	Singapore
	Advantis Kusuvara Sedate Myanmar (Pvt) Ltd.	Myanmar
	Advantis Sedate Myanmar (Pvt) Ltd.	Myanmar
	PT. Advantis Akaza Indonesia	Indonesia
	Advantis Intasl Bangladesh (Pvt) Ltd.	Bangladesh
	Leisure	Luxury Resort (Pvt) Ltd.
Others	Haylex BV	Netherlands
	Haylex Japan	Japan
	Haylex Ltd.	UK

## 18.4 Inter-Company Shareholdings

As at 31st March		% Holding		No. of Shares	
Investor	Investee	2020	2019	2020	2019
Agro Technica Ltd.	Sunfrost (Pvt) Ltd.	1	1	75,000	75,000
Chas P. Hayley & Co. (Pvt) Ltd.	Toyo Cushion Lanka (Pvt) Ltd.	3	3	169,267	169,267
	Charles Fibre (Pvt) Ltd.	50	50	10,000	10,000
	Hayleys Electronics (Pvt) Ltd.	2	2	14,975	14,975
	Lignocell (Pvt) Ltd.	100	100	12,000,000	12,000,000
Lignocell (Pvt) Ltd.	Charles Fibre (Pvt) Ltd.	50	50	10,000	10,000
Dean Foster (Pvt) Ltd.	Volanka (Pvt) Ltd.	38	38	3,920	3,920
	Hayleys Advantis Ltd.	1	1	488,369	488,369
	Chas P. Hayley & Company (Pvt) Ltd.	0	0	80	80
	Alumex PLC	5	5	14,213,900	14,213,900
Dipped Products PLC	Amaya Leisure PLC	21	21	11,524,544	11,524,544
	Palma Ltd.	100	100	4,000,000	4,000,000
	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
	Dipped Products (Thailand) Ltd. (100 Bhat)	99	99	4,516,250	4,516,250
	Texnil (Pvt) Ltd.	100	100	7,500,000	7,500,000
	ICOGUANTI S.p.A (Italy) (€1 - each)	100	100	3,150,000	3,150,000
	Hanwella Rubber Products Ltd.	73	73	18,152,000	18,152,000
	D P L Premier Gloves Ltd.	100	100	45,000,000	45,000,000
	D P L Universal Gloves Ltd.	100	100	125,000,000	35,000,000
DPL Plantations Ltd.	D P L International Ltd.	100	100	1	1
	Kelani Valley Plantations PLC	72	72	24,626,900	24,626,900
Haycarb PLC	Hayleys Plantation Services (Pvt) Ltd.	67	67	13,400,000	13,400,000
	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	40,000,000
	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
	Carbokarn Co. Ltd.(100 Bhat, 100% paid-up)	50	50	250,000	250,000
	Puritas (Pvt) Ltd.	100	100	700,000	700,000
	Recogen (Pvt) Ltd.	100	100	37,000,000	37,000,000
	Haycarb USA Inc.	100	100	1,285,000	1,285,000
	Haycarb Holdings Bitung Ltd. (\$1 - each)	100	100	1,400,000	1,400,000
	PT Mapalus Makawanua Charcoal Industry (IDR 1,000,000)	2	2	707	707
	Ultracarb (Pvt) Ltd.	100	100	25,000,000	25,000,000
Quality Seed Company (Pvt) Ltd.	6	6	147,000	147,000	
Carbokarn Co. Ltd.	PT Haycarb Palu Mitra	60	60	1,290,000	1,290,000
	CK Regen Systems Co. Ltd.	100	100	75,000	75,000
Puritas (Pvt) Ltd.	Shizuka Co. Ltd.	100	100	137,500	137,500
	Lakdiyatha (Pvt) Ltd.	49	49	2,450,000	2,450,000
Haycarb Holdings Bitung Ltd .	Puricarb Pte Ltd.	100	100	50,000	50,000
	PT Mapalus Makawanua Charcoal Industry (IDR 1,000,000)	98	98	36,935	36,935

## Notes to the Financial Statements

### 18.4. Inter-Company Shareholdings (Contd.)

As at 31st March Investor	Investee	% Holding		No. of Shares	
		2020	2019	2020	2019
Hayleys Agriculture Holdings Ltd.	Agro Technica Ltd.	100	100	2,499,994	2,499,994
	Hayleys Agro Fertilizers (Pvt) Ltd.	100	100	14,999,999	14,999,999
	Hayleys Agro Farms (Pvt) Ltd.	100	100	1,500,000	1,500,000
	Hayleys Agro Bio-Tech (Pvt) Ltd.	100	100	7,499,999	7,499,999
	HJS Condiments Ltd.	59	59	7,399,343	7,399,343
	Sunfrost (Pvt) Ltd.	93	93	7,445,000	7,445,000
	Haychem (Bangladesh) Ltd.	100	100	90,702	90,702
	Hayleys Fabric PLC	2	2	3,472,257	3,472,257
	Aquagri (Pvt) Ltd.	51	51	1,275,000	1,275,000
	Singer (Sri Lanka) PLC	3	3	9,468,085	9,468,085
	Quality Seed Company (Pvt) Ltd.	94	94	2,378,000	2,378,000
Hayleys Fibre PLC	Toyo Cushion Lanka (Pvt) Ltd.	16	16	1,015,602	1,015,602
	Bonterra Ltd.	50	50	803,394	803,394
	Creative Polymats (Pvt) Ltd.	74	74	22,500,001	22,500,001
	Rileys (Pvt) Ltd.	12	12	15,500,000	15,500,000
Hayleys Aventura (Pvt) Ltd.	Haycolour (Pvt) Ltd.	100	100	60,000	60,000
	Hayleys Lifesciences (Pvt) Ltd.	100	100	3,000,001	3,000,001
	Power Engineering Solutions (Pvt) Ltd.	100	100	320,001	320,001
	Nirmalapura Wind Power (Pvt) Ltd.	21	21	21,100,000	21,100,000
	Hayleys Power Ltd.	100	100	46,767,241	46,767,241
	Joule Power (Pvt) Ltd.	25	25	26,250,000	26,250,000
	Beta Power (Pvt) Ltd.	25	25	26,250,000	26,250,000
	Singer (Sri Lanka) PLC	3	3	10,531,915	10,531,915
	Solar One Ceylon (Pvt) Ltd.	50	50	35,085,952	35,085,952
Hayleys Hydro Energy (Pvt) Ltd.	Neluwa Cascade Hydro Power (Pvt) Ltd.	100	100	11,910,001	11,910,001
Hayleys Plantation Services (Pvt) Ltd.	Talawakelle Tea Estates PLC	75	75	17,750,000	17,750,000
Talawakelle Tea Estates PLC	TTEL Hydro Power Company (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
	Singer (Sri Lanka) PLC	10	10	37,127,660	37,127,660
	Hayleys Fabric PLC	2	2	5,036,850	5,036,850
Ravi Industries Ltd.	Rileys (Pvt) Ltd.	19	19	24,500,000	24,500,000
	Dipped Products PLC	1	1	567,000	567,000
	Ravi Marketing Services (Pvt) Ltd.	100	100	9,994	9,994
Rileys (Pvt) Ltd.	Haymat (Pvt) Ltd.	54	54	215,998	215,998
	Creative Polymats (Pvt) Ltd.	26	26	8,034,098	8,034,098
Toyo Cushion Lanka (Pvt) Ltd.	Dean Foster (Pvt) Ltd.	2	2	235,294	235,294
	Amaya Leisure PLC	2	2	917,710	917,710
Volanka (Pvt) Ltd.	Dipped Products PLC	8	8	4,873,640	4,873,640
	Toyo Cushion Lanka (Pvt) Ltd.	22	21	1,455,832	1,455,832
	Volanka Exports Ltd.	100	95	2,899,994	2,899,994
	Volanka Insurance Brokers (Pvt) Ltd.	100	100	58,994	58,994
	Singer (Sri Lanka) PLC	3	3	11,595,745	11,595,745
Carbotels (Pvt) Ltd.	Rileys (Pvt) Ltd.	65	65	85,000,000	85,000,000
	Eastern Hotel (Pvt) Ltd.	96	96	894,304	894,304
	Singer (Sri Lanka) PLC	3	3	9,680,851	9,680,851
	The Kingsbury PLC	23	23	56,625,000	56,625,000

As at 31st March Investor	Investee	% Holding		No. of Shares	
		2020	2019	2020	2019
Volanka Exports Ltd.	O E Techniques Ltd.	100	100	9,993	9,993
	Amaya Leisure PLC	1	1	722,679	722,679
Kelani Valley Plantations PLC	Kalupahana Power Company (Pvt) Ltd.	60	60	1,800,000	1,800,000
	Kelani Valley Instant Tea (Pvt) Ltd.	100	100	3,000,000	3,000,000
	Mabroc Teas (Pvt) Ltd.	100	100	9,000,000	9,000,000
	Kelani Valley Resorts (Pvt) Ltd.	100	100	5,000,000	5,000,000
	Martin Bauer Hayleys (Pvt) Ltd.	10	10	39,091,550	39,091,550
Hayleys Aviation and Projects (Pvt) Ltd.	Air Global (Pvt) Ltd.	100	100	999,995	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 (Pvt) Ltd.	100	100	1,779,999	1,779,999
	S & T Interiors (Pvt) Ltd.	30	30	780,000	780,000
Alumex PLC	Alco Industries (Pvt) Ltd.	100	100	3,000,002	3,000,002
Hayleys Electronics Limited	Global Consumer Brands (Pvt) Ltd.	100	100	17,599,999	17,599,999
	Hayleys Electronics Manufacturing (Pvt) Limited	100	100	499,999	499,999
Hayleys Consumer Products Ltd.	International Consumer Brands (Pvt) Ltd.	100	100	3,000,000	3,000,000
	Hayleys Electronics Lighting (Pvt) Ltd.	100	100	599,999	599,999
Amaya Leisure PLC	Kandyan Resorts (Pvt) Ltd.	100	100	23,215,547	23,215,547
	Culture Club Resorts (Pvt) Ltd.	100	100	23,822,393	23,822,393
	Connaissance Air Travels Ltd.	100	100	100,003	100,003
	Sun Tan Beach Resorts Ltd.	56	56	99,815,153	99,815,153
	Connaissance Hotel Management (Pvt) Ltd.	100	100	1,200,002	1,200,002
	C D C Conversions (Pvt) Ltd.	100	100	1,000,002	1,000,002
	Lake Lodge Resorts Ltd.	80	80	816,000	816,000
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
	Kiriweldola Hydro Power (Pvt) Ltd. *	-	100	-	321,860
	TTEL Summerset Hydro Power (Pvt) Ltd.	49	49	2,940,000	2,940,000
	Anningkanda Hydro Power (Pvt) Ltd. *	-	100	-	319,080
	Hayleys Neluwa Hydro Power (Pvt) Ltd.	100	100	29,700,000	29,700,000
	Neluwa Upper Hydro Power (Pvt) Ltd.	100	100	100,000	100,000
Lindula Hydro Power (Pvt) Ltd. *	-	100	-	250,000	
Fentons Ltd.	Fentons Smart Facilities (Pvt) Ltd.	100	100	816,000	816,000
	Energynet (Pvt) Ltd.	100	100	10,900,344	10,900,344
	Nex-Gen Asia (Pvt) Ltd.	100	100	100	100
Singer ( Sri Lanka) PLC	Singer Finance (Lanka) PLC	80	80	161,513,035	161,513,035
	Singer Industries (Ceylon) PLC	88	88	8,772,314	8,772,314
	Regnis (Lanka) PLC	58	58	6,568,577	6,568,577
	Singer Digital Media (Pvt) Ltd.	100	100	500,000	500,000
	Singer Business School (Pvt) Ltd.	100	100	1,000,000	500,000
	Reality Lanka Limited	60	40	11,015,081	4,800,004
	Domus Lanka (Pvt) Ltd.	100	100	100	100
Singer Industries (Ceylon) PLC	Reality Lanka Limited	30	45	5,400,000	5,400,000
Regnis (Lanka) PLC	Reality Lanka Limited	10	15	1,800,000	1,800,000
	Regnis Appliances (Pvt) Ltd.	100	100	15,000,000	15,000,000

\* Kiriweldola Hydro Power (Pvt) Ltd., Anningkanda Hydro Power (Pvt) Ltd. and Lindula Hydro Power (Pvt) Ltd. were amalgamated with Hayleys Power Ltd. on December 2019.



## Notes to the Financial Statements

### 19 Other Financial Assets and Financial Liabilities

#### 19.1 Other Non-Current Financial Assets

As at 31st March	Consolidated					Company		
	Fair value through OCI		Amortised cost	Total 2020	Total 2019	Fair value through OCI	Total 2020	Total 2019
	Unquoted equity shares Rs.'000	Quoted equity shares Rs.'000	Treasury Bonds Rs.'000	Rs.'000	Rs.'000	Unquoted equity shares Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	120,783	44,960	93,452	259,195	290,657	86,497	86,497	95,397
Additions	-	1,445	2,744	4,189	2,445	-	-	-
Impairment for the year	(8,900)	-	-	(8,900)	-	(8,900)	(8,900)	(8,900)
Effect of movement in exchange rate	(11)	-	-	(11)	-	-	-	-
Change in fair value	-	(2,446)	-	(2,446)	(33,907)	-	-	-
At the end of the year	111,872	43,959	96,196	252,027	259,195	77,597	77,597	86,497

#### 19.1.1 Investment Details

As at 31st March	Investor	Investee	No. of Shares		Value Rs.'000	
			2020	2019	2020	2019
<b>Unquoted equity shares - at fair value through OCI</b>						
Hayleys PLC		Sojitz Kelanitissa (Pvt) Ltd.	17,798,968	17,798,968	35,598	44,497
		Sri Lanka Institute of Nanotechnology (Pvt) Ltd.	4,200,000	4,200,000	42,000	42,000
Hayleys Aventura (Pvt) Ltd.		Hydro Trust Lanka (Pvt) Ltd.	350,000	350,000	3,500	3,500
Dipped Product PLC		Wellassa Rubber Company Ltd.	255,000	255,000	2,550	2,550
		Impairment in Wellassa Rubber Company Ltd.			(2,550)	(2,550)
Haycarb PLC		Barrik Gold Corporation - Aus 27.20 each	3,456	3,456	181	193
Hayleys Advantis Ltd.		SLAFFA Cargo Services Ltd.	40,901	40,901	13,508	13,508
		CMA Ships Lanka (Pvt) Ltd.	2	2	25	25
Singer (Sri Lanka) PLC		Equity Investment Lanka Limited.	1,665,000	1,665,000	17,020	17,020
		Credit Information Bureau of Sri Lanka	100	100	41	41
					111,872	120,783
<b>Quoted equity shares - at fair value through OCI</b>						
Dipped Product PLC		Royal Ceramic Lanka PLC	220	220	12	13
Hayleys Advantis Ltd.		Ceybank Unit Trust	200,000	200,000	3,184	3,556
		Pyramid Unit Trust	200,000	200,000	7,668	7,172
		Comtrust Equity Fund	200,000	200,000	2,752	3,444
		Union Bank PLC	100,000	-	840	-
Amaya Leisure PLC		Royal Ceramic Lanka PLC	521,600	521,600	29,157	30,774
		Hotel Sigiriya PLC	5,500		345	
					43,959	44,960
<b>Amortised cost</b>						
Singer (Sri Lanka) PLC		Treasury Bonds			96,196	93,452

## 19.2 Other Current Financial Assets

As at 31st March	Consolidated					Company				
	Fair value through OCI	Fair value through profit or loss			Amortised cost	Total 2020	Total 2019	Financial instruments at fair value through profit or loss	Total 2020	Total 2019
	Quoted equity shares	Foreign exchange forward contract	Quoted equity shares	Unit trust	Treasury bills			Quoted equity shares		
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	1,100	85,648	29,171	72,029	-	187,948	160,702	6,647	6,647	8,800
Additions	-	-	119	4,333,905	145,110	4,479,134	4,730,956	64	64	128
Disposals	(1,100)	(58,560)	(346)	(4,221,567)	-	(4,281,573)	(4,715,481)	-	-	-
Change in fair value	-	-	(458)	27,485	-	27,027	11,771	(1,601)	(1,601)	(2,281)
At the end of the year	-	27,088	28,486	211,852	145,110	412,536	187,948	5,110	5,110	6,647

### 19.2.1 Investment details

As at 31st March	Investor	Investee	No. of Shares		Value Rs.'000	
			2020	2019	2020	2019
<b>Quoted equity shares -Fair value through OCI</b>						
	Hayleys Advantis Ltd.	Union Bank PLC	-	100,000	-	1,100
					-	1,100
<b>Foreign exchange forward contract - Fair value through profit or loss</b>						
		Singer (Sri Lanka) PLC			27,088	85,648
					27,088	85,648
<b>Quoted equity shares - Fair value through profit or loss</b>						
	Hayleys PLC	Central Industries PLC	15,914	15,914	522	449
		Kelani Tyres PLC	17,200	17,200	569	531
		Lanka Orix Leasing Company PLC	1,404	1,404	127	125
		National Development Bank PLC	23,429	23,429	1,551	2,207
		Three Acre Farms PLC	1,840	1,840	147	181
		Hatton National Bank PLC - Non Voting	21,870	21,459	2,194	3,154
	Dean Foster (Pvt) Ltd.	ACL Cables PLC	8,240	8,240	258	266
		Blue Diamonds Jewellery Worldwide PLC	13	13	0	0
		Lanka Orix Leasing Company PLC	3,280	3,280	298	292
		Three Acre Farms PLC	-	2,000	160	197
		Vanik Incorporation PLC - Voting	-	7,500	-	6
		Vanik Incorporation PLC - Non- Voting	-	5,000	-	4
	Hayleys Advantis Ltd.	DFCC Bank PLC	7,600	7,600	461	532
		Hatton National Bank PLC	8,169	8,169	871	1,430

## Notes to the Financial Statements

### 19.2.1 Investment details (Contd.)

As at 31st March Investor	Investee	No. of Shares		Value Rs.'000	
		2020	2019	2020	2019
	National Development Bank PLC	2,622	2,622	192	247
	Beruwala Resort PLC	344,474	344,474	207	207
	Union Bank PLC	400	400	7	7
Amaya Leisure PLC	The Fortress Resorts PLC	90,075	90,075	703	901
	LB Finance PLC	40	20	5	5
	Free Lanka Capital Holdings PLC	5,320,000	5,320,000	20,216	18,088
Fentons Ltd.	Hotel Sigiriya PLC	-	5,500	-	345
				28,486	29,171
<b>Unit trust - Fair value through profit or loss</b>					
Carbotels (Pvt) Ltd.	NDB Wealth Management Limited.				
	NDB Wealth Money Fund	179,678	517,587	3,489	9,140
	NDB Wealth Money Plus Fund	4,640,139	1,375,683	102,233	27,122
Hayleys Tours (Pvt) Ltd.	NDB Wealth Management Limited.				
	NDB Wealth Money Fund	4,134,938	1,812,448	91,102	35,767
Hayleys Advantis Ltd.	NDB Wealth Management Limited.				
	NDB Money Plus Fund	1,572,141	-	15,028	-
				211,852	72,029
<b>Amortised cost</b>					
Singer (Sri Lanka) PLC	Treasury bills			145,110	-

### 19.3 Other Financial Liabilities

As at 31st March	Consolidated				Company		
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total 2020	Total 2019	Financial liabilities at fair value through profit or loss	Total 2020	Total 2019
	Foreign exchange forward contract Rs.'000	Deposit Rs.'000	Rs.'000	Rs.'000	Foreign exchange forward contract Rs.'000	Rs.'000	Rs.'000
At beginning of the year	48,101	5,953,023	6,001,124	6,920,087	33,452	33,452	10,654
Incurred	14,891	4,632,801	4,647,692	5,704,869	10,798	10,798	33,452
Settlements	(62,086)	(3,959,147)	(4,021,233)	(5,204,158)	(44,250)	(44,250)	(10,654)
Derecognition on acquisition of NCI	-	-	-	(1,671,456)	-	-	-
Charge/capitalisation of interest	-	387,462	387,462	251,782	-	-	-
At end of the year	906	7,014,139	7,015,045	6,001,124	-	-	33,452
Other Current Financial Liabilities			5,035,956	5,196,568	-	-	33,452
Other Non Current Financial Liabilities			1,979,089	804,556	-	-	-

### 19.3.1 Deposit Classification

As at 31st March	Consolidated	
	2020 Rs.'000	2019 Rs.'000
Fixed deposits	6,916,804	5,899,267
Savings deposits	97,335	53,756
	7,014,139	5,953,023

### 19.3.2 Derecognition on acquisition of NCI

The sales and purchase agreement with Retail Holding (Sri Lanka) B.V. in relation to the acquisition of Singer (Sri Lanka) PLC provided an option to the seller to dispose of remaining 9.47% stake in Singer (Sri Lanka) PLC at Rs. 47 to Hayleys PLC between Twelve months and fifteen months from 13th September 2017. The liability reflected the fair value of the outflow of resources on the option being exercised.

Retail Holdings (Sri Lanka) B. V. exercised the option to sell its balance 35,562,883 (9.47%) ordinary shares held in Singer (Sri Lanka) PLC to Hayleys PLC at Rs. 47 per share.

Accordingly, the Group has derecognised the non controlling interest to be acquired recognised at the time of acquisition, amounting to Rs.1,671 mn.

### 19.4 Fair Value Hierarchy

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

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

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

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

As at 31 March 2020, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

#### Assets measured at fair value

As at 31st March	Notes	2020 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
<b>Fair value through OCI</b>					
Quoted equity shares	19.1/19.2	43,959	43,959	-	-
<b>Financial assets at fair value through profit or loss:</b>					
Foreign exchange forward contract	19.2	27,088	-	27,088	-
Quoted equity shares	19.2	28,486	28,486	-	-
Unit trust	19.2	211,852	211,852	-	-
<b>Amortised cost</b>					
Treasury Bonds	19.1	96,196	-	96,196	-
Treasury Bills	19.2	145,110	-	145,110	-
<b>Property, plant &amp; equipment</b>					
Freehold land	13	30,964,341	-	-	30,964,341
<b>Investment properties</b>					
Land and buildings	15	2,719,260	-	-	2,719,260

## Notes to the Financial Statements

### 19.4 Fair Value Hierarchy (Contd.)

Liabilities measured at fair value

As at 31st March	Notes	2020 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
<b>Financial liabilities at fair value through profit or loss</b>					
Foreign exchange forward contracts	19.3	906	-	906	-
<b>Financial liabilities at amortised cost</b>					
Deposit	19.3	7,014,139	-	7,014,139	-

During the reporting period ended 31 March 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

#### Fair Values

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

As at 31st March	Notes	Consolidated		Company	
		Carrying value	Fair value	Carrying value	Fair value
		2020		2020	
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Financial Assets</b>					
Other non- current financial assets					
Fair value through OCI	19.1	155,831	155,831	77,597	77,597
Amortised cost	19.2	96,196	96,196	-	-
Non- current trade and other receivables	22	11,333,929	11,333,929	-	-
Other current financial assets					
Amortised cost	19.2	145,110	145,110	-	-
Financial instruments at fair value through profit or loss	19.2	267,426	267,426	5,110	5,110
Trade and other receivables	22	59,115,893	59,115,893	44,177	44,177
Amounts due from subsidiaries	38	-	-	3,187,550	3,187,550
Amounts due from equity accounted investees	38	150,137	150,137	40,239	40,239
Short term deposits		3,495,891	3,495,891	-	-
Cash and cash equivalents		8,411,179	8,411,179	313,293	313,293
		83,171,592	83,171,592	3,667,966	3,667,966
<b>Financial Liabilities</b>					
Interest-bearing borrowings*	25	79,014,578	79,184,894	21,816,899	21,975,824
Other financial liabilities					
Financial liabilities at fair value through profit or loss	19.3	906	906	-	-
Financial liabilities at amortised cost	19.3	7,014,139	7,014,139	-	-
Trade and other payables	29	32,019,839	32,019,839	474,980	474,980
Amounts due to subsidiaries	38	-	-	69,312	69,312
Amounts due to equity accounted investees	38	3,152	3,152	3,152	3,152
Short-term interest-bearing borrowings	31	44,540,814	44,540,814	5,531,105	5,531,105
		162,593,428	162,763,744	27,895,448	28,054,373

\* Include fixed interest loans carried at amortised cost.

The fair value of the financial assets and liabilities are included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date. The following methods and assumptions were used to estimate the fair values:

- The carrying value of available for sale financial instruments at fair value through OCI and financial instruments at fair value through profit or loss at fair value.
- Cash and cash equivalents, short term deposits, trade and other receivables, amounts due to/from subsidiaries, amounts due from equity accounted investees and trade and other payables approximate their carrying values largely due to the short term maturities of these instruments.
- The Fair value of financial assets at amortised cost and financial liabilities at amortised cost is not significantly different from the value based on amortised cost methodology.

## 20 Other Non Current Assets

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Prepayments	2,302,287	2,589,779	8,613	11,562
Lease rental paid in advance	-	1,391,876	-	-
Formers	738,471	657,762	-	-
Pre paid staff benefit	141,944	83,332	-	-
VAT receivable	527,929	463,576	-	-
Other tax receivables	153,551	219,393	-	-
Provision for amortisation/impairment	(426,675)	(599,985)	-	-
	3,437,507	4,805,733	8,613	11,562
<b>Other Current Assets</b>	<b>2,318,473</b>	<b>2,319,599</b>	<b>8,613</b>	<b>11,562</b>
<b>Other Non Current Assets</b>	<b>1,119,034</b>	<b>2,486,134</b>	<b>-</b>	<b>-</b>

## 21 Inventories

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Raw materials & consumables	13,359,008	12,350,212	1,775	909
Produce stocks	622,784	817,569	-	-
Produce on bearer biological assets	10,010	8,456	-	-
Nurseries	23,737	27,197	-	-
Work-in-progress	4,242,932	4,390,182	-	-
Finished goods	23,776,472	22,902,372	-	-
Goods-in-transit	2,944,514	1,638,673	-	-
	44,979,457	42,134,661	1,775	909
Provision for write-down of inventories	(2,368,411)	(2,064,638)	-	-
Provision for unrealised profit and write- down of inventories	(385,317)	(327,509)	-	-
	42,225,729	39,742,514	1,775	909

## Notes to the Financial Statements

21.1 Carrying amount of inventories pledged as security for bank facilities obtained amounted to Rs.4,038 mn (2019 - Rs. 2,442 mn).

21.2 Inventory carried at net realisable value as at 31st March 2020 Rs. 2,129 mn (2019 - Rs. 547 mn).

### 22 Trade and Other Receivables

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Trade receivables	30,438,433	29,655,480	-	-
Bills receivables	3,993,554	5,300,286	-	-
Hire debtors	8,018,561	7,749,403	-	-
Lease rental receivable	15,309,969	14,198,593	-	-
Loan debtors	5,606,465	4,206,502	-	-
	63,366,982	61,110,263	-	-
Payment in advance, deposits and other receivables	11,245,987	8,984,924	73,860	50,229
Duty rebate receivable	118,161	4,680	-	-
Employee loans	504,173	495,491	2,499	1,762
Provision for impairment	(4,785,481)	(3,845,278)	(32,182)	(32,182)
	70,449,822	66,750,081	44,177	19,809
Current Trade and Other Receivables	59,115,893	55,138,266	44,177	19,809
Non- Current Trade and Other Receivables	11,333,929	11,611,815	-	-

#### 22.1 Movement in the Provision for Impairment

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
At the beginning of the year	(3,845,278)	(2,337,915)	(32,182)	(32,182)
Effect of transition to SLFRS 9	-	(382,342)	-	-
Charge for the year	(940,203)	(1,125,021)	-	-
At the end of the year	(4,785,481)	(3,845,278)	(32,182)	(32,182)

#### 22.2 The Ageing Analysis of Trade and Bills Receivable is as follows,

	Total	Neither past due nor impaired	0-60 days	61-120 days	121-180 days	181-365 days	1-2 years	2-5 years
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 31st March 2020	63,366,982	10,762,747	16,686,349	6,491,409	4,064,555	12,933,693	6,582,087	5,846,142
Balance as at 31st March 2019	61,110,263	23,293,700	14,024,123	2,867,240	2,368,793	3,107,758	5,020,915	10,427,734



### 22.3 Currency-wise Analysis of Trade and Other Receivables

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Sri Lankan Rupees	52,825,047	48,998,818	44,177	19,809
Australian Dollars	307,292	283,051	-	-
Pounds Sterling	182,353	79,474	-	-
United States Dollars	10,902,196	11,615,438	-	-
Euro	3,196,368	2,751,819	-	-
Thai Baht	226,683	245,899	-	-
Indian Rupees	98,446	103,363	-	-
Maldivian Rufiyaa	641,670	688,100	-	-
Bangladesh Taka	1,192,194	906,504	-	-
Others	877,573	1,077,615	-	-
	70,449,822	66,750,081	44,177	19,809

### 23 Stated Capital

As at 31st March	Company	
	2020 Rs.'000	2019 Rs.'000
Issued & fully paid - ordinary shares		
At the beginning of the year	-75,000,000 (1st April 2019 - 75,000,000)	1,575,000
At the end of the year	-75,000,000 (31st March 2020 - 75,000,000)	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.

## Notes to the Financial Statements

### 23.1 Other Capital Reserves & Retained Earnings

#### 23.1.1 Other Capital Reserves

As at 31st March	Consolidated							
	Capital profit on redemption of debentures	Fixed asset replacement reserve	Capital reserve on sale of property, plant & equipment	Capital redemption reserve fund	Statutory reserve fund	Debenture redemption reserve fund	Reserve on amalgamation	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April 2018	109	11,750	23,824	69,002	17,779	1,047	317,600	441,111
Acquisition of non-controlling interest in subsidiaries	-	-	132	41	2,129	-	-	2,302
Transfers	-	-	6,816	-	24,311	-	-	31,127
<b>Balance as at 31st March 2019</b>	<b>109</b>	<b>11,750</b>	<b>30,772</b>	<b>69,043</b>	<b>44,219</b>	<b>1,047</b>	<b>317,600</b>	<b>474,540</b>
Acquisition of non-controlling interest in subsidiaries	-	-	17	-	-	-	920	937
Transfers	-	-	6,374	-	17,458	-	-	23,832
<b>Balance as at 31st March 2020</b>	<b>109</b>	<b>11,750</b>	<b>37,163</b>	<b>69,043</b>	<b>61,677</b>	<b>1,047</b>	<b>318,520</b>	<b>499,309</b>

As at 31st March	Company				
	Capital profit on redemption of debentures	Fixed asset replacement reserve	Capital reserve on sale of property, plant & equipment	Debenture redemption reserve fund	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 31st March 2019	109	11,750	320	1,047	13,226
<b>Balance as at 31st March 2020</b>	<b>109</b>	<b>11,750</b>	<b>320</b>	<b>1,047</b>	<b>13,226</b>

#### 23.1.2 Statutory Reserves

As at 31st March	Notes	Consolidated	
		2020	2019
		Rs.'000	Rs.'000
Reserve Fund	23.1.2.1	61,677	44,219

### 23.1.2.1 Reserve Fund

As at 31st March	Consolidated	
	2020 Rs.'000	2019 Rs.'000
Balance as at the beginning of the year	44,219	17,779
Transfer made during the year	17,458	24,311
Statutory reserve attributable to non-controlling interest	-	2,129
<b>Balance as at the end of the year</b>	<b>61,677</b>	<b>44,219</b>

The balance in the reserve fund will be used only for the purposes specified in the Central Bank Direction No.1 of 2003.

The Reserve Fund is maintained in compliance with direction No 1 of 2003 Central Bank of Sri Lanka (Capital Funds) issued to Finance Companies.

As per the said Direction , every Licensed Finance Company shall maintain a Reserve Fund and transfer to such reserve fund out of the net profits of each year after due provisions has been made for taxation and bad and doubtful debts on following basis.

Capital Funds to Deposit Liabilities	Transfer to Reserve Fund
Not less than 25%	5%
Less than 25% and not less than 10%	20%
Less than 10%	50%

Accordingly, Singer Finance (Lanka) PLC has transferred 5% of its net profit after taxation to the Reserve Fund as Company's Capital Funds to Deposit Liabilities, belongs to not less than 25% .

### 23.1.3 Retained Earnings

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Balance as at the beginning of the year - As previously stated	12,602,688	13,445,884	16,110,801	16,508,295
Effect of transition to SLFRS 16	(542,526)	-	-	-
<b>Balance as at the beginning of the year - Restated</b>	<b>12,060,162</b>	<b>13,445,884</b>	<b>16,110,801</b>	<b>16,508,295</b>
Profit for the year	364,154	250,430	(1,785,184)	53,511
Total other comprehensive income	(49,604)	(239,722)	(22,978)	(76,550)
Dividends to equity holders	(375,000)	(375,000)	(375,000)	(375,000)
Unclaimed dividend-write back	922	545	-	545
Change in fair value of investment properties	94,112	-	-	-
Transferred to Equity accounted investees	-	952,504	-	-
Transfers	(22,153)	(32,823)	-	-
Acquisition of non-controlling interest in subsidiaries	(669,710)	(1,284,227)	-	-
Disposal of subsidiary	-	(114,903)	-	-
<b>Balance as at the end of the year</b>	<b>11,402,883</b>	<b>12,602,688</b>	<b>13,927,639</b>	<b>16,110,801</b>

## Notes to the Financial Statements

### 23.1.4 Cash Flow Hedge Reserve

As at 31st March	Consolidated	
	2020 Rs.'000	2019 Rs.'000
Balance as at the beginning of the year	(480,373)	-
Net gain/(loss) on cash flow hedge	(405,159)	(545,581)
Adjustment of changes to non-controlling interest in subsidiaries	(6,725)	-
Transfer of cash flow hedge reserve to revenue	141,852	65,208
<b>Balance as at the end of the year</b>	<b>(750,405)</b>	<b>(480,373)</b>

Several entities within the Group have borrowings in foreign currencies, the settlements of which are naturally hedged against foreign currency remittances through sales generated by the respective entities.

Subsidiaries in the sectors detail below elected to use their USD remittances to mitigate the exchange risk and have treated the said transaction as a "Cash flow Hedge" in the Financial Statements of the Group.

Sector	Borrowings hedged USD'000	Year of final repayment	Amount deferred as at 31 March 2020 Rs.'000
Transportation and Logistics	29,801	2025	749,513
Leisure	2,021	2024	49,161
Eco Solutions	2,276	2024	25,389

## 24 Security Deposits

As at 31st March	Consolidated	
	2020 Rs.'000	2019 Rs.'000
At the beginning of the year	1,388,434	1,199,128
Contribution during the year	180,775	138,961
Interest charges	161,885	148,317
Shortages recovered	(193,402)	(43,263)
ESD releases	(143,081)	(54,709)
<b>At the end of the year</b>	<b>1,394,611</b>	<b>1,388,434</b>

## 25 Interest Bearing Borrowings

### 25.1 Total Non-Current Portion of Interest Bearing Borrowings

As at 31st March	Notes	Consolidated		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Lease obligations	25.3	6,628,200	650,343	-	-
Debentures	25.5	7,160,343	5,343,121	6,503,543	3,514,059
Long-term loans	25.8	38,451,271	33,668,530	11,465,580	8,590,038
<b>Total non- current interest-bearing borrowings</b>		<b>52,239,814</b>	<b>39,661,994</b>	<b>17,969,123</b>	<b>12,104,097</b>

### 25.2 Current Portion of Interest Bearing Borrowings

As at 31st March	Notes	Consolidated		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Lease obligations	25.3	1,057,621	19,050	-	-
Debentures	25.5	1,561,561	4,002,270	-	3,499,879
Long-term loans	25.8	24,155,582	21,790,307	3,847,776	2,683,645
<b>Total current interest-bearing borrowings</b>		<b>26,774,764</b>	<b>25,811,627</b>	<b>3,847,776</b>	<b>6,183,524</b>

### 25.3 Lease Obligations

As at 31st March	Consolidated	
	2020 Rs.'000	2019 Rs.'000
<b>At the beginning of the year</b>	669,393	677,835
New leases obtained	2,326,229	22,351
Interest charged	972,280	90,428
Effect of transition to SLFRS 16	5,749,898	-
On acquisition of subsidiary	-	3,844
Effect of movements in exchange rates	11,381	4,805
Repayments	(2,043,360)	(129,870)
<b>At end of the year</b>	<b>7,685,821</b>	<b>669,393</b>
Repayable within one year	1,057,621	19,050
Repayable after one year	6,628,200	650,343

## Notes to the Financial Statements

### 25.4 Currency wise Analysis of Lease Obligations

As at 31st March	Consolidated	
	2020 Rs.'000	2019 Rs.'000
Sri Lankan Rupees	7,107,188	640,739
United States Dollars	469,942	-
Maldivian Rufiyaa	24,971	-
Bangladesh Taka	67,054	28,654
Other	16,666	-
	7,685,821	669,393

### 25.5 Debentures

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
At the beginning of the year	9,345,391	11,075,208	7,013,938	3,991,423
Issued during the year	3,000,000	4,276,711	3,000,000	3,526,820
Repayments during the year	(3,615,222)	(6,000,093)	(3,502,130)	(497,870)
At the end of the year	8,730,169	9,351,826	6,511,808	7,020,373
Amortisation of debenture issue expense	(8,265)	(6,435)	(8,265)	(6,435)
<b>Net Debenture</b>	<b>8,721,904</b>	<b>9,345,391</b>	<b>6,503,543</b>	<b>7,013,938</b>
Repayable within one year	1,561,561	4,002,270	-	3,499,879
Repayable after one year	7,160,343	5,343,121	6,503,543	3,514,059

25.5.1 Details of the debentures

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Listed, rated, senior, unsecured, redeemable Debentures at 7.85% p.a. payable semi annually and redeemable on 6th March, 2020	-	1,500,532	-	1,500,532
Listed, rated, senior, unsecured, redeemable, debentures at floating rate (6 month (Gross) treasury bill rate + 1.25%) p.a payable semi annually and redeemable on 31st May, 2019	-	1,999,347	-	1,999,347
Listed, rated, senior, unsecured, redeemable, debentures, Type A- Fixed rate at 12.50% p.a. payable semi annually redeemable on 31st July 2023 Type B- Floating rate AWPLR+1% p.a. payable semi annually redeemable on 31st July 2023	3,517,010	3,514,059	3,517,010	3,514,059
Listed, rated, senior, unsecured, redeemable, debentures, Type A- Fixed rate at 13.00% p.a. payable semi annually redeemable on 26th August 2024 Type B- Floating rate AWPLR+2% p.a. payable semi annually redeemable on 26th August 2024	2,986,533	-	2,986,533	-
Listed, rated, senior, unsecured, redeemable, debentures at 12% p.a redeemable on 28th September, 2021	656,800	656,800	-	-
Listed, rated, senior, secured, redeemable, debentures at 9.95% p.a redeemable on 16th June, 2020	1,504,967	1,500,000	-	-
Listed, rated, senior, secured, redeemable, debentures at 11.5% p.a redeemable on 6th April, 2019	-	409,300	-	-
Listed, rated, senior, secured, redeemable, debentures at 12% p.a redeemable on 6th April, 2020	592,338	590,700	-	-
Less : Investment in debenture in subsidiary	(535,744)	(825,347)	-	-
	<b>8,721,904</b>	<b>9,345,391</b>	<b>6,503,543</b>	<b>7,013,938</b>

\* Details regarding the listed debentures are given in page 223 to the Financial Statements.

25.6 Currency wise Analysis of Debentures

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Sri Lankan Rupees	8,721,904	9,345,391	6,503,543	7,013,938
	<b>8,721,904</b>	<b>9,345,391</b>	<b>6,503,543</b>	<b>7,013,938</b>



## Notes to the Financial Statements

### 25.7 Analysis of Debentures by Year of Repayment

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Long term loans repayable between 1 and 2 years from year-end	656,800	1,172,262	-	-
Long term loans repayable between 2 and 5 years from year-end	6,503,543	4,170,859	6,503,543	3,514,059
	7,160,343	5,343,121	6,503,543	3,514,059

### 25.8 Long term Borrowings

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
At the beginning of the year	55,458,837	46,669,748	11,273,683	11,938,903
Transferred to Equity accounted investees	-	(1,671,065)	-	-
Effect of movements in exchange rates	563,107	1,584,262	46,242	104,748
Adjustment for loan facility fee	1,639	3,815	1,639	3,815
New loans obtained *	49,136,197	18,684,071	7,500,000	2,000,000
	105,159,780	65,270,831	18,821,564	14,047,466
Repayments	(42,552,927)	(9,811,994)	(3,508,208)	(2,773,783)
At the end of the year	62,606,853	55,458,837	15,313,356	11,273,683
Repayable within one year	(24,155,582)	(21,790,307)	(3,847,776)	(2,683,645)
Repayable after one year	38,451,271	33,668,530	11,465,580	8,590,038

\* Consist of loan obtained by Singer (Sri Lanka) PLC, Hayleys PLC, Hayleys Advantis Ltd, Alumex PLC and Agriculture Holdings Ltd during the year amounting to Rs. 33,131 mn, 7,500 mn, 4,265 mn, 1,000 mn, 1,000 mn, respectively.

### 25.9 Currency wise Analysis of Long Term Borrowings

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Sri Lankan Rupees	51,263,956	42,710,420	15,313,356	10,686,716
United States Dollars	11,265,290	12,645,033	-	586,967
Euro	77,607	93,504	-	-
Bangladesh Taka	-	5,600	-	-
Others	-	4,280	-	-
	62,606,853	55,458,837	15,313,356	11,273,683

### 25.10 Analysis of Long Term Borrowings by Year of Repayment

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Long term loans repayable between 1 and 2 years from year-end	19,231,623	11,164,370	6,570,550	3,796,358
Long term loans repayable between 2 and 5 years from year-end	17,944,006	20,175,971	4,895,029	4,793,680
Long term loans repayable later than 5 years from year-end	1,275,642	2,328,189	-	-
	38,451,271	33,668,530	11,465,579	8,590,038

### 25.12 Long Term Borrowings Repayable After One Year

Company	Lender/rate of interest (p.a.)	2020 Rs. '000	2019 Rs. '000	Repayment	Security
Hayleys PLC	Peoples Bank PLC (AWPLR + 2%)	2,245,929	2,745,019	To be paid bi annually in equal installments of Rs. 250 mn	None
	National Savings Bank PLC (AWPLR + 2%)	2,245,929	2,745,019	To be paid bi annually in equal installments of Rs. 250 mn	None
	Sampath Bank PLC (AWPLR + 1%)	600,000	900,000	To be paid quarterly in equal installments of Rs. 75 mn	None
	DFCC Bank PLC (4 Week AWPLR + 1 %)	400,000	600,000	To be paid quarterly in equal installments of Rs. 50 mn	None
	Bank of Ceylon PLC (AWPLR + 1%)	1,200,000	1,600,000	To be paid bi annually in equal installments of Rs.200 mn	None
	Hatton National Bank PLC (AWPLR + 0.75%)	375,000	-	To be paid bi annually in equal Installments of Rs.375 mn	None
	Sampath Bank PLC (AWPLR + 1.5%)	1,398,722	-	To be paid bi annually in equal Installments of Rs.200 mn	None
	Commercial Bank of Ceylon PLC (Fixed 12.75%)	1,400,000	-	To be paid bi annually in equal Installments of Rs.200 mn	None
	Bank of Ceylon PLC (AWPLR + 0.75%)	1,600,000	-	To be paid bi annually in equal Installments of Rs.200 mn	None
ICOQUANTI S.p.A	Alessandria Financing 1.95% (Euro 1,000,000)	63,626	79,455	Repayment over 2 years as per agreed schedule	None
Mabroc Teas (Pvt) Ltd.	HSBC (LIBOR + 3%)	-	13,742	Monthly installments ending August 2021	None
	Sampath Bank PLC (AWPLR + 1%)	225,000	-	Monthly installments ending March 2023	Primary mortgage over the leasehold rights, buildings, plant & machinery of three estates.

## Notes to the Financial Statements

### 25.12 Long Term Borrowings Repayable After One Year (Contd.)

Company	Lender/rate of interest (p.a.)	2020 Rs. '000	2019 Rs. '000	Repayment	Security
Kelani Valley Plantations PLC	DFCC Bank PLC (AWPLR - 0.5%) 1st 2 years (AWPLR + 1.5%) After 2nd year	-	27,480	Monthly installments ending 2021.	Primary mortgage over the leasehold rights of four estates
	Sri Lanka Tea Board (AWPLR + 1%)	-	5,555	Monthly installments ending August 2022.	Tea Sales Proceeds
	NDB Bank PLC (AWPLR - 0.5%) 1st 2 years (AWPLR + 1.5%) After 2nd year	-	10,313	Monthly installments ending February 2021.	Primary mortgage over the leasehold rights, buildings, plant & machinery of three estates.
	Amana Bank PLC (SLIBOR with a cap of 14% and floor of 7.25%)	-	9,691	Monthly installments ending 2021.	None
	Amana Bank PLC (SLIBOR with a cap of 14% and floor of 7.25%)	-	22,990	Monthly installments ending 2023.	None
	Amana Bank PLC (SLIBOR with a cap of 14% and floor of 7.25%)	10,010	20,861	Monthly installments ending 2023.	None
	Amana Bank PLC (SLIBOR + 3.25%)	18,933	28,240	Monthly installments ending 2022.	None
	NDB Bank PLC 6.3%	13,641	17,278	Monthly installments ending 2025.	Primary mortgage over the leasehold rights, buildings, plant & machinery of three estates.
	NDB Bank PLC 6.3%	3,234	4,096	Monthly installments ending 2025.	Primary mortgage over the leasehold rights, buildings, plant & machinery of three estates.
	Sri Lanka Tea Board 5%	-	2,681	Monthly installments ending 2021.	Tea Sales Proceeds
Haycarb PLC	HSBC (LIBOR + 2.75)	-	13,817	60 equal monthly installments commenced in March 2016	None
	HSBC (LIBOR + 2.75)	-	14,259	60 equal monthly installments commenced in April 2016	None
	HSBC (1M LIBOR + 2.75)	7,912	24,349	60 equal monthly installments commenced in June 2016	None
	Standard Chartered Bank PLC (1M LIBOR + 3%)	142,428	-	62 equal monthly installments commenced in November 2019	None
Haycarb USA Inc.	Hatton National Bank PLC (LIBOR + 3.75%)	-	2,793	Payable in 60 monthly installments commenced in September 2015	Corporate guarantee for US\$ 1,750,000/- from Haycarb PLC
Hayleys Agriculture Holdings Ltd.	Sampath Bank PLC (AWPLR + 1%)	643,000	-	48 monthly installments commenced in October 2019	None
Hayleys Advantis Ltd.	HSBC (1 Month HSBC Bank cost of funds + 2.25%)	800,000	1,200,000	Payable in 20 quarterly installments	None
	Commercial Bank (AWPLR + 1%)	700,000	-	Semi Annually payable within 10 installments	None

Company	Lender/rate of interest (p.a.)	2020 Rs. '000	2019 Rs. '000	Repayment	Security
	Commercial (10.25 for 1st six months and then 10.50%)	1,600,000	-	Semi Annually payable within 10 installments	None
Logiventures (Pvt) Ltd.	Hatton National Bank PLC (LIBOR + 3.5%)	-	3,795	Payable in 56 monthly installments ending 2020	Mortgage of land at Sedawatte
Logiwiz (Pvt) Ltd.	HSBC (SLIBOR + 1%)	-	20,261	36 monthly installments commenced after 12 months grace period	None
	NDB Bank PLC (6.15%)	2,539	7,254	Payable in 48 monthly installments	None
	NDB Bank PLC (6.15%)	554	1,583	Payable in 48 monthly installments	None
	NDB Bank PLC (15.75%)	1,326	3,787	Payable in 48 monthly installments	None
	Peoples Bank PLC (AWPLR)	1,437,736	1,600,000	72 monthly installments	Mortgage over project assets including Land and Building held at Kotugoda Ja Ela.
	Peoples Bank PLC (1M LIBOR + 2.25%)	1,098,348	1,113,625	72 monthly installments	
	Commercial Bank of Ceylon PLC (AWPLR + 1.75%)	600,286	-	72 monthly installments	None
Hayleys Free Zone Limited	HSBC (LIBOR + 2.75%)	995,505	1,150,413	39 monthly installments commencing after 18 months grace period	None
Logistic International Ltd.	HSBC (LIBOR + 2%)	69,634	132,928	48 monthly installments	Corporate guarantee from Hayleys Advantis Ltd.
Logiwiz Logistics India (Pvt) Ltd.	HDFC Bank Ltd. -15.75%	-	4,280	36 monthly installments commencing December, 2016	None
Sri Lanka Shipping Company Limited	DFCC Bank PLC (3 months LIBOR + 4.25%)	34,184	158,480	60 monthly installments	Vessel
	DFCC Bank PLC (3 months LIBOR + 4.25%)	13,286	61,629	60 monthly installments	Vessel
	DFCC Bank PLC (3 months LIBOR + 4.25%)	893,581	1,012,680	96 monthly installments	Vessel
	Bank of Ceylon PLC (LIBOR + 4.25%)	877,033	997,336	96 monthly installments	Vessel
	Commercial Bank of Ceylon PLC (3 months LIBOR + 3.5%)	313,352	-	60 monthly installments	Vessel
Total transport Solutions Maldives (Pvt) Ltd.	Sampath Bank PLC - (6.5%)	57,683	82,286	60 monthly installments	Two landing crafts
Ceylon Ocean Lines Ltd.	NDB Bank PLC (6.73%)	1,445	2,199	60 monthly installments	None
PT Advantis Akaza Indonesia	Sampath Bank PLC - (3M LIBOR + 5.75%)	18,581	36,563	60 monthly installments ending 2025	Corporate guarantee from Hayleys Advantis Ltd.
Advantis Projects & Engineering (Pvt) Ltd	HSBC (3 Months LIBOR + 2.75%)	158,258	-	36 monthly installments with 1 year grace period	Corporate guarantee from Hayleys Advantis Ltd.

## Notes to the Financial Statements

### 25.12 Long Term Borrowings Repayable After One Year (Contd.)

Company	Lender/rate of interest (p.a.)	2020 Rs. '000	2019 Rs. '000	Repayment	Security
Hayleys Aventura (Pvt) Ltd.	Sampath Bank PLC (AWPLR + 0.25%)	-	95,000	59 Monthly installments commenced in February 2017	Loan agreement 250 mn Mortgage bond over 30 mn shares of Hayleys Power Ltd for 250 mn original share certificate of Hayleys Power Ltd, total in to 30 mn shares.
	Peoples Bank PLC (AWPLR + 0.5%)	-	62,440	48 monthly installments commenced in April 2017	Primary mortgage over property situated at Malabe
	Bank of Ceylon PLC (AWPLR + 1.25%)	150,000	200,000	20 Quarterly installments commenced in April 2019	Negative pledge over Stocks and book debts and Letter of Comfort from Hayleys PLC
	Commercial Bank of Ceylon PLC (AWPLR + 1%)	358,900	-	60 monthly installments commenced in November 2019	None
Hayleys Fabric PLC	Standard Chartered Bank PLC (LIBOR + 3.5%)	-	167,775	36 monthly instalments of US\$ 239,591	Mortgage over machinery
	Peoples Bank (6 Month Libor + 3.25%)	1,139	17,961	Monthly installments ending 2021.	Mortgage over machinery
	Sampath Bank (3 Month Libor + 3.80%)	131,922	-	Monthly installments ending 2022.	Mortgage over machinery
Talawakelle Tea Estates PLC	NDB Bank PLC (6.3%)	13,096	16,589	72 monthly installments	None
	Sri Lanka Tea Board (5%)	-	993	36 monthly installments commenced in May 2016	Tea Sales Proceeds
Ravi Industries (Pvt) Ltd.	Hatton National Bank PLC-USD (3 months LIBOR + 4%)	-	20,791	60 monthly installments commenced in January 2016	Primary Mortgage over specific Machinery.
	Standard Chartered Bank PLC (1M LIBOR + 2.75%)	64,807	80,704	60 monthly installments commenced in February 2019	Mortgage on Land at Ekala
	Standard Chartered Bank PLC (AWPLR + 0.5%)	58,333	78,341		
Chas P. Hayley & Co. (Pvt) Ltd.	Hatton National Bank PLC- (AWPLR + 1.5%)	87,500	117,500	60 monthly installments	Corporate guarantee for Rs.150 mn from Volanka Ltd.
Toyo Cushion Lanka (Pvt) Ltd.	HSBC (3 Months LIBOR + 3.6%)	141,246	-	48 Installments ending 2024.	Primary mortgage over Land and building at Thimbrigaskatuwa and machinery
Rileys (Pvt) Ltd.	Hatton National Bank PLC- (AWPLR + 1.5%)	85,000	115,000	60 Installments ending 2024.	Corporate guarantee from Volanka Ltd.
	HSBC (3 Month LIBOR + 3.6%)	141,246	-	48 Installments ending 2024.	Corporate guarantee from Hayleys Fibre PLC
Alumex PLC	Standard Chartered Bank PLC (AWPLR + 0.25%)	400,000	800,000	48 monthly installments commenced in April, 2018	None
	Peoples Bank PLC (AWPLR + 1%)	31,250	68,750	48 monthly installments commenced in February, 2018	None
	DFCC Bank PLC (AWPLR + 1.25%)	240,000	330,000	60 monthly installments commenced in December, 2018	None
	Commercial Bank of Ceylon PLC (AWPLR + 1%)	682,700	-	60 monthly installments commenced in November, 2019	None

Company	Lender/rate of interest (p.a.)	2020 Rs. '000	2019 Rs. '000	Repayment	Security
The Kingsbury PLC	DEG Deutsche Investitions (6 Months LIBOR + 4.25%)	-	293,486	Semi annual repayment on each 15th of June and December respectively commenced on 15th June 2015. for 12 installments	Mortgage on leasehold land, building and fixtures (building and building intergals) and movable assets, furniture, equipment (Plant & Machinery & equipment, furniture & fittings ,Motor Vehicles and linen, cutlery, cookery and glassware)
	Bank of Ceylon PLC (AWPLR + 0.5%)	291,666	262,500	36 monthly installments commencing after 12 months grace period	
	Bank of Ceylon PLC (1%+364 Days Treasury Bill Rate)	16,552	-	21 Monthly installments commenced in March 2020	
	Bank of Ceylon PLC (AWPLR + 1%)	110,000	-	Monthly installments over 7 years including 18 months grace period.	
	Bank of Ceylon PLC-Enterprise Sri Lanka (6 Months AWPLR + 1%)	156,250	-	Monthly installments over 2 years	
Sun Tan Beach Resorts Ltd.	DFCC Bank PLC (PLR + 1%)	125,124	133,543	60 Months, Monthly, end on September 2022	Leasehold Right of the land and Hotel building belongs to Sun Tan Beach Resorts Ltd
	Hatton National Bank PLC (PLR + 7.5%)	618,355	495,203	60 Months, Monthly, end on November 2023	
Hayleys Neluwa Hydro Power (Pvt) Ltd.	Hatton National Bank PLC (AWPLR + 0.5%)	71,498	123,998	To be repaid over a period of 8 years	Mortgage Bond for Rs.250mn over 30mn ordinary shares of Hayleys Neluwa Hydro Power (Pvt) Ltd valued at Rs 300mn and Corporate Guarantee of Hayleys Aventura (Pvt) Ltd for 250mn.
	DFCC Vardhana Bank PLC (AWPLR + 0.5%)	215,278	291,617	72 monthly installments after a grace period of 2 years	
Neluwa Cascade Hydro Power (Pvt) Ltd.	Sampath Bank PLC (AWPLR + 0.5%)	-	5,291	60 Monthly installments commenced in July, 2015	Primary mortgage for Rs. 100 mn over the project land & assets
Fentons Ltd.	Standard Chartered Bank PLC (AWPLR + 0.5%)	-	29,111	48 monthly installments ending in January 2021	Corporate Guarantee from Hayleys PLC
	Sampath Bank PLC (AWPLR + 1.5 %)	150,000	270,000	60 monthly installments ending in June 2022	
Solar One Ceylon (Pvt) Ltd.	Sampath Bank PLC (AWPLR + 0.75%)	785,000	1,083,950	33 equal monthly installments	Mortgage over land of the project
Nirmalapura Wind Power (Pvt) Ltd.	Hatton National Bank PLC (AWPLR + 0.75%)	1,560	26,520	36 equal monthly installments commencing July 2018	None
Luxury Resort (Pvt) Ltd.	Sampath Bank PLC (LIBOR + 5%)	3,506,223	3,480,098	90 equal monthly installments on December 2027	Leasehold Right of the land and Hotel building belongs to Luxury Resort (Pvt) Ltd
Hayleys Tours (Pvt) Ltd.	Bank of Ceylon PLC (Fixed 4%)	29,200	-	24 monthly installments	Corporate guarantee from Hayleys PLC

## Notes to the Financial Statements

### 25.12 Long Term Borrowings Repayable After One Year (Contd.)

Company	Lender/rate of interest (p.a.)	2020 Rs. '000	2019 Rs. '000	Repayment	Security
Singer (Sri Lanka) PLC	Standard Chartered Bank PLC (12.95%)	-	220,375	Quarterly installments over three years commenced June -2017	None
	Commercial Bank of Ceylon PLC (AWPLR + 1% )	-	1,250,000	Quarterly installments over three year commenced in December 2017	None
	Commercial Bank of Ceylon PLC (AWPLR + 1% - Floor 11.00%)	1,000,000	2,000,000	Quarterly installments commenced in June 2019	Negative Pledge
	Sampath Bank PLC (AWPLR + 1%)	750,000	1,750,000	Quarterly installments commenced in January 2019	Negative pledge over fixed assets of the company
	Hatton National Bank PLC (PLR + 1%)	500,000	1,500,000	Quarterly installments commenced in November 2018	None
	Commercial Bank of Ceylon PLC (Fixed - 10.50%)	2,000,000	-	Quarterly installments commencing June 2020	Negative Pledge
	Sampath Bank PLC (AWPLR + 1%)	1,250,000	-	Quarterly installments commenced in September 2019	Negative Pledge
Singer Finance (Lanka) PLC	Sampath Bank PLC (AWPLR + 1.5%)	-	93,300	60 monthly installments commenced in March 2016	Mortgage over lease and hire purchase debtors
	Seylan Bank PLC (AWPLR + 2%)	283,420	383,300	Monthly installments commenced in February 2019	Mortgage over lease
	Capital Alliance Limited (13.32%)	120,000	270,000	To be repaid over a period of 3 years	Mortgage over lease
	Agora Securities (pvt) Ltd. (AWPLR + 1.75%)	228,500	807,099	Quarterly installments commenced in March 2019	Mortgage over lease
	Agora Securities (pvt) Ltd. (AWPLR + 2.50%)	203,040	250,560	Monthly installments commenced in October 2019	Mortgage over lease
	Bank of Ceylon PLC (AWPLR + 1.75%)	358,333	-	Monthly installments commenced in November 2019	Mortgage over lease
	Commercial Bank of Ceylon PLC (AWPLR + 1.75%) (Cap 12.75% - Floor 16%)	230,000	-	Quarterly installments commenced in May 2019	Mortgage over lease
	Agora Securities (Pvt) Ltd. (AWPLR + 2.50%)	77,280	-	Monthly installments commenced in December 2019	Mortgage over lease
	Capital Alliance Limited (AWPLR + 2.40%)	356,000	-	Monthly installments commenced in December 2020	Mortgage over lease
	Agora Securities (Pvt) Ltd. (AWPLR + 2.25%)	164,160	-	Monthly installments commenced in January 2020	Mortgage over lease
		38,451,271	33,668,530		



## 26 Grants

As at 31st March	Consolidated	
	2020 Rs.'000	2019 Rs.'000
At the beginning of the year	777,850	772,147
Grants received during the year	38,095	36,626
Disposal of subsidiaries	-	(15)
Amortised during the year	(27,952)	(30,908)
At the end of the year	787,993	777,850

### 26.1 Grants Received for the Group during the period is as follows:

Kelani Valley Plantations PLC - Grants were 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, Save the Children International and Rubber Development Department of Ministry of Plantation Industries.

26.2 There are no conditions or contingencies attached to these grants.

## 27 Deferred Taxation

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Deferred tax assets	1,241,800	926,286	71,215	-
Deferred tax liabilities	5,120,949	5,191,022	-	-
Net Deferred Tax Liabilities	3,879,149	4,264,736	(71,215)	-

### 27.1 Net Deferred Tax liabilities

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
At the beginning of the year	4,264,736	3,906,820	-	-
Effect of transition to SLFRS 9 and SLFRS 15	-	(114,982)	-	-
Effect of transition to SLFRS 16	(234,287)	-	-	-
Amount originating during the year- Income Statement	(31,695)	(90,154)	(69,336)	-
Amount originating during the year- Other Comprehensive Income	(149,411)	(64,323)	(1,879)	-
Acquisition through business combinations	-	194	-	-
Transfer from Income tax receivable	-	(36,371)	-	-
Disposal of subsidiary	-	(42,057)	-	-
On revaluation of land	-	695,422	-	-
Effect of movements in exchange rates	29,806	10,187	-	-
At the end of the year	3,879,149	4,264,736	(71,215)	-

## Notes to the Financial Statements

### 27.2 Net Deferred Tax Liabilities are attributable to the following as at the year end

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
<b>Deferred tax assets</b>				
Tax effect of employee benefit obligations	(1,708,632)	(1,311,007)	(72,019)	-
Tax effect of tax loss carried forward	(1,101,592)	(1,249,592)	-	-
Tax effect of provisions	(1,581,152)	(544,684)	-	-
	(4,391,376)	(3,105,283)	(72,019)	-
<b>Deferred tax liabilities</b>				
Tax effect of property, plant & equipment	8,002,214	7,096,673	(1,736)	-
Tax effect of investment properties	268,311	273,346	2,540	-
	8,270,525	7,370,019	804	-
<b>Net deferred tax liabilities</b>	<b>3,879,149</b>	<b>4,264,736</b>	<b>(71,215)</b>	<b>-</b>

### 28 Employee Benefit Obligations

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Present value of unfunded gratuity	9,240,100	8,500,108	952,633	883,063
<b>At the beginning of the year</b>	<b>8,500,108</b>	<b>7,337,659</b>	<b>883,063</b>	<b>713,730</b>
Acquisition through business combinations	-	22,984	-	-
Disposal of subsidiary	-	(4,816)	-	-
Transferred to Equity Accounted Investees	-	(5,722)	-	-
Transferred from outside	-	27,493	-	-
Effect of movements in exchange rates	3,099	33,573	-	-
Benefits paid during the year	(810,401)	(705,038)	(87,704)	(28,277)
Current service costs	622,067	571,677	40,897	38,843
Interest cost	862,114	741,653	91,519	82,217
Actuarial loss	63,113	480,645	24,858	76,550
<b>At the end of the year</b>	<b>9,240,100</b>	<b>8,500,108</b>	<b>952,633</b>	<b>883,063</b>

For the year ended 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
The expense is recognised in the following line items in the Statement of Profit or Loss				
Cost of sales	288,428	225,182	2,808	3,073
Administrative expenses	1,185,195	801,601	129,608	117,987
Distribution expenses	10,558	286,548	-	-
	1,484,181	1,313,331	132,416	121,060

An actuarial valuation of the retirement gratuity payable was carried out as at March 31, 2020 by Mr. M Poopalanathan, AIA, of Messrs. Actuarial & Management Consultants (Pvt) Ltd. and Mr. Pushpakumar Gunasekara, AIA, of Messrs. Smiles Global (Pvt) Ltd., firms of professional Actuaries. The valuation method used by the actuaries to value the liability is the "Projected Unit Credit Method (PUC)", the method recommended by the Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits".

### 28.1 Actuarial assumptions

The following key assumptions were made in arriving at the above figure.

As at 31st March	Others		Plantation	
	2020	2019	2020	2019
Rate of discount	1% - 10%	1% - 11%	10%	11%
Salary increase	1% - 9%	1% - 10%	9% - 18%	10% - 20%

Assumptions regarding future mortality are based on the A1967/70 for Staff/Executive and A1949/52 for Worker, issued by the Institute of Actuaries, London.

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

**28.2** The Group's and Company employee benefit obligations would have been Rs. 8,126mn (2019- Rs. 7,627mn) and Rs. 810mn (2019- Rs. 762mn) respectively, as at the reporting date had the Group calculated its retirement benefit obligation as per the requirements of the Payments of Gratuity Act no 12 of 1983, applying the basis of computation given in page 121 to the Financial Statements.

### 28.3 Sensitivity Analysis - Salary Escalation Rate/Discount Rate

Values appearing in the Financial Statements are very sensitive to the changes in financial and non financial assumptions used.

A Sensitivity was carried out as follows,

**A one percentage point change in the salary escalation rate**

	Consolidated		Company	
	+1%	-1%	+1%	-1%
The present value of defined benefit obligation (Rs.'000)	9,783,571	8,799,105	989,616	918,128

## Notes to the Financial Statements

### 28.3 Sensitivity Analysis - Salary Escalation Rate/Discount Rate (Contd.)

A one percentage point change in the discount rate

	Consolidated		Company	
	+1%	-1%	+1%	-1%
The present value of defined benefit obligation (Rs.'000)	8,774,820	9,809,706	924,543	983,400

### 28.4 Distribution of Employee Benefit Obligation over Future Working Lifetime

As at 31st March	Consolidated		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Less than or equal 1 year	1,807,115	1,573,686	485,362	486,330
Over 1 year and less than or equal 5 years	3,254,011	3,019,702	188,103	141,979
Over 5 year and less than or equal 10 years	2,579,632	2,297,432	226,270	209,884
Over 10 years	1,599,342	1,609,288	52,898	44,870
	9,240,100	8,500,108	952,633	883,063

## 29 Trade and Other Payables

As at 31st March	Consolidated		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade payables	17,835,959	14,283,458	-	-
Bills payable	641,737	1,646,930	-	-
Other payables including accrued expenses	12,161,501	11,476,107	417,179	387,653
Unclaimed dividends	464,548	709,916	57,801	69,219
Provision	916,094	423,825	-	-
	32,019,839	28,540,236	474,980	456,872

### 29.1 Provisions

As at 31st March	Consolidated			
	Maintenance warranties **	Other	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	401,567	22,258	423,825	168,772
Arising during the year	57,316	318,770	376,086	233,377
Transfer from accruals	8,954	353,262	362,216	-
Effect of transition to SLFRS 15	-	-	-	137,645
Utilised	(139,873)	(106,160)	(246,033)	(115,969)
At the end of the year	327,964	588,130	916,094	423,825

**\*\*Maintenance warranties**

A provision for maintenance warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of possible outcomes against their associated probabilities.

**Hayleys Agriculture Holdings Ltd.** - Sells heavy machineries such as combine harvesters, combine threshers and four wheel tractors. A provision exists for warranty claims which may arise on machines sold.

**Alumex PLC** - Provision is recognised for expected warranty claims on wood finished product sold.

**Singer (Sri Lanka) PLC** - Warranty provision to cover both manufacturing defects & defects of imported Products.

**Hayleys Lifesciences (Pvt) Ltd.** - Provision is recognised for equipment sold.

**Hayleys Aventura (Pvt) Ltd.** - Warranty is recognised for generators sold.

**29.2 Currency wise Analysis of Trade and Other Payables**

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Sri Lankan Rupees	21,662,645	17,423,277	474,980	456,872
Pounds Sterling	40,504	326,782	-	-
United States Dollars	6,196,214	6,971,429	-	-
Euro	932,123	994,154	-	-
Thai Baht	1,976,920	1,592,906	-	-
Bangladesh Taka	346,235	162,857	-	-
Maldivian Rufiyaa	215,315	527,580	-	-
Others	649,883	541,251	-	-
	32,019,839	28,540,236	474,980	456,872

**29.3 Other Liabilities**

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Other tax payable	1,737,283	1,924,376	6,248	32,201
Other payable	561,073	960,834	-	-
Payments received in advance	2,878,647	2,252,850	-	-
	5,177,003	5,138,060	6,248	32,201
<b>Other Current Liabilities</b>	3,447,003	3,690,060	6,248	32,201
<b>Other Non Current Liabilities</b>	1,730,000	1,448,000	-	-

## Notes to the Financial Statements

### 29.4 Deferred revenue

As at 31st March	Consolidated	
	2020 Rs.'000	2019 Rs.'000
At the beginning of the year	273,972	246,289
Transferred from Accruals	202,834	-
Effect of transition to SLFRS 15	-	88,974
Amounts recognised during the year	445,815	112,452
Amounts transferred during the year	(539,403)	(173,743)
At the end of the year	383,218	273,972

Deferred Revenue includes deferred service fee on air conditioners, Sanasuma Insurance Scheme and amount deferred on motor bike services income as at 31st March 2020.

## 30 Income Tax

### 30.1 Income Tax Recoverable

As at 31st March	Notes	Consolidated		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
At the end of the year	30.2	1,497,885	777,540	62,917	42,885

### 30.2 Income Tax Payable

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
At the beginning of the year	(8,880)	67,355	(42,885)	(12,670)
Subsidiaries'/ parents' taxation on current year's profit	2,349,625	2,065,432		
Irrecoverable economic service charge	-	129,188		
Under provision in respect of previous years	(16,887)	69,249	78,295	4,408
Tax on dividend	240,666	501,357	-	-
Acquisition through business combinations	-	5,001	-	-
Set off against Economic Service Charge	(20,206)	(59,950)	-	-
Disposal of subsidiaries	-	2,572	-	-
Transferred to Deferred Tax	-	36,371	-	-
Economic Service Charge transferred from Other current assets	(165,845)	-	-	-
Tax credits received	59,814	49,056	-	-
Effect of movements in exchange rates	(5,075)	24,974	-	-
Payments made during the year	(3,176,145)	(2,899,484)	(98,327)	(34,623)
<b>Net Income Tax payable/(recoverable)</b>	<b>(742,933)</b>	<b>(8,880)</b>	<b>(62,917)</b>	<b>(42,885)</b>
Income tax recoverable	1,497,885	777,540	62,917	42,885
At the end of the year	754,952	768,660	-	-

### 31 Short-Term Interest Bearing Borrowings

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Sri Lankan Rupees	31,176,387	35,398,701	5,531,105	5,378,333
Pounds Sterling	61,966	43,430	-	-
United States Dollars	10,803,910	9,688,852	-	-
Euro	198,233	319,962	-	-
Thai Baht	86,831	620,989	-	-
Indonesian Rupiah	850,280	726,640	-	-
Bangladesh Taka	840,858	650,086	-	-
Others	522,349	361,591	-	-
	44,540,814	47,810,251	5,531,105	5,378,333

### 32 Contingent Liabilities and Commitments

#### 32.1 Contingent Liabilities

##### Company

- The contingent liability as at 31st March, 2020 on guarantees given by Hayleys PLC, to third parties amounted to Rs. 1,057 mn (2019 - 957 mn). This relates to facilities obtained by subsidiaries.

##### Group

##### Haycarb PLC

- The contingent liability as at 31st March 2020 on guarantees given by Haycarb PLC to third parties amounted to Rs. 3,908 mn (2019 – Rs. 2,590 mn). Of this sum, Rs. 3,636 mn (2019 – Rs. 2,119 mn) relates to facilities obtained by subsidiaries.

##### Dipped Products PLC

- The contingent liabilities as at March 31, 2020 amounting to Rs. 194 mn (2019 – Rs. 18 mn). This include letter of Credit outstanding of Rs. 52 mn (2019 - Rs. 13 mn) and Contingent liabilities that may result, depending on the timing of the taxability of certain fair value adjustments in Plantation sector of Rs. 142 mn (2019 - Rs. 4.5 mn). Bank guarantees provided on behalf of the companies within the group 0.36mn at the end of the year (2019 - Rs. 0.36 mn). Having discussed with the legal experts and based on information available, the Board of Directors are confident that the ultimate resolution on the cases against the company are unlikely to have a material effect on the financial position of the company.

##### Singer (Sri Lanka) PLC

- Singer (Sri Lanka) PLC has provided bank guarantees amounting to Rs.292 mn to Director General of Customs to clear imports during the years 2008 to March 2019. The bank guarantee related to alleged additional duty payable on imports, claimed by the customs and is being contested by the company in courts. The Court of Appeal ordered that the Director General of Customs continue with the investigations. The Company being aggrieved by the decision has filed an appeal, which is pending before the Supreme Court. The company lawyers are of the opinion that there is no basis that the Company is liable for the additional duty. Based on the information available and based on the probability of outcome and based on assessment the probability is higher that the company would not be required to settle the liabilities. hence, no provision is made in the Financial Statements.
- Singer Finance (Lanka) PLC has provided letters of guarantee totalling to Rs. 4.5 mn against Fixed Deposits of Rs. 4.7 mn.
- Regnis Lanka PLC has provided Corporate guarantees to banks on behalf of Regnis Appliances (Pvt) Ltd. amounting to Rs. 410 mn for the purpose of obtaining banking facilities.
- Regnis Lanka PLC cleared a shipment of imported goods during the year 2008 on provision of a bank guarantee amounting to Rs. 6.5 mn to the Director of Customs. The bank guarantee relates to alleged additional duty payable on imports which is contested by the Company. The customs inquiry initiated in 2008 is still pending. The management is of the opinion that there is no basis that the Company is liable for the additional duty and hence, no provision is made in the financial statements.



## Notes to the Financial Statements

### 32.1 Contingent Liabilities (Contd.)

#### Kingsbury PLC

- The application filed by legal counsel on behalf of the Company objecting the order made by the Learned Magistrate of Maligakanda Magistrate Court for the Company to pay 1% of the turnover of the Hotel as license fees to the Colombo Municipal Council (CMC). The Company filed a petition of appeal on 27 January 2011 in the court of appeal. The Court of appeal has abated the matter pending the decision of the court in the writ Application filed challenging the levying of 1% of Turnover as License Duty.
- There are ten cases filed by the Colombo Municipal Council at the Maligakanda Magistrate Court for operating a restaurant without obtaining a requisite license in the years 2009 (13219/M), 2010 (14158/M), 2011 (15464/R), 2013 (28930/14), 2014 (16397/15), 2015 (15580/16), 2016 (15689/17), 2017 (16909/18), 2018 (16251/19) and 2019 (4689/20). The above cases will be called before the Magistrate's Court of Maligakanda in following manner:
  - Case filed for 2010 to 2019 have concluded in the Magistrate's Court with the Hon. Magistrate holding against the Company and fining the Company LKR. 100/-, for each case, which fine has been paid, as of date. Appeals have been filed against the Judgements in the said cases, and the same are pending listing before the High Court. The case filed for 2019 was called before the Magistrate's Court of Maligakanda on the 24 February 2020, and, upon the Hotel pleading not guilty, was fixed for trial on 23 March 2020. However, due to the situation prevailing in the country, with the outbreak of the Covid 19 pandemic, and curfew that has been in place. The matter was not taken up for trial. We are at present unable to ascertain the next date for trial.
  - The writ application (766/2010) filed by the company challenging, inter alia, the decision taken by Colombo Municipal Council to levy license fees equivalent to 1% of the total annual turnover as a pre-condition to the issue of the Annual Trade License for the years 2008, 2009 and 2010 in respect of the restaurant operated at hotel premises. Judgment was delivered on 19 September 2019, and their Lordships of the Court of Appeal dismissed the application and ordered costs. Costs have not been determined as of date. The case was appealed to the Supreme Court, however, the appeal has yet to be supported.

### 32.2 Commitments

#### Group

In terms of the lease agreements entered into, minimum future lease payments payable by the Group is as follows.

As at 31st March	2020 Rs.'000	2019 Rs.'000
Repayable within one year	1,057,619	154,678
Repayable after one year less than 5 years	3,856,411	473,938
Repayable after 5 years	2,771,791	1,076,789
	7,685,821	1,705,405

### 33 Foreign currency translation

The principal exchange rates used for translation purposes were:

	Average		As at 31st March	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
United States Dollar	180.28	169.55	189.91	176.09
Australian Dollar	122.34	123.28	117.32	124.81
Pound Sterling	228.63	222.05	234.40	230.21
Thai Baht	5.82	5.25	5.79	5.54
Bangladesh Taka	2.13	2.02	2.22	2.10
Euro	200.19	195.82	209.42	197.77
Indian Rupee	2.54	2.43	2.50	2.55
Indonesian Rupiah	0.01	0.01	0.01	0.01
Maldivian Rufiyaa	11.66	10.98	12.20	11.39

### 34 Functional Currency

The Group's functional currency is Sri Lankan Rupee, except in the following subsidiaries and equity accounted investees where the functional currency is different as they operate in different economic environments.

Company	Functional Currency
Hayleys Fabric PLC	USD
Haychem (Bangladesh) Ltd.	Taka
PT Mapalus Makawanua Charcoal Industry	Indonesian Rupiah
Haycarb Holdings Bitung Ltd.	USD
Eurocarb Products Ltd.	Pounds Sterling
Haycarb Holdings Australia (Pty) Ltd.	Australian Dollars
Haycarb USA Inc.	USD
Carbokarn Co. Ltd.	Thai Baht
Haylex BV Group	Euro, Yen & USD
Dipped Products (Thailand) Ltd.	Thai Baht
CK Regen Systems Co. Ltd.	Thai Baht
ICOQUANTI S.p.A	Euro
Civaro Freight India (Pvt) Ltd.	Indian Rupees
Hayleylines Limited	USD
Logiwiz Logistics India (Pvt) Ltd.	Indian Rupees
Shizuka Co. Ltd.	Thai Baht
Charles Fibre (Pvt) Ltd.	Indian Rupees
PT Haycarb Palu Mitra	Indonesian Rupiah
Haylex USA	USD
Nautical Maldives (Pvt) Ltd.	Maldivian Rufiyaa
One World Logistics Maldives (Pvt) Ltd.	Maldivian Rufiyaa
Super Logistics (Pvt) Ltd.	Maldivian Rufiyaa
Total Transport Solutions Maldives (Pvt) Ltd.	Maldivian Rufiyaa
Advantis Singapore Pte Ltd.	Singapore Dollars
Advantis Kusuhara Sedate Myanmar (Pvt) Ltd.	Kyat
Luxury Resorts (Pvt) Ltd.	USD
Advantis Sedate Myanmar (Pvt) Ltd.	Kyat
Advantis Intasl Bangladesh (Pvt) Ltd.	Taka
PT Advantis Akaza Indonesia	Indonesian Rupiah

## Notes to the Financial Statements

### 35 Events Occurring After the Reporting Date

Other than what is mentioned below, no other circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the Financial Statements.

### 36 Companies with Different Accounting Years

The Financial Statements of, Haylex BV Group has been prepared for the year ended 31st December and ICOGUANTI S.p.A has prepared for the year ended 28th February. These Companies have been consolidated based on the Financial Statements drawn up to 31st December and 28th February since these subsidiaries are not material to the Group.

### 37 Acquisition and Disposal of Subsidiaries and Equity Accounted Investees

No acquisitions or disposals of Subsidiaries and Equity Accounted Investees occurred during the financial year 2019/20.

#### 37.1 Principal subsidiaries with material non-controlling interests

Summarised financial information in respect of Hayleys PLC's subsidiaries that have material non-controlling interest, reflecting amounts before inter-company eliminations, is set out below.

As at 31st March 2020	Dipped Products PLC Rs.'000	Haycarb PLC Rs.'000	Hayleys Advantis Ltd Rs.'000	Singer (Sri Lanka) PLC Rs.'000
Non-controlling interest in %	44	32	4	10
Non-current assets	15,569,927	6,899,172	21,642,065	23,276,547
Current assets	11,709,180	12,546,480	19,689,582	41,441,139
<b>Total assets</b>	<b>27,279,107</b>	<b>19,445,652</b>	<b>41,331,647</b>	<b>64,717,686</b>
Non-current liabilities	6,015,541	1,055,490	13,974,203	16,898,160
Current liabilities	7,232,535	7,733,503	20,679,724	39,631,619
<b>Total liabilities</b>	<b>13,248,076</b>	<b>8,788,993</b>	<b>34,653,927</b>	<b>56,529,779</b>
Equity attributable to the owners of the company	11,136,862	9,321,215	4,941,272	6,568,894
Non-controlling interests	2,894,169	1,335,444	1,736,449	1,619,012
<b>For the year ended 31st March 2020</b>				
Revenue from contracts with customers	30,562,982	22,822,743	43,604,358	54,751,038
Profit after tax	850,293	1,766,044	1,498,114	427,268
Profit attributable to the owners of the company	748,097	1,558,596	486,110	280,735
Profit attributable to the non-controlling interests	102,196	207,448	1,012,004	146,533
Total comprehensive income	889,466	1,755,447	1,930,556	449,249
Dividend paid to non controlling interests	68,391	-	802,480	31,299
Net cash inflow from operating activities	3,001,924	2,607,969	1,049,793	593,988
Net cash (outflow) from investing activities	(1,652,055)	(662,857)	(2,941,310)	(928,487)
Net cash (outflow)/inflow from financing activities	(1,610,081)	(416,405)	2,521,826	(449,501)
<b>Total net cash (outflow) /inflow</b>	<b>(260,212)</b>	<b>1,528,707</b>	<b>630,309</b>	<b>(784,000)</b>

### 38 Related Party Transactions

#### 38.1 Parent and Ultimate Controlling Party

Company does not have an identifiable parent of its own.

#### 38.2 Transactions with Key Management Personnel

##### 38.2.1 Loans to Directors

No loans have been given to the Directors of the Company.

##### 38.2.2 Key Management Personnel Compensation

Key management personnel comprise the Directors of the company and details of compensation are given in Note 10 to the Financial Statements.

For the year ended 31st March	Consolidated		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Short term employee benefit	1,691,523	1,391,652	381,363	254,637
Post employee benefit	-	-	-	-
Other long term benefit	-	-	-	-
Termination benefits	-	-	-	-
Share based payment	-	-	-	-
	1,691,523	1,352,140	381,363	254,637

##### 38.2.3 Other Transactions With Key Management Personnel

38.2.3.1 The names of Directors of Hayleys PLC, who are also directors of subsidiaries joint ventures and equity accounted investees companies are stated on pages 76 to 78 to the Financial Statements.

38.2.3.2 Details of directors and their spouses' share holdings are given on page 222. There were no other transactions with key management personnel other than those disclosed in Note 38 to the Financial Statements.

38.2.3.3 The under mentioned 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	Colombo 08	Hayleys PLC	5,000

#### 38.3 Transactions with Subsidiaries, Equity Accounted Investees & Other Related Companies

Relationships with subsidiaries and equity accounted investees are explained in Note 18 and also under Group Companies in pages 224 and 226. Business segment classification is also given under Group Companies.

38.3.1 Companies within the Group engage in trading transactions under relevant commercial terms and condition.

## Notes to the Financial Statements

38.3.2 Hayleys PLC. provides office space to its subsidiary and equity accounted investees and charges rent. In addition the Company incurs common expenses such as on finance, export shipping, secretarial, data processing, personnel and administration functions. Such costs are allocated to subsidiary and equity accounted investees. Details are given below.

For the year ended 31st March	Company					
	2020			2019		
	Rs.' 000			Rs.' 000		
	Rent	Common expenses	Purchase of goods and services	Rent	Common expenses	Purchase of goods and services
Eco solutions	13,314	135,626	1,683	12,680	117,850	1,980
Hand protection	23,627	236,953	-	22,906	193,936	-
Purification	39,730	159,725	26	37,838	149,985	81
Textiles	-	115,993	-	-	105,963	-
Construction materials	185	69,980	-	3,114	91,390	1,367
Agriculture	24,283	131,066	5,096	24,391	131,099	7,412
Plantations	28,079	127,714	524	26,338	108,774	1,182
Industry inputs	36,577	65,445	884	18,202	78,417	1,781
Power & energy	-	14,765	-	-	22,350	-
Transportation & logistics	78,010	235,005	9,405	76,795	165,921	10,904
Consumer & retail	13,124	114,124	4,088	27,192	150,093	6,395
Leisure	34,557	275,625	19,207	32,098	228,107	35,833
Others	24,475	181,126	33,819	22,271	111,455	29,272
	315,961	1,863,147	74,732	303,825	1,655,340	96,207

### 38.4 Amount Due From/Due To Subsidiaries

As at 31st March	Company			
	2020		2019	
	Rs.' 000		Rs.' 000	
	Receivable	Payable	Receivable	Payable
Eco solutions	193,175	(1,452)	144,946	(383)
Hand protection	142,977	-	104,639	-
Purification	239,866	(16)	182,951	(6)
Textiles	22,914	-	11,040	-
Construction materials	169,547	-	166,747	-
Agriculture	145,780	(751)	717,914	(587)
Plantations	123,034	-	64,796	(41)
Industry inputs	634,626	(183)	467,629	(5)
Power & energy	71,335	-	16,661	-
Transportation & logistics	586,085	(1,849)	642,640	(1,043)
Consumer & retail	197,994	(724)	298,825	(631)
Leisure	350,162	(1,082)	149,306	(1,133)
Others	310,055	(63,255)	445,797	(33,474)
	3,187,550	(69,312)	3,413,891	(37,303)

### 38.5 Amount Due From/Due To Equity Accounted Investees

As at 31st March	Consolidated				Company			
	2020		2019		2020		2019	
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
	Receivable	Payable	Receivable	Payable	Receivable	Payable	Receivable	Payable
Eco solutions	12,768	-	24,741	(289)	7,947	-	1,072	-
Purification	14,018	-	16,311	-	137	-	48	-
Transportation & logistics	69,521	-	9,962	(1,116)	14,978	-	429	-
Plantations	31,330	(3,152)	7,177	(3,152)	17,177	(3,152)	6,873	(3,152)
Power & energy	22,500	-	-	-	-	-	-	-
Others	-	-	44,486	-	-	-	5,148	-
	150,137	(3,152)	102,677	(4,557)	40,239	(3,152)	13,570	(3,152)

### 38.6 Transactions With Other Related Companies

Company	Relationship	Name of director	Nature of transaction	Amount Rs.000
LB Finance PLC	Control/Significant share holder	K.D.D. Perera	Interest and other amounts paid	11,546
			Facility	14,564
			Outstanding	3,653
			Amounts Received	20,658
Pan Asia Banking Corporation PLC	Significant share holder	K.D.D. Perera	Bank facility	569,717
			Outstanding	(457,498)
			Interest paid	18,574
			Amounts Received	26,760
Royal Ceramics Lanka PLC	Control/Significant share holder	K.D.D. Perera	Purchase of Goods & services	12,966
			Outstanding	2,471
			Amounts Received	12,637
Delmege Limited	Control/Significant share holder	K.D.D. Perera	Amount paid	15,699
			Outstanding	(960)
			Amounts Received	385
Vallibel One PLC	Control/Significant share holder	K.D.D. Perera	Outstanding	(13,469)
			Amounts Received	4,672
Vallibel Finance PLC	Control/Significant share holder	K.D.D. Perera	Amounts Received	554
Uni-Dil Packaging Limited	Control/Significant share holder	K.D.D. Perera	Amounts paid	67,997
			Outstanding	(341)
			Amounts Received	12,395
Horana Plantations PLC	Control/Significant share holder	K.D.D. Perera	Amounts paid	17,656
			Outstanding	16,238
			Amounts Received	3,921

## Notes to the Financial Statements

### 38.6 Transactions With Other Related Companies (Contd.)

Company	Relationship	Name of director	Nature of transaction	Amount Rs.000
Swisstek (Ceylon) PLC	Control/Significant share holder	K.D.D. Perera	Amounts paid	728
			Outstanding	(735)
Delmege Forsyth & Co.Ltd	Control/Significant share holder	K.D.D. Perera	Amounts paid	538
			Outstanding	(177)
			Amounts Received	838
Lanka Tiles PLC	Control/Significant share holder	K.D.D. Perera	Amounts Received	34,133
			Outstanding	5,814
The Fortress Resorts PLC	Control/Significant share holder	K.D.D. Perera	Amounts Received	9,815
Vallibel Plantation Management Limited	Control/Significant share holder	K.D.D. Perera	Amounts paid	5,988
Delmege Insurance Brokers (Pvt) Ltd.	Control/Significant share holder	K.D.D. Perera	Outstanding	190
			Amounts Received	4,976

**38.7** Details of guarantees given in respect of related parties are given in Note 32 to the Financial Statements. Further, Hayleys PLC has provided a letter of comfort to The Kingsbury PLC (a Subsidiary), to provide required support to secure the loan repayments due to financial institutions in event The Kingsbury PLC is unable to meet its obligations.

**38.8** No provision was made in respect of related party receivables.

**38.9** No security has been obtained for related party receivables and all related party dues are payable on demand.

**38.10** Interest on related party dues are decided based on the inter bank lending rates, associated risk and purpose for which funds are used.

**38.11** There are no related parties or related party transactions other than those disclosed in Note 38 to the Financial Statements.



### 39 Discontinued Operations/ Assets Held For Sales

Assets and Liabilities of discontinued operations

As at 31st March	Consolidated	
	2020 Rs.'000	2019 Rs.'000
<b>Assets classified as held for sale</b>		
Property, plant & equipment	-	51,900
Trade and other receivables	1,906	1,906
Cash in hand and at bank	1,115	1,115
<b>Total assets</b>	<b>3,021</b>	<b>54,921</b>
<b>Liabilities directly associated with assets classified as held for sale</b>		
Trade and other payables	332	332
<b>Total liabilities</b>	<b>332</b>	<b>332</b>

Civaro Freight India (Pvt) Ltd., which was set up in India, to develop an international freight management network, has now ceased operation due to the negative effect of the global recession and will be wound up.

## Notes to the Financial Statements

### 40. Segment Analysis

The segment information is based on two segmental formats. The business segment is considered as the primary format and based on the management structure of the Group. The management are of the view that the Chairman is considered the Chief Operating decision maker and resources are allocated and performance assessed based on the sectors, Therefore each sector which falls under the purview of a different GMC member is considered a separate segment.

For the year ended 31st March, In Rs '000	Eco Solutions		Hand Protection		Purifications		Textiles		Construction Materials		Plantation		Agriculture	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Revenue</b>														
Total	6,647,327	7,107,525	17,880,035	17,130,047	22,822,743	20,917,945	12,099,878	11,858,435	4,729,950	5,132,712	12,643,867	13,221,734	14,304,404	16,110,030
Intra Group	(431,167)	(514,538)	(9,803)	(19,223)	-	-	-	-	(85,222)	(141,252)	-	(213,536)	(673,389)	(1,142,573)
External	6,216,160	6,592,987	17,870,232	17,110,824	22,822,743	20,917,945	12,099,878	11,858,435	4,644,728	4,991,460	12,643,867	13,008,198	13,631,015	14,967,457
<b>Segment results</b>														
Results from operating activities	435,086	439,589	1,090,832	883,475	2,501,619	1,524,699	445,181	464,782	460,589	594,125	406,592	941,659	1,546,504	1,710,147
Net finance cost	(147,769)	(75,922)	(89,970)	(109,724)	(320,991)	(292,458)	(144,304)	(151,307)	(393,702)	(417,291)	(184,106)	(325,615)	(543,085)	(586,840)
Share of profit of equity accounted investees (net of tax)	81,061	54,129	-	-	(15,643)	(5,644)	-	-	-	-	(7,474)	(22,591)	-	-
Change in fair value of Investment Properties	41,052	13,479	10,205	9,895	-	-	-	-	-	-	-	-	-	-
Value added tax on financial services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit before tax	409,430	431,275	1,011,068	783,646	2,164,985	1,226,597	300,877	313,475	66,887	176,834	215,011	593,453	1,003,419	1,123,307
Tax expense	101,845	63,377	202,174	279,671	409,762	271,196	71,805	134,035	36,038	50,354	103,186	135,868	253,124	257,311
Depreciation on property, plant & equipment	117,005	94,847	634,733	610,211	515,329	479,140	383,288	342,642	218,405	163,611	420,624	496,827	113,419	112,098
Impairment of property, plant & equipment	-	-	-	-	-	-	79,870	15,263	-	33,039	-	-	-	-
Amortisation of intangible assets	1,787	1,010	12,397	11,840	25,966	41,683	10,423	15,859	6,381	-	-	383	12,579	12,154
Total assets (excl. equity accounted investees)	11,467,357	9,780,463	12,736,993	12,520,336	18,612,266	18,472,896	9,293,502	8,383,564	6,797,671	6,976,518	14,369,669	13,622,385	13,677,586	13,262,403
Investment in equity accounted investees	130,640	78,721	390,920	390,920	78,535	94,178	-	-	-	-	(936,976)	(929,502)	-	-
Additions to Property Plant & equipment	607,890	391,455	173,454	148,302	482,080	484,559	554,193	560,042	535,527	1,320,961	1,237,826	635,635	92,936	217,327
Improvements to Biological assets	-	-	-	-	-	-	-	-	-	-	15,197	7,885	-	-
Additions to Intangible assets	41,325	-	-	73,690	2,991	-	21,613	991	23,266	-	-	-	411	3,384
<b>Non Interest bearing liabilities</b>														
Deferred tax Liability	408,939	354,827	101,526	151,473	157,979	203,891	410,023	311,327	241,977	250,760	615,805	609,583	30,442	36,221
Employee benefit obligations	344,917	311,321	788,331	707,968	648,202	561,000	521,458	446,290	125,285	111,765	2,173,668	2,089,327	724,054	628,635
Trade and other payables	511,451	401,460	2,340,391	2,027,683	3,684,036	3,492,277	1,533,540	1,677,630	686,093	908,170	707,460	1,098,448	2,336,247	2,406,703
<b>Cash Flow</b>														
Segment cash flows from Operating Activities	(206,557)	(91,728)	1,274,292	591,337	2,607,969	(536,411)	418,780	496,536	193,073	80,162	1,733,273	742,154	44,784	(1,883,635)
Segment cash flows from Investment Activities	(651,562)	(326,612)	(462,950)	469,389	(662,857)	(336,658)	(543,819)	(248,699)	(156,160)	(466,898)	(1,110,027)	(548,755)	(257,831)	(14,635)
Segment cash flows from Financing Activities	(99,661)	244,002	(346,866)	(870,533)	(416,405)	(512,243)	(393,615)	(407,006)	282,508	77,814	(205,183)	(407,466)	1,248,559	(356,686)

Consumer & Retail		Leisure		Industry Inputs		Power and Renewable Energy		Transportation & Logistics		Others		Non Segment Adjustments		Total	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
61,564,533	67,205,004	4,544,960	6,466,215	4,933,539	4,504,004	1,600,072	1,505,769	43,604,357	45,998,415	5,875,422	5,229,637	-	-	213,251,087	222,387,473
-	-	(63,518)	(103,328)	(519,211)	(104,289)	-	-	-	-	(1,161,774)	(966,772)	-	-	(2,944,084)	(3,205,513)
61,564,533	67,205,004	4,481,442	6,362,887	4,414,328	4,399,715	1,600,072	1,505,769	43,604,357	45,998,415	4,713,648	4,262,865	-	-	210,307,003	219,181,960
4,331,818	4,096,943	(352,310)	655,400	307,732	83,265	938,149	910,385	3,990,848	3,634,138	1,608,003	1,712,288	(1,237,763)	(1,661,614)	16,472,880	15,989,281
(3,369,569)	(3,605,400)	(534,196)	(426,286)	(284,124)	(290,824)	(170,565)	(220,250)	(1,466,550)	(1,149,879)	(3,395,302)	(1,799,013)	35,331	(1,060,798)	(11,008,904)	(10,511,607)
-	-	-	-	-	-	198,765	149,373	7,352	1,694	-	(865)	-	-	264,061	176,096
-	-	-	-	-	-	-	-	11,375	15,125	24,250	75,400	-	-	86,882	113,899
(310,867)	(292,156)	-	-	-	-	-	-	-	-	-	-	-	-	(310,867)	(292,156)
651,382	199,387	(886,506)	229,114	23,608	(207,559)	966,348	839,508	2,543,025	2,501,078	(1,763,049)	(12,190)	(1,202,431)	(2,722,412)	5,504,052	5,475,513
268,386	267,661	2,173	111,200	(10,505)	(65,630)	70,713	14,057	1,044,911	1,043,754	4,306	51,489	51,342	111,253	2,609,260	2,725,596
650,056	592,101	601,731	585,817	31,077	36,747	266,033	265,703	1,040,152	875,725	168,215	155,513	(694)	-	5,159,375	4,810,981
-	-	-	-	-	-	-	-	-	-	-	4,307	-	-	79,870	52,609
26,998	21,698	8,617	26,791	10,467	10,425	12,550	12,552	58,968	55,360	6,841	6,500	-	-	193,974	216,255
65,967,346	60,958,087	16,276,215	15,641,569	6,410,831	6,092,125	6,304,300	6,126,793	40,996,489	35,583,751	69,366,831	67,395,348	(46,081,948)	(45,036,956)	246,195,108	229,779,285
-	-	-	-	525,000	525,000	396,715	285,450	24,283	17,779	1,504,863	1,504,863	-	-	2,113,980	1,967,409
931,414	921,618	1,569,655	1,581,346	86,241	27,087	50,829	18,867	2,285,197	2,309,577	76,419	111,897	-	-	8,683,662	8,728,672
-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,197	7,885
17,288	8,678	2,560	1,692	-	-	-	-	130,145	38,890	275	9,150	-	-	239,874	136,474
(19,223)	184,073	545,292	518,108	1,642	1,386	3,039	3,343	1,847,319	1,794,517	776,189	771,513	-	-	5,120,949	5,191,022
951,249	936,857	136,035	135,858	132,327	146,360	11,171	9,114	1,543,996	1,361,215	1,139,407	1,054,398	-	-	9,240,100	8,500,108
9,408,231	7,637,579	991,182	875,425	759,351	988,110	361,842	67,641	7,135,953	5,741,203	1,564,062	1,217,907	-	-	32,019,839	28,540,236
1,826,346	(6,923,203)	511,473	723,363	(205,645)	(791,545)	1,175,543	872,554	1,049,793	(624,721)	(2,515,599)	(2,556,211)	10,940,783	11,088,414	18,848,308	1,187,067
(944,051)	(730,466)	(2,141,722)	(629,574)	114,242	344,518	(41,034)	(47,459)	(2,941,310)	(3,211,282)	(681,328)	(1,984,752)	2,417,894	2,471,120	(8,062,517)	(5,260,764)
(457,514)	6,339,396	924,755	83,326	166,356	2,499	(958,540)	(804,779)	2,521,826	852,045	3,505,892	1,871,332	(14,037,482)	(14,100,828)	(8,265,370)	(7,989,127)

## Notes to the Financial Statements

### 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 counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily 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, ageing profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers. Customers that are considered as "high risk" are placed on a restricted customer list and future sales are made on a prepayment basis.

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

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs. 70 bn ( 2019 - Rs. 67 bn) which is recorded at Note 22 to the Financial Statements.

### Investments

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

### Treasury bills

Singer Finance (Lanka) PLC invests not less than 7.5% of the public deposits in Treasury Bills to comply with the Central Bank of Sri Lanka Direction No. 1 of 2009.

### Cash and cash equivalents

The Group held cash in hand and at bank equivalents of Rs. 8 bn at 31 March 2020 (2019 -Rs. 9 bn) which represents its maximum credit exposure on these assets.

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

- People's Bank – AA+(lka)
- Standard Chartered Bank – AAA (lka)
- Commercial Bank of Ceylon PLC – AA(lka)
- Sampath Bank PLC – A+ (lka)
- Nations Trust Bank PLC – A( lka)
- Pan Asia Banking Corporation PLC Bank– BBB- ( lka)
- Hatton National Bank PLC– AA-(lka)
- Bank of Ceylon– AA+(lka)
- DFCC Bank– AA-( lka)
- Citibank -AAA( lka)
- Seylan Bank PLC -A-( lka)
- National Development Bank PLC - A+ (lka)
- Union Bank of Colombo PLC- BB+ (lka)

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

### Liquidity Risk

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

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

Group Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The liquidity requirements of business units and subsidiaries are met through central cash management by Group Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements. The Group Treasury monitors the cash flows in subsidiary and Group level and obtains adequate bank facilities to meet the funding requirements. The Group does not concentrate on a single financial institution, thereby minimising the expose to liquidity risk through diversification of funding sources. The Group aims to fund investment activities of the individual and group level by funding the long term investment with long term financial sources in terms of equity, debenture or long term loans. Short term investments are funded using short term loans. Group has been successful in arranging long term funding from overseas as measure to diversify its funding sources which enabled reducing the sole dependency on domestic market for project financing. The Group also issued a 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.

## Notes to the Financial Statements

### 42 Financial Risk Management (Contd.)

The monthly liquidity position is monitored by the Group Treasury. All liquidity policies and procedures are subject to review and approval by Board of Directors. Daily reports cover the liquidity position of both the Group and operating subsidiaries.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31st March 2020	On demand	Less than 3 Months	3 to 12 months	1 to 5 years	>5 years	Total
Consolidated	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest-bearing loans and borrowings	17,305,162	27,535,846	26,474,566	48,192,385	4,047,433	123,555,392
Trade and other payables	4,428,393	20,335,551	6,840,218	369,661	46,017	32,019,839
Security deposit	478,955	105,611	247,868	152,508	409,669	1,394,611
Other financial liabilities	-	2,262,964	2,772,992	1,963,711	15,378	7,015,045
	22,212,510	50,239,972	36,335,644	50,678,265	4,518,496	163,984,887

As at 31st March 2020	On demand	Less than 3 Months	3 to 12 months	1 to 5 years	>5 years	Total
Company	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest-bearing loans and borrowings	5,531,107	961,943	2,885,831	17,969,123	-	27,348,004
Trade and other payables	472,752	150	-	176	1,902	474,980
Other current financial liabilities	-	-	-	-	-	-
	6,003,859	962,093	2,885,831	17,969,299	1,902	27,822,984

As at 31st March 2019	On demand	Less than 3 Months	3 to 12 months	1 to 5 years	>5 years	Total
Consolidated	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest-bearing loans and borrowings	11,502,059	36,240,776	25,879,042	36,727,755	2,934,239	113,283,871
Trade and other payables	3,479,367	19,198,548	5,582,936	247,514	31,871	28,540,236
Security deposit	382,308	167,901	246,481	115,922	475,822	1,388,434
Other financial liabilities	397,407	2,138,615	2,660,547	791,520	13,035	6,001,124
	15,761,141	57,745,840	34,369,006	37,882,711	3,454,967	149,213,665

As at 31st March 2019	On demand	Less than 3 Months	3 to 12 months	1 to 5 years	>5 years	Total
Company	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest-bearing loans and borrowings	5,378,333	1,545,881	4,637,643	11,606,827	497,270	23,665,954
Trade and other payables	454,793	-	177	-	1,902	456,872
Other Current financial liabilities	-	33,452	-	-	-	33,452
	5,833,126	1,579,333	4,637,820	11,606,827	499,172	24,156,278

### Market Risk

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

The sensitivity analysis in the following sections relate to the position as at 31 March 2020 and 2019.

### Interest rate risk

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

	Increase/decrease in base point	Consolidated	Company
		Effect on profit before tax Rs.'000	Effect on profit before tax Rs.'000
2020	+ 150	(165,960)	(38,922)
	- 150	165,960	38,922
2019	+ 150	(167,065)	(35,499)
	- 150	167,065	35,499

### 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, forwards contracts and hedge accounting. 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 rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

The Group's exposure to foreign currency changes for all other currencies is not material.



## Notes to the Financial Statements

### 42 Financial Risk Management (Contd.)

		Consolidated		Company
		Increase/decrease in exchange rate	Effect on profit before tax Rs.'000	Effect on profit before tax Rs.'000
2020	USD	+ 5%	(868,161)	-
	Euro	+ 5%	99,420	-
	USD	- 5%	868,161	-
	Euro	- 5%	(99,420)	-
2019	USD	+ 5%	(884,949)	(29,348)
	Euro	+ 5%	67,210	-
	USD	- 5%	884,949	29,348
	Euro	- 5%	(67,210)	-

#### 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, Aluminum and Yarn for downwards trends and invest in bulk purchase when low prices are prevalent. Management may revise the selling price based on the commodity prices whenever possible.

#### Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the GMC. Equity price risk is not material to the financial statements.

#### Capital Management

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

The gearing ratio at the reporting date was as follows

As at 31st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Interest Bearing borrowing	52,239,814	39,661,994	17,969,123	12,104,097
Current portion of Long term interest bearing borrowings	26,774,764	25,811,627	3,847,776	6,183,524
Short term interest bearing borrowings	44,540,814	47,810,251	5,531,105	5,378,333
	123,555,392	113,283,872	27,348,004	23,665,954
Equity	62,856,502	61,878,467	15,897,952	18,081,114
Equity and debts	186,411,894	175,162,339	43,245,956	41,747,068
Gearing ratio	66%	65%	63%	57%

The Regulatory Capital requirements for the Finance Companies are set by the Central Bank of Sri Lanka. The details of the computation of risk weighted assets, capital and the ratios of the Singer Finance PLC are given below:

#### Capital Adequacy of Singer Finance PLC

Capital adequacy is a measure of financial institutions financial strength and stability. This widely accepted concept tries to specify the limit up to which a business can expand in terms of its risk – weighted assets. Finance companies in pursuit of business expansion, could engage themselves in activities that regularly change their risk profile. In light of this, regulatory capital requirements have been established to avoid undue expansion beyond specified limits keeping a hold on companies’ exposure to risk. Capital serves as a comfort to absorb unexpected losses, providing a degree of security to depositors and other key stakeholders.

This measure has been introduced by the Central Bank of Sri Lanka to protect the interest of the various stakeholders of the Company while ensuring the maintenance of confidence and stability of the financial system.

The capital adequacy ratio is calculated as a percentage on company’s capital to its risk weighted assets as specified by the direction No 03 of 2018 with effect from 1st July 2018 . Previously, Capital Adequacy ratio was computed based on the Direction No.02 of 2006 and by the circular issued by the Central Bank of Sri Lanka dated 15/03/3017.

Based on the Direction No. 03 of 2018 the Listed Finance Companies which are having asset base less than 100 Billion need to have minimum Core Capital Ratio (Tier-I) of 6.5% and 10.5% based on the Total Capital Ratio (Tier-II) . This minimum requirement will increase to 7% and 11% respectively with effect from 1st July 2020.

The core capital represents the permanent shareholders’, equity and reserves created or increase by appropriations of retained earnings or other surpluses and the total capital includes in addition to the core capital, the revaluation reserves, general provisions and other hybrid capital instruments and unsecured subordinated debts.

The Risk Weighted Assets have been calculated by multiplying the value of each category of asset using the risk weight specified by the Central Bank of Sri Lanka.

Details of the computation and the resulting ratios are given below:

Total Risk-Weighted Assets Computation	Balance		Risk-Weighted Factor	Risk-Weighted Balance	
	2020 Rs.'000	2019 Rs.'000		2020 Rs.'000	2019 Rs.'000
<b>As at 31st March</b>			%		
<b>Assets</b>					
<b>Risk Weighted Amount for Credit Risk</b>					
Notes and Coins	67,950	99,121	0%	-	-
Cash Items in the Process of Collection	28,565	186,978	20%	5,713	37,396
Fixed Assets	796,211	221,001	1.00	796,211	221,001
Other Assets/Exposures	654,518	518,007	1.00	654,518	518,007
Investment in Government Securities	789,889	623,372	0%	-	-
Bank deposits	101,394	83,324	20%	20,279	16,665
Retail claims in respect of motor vehicles and machinery	11,169,782	7,935,770	100%	11,169,782	7,935,771

## Notes to the Financial Statements

### 42 Financial Risk Management (Contd.)

Total Risk-Weighted Assets Computation	Balance		Risk-Weighted Factor	Risk-Weighted Balance	
	2020 Rs.'000	2019 Rs.'000		2020 Rs.'000	2019 Rs.'000
<b>As at 31st March</b>					
<b>Claims Secured by Gold</b>					
Outstanding claim portion up to 70% of the market value	218,071	145,163	0%	-	-
Remaining outstanding claim portion over 70% of the market value	121,715	5,715	100%	121,715	5,715
Other retail claims	8,883,996	9,964,475	125%	11,104,995	12,455,593
<b>Other Non-Performing Assets</b>					
Specific provisions are equal or more than 20%	612,528	358,798	100%	612,528	358,798
<b>Total Risk - Weighted Assets</b>	<b>23,444,620</b>	<b>20,141,723</b>		<b>23,485,741</b>	<b>21,548,944</b>
<b>Risk Weighted Amount for Operational Risk</b>					
Interest Income	3,484,491	2,918,214	15%	522,674	437,732
Interest Expenses	(1,624,344)	(1,296,290)	15%	(243,652)	(194,443)
Non-interest income	512,508	445,271	15%	76,876	66,790
	2,372,655	2,067,195		355,898	310,079
Risk-Weighted Amount for operational Risk under the Basic Indicator Approach				3,389,508	3100793
<b>Total Risk - Weighted Assets</b>	<b>25,817,275</b>	<b>22,208,918</b>		<b>27,875,248</b>	<b>24,649,737</b>
<b>Total Capital Base Computation</b>					
Stated Capital				1,996,444	1,996,444
Reserved Fund				182,548	136,009
Published Retained Earnings				1,745,158	1,384,395
Less:-					
Other Intangible Assets (net)				42,277	46,293
<b>Total Core Capital</b>				<b>3,866,906</b>	<b>3,470,555</b>
Supplementary Capital				-	-
<b>Total Supplementary Capital</b>				<b>-</b>	<b>-</b>
<b>Capital Base</b>				<b>3,866,906</b>	<b>3,470,555</b>

#### Capital Adequacy ratio

As at 31st March		2020	2019
Core Capital Ratio	Core Capital	13.87%	14.08%
	Risk- Weighted Assets		
Total Capital Ratio	Capital Base	13.87%	14.08%
	Risk- Weighted Assets		

The previous capital adequacy directions was adopted in 2006 for LFCs in line with the Capital Adequacy Accord recommended by the Basel Committee on Banking Supervision (BCBS) issued for banks in 1988. Under this direction risks were confined to credit risk and no capital requirements for other risks such as Market and operational risks. The new capital adequacy framework covers both credit risk and operational risk. Since the change in the basis and coverage of risks for capital adequacy impacted the tier one capital and total capital computation drastically, and for the purpose of disclosing the comparable corresponding figures, the below presentation is also noted.

	2020 Based on Direction No 03 of 2018	2019 Based on Direction No 03 of 2018
Core Capital Ratio	13.87%	14.08%
Total Capital Ratio	13.87%	14.08%

#### Collateral

The Group has not pledged its debtors as collateral for long term borrowings at 31 March 2020 and 2019, other than those mentioned in Note 25.12 to the Financial Statements.

## Notes to the Financial Statements

### 43. Impact of COVID-19

Following the outbreak of the COVID-19 pandemic, Hayleys PLC and its subsidiaries have been operating with strict adherence to the guidelines issued by the Government to curtail the spread of the virus. In this context, ensuring the health and safety of the Group employees is of paramount importance and we have facilitated appropriate work-from-home and remote working measures for our office employees. Sanitizing and other safety measures have also been implemented at all operating locations including manufacturing facilities and estates. In ensuring continuity of business in these challenging times, the Group launched “Haysmart Initiatives”, which sets out clear guidelines for cost rationalisation, external support and exploring new opportunities. Accordingly, the Group has introduced numerous cost saving measures, including deferment of all recruitment, capital expenditure and advertising/promotion expenses. Further the Group has widened its marketing capabilities through enhancement of Digital Marketing as well as active social media presence.

The Hayleys Group Executive Directors and the Members of the Group Management Committee (GMC) have voluntarily taken a reduction on their remuneration. The board having recognised that these are challenging times for everyone, and despite the extremely difficult operating conditions, the Group has thus far decided to maintain full salaries of all employees. The Group is also pursuing measures to reduce debtor exposure and inventory levels and proactively engaging with banks and suppliers to renegotiate terms in order to effectively manage liquidity levels.

#### Impact of COVID-19 on our Key Business Sectors

- **Global Markets and Manufacturing:** Comprising the Group's interests in Hand Protection, Purification, Textiles and Eco Solutions this sub-group of sectors which are export-oriented businesses collectively contributes to 28% of the consolidated Revenue. The Group anticipates a degree of resilience for certain products in the Purification and Hand Protection Sectors, given the increasing importance of health and safety considerations. Similarly, the Textiles Sector on the other hand, has seen a shift in orders from fashion and sport centric to fabric suitable for the health sector which is presently in large demand. Manufacturing operations in Sri Lanka which were temporarily halted following the imposition of curfew in the 3rd week of March, have recommenced, and are rapidly ramping up production with some manufacturing plants, now at full operating capacity, whilst production facilities in other regions such as Indonesia and Thailand are also fully operational. Order books in the Hand Protection, Purification and the Textile sectors remain strong, and we will continue to fulfil customer requirements.
- **Transportation and Logistics:** Restrictions imposed on imports to the country, global decline in trading activities and the reduced domestic demand and distribution has had a direct impact on the International Freight Management and Integrated Logistic sub-segments; while a significant impact was also seen in the Marine services sub-segment, in trading bunker fuel due to the sudden crash in world bunker prices.
- **Consumer and Retail:** The Group's Consumer and Retail arm, Singer Sri Lanka recorded a downturn in volumes reflecting limited consumer mobility and closure of outlets in line with the imposition of curfew. Meanwhile the sharp depreciation of the Sri Lankan Rupee since end-March 2020, and expectations of declines in disposable incomes is likely to have a considerable impact on the Sector performance over the medium term, while this could be further compounded if import restrictions on non-essential items persist. On the other hand, we anticipate more favourable pricing and credit terms from suppliers given the global market conditions. Meanwhile, Puritas, which manufactures Oxypura face masks, has seen higher demand levels, reflecting increased emphasis on health and safety considerations.
- **Plantations and Agriculture:** This sub-sector comprises the Group's interests in Agriculture and Tea and Rubber Plantations (through two regional plantation companies). Agriculture sector answered the government's call to facilitate the crop establishment and farming as a responsible corporate stepping forward to produce and distribute the agricultural inputs navigating through border restrictions and the sector continues to manage operations during trying times. In Plantations, Estates are operational at normal levels at the moment and considerable investments have been directed towards preventive/curative health and safety measures in line with all recommended health, work place safety and sanitation protocols recommended by the authorities. Tea Auctions were conducted electronically after a lapse of two weeks, which saw an improvement in prices although it should be noted that quantities were very low due to crop losses arising from the prolonged drought in the first quarter. Meanwhile, the anti-viral properties of black tea, particularly in Ceylon Tea which has a relatively high level of Polyphenol is likely to result in a higher demand given the current prevalence for healthy beverages which has antidote properties. The Rubber prices continue to remain at the same levels before the COVID pandemic but it is expected that demand will escalate due to the increased requirement for health and safety related products. Key downside risks are the rising cost of production and possible disruptions to the global distribution and supply chains.

- **Leisure:** The most distinct impact of the pandemic will be felt in the Group's leisure sector. Most of the Group's hotel properties have recorded zero/near minimum occupancies over the past few weeks due to travel restrictions, border closure and limited mobility and the medium-term outlook for the sector remains bleak. Even though a debt moratorium has been granted to this sector, further assistance may be required towards meeting the cost of staff salaries to avert salary reductions and layoffs that would cause considerable hardship to these employees who have already lost a significant portion of their monthly income due to the loss of service charge. The Group is also currently exploring means of consolidating operations and optimising resources in a bid to stem losses and manage liquidity levels.
- **Construction:** The Segment consists of operations involved in manufacturing of aluminium extrusions & aluminium fabrication and also offers integrated engineering solutions. Sector Performance is directly linked to the country's construction industry which has recorded a sharp decline as both residential and commercial projects have been halted/ delayed due to lockdown measures and liquidity shortfalls. As organisations seek to defer capital expenditure, demand is likely to be considerably impacted over the short-to-medium term. Meanwhile, the cost of imported raw material will be impacted by the sharp depreciation of the Rupee and disruptions to global supply chains, although this could be partially offset by the softening of the global metal prices.
- **Industry Inputs and Power and Energy:** Demand for industrial material have recorded a decline reflecting the downturn in industrial activity. However, the Group expect orders for life science/ healthcare solutions to be somewhat resilient, given the current focus on health and safety. Operations in Power & Energy continuing without interruption, although we foresee delays in receiving payments from the Government due to escalating pressure on government finances.

#### Future outlook

Given the current uncertainty regarding the duration and intensity of the pandemic in Sri Lanka and globally, more time is required to assess and quantify the exact impact of COVID-19 on the Group's operations. However, our diversity in terms of businesses and geographies is likely to enable a degree of resilience. Strategies implemented to preserve liquidity and curtail losses are being reviewed on a weekly basis by the Group Management Committee and with the Board of Directors on a regular basis. Further measures may be introduced to effectively address emerging business realities.

Details of sector wise impact of COVID-19 are given in pages 54 to 65 to the Financial Statements.

# Ten Year Summary

As at 31st March	10-Year Compound Growth (%)	2020 Rs '000	2019 Rs '000	2018 Rs '000	2017 Rs '000	2016 * Rs '000	2015 * Rs '000	2014* Rs. '000	2013* Rs. '000	2012* Rs. '000	2011** Rs. '000
<b>Results</b>											
Revenue	14%	210,307,003	219,181,960	163,249,467	111,383,076	92,274,683	92,561,865	80,478,609	74,301,852	65,806,714	54,370,207
Profit before taxation	11%	5,504,052	5,475,513	5,763,498	7,025,162	6,951,538	6,399,915	5,082,621	4,916,576	2,488,223	2,007,207
Taxation	11%	(2,609,260)	(2,725,596)	(2,491,060)	(1,976,840)	(1,756,478)	(1,513,581)	(1,373,628)	(1,411,981)	(914,724)	(903,853)
Profit after tax	10%	2,894,792	2,749,917	3,272,438	5,048,322	5,195,060	4,886,334	3,708,993	3,504,595	1,573,499	1,103,354
Non-controlling Interest	19%	(2,522,360)	(2,484,532)	(2,248,546)	(2,264,389)	(2,077,507)	(2,305,036)	(1,900,470)	(1,743,449)	(594,330)	(444,128)
Profit attributable to owners of the parent	-6%	372,432	265,385	1,023,892	2,783,933	3,117,553	2,581,298	1,808,523	1,761,146	979,169	659,226
<b>Funds Employed</b>											
Stated capital***	0%	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000
Employee share trust	-	-	-	-	-	-	(148,558)	(488,261)	(489,887)	(491,439)	(492,242)
Treasury shares	-	-	-	-	-	-	-	-	-	-	(398,902)
Capital reserves	-7%	676,104	636,039	887,340	943,608	1,067,819	1,303,980	1,429,680	1,377,676	1,222,076	1,404,887
Other component of equity		23,644,932	23,072,120	20,978,486	19,013,131	11,576,897	11,573,045	8,969,910	9,000,862	6,373,692	6,164,166
Revenue reserves	7%	13,808,523	14,958,752	16,208,311	19,333,998	16,875,824	14,957,837	12,236,713	10,788,133	9,633,788	6,978,079
Equity attributable to equity holders of the parent	10%	39,704,559	40,241,911	39,649,137	40,865,737	31,095,540	29,261,304	23,723,042	22,251,784	18,313,117	15,230,988
Non-controlling Interest	11%	23,151,943	21,636,556	20,158,629	17,173,230	15,817,529	15,220,068	12,614,224	11,173,102	10,056,647	8,474,612
Borrowings (short and long-term)	22%	123,555,392	113,283,872	92,641,002	44,747,594	33,123,190	29,062,183	25,825,466	23,563,413	21,728,944	16,692,083
<b>Assets Employed</b>											
Non-current assets	16%	130,678,344	120,767,143	114,202,537	78,161,061	60,815,269	56,060,498	46,796,361	44,657,106	37,976,929	30,131,853
Current assets	17%	117,630,744	110,979,551	95,564,364	51,840,953	42,381,041	37,595,289	34,508,725	30,086,220	27,832,013	23,732,633
Current liabilities net of borrowings	17%	(41,644,452)	(38,474,385)	(40,159,237)	(19,010,302)	(15,187,278)	(13,019,464)	(12,520,090)	(11,651,381)	(10,151,511)	(8,540,919)
Security deposit	100%	(1,394,611)	(1,388,434)	(1,199,128)	-	-	-	-	-	-	-
Other non current liabilities	100%	(1,730,000)	(1,448,000)	(2,717,541)	-	-	-	-	-	-	-
Other non current financial liabilities	100%	(1,979,089)	(804,556)	(403,056)	-	-	-	-	-	-	-
Provisions	13%	(14,361,049)	(13,691,130)	(12,067,024)	(7,461,764)	(7,233,096)	(6,379,273)	(5,880,186)	(5,320,425)	(4,808,050)	(4,133,016)
Grants	0%	(787,993)	(777,850)	(772,147)	(743,387)	(739,677)	(713,495)	(742,077)	(783,222)	(777,670)	(792,868)
Capital Employed	17%	186,411,894	175,162,339	152,448,769	102,786,562	80,036,259	73,543,555	62,162,733	56,988,298	50,071,711	40,397,683
<b>Cash Flow</b>											
Net cash inflow/(outflow) from operating activities		18,848,308	1,187,067	7,451,001	7,441,702	7,863,808	8,631,365	5,553,098	7,296,563	2,472,453	1,203,321
Net cash inflow/(outflow) from investing activities		(8,062,517)	(5,260,764)	(18,291,318)	(11,051,489)	(7,190,966)	(6,339,994)	(3,688,499)	(4,684,957)	(5,113,667)	(4,661,879)
Net cash inflow/(outflow) from financing activities		(8,265,370)	(7,989,127)	(1,126,681)	1,311,974	(1,718,516)	(233,279)	1,480,014	(3,954,861)	(1,661,883)	1,962,119
Increase/(decrease) in cash and cash equivalents		2,520,421	(12,062,824)	(11,966,998)	(2,297,813)	(1,045,674)	2,058,092	3,344,613	(1,343,255)	(4,303,097)	(1,496,439)
<b>Key Indicators</b>											
Earnings per share (basic) (Rs.)		4.97	3.54	13.65	37.12	41.57	34.42	24.11	23.48	13.06	8.79
Dividend per share (basic) (Rs.)		-	5.00	5.00	7.50	6.50	6.00	5.00	4.50	4.00	4.00
Net assets per share (Rs.)		529.39	536.56	528.65	544.88	414.61	390.15	316.31	296.69	244.17	203.08
Market price per share (Rs.)		123.60	168.00	200.70	265.00	245.70	300.00	285.00	298.70	360.00	382.10
% change in market price (after adjusting for scrip issues)		(26.43)	(16.29)	(24.26)	7.86	(18.10)	5.26	(4.59)	(17.03)	(5.78)	70.00
% change in All Share Price Index		(17.74)	(14.20)	6.84	(0.16)	(10.97)	14.28	4.06	6.00	(24.99)	94.00
Return on average shareholders' funds (%)		0.94	0.66	2.58	6.81	10.03	8.82	7.62	7.91	5.35	4.33
Return on average capital employed (%)		9.04	9.76	8.94	10.58	11.08	12.54	12.08	12.25	8.94	7.81
Price earnings ratio (times)		24.89	47.48	14.70	7.14	5.91	8.72	11.82	12.72	27.57	42.32
Interest cover (times covered)		1.39	1.47	1.77	3.05	4.20	3.98	3.01	2.45	2.74	3.41
Dividend payout Ratio (%)		-	141.30	36.63	20.21	15.64	17.43	20.74	19.16	30.64	45.51

\* Restated in line with SLFRS/LKAS.

\*\* Including results of discontinued operations



# Indicative US Dollar Financial Statements

Statement of Profit or Loss for information purposes only

For the year ended 31st March	Consolidated		Company	
	2020 USD'000	2019 USD'000	2020 USD'000	2019 USD'000
Revenue	1,166,558	1,292,728	2,219	2,293
Cost of sales	(878,215)	(996,411)	(961)	(1,262)
Direct Interest Cost	(10,146)	(7,461)	-	-
<b>Gross profit</b>	<b>278,197</b>	<b>288,856</b>	<b>1,258</b>	<b>1,031</b>
Group dividend	-	-	5,669	9,412
Other income	9,280	14,721	87	6,402
Distribution expenses	(59,285)	(58,326)	-	-
Administrative expenses	(134,500)	(148,560)	77	(686)
Other expenses	(2,319)	(2,386)	-	(15)
<b>Results from operating activities</b>	<b>91,373</b>	<b>94,305</b>	<b>7,091</b>	<b>16,144</b>
Finance income	11,307	15,132	177	244
Finance cost	(72,373)	(77,130)	(17,152)	(16,103)
<b>Net finance cost</b>	<b>(61,066)</b>	<b>(61,998)</b>	<b>(16,975)</b>	<b>(15,859)</b>
Change in fair value of investment property	482	672	31	57
Share of profit of equity accounted investees (net of tax)	1,465	1,039	-	-
Value added tax on financial service	(1,724)	(1,723)	-	-
<b>Profit before tax</b>	<b>30,530</b>	<b>32,295</b>	<b>(9,853)</b>	<b>342</b>
Tax expense	(14,473)	(16,075)	(50)	(26)
<b>Profit for the year</b>	<b>16,057</b>	<b>16,220</b>	<b>(9,903)</b>	<b>316</b>
<b>Profit for the period attributable to:</b>				
Owners of the parent	2,066	1,565		
Non-controlling interest	13,991	14,655		
<b>Profit for the year</b>	<b>16,057</b>	<b>16,220</b>		
Average exchange rate	180.28	169.55	180.28	169.55

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS.

The above should be read together with the Auditors' opinion and the notes to the Financial Statements.

## Indicative US Dollar Financial Statements

### Statement of Financial Position for information purpose only

As at 31st March	Consolidated		Company	
	2020 USD'000	2019 USD'000	2020 USD'000	2019 USD'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant & equipment	465,934	493,417	942	1,290
Right of use assets	44,771	-	-	-
Investment Properties	14,319	11,395	400	400
Biological assets	2,660	2,555	-	-
Intangible assets	70,001	80,494	186	-
Investments in subsidiaries	-	-	206,123	214,314
Investments in equity accounted investees	11,131	11,173	7,924	8,546
Other non-current financial assets	1,327	1,472	409	491
Non-current trade and other receivables	59,681	65,943	-	-
Other non-current assets	5,892	14,119	-	-
Deferred tax assets	6,539	5,260	375	-
<b>Total non-current assets</b>	<b>682,255</b>	<b>685,828</b>	<b>216,359</b>	<b>225,041</b>
<b>Current assets</b>				
Inventories	222,346	225,694	9	5
Amounts due from subsidiaries	-	-	16,785	19,387
Amounts due from equity accounted investees	791	583	212	77
Trade and other receivables	311,284	313,125	233	112
Other current assets	12,208	13,173	45	66
Income tax recoverable	7,887	4,416	331	244
Other current financial assets	2,172	1,067	27	38
Short term deposits	18,408	20,926	-	-
Cash and cash equivalents	44,290	50,946	1,650	320
Assets classified as held for sale	16	312	-	-
<b>Total current assets</b>	<b>619,402</b>	<b>630,242</b>	<b>19,292</b>	<b>20,249</b>
<b>Total assets</b>	<b>1,301,657</b>	<b>1,316,070</b>	<b>235,651</b>	<b>245,290</b>
<b>Equity and Liabilities</b>				
Stated capital	20,314	20,314	20,314	20,314
Capital reserves	3,560	3,612	70	75
Other components of equity	106,634	119,655	(12,021)	(11,370)
Revenue reserves	72,711	84,949	75,350	93,662
<b>Total equity attributable to equity holders of the company</b>	<b>203,219</b>	<b>228,530</b>	<b>83,713</b>	<b>102,681</b>
Non-controlling interest	121,910	122,872	-	-
<b>Total equity</b>	<b>325,129</b>	<b>351,402</b>	<b>83,713</b>	<b>102,681</b>

Statement of Financial Position for information purpose only

As at 31st March	Consolidated		Company	
	2020 USD'000	2019 USD'000	2020 USD'000	2019 USD'000
<b>Non-current liabilities</b>				
Interest-bearing borrowings	275,077	225,237	94,619	68,738
Grants	4,149	4,417	-	-
Deferred tax liability	26,965	29,479	-	-
Security deposit	7,344	7,885	-	-
Other non current Liabilities	9,110	8,223	-	-
Other non current financial liabilities	10,421	4,569	-	-
Employee benefit obligations	48,655	48,271	5,016	5,015
<b>Total non-current liabilities</b>	<b>381,721</b>	<b>328,081</b>	<b>99,635</b>	<b>73,753</b>
<b>Current liabilities</b>				
Trade and other payables	168,603	162,079	2,502	2,594
Other current liabilities	18,151	20,956	33	183
Deferred revenue	2,018	1,556	-	-
Other current financial liabilities	26,518	29,511	-	190
Amounts due to subsidiaries	-	-	365	212
Amounts due to equity accounted investees	17	26	17	18
Income tax payable	3,975	4,365	(0)	-
Current portion of long term interest-bearing borrowings	140,987	146,582	20,261	35,116
Short-term interest-bearing borrowings	234,536	271,510	29,125	30,543
Liabilities directly associated with assets classified as held for sale	2	2	-	-
<b>Total current liabilities</b>	<b>594,807</b>	<b>636,587</b>	<b>52,303</b>	<b>68,856</b>
<b>Total liabilities</b>	<b>976,528</b>	<b>964,668</b>	<b>151,938</b>	<b>142,609</b>
<b>Total equity and liabilities</b>	<b>1,301,657</b>	<b>1,316,070</b>	<b>235,651</b>	<b>245,290</b>
Closing exchange rate	189.91	176.09	189.91	176.09

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS.

The above should be read together with the Auditors' opinion and the notes to the Financial Statements.

# Value of Real Estate

As at 31st March 2020

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn
<b>Eco Solutions</b>						
Hayleys Fibre PLC	Kuliyapitiya	"Biginhill Estate", Karagahagedara, Kuliyapitiya	3.95	45,009	13	30
Volanka (Pvt) Ltd.	Galle	No.153/1, Robosgewatta,Matara road,Magalle, Galle	1.22	32,644	8	293
	Katana	No.B 28,Divulapitiya road, Dissagewatte,Katana	14.51	284,001	24	325
Chas P. Hayley & Co. (Pvt) Ltd.	Galle	No.153,Robosgewatta,Matara road,Magalle, Galle	0.55	9,795	2	178
	Galle	No 161 "Thurnburn / stores",No.195,Bandaranayake Mawatha,Magalle, Galle	2.41	67,277	8	619
	Galle	No.193/2,193/2A, 193/4,Bandaranayke Mawatha,Magalle, Galle	1.10	13,632	4	170
Lignocell (Pvt) Ltd.	Madampe	Sellam Pathaha, Melawagara, Madampe.	7.03	118,547	10	45
	Kuliyapitiya	"Biginhill Estate",Karagahagedera,Kuliyapitiya	3.94	47,499	7	38
Ravi Industries (Pvt) Ltd.	Ekala	252A,Kurunduwatte road,Ekala,Ja-ela.	6.19	104,675	13	396
Volanka Exports (Pvt) Ltd.	Nattandiya	Wathugahamulla,Welipannagahamulla	7.20	80,165	13	46
Rileys (Pvt) Ltd.	Ekala	131,Minuwangoda road, Ekala, Ja-ela	3.80	91,582	12	456
Toyo Cushion Lanka (pvt) Ltd.	Katana	105,Thimbrigaskatuwa,Katana	3.37	25,703	14	135
<b>Hand Protection</b>						
Dipped Products PLC	Kottawa	Brahmanagama , Kottawa	10.06	129,104	20	227
	Weliweriya	Nedungamuwa, Weliweriya	8.19	-	-	170
Venigros (Pvt) Ltd.	Weliweriya	Nedungamuwa, Weliweriya	7.09	55,381	6	136
Dipped Products (Thailand) Limited	Khuan Niang	82/2 MOO9,Tumbon Rattapum,Amphur, Khuan Niang, Songkhla, Thailand 90220.	13.05	89,514	1	99
<b>Purification</b>						
Haycarb PLC	Badalgama	Katana Road, Beatrice Estate, Badalgama.	23.61	245,427	16	191
	Madampe	Kuliyapitiya road, New town, Pothuwila, Madampe	30.20	256,965	21	187
	Wewalduwa	333/25, New road Hunupitiya Wattala.	2.45	41,463	6	273
Recogen (Pvt) Ltd.	Badalgama	Katana Road, Beatrice Estate, Badalgama.	10.84	35,090	4	87
PT Haycarb Palu Mitra	Palu City - Indonesia	Thaipa, Palu Utara,Palu, Sulawesi Tengah 94147, Indonesia	6.98	75,351	18	92
PT Mapalus Makawanua Charcoal Industry	Bitung City - Indonesia	Tanjung Merah, Bitung, Sulawesi Utara 95547, Indonesia	8.93	103,409	8	135
Shizuka Co. Ltd.	Ratchaburi Province - Thailand	190/1, Moo 1, Anghin, Paktho,Ratchaburi 70140,Thailand.	24.49	65,980	12	129
Carbokarn Co. Ltd.	Chonburi Province - Thailand	35/2, Moo 3, Nareuk, Phanat Nikhom, Chonburi-20140, Thailand	15.64	276,000	20	207

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn
<b>Textiles</b>						
Hayleys Fabric PLC	Neboda	Narthupana Estate, Neboda	54.30	413,873	25	530
<b>Construction Materials</b>						
Alumex PLC	Makola	Off Pitigala road, Sapugaskanda, Makola	6.24	118,673	11	499
	Gonawala	Maguruwila road, Pattiwila	1.82	59,042	3	87
	Ekala	"Ekala Estate", Minuwangoda road, Ekala	6.30	91,442	5	478
Alco Industries (Pvt) Ltd.	Gonawala	Maguruwila road, Pattiwila	1.13	34,618	2	90
<b>Plantations</b>						
Mabroc Teas (Pvt) Ltd.	Kiribathgoda	57/3, New Hunupitiya Road, Kiribathgoda.	1.94	75,960	4	479
<b>Agriculture</b>						
Hayleys Agriculture Holdings Ltd.	Dambulla	Athabadiwewa, Pahalawewa, Dambulla.	4.35	5,134	2	12
	Kottawa	No. 168/D, Brahmanagama, Kottawa, Pannipitiya.	4.97	47,506	7	127
Sunfrost (Pvt) Ltd.	Alawwa	Nelumdeniya road, Alawwa Watthya Road, Alawwa	5.18	19,112	9	75
	Padiyathalawa	Bogaharawa road, Kehelulla, Padiyathalawa	6.46	1,430	2	10
Haychem BD Limited.	Mymensingh	Plot no:-B-18, B-19(part) & A-3, A-4, S-1, Mashkanda BSCIC Industrial Estate, Kotowali, Mymensingh	0.69	26,383	1	79
	Dhamrai	Plot no:-16, 15(part), BSCIC Industrial Estate, Kalampur, Dhaka	0.16	5,235	1	15
	Gobindogonj	Plot no:-B-18, B-19(part) & A-3, A-4, S-1, Mashkanda BSCIC Industrial Estate, Kotowali, Mymensingh	1.70	-	-	16
<b>Consumer &amp; Retail</b>						
Singer (Sri Lanka) PLC	Ambalantota	Main Street, Ambalantota.	0.04	1,885	1	17
	Balangoda	Ratnapura Road, Balangoda.	0.04	2,080	1	20
	Bandarawela	Main Street, Bandarawela.	0.02	2,660	1	10
	Borella	D.S.Senanayaka Mawatha, Borella.	0.03	2,310	1	70
	Chilaw	Bazaar Street, Chilaw.	0.08	4,120	1	42
	Colpetty	No 143, Galle Road, Colombo 03.	0.02	1,440	1	57
	Eheliyagoda	Ratnapura Road, Eheliyagoda.	0.04	1,660	1	11
	Galle	Main Street, Galle.	0.02	2,250	1	11
	Gampaha	Colombo Road, Gampaha.	0.12	7,870	1	63
	Hikkaduwa	Galle Road, Hikkaduwa.	0.05	2,400	1	24
	Embilipitiya	Colombo Road, Pallegama, Embilipitiya.	0.03	2,070	1	16
	Kadawatha	Kandy Road, Kadawatha.	0.02	1,150	1	8
	Kandy- Mega	Sirimavo Bandaranayake Mawatha, Kandy.	0.06	12,840	1	37
	Katugastota	Madawala Road, Katugastota.	0.03	1,620	1	10
	Kiridivella	Gampaha Road, Kiridivella.	0.05	2,940	1	20
	Kurunegala	Bodhiraja Mawatha, Kurunegala.	0.05	2,230	1	27
	Maharagama	High Level Road, Maharagama.	0.04	2,700	1	37

## Value of Real Estate

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn
	Matara	Anagarika Dharmapala Mawatha, Matara.	0.06	3,520	1	38
	Middeniya	Katuwana Road, Middeniya.	0.05	2,670	1	15
	Mount Lavinia	Galle Road, Mount Lavinia.	0.05	1,900	1	34
	Mount Lavinia-Mega	Galle Road, Mount Lavinia.	0.13	15,840	1	92
	Nawalapitiya	Kotmale Road, Nawalapitiya.	0.03	2,760	1	13
	Negombo	Greens Road, Negombo.	0.04	2,040	1	24
	Nuwara-Eliya	Kandy street, Nuwara-Eliya.	0.03	1,700	1	19
	Panadura	Galle Road, Panadura.	0.04	2,940	1	18
	Piliyandala	Gonamaditta Road, Piliyandala.	7.20	116,410	9	229
	Pussellawa	Nuwara Eliya Road, Pussellawa.	0.08	3,295	1	25
	Rathnapura	Colombo road, Rathnapura.	0.04	2,735	1	20
	Tangalle	Matara Road, Tangalle.	0.03	1,285	1	14
	Trincomalee	North Coast Road, Trincomalee	0.03	2,550	1	20
	Wellawatta	Galle Road, Wellawatta.	0.03	2,700	1	55
Reality Lanka Ltd.	Ahangama	No 24A, Matara Rd, Ahangama	0.09	1,630	1	26
	Attidiya	No.190, Main Rd, Attidiya, Dehiwala	0.04	2,260	1	19
	Moratuwa	No. 17, New Galle Rd, Moratuwa	0.08	2,990	1	39
	Kandy	No 129, Kotugodella Vediya, Kandy	0.06	2,900	1	43
	Galle	No 13&15, Wackwella Rd, Galle	0.08	0	0	54
	Kadawatha	No 430/1, Ganemulla Road, Ihala-Karagahamuna, Kadawathe	0.03	0	0	10
	Kalawana	No. J63A, Watapotha Road, Nivithigala, Rathnapura.	1.62	0	0	7
	Maradana	No.51/57, Brandiyawatta, Wellampitiya.	0.06	0	0	4
	Trincomalee	Nayanmarthidal, Thampalakamam, Trincomalee.	0.38	0	0	4
	Ambanpola	No.108 Yaluwewa, Ambanpola.	0.06	0	0	2
Regnis (Lanka) PLC	Ratmalana	No 52, Ferry Road, Off Borupona Road, Ratmalana.	4.41	120,615	16	423
Singer Industries (Ceylon) PLC	Ratmalana	No.02, 5Th Lane Ratmalana	2.27	75,365	10	953
	Ratmalana	No.435 Galle Road Ratmalana	0.31	12,000	1	226
<b>Leisure</b>						
Culture Club Resorts (Pvt) Ltd.	Dambulla	Kapela, Kandalama, Dambulla	1.00	-	-	2
Kandyan Resorts (Pvt) Ltd.	Kandy	Heerassagala, Kandy	11.91	126,684	10	793
<b>Industry Inputs</b>						
Hayleys Aventura (Pvt) Ltd.	Malabe	No: 59, Pothuarawa Road, Malabe	2.26	59,595	6	307
Haycolour (Pvt) Ltd.	Kalutara	Haycolour Factory, Ethanmadala, Kalutara	3.30	5,700	4	58

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn
<b>Power &amp; Energy</b>						
Bhagya Hydro (Pvt) Ltd.	Gomala oya	Gomala Oya Mini Hydro Power Plant, Godagampola, Rathnapura	1.38	2,246	3	3
Neluwa Cascade Hydro Power (Pvt) Ltd.	Neluwa	Lower Neluwa Mini Hydro Power Plant, Tawalama, Neluwa	3.08	2,530	1	7
Hayleys Neluwa Hydro Power Pvt (Ltd).	Mawanana	Embalegedara, Neluwa	1.03	4,752	3	2
<b>Transportation &amp; Logistics</b>						
Hayleys Advantis Group	Liyanagemulla	No.710 Negombo road, Liyanagemulla, Seeduwa	0.62	8,036	1	148
	Kelaniya	No 408 A, Nungamugoda, Kelaniya	7.72	175,000	6	988
	Welisara	No. 309/18 & No. 317, Negombo road, Welisara	3.63	2,050	1	610
	Welisara	No. 309/15, Negombo road, Welisara	3.15	17,644	7	545
	Sedawatta	No. 148B, Nawalokapura, Sedawatta, Wellampitiya	2.49	11,610	1	499
	Sedawatta	No. 148/A1, Nawalokapura Sedawatta, Wellampitiya	2.00	8,879	3	416
	Kotugoda	No.193, Minuwangoda road, Kotugoda	15.81	356,895	2	1,138
	Colombo 2	No. 46/12, Sayuru Sevana, Nawam Mawatha, Colombo 2	0.24	45,980	1	257
<b>Others</b>						
Darley Property Holdings	Colombo	Foster Lane Colombo 10	1.56	65,240	3	3,326
World Export Centre Ltd	Colombo	Deans Rd. Colombo 10	4.48	Nil	Nil	13,118
Hayleys PLC -Deans road side Buildings	Colombo	Deans Rd. Colombo 10	Nil	114,402	8	Nil
Eastern Hotels (Pvt) Ltd	Trincomalee	Nilakarai Estate, Nilaweli, Trincomalee	23.48	600	3	676
Hayleys PLC	Bentota	Kaluwamodara, Bentota	0.28	Nil	Nil	76
Unisyst Engineering PLC	Kotugoda	41B, Sasanathilaka road, Opatha, Kotugoda	2.39	35,785	3	39



## Quarterly Analysis

	Quarter 01		Quarter 02		Quarter 03		Quarter 04	
	2020	2019	2020	2019	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	52,641,039	50,600,986	52,734,503	52,443,878	55,253,570	59,685,270	49,677,891	56,451,826
Profit before tax	285,255	798,100	1,174,864	996,883	2,426,632	1,710,381	1,617,301	1,970,149
Tax expense	(358,701)	(538,052)	(460,556)	(487,906)	(857,772)	(599,328)	(932,231)	(1,100,310)
Profit after tax	(73,446)	260,048	714,308	508,977	1,568,860	1,111,053	685,070	869,839
Profit attributable to owners of the parent	(548,479)	(261,205)	8,378	(143,419)	678,497	439,428	234,036	230,580
Profit attributable to non-controlling interest	475,033	521,253	705,930	652,396	890,363	671,624	451,034	639,259
Total comprehensive income for the period, net of tax	(29,152)	66,433	1,014,452	947,172	1,776,284	1,801,145	523,560	2,471,523
Non Current Assets	125,672,280	114,943,110	126,188,135	116,637,845	127,933,910	117,484,659	130,678,344	120,767,143
Current Assets	109,611,925	101,937,132	112,260,386	107,100,269	114,234,770	115,066,268	117,630,744	110,979,551
Non current liabilities	66,283,663	52,866,303	70,871,318	58,941,085	70,760,045	60,215,135	72,492,556	57,771,964
Current liabilities	108,223,748	105,223,372	106,226,166	105,400,447	108,832,258	111,607,056	112,960,030	112,096,263

	Quarter 01		Quarter 02		Quarter 03		Quarter 04	
	2020	2019	2020	2019	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Market Value of Shares</b>								
Closing share price	147.60	213.80	150.30	186.70	174.90	187.00	123.60	168.00
Basic earnings per share	(7.31)	(3.48)	0.11	(1.91)	9.05	5.86	3.12	3.07
Diluted earnings per share	(7.31)	(3.48)	0.11	(1.91)	9.05	5.86	3.12	3.07
Highest price recorded for the three months ending	175.00	227.00	180.00	219.00	188.20	225.00	173.90	209.90
Lowest price recorded for the three months ending	144.10	200.00	144.50	175.00	145.00	180.00	123.00	167.00
Market capitalisation (Rs. mn.)	11,070	16,035	11,273	14,003	13,118	14,025	9,270	12,600
<b>Share Trading Information</b>								
No. of transactions	802	652	1,361	1,217	1,221	1,722	684	2,424
No. of shares traded	302,023	356,656	537,779	677,308	1,307,941	775,244	452,715	1,003,815
Value of shares traded	48,329,258	76,638,646	83,761,761	140,846,037	226,581,771	159,586,920	71,311,676	201,521,436

# Share Information

No of shareholders as at 31st March 2020 - 6,271 (as at March 2019 - 6,153)

No. of shares held	Residents			Non Residents			Total		
	No.of Shareholders	No.of Shares	%	No.of Shareholders	No.of Shares	%	No.of Shareholders	No.of Shares	%
1-1,000	4,812	947,382	1.26	62	17,652	0.02	4,874	965,034	1.28
1,001-10,000	1,083	3,058,967	4.08	40	149,394	0.20	1,123	3,208,361	4.28
10,001-100,000	193	5,561,349	7.42	38	878,378	1.17	231	6,439,727	8.59
100,001-1,000,000	34	9,582,191	12.78	4	1,253,258	1.67	38	10,835,449	14.45
OVER 1,000,000	5	53,551,429	71.40	-	-	-	5	53,551,429	71.40
	6,127	72,701,318	96.94	144	2,298,682	3.06	6,271	75,000,000	100.00
<b>Category</b>									
Individuals	5,834	61,807,561	82.41	130	1,941,529	2.58	5,964	63,749,090	84.99
Institutions	293	10,893,757	14.53	14	357,153	0.48	307	11,250,910	15.01
	6,127	72,701,318	96.94	144	2,298,682	3.06	6,271	75,000,000	100.00

First Twenty Shareholders as at 31.03.2020

Name of the Shareholder	No.of Shares 31.03.2020	%	No.of Shares 31.03.2019	%
1 Mr.K.D.D.Perera	38,259,697	51.01	37,829,697	50.44
2 Trustees of the D.S.Jayasundera Trust	8,698,017	11.60	8,698,017	11.60
3 Employees Provident Fund	3,776,621	5.04	3,776,621	5.04
4 LOLC Holdings PLC	1,700,004	2.27	1,700,004	2.27
5 Hayleys Group Services(Private) Ltd No.02 A/C	1,117,090	1.49	1,117,090	1.49
6 Commercial Leasing & Finance PLC	734,144	0.98	734,144	0.98
7 Mrs.A.M.L.Johnpulle & Mr.B.J.M.Johnpulle	656,464	0.88	783,160	1.04
8 Mrs.R.N.Ponnambalam	595,645	0.79	595,645	0.79
9 Mr.N.K.A.D.De Silva	570,166	0.76	570,166	0.76
10 Mrs.R.M.Spittel	564,697	0.75	564,697	0.75
11 Mr.R.H.S.Phillips	520,727	0.69	520,727	0.69
12 Mrs.Y.M.Spittel	465,561	0.62	465,561	0.62
13 Mrs.S.D. Wickramasinghe	449,298	0.60	440,281	0.59
14 Mrs.P.M Godamunne	443,447	0.59	443,447	0.59
15 Sri Lanka Insurance Corporation Ltd-Life Fund	397,418	0.53	397,418	0.53
16 Mr.A.C Wikramanayake	378,354	0.50	442,204	0.59
17 Mr.G.N. Wikramanayake (Deceased)	370,422	0.49	370,422	0.49
18 Associated Electrical Corporation Ltd	361,000	0.48	361,000	0.48
19 Mr.S.Rameshan	316,982	0.42	32,177	0.04
20 Mr. Shamindra Vatsalan Rajiyah	307,051	0.41	-	-
	60,682,805	80.91	59,842,478	79.78

## Share Information

### Directors' Shareholdings As At 31st March, 2020

Name of the Director	No. of Shares 31.03.2020	No. of Shares 31.03.2019
Mr. A M Pandithage	125,357	125,357
Mr. K.D.D.Perera - 38,259,697 ( L B Finance PLC - 1,666)	38,261,363	37,831,363
Mr S C Ganegoda	23,414	23,414
Mr H S R Kariyawasan	9,427	9,427
Mr L R V Waidyaratne	37,930	37,930
Mrs. J. Dharmasena	21,095	21,095

### Market Value of Shares

The market value of an ordinary shares of Hayleys PLC was as follows;

	31.03.2020 Rs.	31.03.2019 Rs.
Closing price on	123.60	168.00
Highest price recorded for the twelve months ending	188.20	227.00
Lowest price recorded for the twelve months ending	123.00	167.00
Highest price recorded for the three months ending	173.90	209.90
Lowest price recorded for the three months ending	123.00	167.00
Market capitalisation (Rs. Mn.)	9,270.00	12,600.00
Share Trading From 1st April 2019 to 31st March 2020		
No. of transactions	4,053	2,424
No. of shares traded	2,597,313	1,003,815
Value of shares traded (Rs.)	429,511,738.20	201,521,435.60
The Public Holding percentage	37.10%	37.66%
Total number of shareholders representing the Public Holding	6,262	6,142

Float Adjusted Market Capitalisation - Rs. 3,439,170,000/-

The Company complies with option 4 of the Listing Rules 7.13.1(a) which requires 10% minimum Public Holding.

### Listed Debentures

Details regarding the listed debentures are as follows;

#### Debenture 1 -

Listed, rated, senior, unsecured, redeemable Debentures at 7.85% p.a. payable semi annually and redeemed on 6th March, 2020

#### Debenture Trading Information For The Twelve Months Ended - 31.03.2020

There were no transactions during the period.

#### Debenture 2 -

Listed, rated, senior, unsecured, redeemable debentures,

Type A- Fixed rate at 12.50% p.a. payable semi annually redeemable on 31st July 2023

Interest rate of comparable Government Securities as at 31st March, 2020 7.99%

Type B- Floating rate AWPLR+1% p.a. payable semi annually redeemable on 31st July 2023

Interest rate of comparable Government Securities as at 31st March, 2020 7.99%

#### Debenture Trading Information For The Twelve Months Ended - 31.03.2020

There were no transactions during the period.

#### Debenture 3 -

Listed, rated, senior, unsecured, redeemable debentures,

Type A- Fixed rate at 13.00% p.a. payable semi annually redeemable on 26th August 2024

Interest rate of comparable Government Securities as at 31st March, 2020 8.41%

Type B- Floating rate AWPLR+2% p.a. payable semi annually redeemable on 26th August 2024

Interest rate of comparable Government Securities as at 31st March, 2020 8.41%

#### Debenture Trading Information For The Twelve Months Ended - 31.03.2020

No. of Transactions	2
No. of Debentures traded	15,000,001
Highest Price (Rs.)	102.10
Lowest Price (Rs.)	100.00
Interest yield - Last traded	12.43%
Yield to maturity - Last traded	12.38%

### Utilisation of Funds via Capital Market

Debenture	Objective Number	Objectives as per Prospectus	Amount Allocated as per Prospectus Rs. mn	Proposed Date of Utilisation as per Prospectus	Amount allocated from Proceeds Rs. mn	% of Total Proceeds	Amounts Utilised Rs. mn	% of Utilisation against Allocation	Clarification if not utilised
Debenture 3	1	Sampath Bank	450	27-Nov-19	450	15.00%	450	100%	N/A
	2	NDB Bank	150	5-Aug-19	150	5.00%	150	100%	N/A
	3	Commercial Bank	442	-	442	14.73%	442	100%	N/A
	4	Seylan Bank	200	29-Oct-19	200	6.67%	200	100%	N/A
	5	NSB	250	19-Sep-19	250	8.33%	250	100%	N/A
	6	Peoples Bank	250	19-Sep-19	250	8.33%	250	100%	N/A
	7	DFCC	50	23-Sep-19	50	1.67%	50	100%	N/A
	8	HNB	375	17-Oct-19	375	12.50%	375	0%	Invested in unit trust
	9	SCB	164	9-Oct-19	164	5.47%	164	0%	Invested in unit trust
	10	BOC	712.7	-	712.7	22.30%	669	100%	N/A

\*objective 8 and 9 were settled over the month of October and debenture issue proceeds have been utilised in full by the end of October 2019.

# Group Companies

Sub sector	Company	Nature of the Business
Eco Solutions	Ravi Industries Ltd.	Industrial and household brushware
	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 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 (Pvt) Ltd.	Investments
	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
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 Fabric PLC	Knitted fabric
Construction material	Alumex Group	Aluminium extrusions
Plantations	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
	Martin Bauer Hayleys (Pvt) Ltd.	Manufacturing instant tea and tea extract
Kelani Valley Resorts (Pvt) Ltd.	Operating & managing Hotels and providing services.	
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 (Pvt) Ltd.	Hybrid flower seeds
Hayleys Agro Fertilizers (Pvt) Ltd.	Fertiliser	
Consumer & retail	Hayleys Consumer Products Ltd.	Lighting products and solutions, photo imaging, health care and FMCG products
	Hayleys Electronics Lighting (Pvt) Ltd.	Lighting products and solutions
	Hayleys Electronics Group	Import, market and repair electronic and electric items.
	Singer (Sri Lanka) PLC	Retail and wholesale marketing of consumer products

Sub sector	Company	Nature of the Business
	Singer Industries (Ceylon) PLC	Assembly of sawing machines & manufacture cabinets and stands for sawing machines
	Regnis (Lanka) PLC	Manufacture of Refrigerators and bottle coolers.
	Singer Finance (Lanka) PLC	Finance leasing, Mobilisation of Fixed & savings deposits, Financing consumer durables under loan schemes, factoring business including invoice discounting, granting loans including Micro Loans and credit card business.
	Regnis Appliances (Pvt) Ltd.	Manufacture and assemble home appliances.
	Reality Lanka Ltd.	Acquire, lease, sell and develop properties and contractors for constructions.
	Digital Media (Pvt) Ltd.	Marketing mobile phones
	Singer Business School (Pvt) Ltd.	Retail training education relating to business activities.
	Domus Lanka (Private) Limited	Designing, manufacturing and trading furniture
Leisure	The Kingsbury PLC	Leisure
	Amaya Leisure PLC	Leisure
	Culture Club Resorts (Pvt) Ltd.	Leisure
	Kandyan Resorts (Pvt) Ltd.	Leisure
	Sun Tan Beach Resorts Ltd.	Leisure
	Lake Lodge (Pvt) Ltd.	Leisure
	Luxury Resorts Pvt Ltd.	Leisure
	Hayleys Tours (Pvt) Ltd.	Travel Agency and Destination Management
Industry Inputs and Power & Energy	Hayleys Aventura (Pvt) Ltd.	Engineering and projects, power generation, pigments and industrial raw materials
	Hayleys Lifesciences (Pvt) Ltd.	Supplying health care equipment
	Haycolour (Pvt) Ltd.	Textile dyestuff and binders
	Hayleys Engineering (Pvt) Ltd.	Marketing of power generating equipment
	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
	Neluwa Upper Hydro Power (Pvt) Ltd.	Hydropower
	Kalupahana Power Company (Pvt) Ltd.	Hydropower
	Solar One Ceylon (Pvt) Ltd.	Solar power
	Beta Power (Pvt) Ltd.	Windpower
	Joule Power (Pvt) Ltd.	Windpower
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, marine & shipping.

## Group Companies

Sub sector	Company	Nature of the Business
Others	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 Insurance Brokers (Pvt) Ltd.	Insurance Brokering
	Carbotels (Pvt) Ltd.	Hotel Investment
	Haylex Group	Marketing
	Hayleys Aviation & Projects (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 (Pvt) Ltd.	Travel Agency and Destination Management
	Darley Property Holdings( Pvt) Ltd.	Property holding and development
	Unisyst Engineering PLC	Architectural Aluminium joinery systems
	S&T Interiors (Pvt) Ltd.	Interior fitout contractors
	Eastern Hotels Ltd.	Leisure
	Fentons Group	Solutions provider for building systems infrastructure and information communication technology infrastructure
	World Export Centre Ltd.	Construction of "A" grade Office Space



## Group Value Addition and Distribution

For the year ended 31st March	Consolidated		
	2020	2019	2018
	Rs. mn	Rs. mn	Rs. mn
<b>Value Created</b>			
Revenue	210,307	219,182	163,249
Other income	1,673	2,496	909
Change in fair value of investment properties	87	114	184
Share of profit of equity accounted investees	264	176	227
Finance income	2,038	2,566	1,108
Cost of materials and services bought in	(155,674)	(166,850)	(119,105)
	58,695	57,684	46,572

	Share		Share		Share	
<b>Value Distributed</b>						
To Employees as remuneration	47%	27,389	45%	25,828	44%	20,434
To Government revenue	21%	12,508	24%	13,959	28%	13,233
Of Sri Lanka		11,698		13,355		12,646
Overseas		810		604		587
To Shareholders as dividend	0%	-	1%	375	1%	375
To Lenders of capital	23%	13,531	23%	12,997	18%	8,181
Interest on borrowings		11,009		10,512		5,932
Non- Controlling interest		2,522		2,485		2,249
	91%	53,428	92%	53,159	91%	42,223
<b>Value retained for expansion &amp; growth</b>						
Depreciation	9%	5,159	8%	4,811	8%	3,927
Profit retained	0%	108	0%	(286)	1%	422
	9%	5,267	8%	4,525	9%	4,349
	100%	58,695	100%	57,684	100%	46,572

# Glossary of Financial Terms

## Actuarial Gains and Losses

Gain or loss arising from the difference between estimates and actual experience in a company's pension plan.

## Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

## Available for Sale

Non derivative financial asset that are designated as available for sale or are not classified as loans and receivable, held to maturity investment or financial assets at fair value through profit and loss.

## Biological Asset

A living animal or plant

## Capital Employed

Shareholders' funds plus non-controlling interests and interest bearing borrowings.

## Capital Reserves

Reserves identified for specific purposes and considered not of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity available for distribution.

## Cash Equivalents

Liquid investments with original maturity periods of three months or less.

## Contingent Liability

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

## Current Ratio

Current assets divided by current liabilities. A measure of liquidity.

## Current Service Cost

Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

## Deferred Taxation

The tax effect of timing differences deferred to/from other periods, which would only qualify for inclusion on a tax return at a future date.

## Dividend Cover

Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

## Dividend Payout

Dividend per share as a percentage of the earnings per share.

## Dividend Yield

Dividend per share as a percentage of the market price. A measure of return on investment.

## EBIT

Earnings before Interest and tax.

## Effective Tax Rate

Income tax expense divided by profit before tax.

## Equity

The value of an asset after all the liabilities or debts have been paid.

## Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## Fair Value Through Profit and Loss

A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term.

## Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

## Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

## Financial Liability

Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

## Gain on Bargain Purchase

The amount of the identifiable assets acquired and liabilities assumed exceeds the aggregate consideration transferred.

## Gearing

Proportion of total interest bearing borrowings to capital employed.

## Interest Cover

Profit before tax and net finance cost divided by net finance cost. Measure of an entity's debt service ability.

## Key Management Personnel (KMP)

KMP are those persons having authority and responsibility for planning directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

## Market Capitalisation

Number of shares in issue multiplied by the market value of a share at the reported date.

## Net Assets Per Share

Total equity attributable to equity holders divided by the weighted average number of ordinary shares in issue. A basis of share valuation.

## Non-controlling Interest

Equity in subsidiary not attributable, directly or indirectly, to a parent.

## Other comprehensive income

An entry that is generally found in the shareholders' equity section of the balance sheet.

### **Price Earnings Ratio**

Market price of a share divided by earnings per share as reported at that date.

### **Related Parties**

A person or entity that is related to the entity that is preparing its Financial Statements.

### **Return on Capital employed**

Profit before tax and net finance cost divided by average capital employed.

### **Revenue Reserves**

Reserves considered as being available for distributions and investments.

### **Segments**

Constituent business units grouped in terms of similarity of operations and location.

### **SoRP**

Statement of Recommended Practice.

### **Value Addition**

The quantum of wealth generated by the activities of the Group measured as the difference between turnover and the cost of materials and services bought in.

### **Working Capital**

Capital required to finance day- to-day operations, computed as the excess of current assets over current liabilities.

# Corporate Information

## Name of Company

Hayleys PLC  
(A public limited company, incorporated in Sri Lanka in 1952)

## Company Number

PQ 22

## Stock Exchange Listing

The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka

## Registered Office

Hayley Building,  
P.O. Box 70, 400, Deans Road,  
Colombo 10, Sri Lanka  
Telephone: (94-11)2627000  
Facsimile: (94-11)2699299  
Website: <http://www.hayleys.com>

## Directors

A M Pandithage – Chairman & Chief Executive  
K D D Perera - Co-Chairman (Non - Executive)  
S C Ganegoda  
H S R Kariyawasan  
Dr. H Cabral, PC  
L R V Waidyaratne  
M H Jamaldeen  
M Y A Perera  
Mrs. J Dharmasena  
R J Karunarahaj (appointed w.e.f 01.06.2019 )  
K D G Gunaratne (appointed w.e.f 01.10.2019)  
Ms. A A K Amarasinghe (Alternate to K D D Perera) (appointed w.e.f 17.10.2019 )  
N L S Joseph (resigned w.e.f 03.11.2019)

## Group Management Committee

A M Pandithage – Chairman & Chief Executive  
S C Ganegoda  
H S R Kariyawasan  
L R V Waidyaratne  
Mrs. J Dharmasena  
W G R Rajadurai  
E R P Goonethilleke  
Mrs. D Talpahewa  
C De Silva  
N R Ranatunge  
D W P N Dediwela  
H Prematillake  
Ng Soon Huat  
M Wijewardene  
R J Karunarahaj (appointed w.e.f 01.06.2019 )  
Dr A Sivagananathan (resigned w.e.f 30.04.2019)  
S J Wijesinghe (resigned w.e.f 15.05.2019)

## Audit Committee

M Y A Perera - Chairman  
Dr H Cabral, PC  
M H Jamaldeen  
K D G Gunaratne (appointed w.e.f. 17.06.2020)

## Remuneration Committee

Dr H Cabral, PC – Chairman  
K D D Perera  
M H Jamaldeen  
M Y A Perera

## Nomination Committee

A M Pandithage – Chairman  
K D D Perera  
Dr H Cabral, PC

## Related Party Transaction Review Committee

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

## Secretaries

Hayleys Group Services (Private) Limited  
400, Deans Road, Colombo 10, Sri Lanka  
Telephone: (94-11)2627650  
Facsimile: (94-11)2627645  
E-mail: [info.sec@hayleys.com](mailto:info.sec@hayleys.com)  
Please direct any queries about the administration of shareholdings to the Company Secretaries

## Investor Relations

Please contact Strategic Business Development Unit  
Telephone: (94-11)2627662  
E-mail: [lasantha.somaratne@sbd.hayleys.com](mailto:lasantha.somaratne@sbd.hayleys.com)



# Notice of Meeting

## HAYLEYS PLC Company Number PQ 22

NOTICE IS HEREBY GIVEN that the Sixty Ninth Annual General Meeting of Hayleys PLC will be held at the Registered Office of the Company, No.400, Deans Road, Colombo 10, Sri Lanka on Tuesday, 28th July 2020 at 3.00 p.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 2020, with the Report of the Auditors thereon.
2. To elect Mr. K D G Gunaratne who has been appointed to the Board since the last Annual General Meeting, a Director.
3. To re-elect Mr. M H Jamaldeen, who retires by rotation at the Annual General Meeting, a Director.
4. To re-elect Mr. K D D Perera , who retires by rotation at the Annual General Meeting, a Director.
5. To re-elect Mrs. J Dharmasena, who retires by rotation at the Annual General Meeting, a Director.
6. To authorise the Directors to determine contributions to charities for the financial year 2020/21.
7. 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, for the financial year 2020/21.
8. To consider any other business of which due notice has been given.

### Notes:

1. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at No.400, Deans Road, Colombo 10, Sri Lanka or must be email to [hayleysagm@secretarial.hayleys.com](mailto:hayleysagm@secretarial.hayleys.com) not less than (48) hours before the time fixed for the meeting.
2. Please refer the "Circular to Shareholders" dated 1st July 2020 and follow the instructions to join the meeting physically or virtually.

By Order of Board  
HAYLEYS PLC  
HAYLEYS GROUP SERVICES (PRIVATE) LIMITED

### Secretaries

Colombo  
1st July 2020

# Form of Proxy

I/We\* .....(full name of shareholder\*\*)

NIC No./Reg. No. of Shareholder (\*\*) .....

of.....

being Shareholder/Shareholders\* of HAYLEYS PLC hereby appoint,

1. ....(full name of proxyholder\*\*)

NIC No. of Proxyholder (\*\*) .....

of .....or failing him/her

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our \* proxy to attend, speak and vote as indicated hereunder for me/us\* and on my/our\* behalf at the Sixty Ninth Annual General Meeting of the Company to be held on Tuesday, 28th July 2020 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 2020 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To elect Mr. K D G Gunaratne who has been appointed to the Board since the last Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. M. H. Jamaldeen, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. 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"/>
5. To re-elect Mrs. J Dharmasena, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Directors to determine contributions to charities for the financial year 2020/21.	<input type="checkbox"/>	<input type="checkbox"/>
7. 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, for the financial year 2020/21.	<input type="checkbox"/>	<input type="checkbox"/>

(\*\*) The proxy may vote as he thinks fit on any other resolution brought before the Meeting of which due Notice has been given.

As witness my/our\* hands this ..... day of ..... 2020.

Witnesses: Signature : .....

Name : ..... Signature of Shareholder

Address : ..... Signature of Shareholder

NIC No : .....

**Notes:**

- (a) \*Please delete the inappropriate words.
- (b) A shareholder entitled to attend and vote at the Annual General meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the company.  
\*\* Full name of shareholder/proxy holder and their NIC Nos and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed. Reg. No. Should be given in the case of corporate shareholders.
- (c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
- (d) Instructions are noted on the reverse hereof.
- (e) This Form of Proxy is in terms of the Articles of Association of the Company.
- (f) Please refer the "Circular to Shareholders" dated 1st July 2020 and follow the instructions to join the meeting physically and virtually.



## Form of Proxy

### INSTRUCTIONS AS TO COMPLETION :

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd at No.400, Deans Road, Colombo 10, Sri Lanka or must be email to [hayleysagm@secretarialhayleys.com](mailto:hayleysagm@secretarialhayleys.com) not less than 48 hours before the start of the Meeting.
2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly sign and fill in the date of signing.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at (1) overleaf. The proxy need not be a member of the Company.
4. Please indicate with an X in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (\*\*\*) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
5. In the case of a Company /Corporation the proxy must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association.  
  
In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
7. In the case of Marginal Trading Accounts (slash accounts), the form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

# Investor Feedback Form

To request information or submit a comment / query to the Company, please complete the following and return this page to -

Strategic Business Development Unit  
Hayleys PLC  
P.O Box 70 , No.400, Deans Road, Colombo 10, Sri Lanka.

Telephone : (94 -11)262 7662  
E-mail : lasantha.somaratne@sbd.hayleys.com

Name :

Permanent Mailing Address : .....

Contact Numbers - (Tel) : .....  
County Code Area Code Number

- (Fax) : .....  
County Code Area Code Number

E-mail : .....

Name of Company (If Applicable) : .....

Designation (If Applicable) : .....

Company Address (If Applicable) : .....

Queries / Comments :



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