

Fibres of the Future

HAYLEYS FABRIC PLC
ANNUAL REPORT 2024/2025





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the integrated Annual Report- 2024/25



CARBON NEUTRAL CERTIFICATE

Presented to: Hayleys Fabric PLC

Presented by: Sri Lanka Climate Fund (Pvt) Ltd.

Sri Lanka Climate Fund (Pvt) Ltd. certifies that
Corporate Annual Report of Hayleys Fabric PLC
has offset its total Product Level GHG Emissions of 1.28 tCO₂e
quantified and verified for the financial year 2024/25
from Certified Emission Reductions (CERs) of
24MW DONG YANG ENERGY PV (photovoltaic) power plant
registered under Clean Development Mechanism of UNFCCC

Assessment of Product Level GHG Statement

Scope	Product Level
Methodology	ISO 14067:2018
System Boundary	Life cycle assessment of the product Cradle to Gate
Period of Assessment	01.04.2024 – 31.03.2025
Verified by	Sri Lanka Climate Fund (Pvt) Ltd.

Certificate No : SLCF/CNC/0069

Date of Issue : 25.04.2025




Chairman

Sri Lanka Climate Fund (Pvt) Ltd


Chief Executive Officer
Sri Lanka Climate Fund (Pvt) Ltd

Sri Lanka Climate Fund (Pvt) Ltd, "Sobadam Piyasa", No. 416/C/1, Robert Gunawardana Mawatha, Battaramulla.
Phone: 011 2053065 E-mail: info@climatefund.lk

The Hayleys Fabric PLC Integrated Annual Report for FY 2024/25 was awarded the CarbonNeutral certification for the eighth consecutive year, reaffirming the Group's unwavering commitment to environmental responsibility and sustainable reporting practices. This continued achievement underscores Hayleys Fabric Group's leadership in minimising its carbon footprint and promoting transparency in sustainability performance.





Fibres of the Future

In a year driven by a laser-focus on innovation and sustainability, Hayleys Fabric PLC has changed the game by consistently and meticulously improving on our operational efficiency and strategy to leave a positive impact on our customers, our business and our future.

By shifting our focus towards an innovation in place of tradition, we believe that our objective to satisfy our customers while protecting the environment will be realised tenfold, and as such, we move forward with our fibres, to a future enmeshed in prosperity and propriety.

At Hayleys Fabric PLC, we're creating the fibres of the future.



cont

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ABOUT OUR 11th INTEGRATED REPORT



ABOUT OUR INTEGRATED REPORT

Confirming the Group's commitment to integrated reporting, the annual process of preparing the integrated report is the responsibility of a working group led by the Executive Director- Finance & ESG and comprising senior members of the finance, marketing and sustainability teams.



TARGET AUDIENCE

This report is intended to satisfy the information needs of Hayleys Fabric PLC's key stakeholders including customers, suppliers, investors, employees, regulators and communities.



Won the Bronze Award for the 2nd consecutive year in the Manufacturing Sector at the Annual Report Awarding Ceremony - 2016 organised by CA Sri Lanka and the Colombo Stock Exchange



2016-17



2018-19

Won the Silver Award for the first time, after winning Bronze Awards during the past 3 consecutive years, in the Manufacturing Sector above Rs.5 Bn Revenue category at the Annual Report Awarding Ceremony - 2018, organised by CA Sri Lanka and the Colombo Stock Exchange



2014-15

2015-16

The Company won the Bronze Award in the Manufacturing Sector at the Annual Report Awards 2015 organised by CA Sri Lanka and the Colombo Stock Exchange. The award is a strong testament of the Company's transparency and the integrity of financial reporting.















2017-18



Won the Bronze Award for the 3rd consecutive year in the Manufacturing Sector above Rs.5 Bn Revenue category at the Annual Report Awarding Ceremony - 2017 organised by CA Sri Lanka and the Colombo Stock Exchange.

REPORTING BOUNDARY FOR THE INTEGRATED

Report Risks, Opportunities and Outcomes

Financial and statutory reporting boundary	Capitals applied in the creation, preservation or erosion of value	Stakeholders
01st April 2024 - 31st March 2025		
HAYLEYS FABRIC GROUP		
Hayleys Fabric PLC		
South Asia Textiles Limited		
Hayleys Fabric Solutions Ltd		
	 FINANCIAL CAPITAL	 INVESTORS
	 INTELLECTUAL CAPITAL	 CUSTOMERS
	 MANUFACTURED CAPITAL	 EMPLOYEES
	 HUMAN CAPITAL	 SUPPLIERS
	 SOCIAL AND RELATIONSHIP CAPITAL	 REGULATORS
	 NATURAL CAPITAL	 COMMUNITY



SCOPE AND BOUNDARY

This report spans the Group's financial reporting period from 1st April 2024 to 31st March 2025 and comprehensively covers the core business activities of Hayleys Fabric PLC, its fully-owned subsidiary, South Asia Textiles Limited and Hayleys Fabric Solutions Ltd, a partly-owned subsidiary for the said period.

The integrated reporting boundary covers risks, opportunities and outcomes relating to the Group's operating environment, its operating businesses and engagement with key stakeholders who influence the Group's ability to create and sustain value.

Bronze Award under the Asia's Best Integrated Report (Design) category at the Asia Sustainability Reporting Awards 2019, organised by CSRWorks International - Singapore

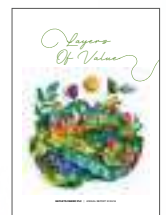


International ARC Awards - Emerald Anniversary (35th Academy Awards of Annual Reports 2021)

Bronze Award for the 2019/20 Annual Report, 'Progressive by Nature' - the Best Script/ Writing: Manufacturing & Distributing

CA Sri Lanka TAGS Awards 2023

Silver Award joint winner for Manufacturing Sector (Group Turnover Above LKR 20 Bn) at the CA Sri Lanka TAGS Awards 2024.



2019-20

2021-22

2023-24

2020-21

2022-23

SAARC Anniversary Awards 2020 Merit Award for Integrated Reporting and Corporate Governance Disclosures Certificate



CA Sri Lanka TAGS Awards 2022

Bronze Award for Manufacturing Sector (Group Turnover Above LKR 10 Bn) at the CA Sri Lanka TAGS Awards 2022.

ABOUT OUR 11TH INTEGRATED REPORT

REPORTING FRAMEWORKS

INTEGRATED REPORTING (V)

The International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)

SUSTAINABILITY REPORTING (V)

Global Reporting Initiative (GRI) standards - 'In Accordance', issued by Global Sustainability Standards Board

United Nations Sustainable Development Goals (SDGs)

Sustainability Accounting Standard for the Apparel, Accessories and Footwear sector standard of the Sustainability Accounting Standards Board (SASB)

United Nations Global Compact (UNGC)

UNGC CEO Water Mandate

Gender Parity Reporting Framework of CA Sri Lanka

FINANCIAL REPORTING (M)

Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka

Companies Act No. 07 of 2007

Listing Rules of the Colombo Stock Exchange

SLFRS S1 & S2

GOVERNANCE, COMPLIANCE AND RISK REPORTING

Code of Best Practice for Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (V)

Corporate Governance Requirements stipulated under the Listing Rules of the Colombo Stock Exchange (CSE) - (M)

M - Mandatory Requirements

V - Voluntary Adoption

INTEGRATED REPORTING PROCESS

Confirming the Group's commitment to integrated reporting, the annual process of preparing the integrated report is the responsibility of a working Group led by the Executive Director - Finance & ESG and comprising senior members of the finance, marketing and sustainability teams.

The report preparation process commences with the working group undertaking to critically evaluate the previous year's integrated report to identify opportunities to enhance disclosures in line with global best reporting practices, reflecting the commitment to continually enhance the quality of reporting and disclosures year-on-year.

Thereafter, appropriate content is gathered based on interviews and submissions from corporate management, business unit heads, the Company Secretary and divisional executives. Macroeconomic data contained within the report is extracted from verified publicly available external sources. All such external sources have been quoted as relevant.

Draft content reports are subject to stringent scrutiny by the working Group and where relevant further reviewed by appropriate Board Committees. The draft integrated report is provided to the Board for review and their feedback, with suggestions then incorporated into the final report.

MATERIALITY

The Materiality determination process is regarded as a key enabler of integrated thinking. Accordingly, the principle of Materiality guides the assessment of what information is included in this integrated report. Consequently, this report concentrates specifically on material opportunities, and challenges that significantly influence the Hayleys Fabric Group and its capacity to generate value for its key stakeholders across short, medium, and long-term horizons.

SIX CAPITALS

The current and future prospects of the Hayleys Fabric Group hinges on the effective mobilising of capital resources for the purpose of creating value for stakeholders. To demonstrate how this is achieved,

this report contains a section detailing how the Group uses the various forms of capital to derive value-based outcomes to meet stakeholder expectations.

PRECAUTIONARY APPROACH

The report captures Hayleys Fabric's efforts to adopt the precautionary approach for the management of sustainability issues, in particular, by embedding Environmental, Social and Governance (ESG) considerations across decision-making processes at all levels. The approach is supported by a proactive Group-wide monitoring of ESG risks and mobilising appropriate mitigation action through the Group's products and operations.

ASSURANCE

All sections of the integrated report encompassing financial and non-financial information, including the narrative, and supporting quantitative and qualitative data have been reviewed by the Board Audit Committee, with a view to providing independent internal assurance to the Board to confirm the accuracy and completeness of the report content.

The Group's external auditors: Ernst & Young, have provided independent assurance reports regarding the financial statements for the year ending 31st March 2025. Independent assurance has also been obtained confirming the Group's adherence to GRI standards and the SASB standards as well as the compliance with the <IR> Integrated Reporting Framework. These reports are shown on pages 227, 179 and 181 respectively.

FORWARD-LOOKING STATEMENTS

The report contains, where applicable or helpful, plans for the future. These statements reflect the Hayleys Fabric Group's position

and beliefs as at the time of writing. However, since the Group operates in a dynamic and fast-evolving environment surrounded by uncertainties and new developments that could cause actual results or actions to differ from those stated in these forward-looking statements. As such, Hayleys Fabric PLC does not undertake any obligation to update any revisions to these statements publicly after the date of this report. Therefore, readers are cautioned to refrain from assigning too much weightage to such forward-looking statements.

There are no restatements pertaining to previous annual reports published by Hayleys Fabric PLC.

BOARD RESPONSIBILITY STATEMENT

The Board of Directors of Hayleys Fabric PLC acknowledges its responsibility for ensuring the completeness, accuracy and integrity of this report. The Board confirms that it collectively reviewed the contents of the report in conjunction with the assurance reports obtained from our various internal and external assurance providers.

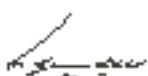
On this basis, the Board is satisfied that the Integrated Report for FY 2024/25 addresses all the Material issues that affect the Group's ability to create and sustain stakeholder value over the short, medium and long term.

ADOPTION OF SLFRS S1 AND S2 SUSTAINABILITY DISCLOSURE STANDARDS

Time horizons: The time horizons in which the Group classifies its short, medium and long-term sustainability-related-risks and opportunities (SRRO) and climate related-risks and opportunities (CRRO) are as follows; short-term (less than 1 year), medium-term (1-5 years) and long-term (over 5 years)

2025/26 :	2026/27 :
<ul style="list-style-type: none"> Developed the SRROs and CRROs and assessed the low, medium and high impacts to Short, Medium and Long term periods and quantify the potential financial impact to income statement, financial position and to the cash flows Conduct the Product Life Cycle Assessment (LCA) 	<ul style="list-style-type: none"> Strengthen reporting across Hayleys Fabric Group External assurance of SLFRS S1 & S2 Standards

The report was unanimously approved by the Board on 06th May 2025 and is signed on its behalf by,



E.R.P. Goonetilleke
Managing Director/CEO






Ruwan Rohitha Bandara
Director - Finance & ESG

Feedback

In line with the commitment to achieving reporting excellence, Hayleys Fabric PLC welcomes feedback regarding this report. All such feedback should be directed to:

Mr. Ruwan Rohitha Bandara

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

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

PURPOSE, VISION, MISSION, AND VALUES

PURPOSE VISION MISSION

TO STRENGTHEN THE FABRIC OF SOCIETY BY KNITTING TOGETHER A BETTER ENVIRONMENT FOR ALL!

TO BE THE MOST SOUGHT AFTER MANUFACTURER OF FABRIC IN SOUTH ASIA

TO ATTRACT PREMIER CLOTHING BRANDS IN THE WORLD, THROUGH INNOVATION, SPEED, RELIABILITY, QUALITY AND SERVICE WHILST ALIGNING OUR BUSINESS STRATEGIES TO SATISFY STAKEHOLDER NEEDS

CAPITAL NAVIGATION



FINANCIAL
CAPITAL



MANUFACTURED
CAPITAL



INTELLECTUAL
CAPITAL



HUMAN
CAPITAL



SOCIAL AND
RELATIONSHIP
CAPITAL



NATURAL
CAPITAL

ABOUT US



OUR VALUES

Hayleys Fabric PLC which commenced its journey in 1993 is the pioneer in fabric manufacturing in Sri Lanka, innovating a wide range of knits and fabric for top end global brands. Having acquired South Asia Textiles Limited in April 2021, we became Sri Lanka's largest fabric manufacturer, and have the distinct capability of providing a complete portfolio of end-to-end solutions from designing to manufacturing of fabric, made out of both natural and synthetic fibres.

We continuously strive to be socially responsible and carry out our activities following best practices on sustainability, environment, health and safety. Our unwavering commitments, combined with our strong

innovation capabilities and high service levels, have earned us the continued trust and confidence of our buyers.

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

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



Integrity

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



Quality

We deliver excellent standards consistently.



Accountability

We hold ourselves responsible to deliver what we promise.



Service

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



Good Citizenship

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



Innovation

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



People

We build our team to create value to stakeholders.

ABOUT US



OUR WIDE PRODUCT PORTFOLIO

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

OUR PRODUCT CAPABILITY

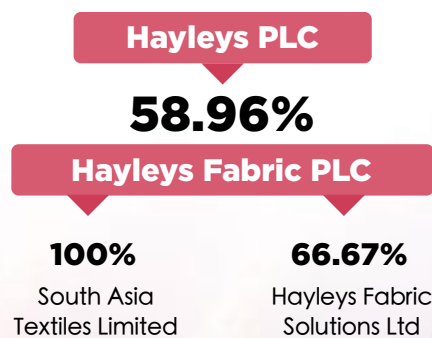
The infographic displays a variety of fabric types and their corresponding clothing items. The fabric types listed are: POLAR FLEECE, FLEECE, INTERLOCK, STRUCTURED DOUBLE JERSEY, TERRY, RIB, SINGLE JERSEY, FRENCH TERRY, STRUCTURED JERSEY, POINTELLE, PIQUE, WAFFLE, and JACQUARD. Each fabric type is accompanied by a small image of a garment made from that fabric.

Our Innovation and Development Department serves as the nerve center of corporate creativity, where meticulous color research and comprehensive market insights enable us to identify and anticipate future global trends, thereby fulfilling the desires and expectations of our customers.



GROUP STRUCTURE

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



WHERE WE OPERATE

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



Narthupuna Estate, Neboda

8,562 MT of Fabric Produced
USD 96.24 Mn Revenue
1,783 Employees



Wagawatte Knitting Plant in Horana

1,904 MT of Greige Produced
94 Employees



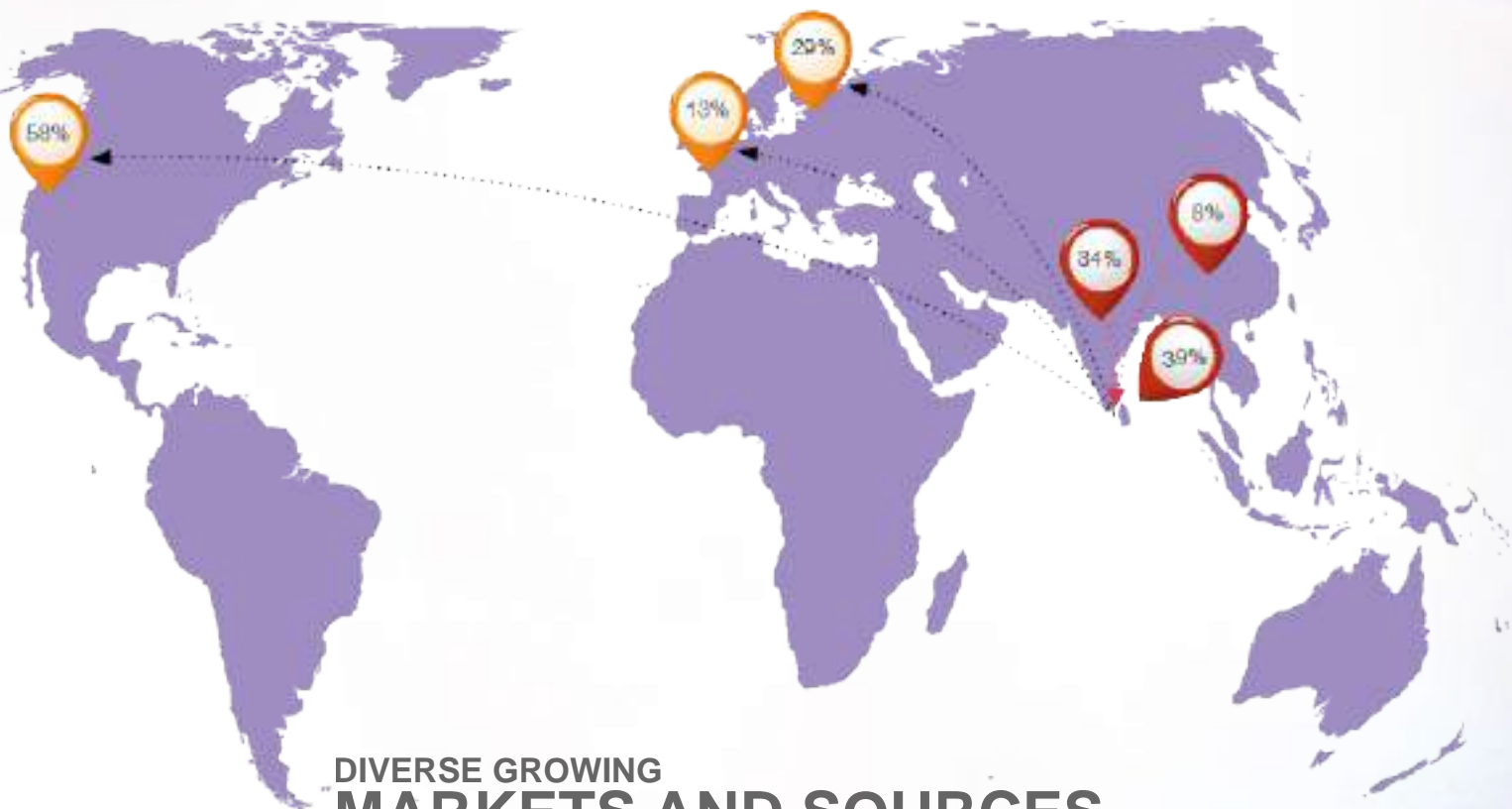
South Asia Textiles Limited in Pugoda

7,294 MT of Fabric Produced
USD 53.63 Mn Revenue
1,520 Employees



OUR PRESENCE ALONG THE VALUE CHAIN

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



DIVERSE GROWING MARKETS AND SOURCES



Markets



Main Raw Material Sources

Country exposure is given based on the origin of the brand

ABOUT US



OUR PARTNERS

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



VICTORIA'S
SECRET

TEZENIS

Calvin Klein

TOMMY HILFINGER

next

intimissimi

GYMSHARK



PINK




INNO DESIGN CENTER

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

Sports Apparel

Women's





- Texture variant with performance
- Soft hand-feel
- Moisture wicking and quick dry
- Micro fiber synthetics

It's performance, soft in touch, comfort in look. Smooth knitting made out clean cut, perfect touch, better performance and technical properties.

Flexible of customizing the weight / fiber composition / design texture as per requirement.

PVH






EXPLORE THE

Performix

The engineered functional collection of knitted textiles

Engineered Performance

VICTORIA'S SECRET PINK



STRIVING FOR EXCELLENCE

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

PRODUCT



GLOBAL RECYCLED STANDARD & RECYCLED CLAIM STANDARD

These standards verify the recycled content in textile products, ensuring transparency and promoting the use of sustainable recycled materials.



THE GLOBAL ORGANIC TEXTILE STANDARD & ORGANIC CONTENT STANDARD

These standards define and validate the requirements for organic textiles, reflecting a commitment to organic materials



STANDARD 100 by OEKO-TEX

This is one of the world's best-known labels for textiles tested for harmful substances. It stands for customer confidence and high product safety.



FOREST STEWARDSHIP COUNCIL CERTIFICATE

This certification ensures that wood-based materials used in products come from responsibly managed forests



REGENAGRI CHAIN OF CUSTODY STANDARD

This standard ensures traceability and responsible practices within the supply chain for regenerative agriculture products including Regenerative Cotton.

ENVIRONMENT



ISO 14001 : ENVIRONMENTAL MANAGEMENT SYSTEMS

This demonstrates an established framework for managing and improving environmental performance management systems.



ISO 50001: ENERGY MANAGEMENT SYSTEMS

This certification demonstrates a commitment to energy efficiency and systematic energy management.



ECO LABEL CERTIFICATION

This certification signifies that products meet stringent environmental standards throughout their lifecycle.



GREENHOUSE GAS VERIFICATION BY SRI LANKA CLIMATE FUND (PVT) LIMITED

VOLUNTARY INITIATIVES



Since 2018 Hayleys Fabric PLC has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption



SOCIAL



ISO 45001: OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEMS

Global standard for Occupational Health and Safety Management Systems that provides a practical solution to improve the safety and health of both employees and other personnel



RESPONSIBLE CARE

Adherence to the Responsible Care Council initiative, practicing best Environmental, Health & Safety standards

BOARD OF DIRECTORS



A.M. PANDITHAGE

Chairman
Executive Director



E. R. P. GOONETILLEKE

Managing Director / CEO
Executive Director



MS. K.A.D.B. PERERA

Non-Executive Director



S.C. GANEGODA

Non-Executive Director



H. SOMASHANTHA

Non-Executive Director



N. EKANAYAKE

Senior Independent Director



M.N.R. FERNANDO
Independent Non-Executive Director



J.A.N.R. ADHIHETTY
Independent Non-Executive Director



T.A.B. SPELDEWINDE
Independent Non-Executive Director



I.B.R.R. BANDARA
Executive Director



M. H. JAYASINGHE
Executive Director



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

BOARD OF DIRECTORS

A.M. PANDITHAGE

Chairman-Executive Director

Appointed – July 2007

Since assuming the role of Chairman and Chief Executive in 2009, Mr. Pandithage's strategic vision has redefined the growth trajectory of Hayleys, transforming the Group to one of Sri Lanka's most diversified, sustainable and socio-economically impactful enterprises. His foresight in capturing emerging opportunities and driving strategic investments in key industries have significantly enhanced the Group's earnings potential and long-term resilience. Mr. Pandithage is an accomplished industry veteran and respected leader in the field of transportation and logistics, having led the Group's Transportation Sector prior to this appointment as Chairman of the Group. He was the first Sri Lankan to be awarded the Pinnacle Lifetime Award by the Chartered Institute of Logistics and Transport and has been honoured with the prestigious 'Best Shipping Personality' Award by the Institute of Chartered Shipbrokers, in recognition of his outstanding contributions to the industry. He was also inducted as a 'Legend of Logistics' by the Sri Lanka Logistics and Freight Forwarding Association.

He is a Fellow of the Chartered Institute of Logistics and Transport (UK) and a Member of the Advisory Council of the Ceylon Association of Shipping Agents (CASA). He also serves as a Council Member of the Employers' Federation of Ceylon.

Mr. Pandithage also serves as Honorary Consul of the United Mexican States (Mexico) to Sri Lanka.

Executive Chairman of Haycarb PLC, Dipped Products PLC, Singer (Sri Lanka) PLC, Hayleys PLC, Hayleys Fibre PLC, Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC, Horana Plantations PLC, Alumex PLC, The Kingsbury PLC

and Hayleys Leisure PLC. He also serves as a Non-Executive Director on the Board of Diesel and Motor Engineering PLC.

E. R. P. GOONETILLEKE

Managing Director / CEO
Executive Director

Appointed – March 2013

Mr. Eranga Rohan Peiris Goonetilleke joined Hayleys Fabric PLC, as Managing Director / CEO on the 1st of March 2013, and was appointed to the Group Management Committee in the same month. Mr. Goonetilleke also serves as Managing Director/ CEO of South Asia Textiles Limited with effect from April 2021. On the 20th of October 2024, he was appointed to the Board of SriLankan Airlines Ltd.

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

MS. K.A.D.B. PERERA

Non-Executive Director

Appointed – October 2022

Ms. Brindhini Perera holds a Master's degree in Mechanical Engineering from Imperial College London, with a strong academic foundation in Manufacturing Technology and Management, Entrepreneurship, Corporate

Finance, Statistical Analysis, and Applied Mathematics. She began her professional development at an early age, undertaking internships at Vallibel One PLC from the age of 13. Since then, she has gained experience at both Vallibel One and Hayleys PLC, contributing to strategic planning, operations, and engineering-driven initiatives.

She holds directorships in fifteen other companies viz; Non-Executive Director of Haycarb PLC, Dipped Products PLC, The Kingsbury PLC, Hayleys Leisure PLC, Singer (Sri Lanka) PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resorts PLC, Delmege Limited, Otwo Biscuit (Private) Limited, The Canbury Biscuit Company Limited, Manatee Clothing Company (Pvt) Ltd and Dhammika & Priscilla Perera Foundation. She also serves on the Board of Eurocarb Products Ltd (UK) and Haylex Ltd (UK).

S.C. GANEGODA

Non-Executive Director

Appointed – November 2009

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

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

He is also Deputy Chairman of Alumex PLC, Non-Executive Director of Haycarb PLC, Dipped Products PLC, Hayleys PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Horana Plantations PLC, Singer (Sri Lanka) PLC, The Kingsbury PLC and Hayleys Leisure PLC. He serves on the Boards of several private and unlisted public companies in the Hayleys Group. He also serves as the Chairman of SriLankan Airlines Ltd and SriLankan Catering Limited.

H. SOMASHANTHA
Non-Executive Director

Appointed – February 2012

Mr. Haresh Somashantha is a seasoned finance and operations professional with over 25 years of leadership experience. His expertise spans business planning and development, strategic and financial management, and internal and external process optimisation. With a strong track record in driving team-led process improvements, he has successfully implemented innovative solutions to enhance revenue, operational efficiency, customer satisfaction, and overall profitability.

A Fellow Member of both the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka, Mr. Somashantha is also an Associate Member of CPA Australia. He holds a Bachelor of Science degree in Mathematics.

He currently serves as the Director Finance of Royal Ceramics Lanka PLC (Rocell Group). Additionally, he is a Director and Audit Committee Member of Vallibel Power Erathna PLC and Unidil Packaging Limited. His directorships further extend to several subsidiary companies within the Unidil and Delmege Group.

N. EKANAYAKE
Senior Independent Director

Appointed – January 2024

Mr. Nandana Ekanayake is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA) possessing over 30 years of post-qualifying experience at different management levels. He is also an Associate Member of the Institute of Certified Practicing Accountants (CPA) Australia and a Fellow Member of the Certified Management Accountants (FCMA) of Sri Lanka.

He has also completed his executive education in London Business School in the UK and leadership education in International Institute for Management Development (IMD) in Switzerland both of which are world-renowned business schools.

Mr. Ekanayake is the current Chairman/CEO of Siam City Cement (Lanka) Ltd., Chairman/CEO of both Mahaweli Marine (Pvt) Ltd (a 90% owned subsidiary of Siam City Cement (Lanka) Ltd) and INSEE Ecocycle Lanka (Pvt) Ltd (fully owned subsidiary of Siam City Cement (Lanka) Ltd).

He has previously served as Vice President – Finance, IT and Procurement of Holcim Lanka Ltd – Colombo and as the General Manager of Ruhunu Cement Co. Ltd – Colombo. He has also served as the Finance Director of Holcim (Vietnam) Ltd, in Ho Chi Minh City for a period of 10 years.

Mr. Ekanayake is also a Senior Independent Director and Audit Committee Chairman of both Kelani Valley Plantations PLC, and Talawakelle Tea Estates PLC.

He also served as an Independent Board Member of Biodiversity Sri Lanka for a two-year term from 2020 to 2022.

M.N.R. FERNANDO
Independent Non-Executive Director

Appointed – January 2024

Mr. Nanda Fernando is a Banker with over four decades of experience in banking. He currently serves as a Business Consultant. He is the Managing Director of Professional Business Consultants, a Company engaged in providing financial planning and advisory services. He is a Director of Haycarb PLC, Dipped Products PLC, Hatton National Bank PLC, and Assetline Finance Ltd.

He is engaged in uplifting productivity in companies, resulting in increased stakeholder benefits. He possesses a proven track record of strategic leadership, business growth, and exceptional financial performance. He provided effective leadership to Sampath Bank, utilising his expertise to drive organisational success and deliver exceptional value to stakeholders.

He is also well-known for his proven professional skills in Financial Management and Analysis, Business Development and Growth, Risk Management and Compliance, Team Leadership and Talent Development, Operational Excellence, Stakeholder Engagement, and Relationship Management.

Prior to his current role, Mr. Fernando was attached to Sampath Bank as its Managing Director. He served Sampath Bank for 36 years from the year of its inception. Earlier in his career, he served Hatton National Bank PLC for almost 6 years.

He is a Senior Fellow of the Institute of Bankers Sri Lanka and possesses a Master of Business Administration from Sikkim Manipal University, India.

BOARD OF DIRECTORS

J A N R ADHIHETTY

Independent Non-Executive Director

Appointed – October 2024

Mr. Amrith Adhietty holds a Bachelor of Commerce and Accounting Degree from the University of Macquarie, New South Wales, Australia and is a Certified Practising Accountant (CPA).

He currently serves as an Executive Director at Delmege Forsyth & Co. Ltd which comprises many diverse business verticals such as Interior Décor & flooring, Building Products, Healthcare, Travel, Furniture Manufacturing and FMCG.

He also serves as an Independent Non-Executive Director of Lanka Tiles PLC and as a Non-Executive Director of Eden Pharmaceuticals (Pvt) Ltd, Grip Delmege (Pvt) Ltd, Grip Nordic (Pvt) Ltd and Summer Season Mirissa (Pvt) Ltd.

T A B SPELDEWINDE

Independent Non-Executive Director

Appointed – December 2024

Mr. Timothy Speldewinde is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and also a Fellow of the Chartered Institute of Management Accountants, UK.

He possesses extensive experience in the management of local as well as international facilities and has been an integral member of the MAS Group for over 25 years. He served as the CEO of Stretchline Holdings headquartered in Hong Kong, with manufacturing facilities in Sri Lanka and overseas.

He currently serves as Independent Non-Executive Director of Hayleys PLC and Haycarb PLC. He is a Independent Non-Executive Director and the Audit Committee Chairman of The Kingsbury PLC, Horana Plantations PLC, Ceylon Grain Elevators PLC, Three Acre

Farms PLC and WealthTrust Securities Limited. Mr. Speldewinde is a consultant to the Board of MAS Holdings (Pvt) Ltd and a Director of Contemporary Ceylon (Pvt) Ltd.

R. ROHITHA BANDARA

Executive Director

Appointed – May 2018

Mr. Rohitha Bandara joined in 2012 as Chief Financial Officer and was appointed to the Board on 15th May 2018. Mr. Rohitha Bandara is a Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA) and Fellow member of ACCA (UK). He holds a B.Sc. Management Special Degree from the University of Sri Jayawardenepura and in addition, an MBA in Finance from the University of Colombo. He is also qualified in AAT, ACMA (SL), ACPM, AIPFM (UK) and has over four years' experience with Ernst & Young in different industry segments in Sri Lanka and Singapore and over 16 years of manufacturing experience in textiles industry as Sector Head of Finance/ Director-Finance. He has undergone several corporate leadership training programmes including a Corporate Leadership Programme conducted by HIDA, in Japan.

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

M. H. JAYASINGHE

Executive Director

Appointed – April 2019

Mr. Malith Jayasinghe joined Hayleys Fabric PLC as a Management Trainee, assumed duties with increased responsibilities in Sales and Marketing functions during his career. He counts for over 20 years of experience at Hayleys Fabric. He was appointed to the Board of Hayleys Fabric PLC in 2019 and to the Board of South Asia Textiles Limited. in 2021.

K. P. C. P. K. PATHIRANA

Executive Director

Appointed – August 2020

Mr. Prasanna Pathirana is a Graduate in Business Management (Human Resource) Special from the University of Kelaniya. In addition, he holds a Diploma in Psychology from Sri Lanka Psychological Institute. He has over 23 years' experience in the field of Human Resource Management at leading local and multinational companies.

He was appointed to the Board of South Asia Textiles Limited in 2021 and also appointed to the position of Chairman, Tea, Rubber and Coconut Estates (Control of Fragmentation) Board on 28th October 2024, which comes under the Ministry of Plantation and Community Infrastructure.

MANAGEMENT TEAM - HAYLEYS FABRIC PLC



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



R. ROHITHA BANDARA
Executive Director
Finance & ESG



M. H. JAYASINGHE
Executive Director
Sales and Marketing



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



P. M. P. PERERA
General Manager
Engineering



K. D. C. R. GUNARATNE
General Manager
Knitting /Production
Development & Innovation



**ASANGA INDRAJITH
KARUNARATNE**
General Manager
Sales & Marketing



PRABASH PRIYANTHA
General Manager
Production



C. P. WANASINGHE
Deputy General Manager
Production Planning



SALIYA THILAKARATHNA
Deputy General Manager
Supply Chain

MANAGEMENT TEAM - HAYLEYS FABRIC PLC



DUNSTAN WERAGALA
Deputy General Manager
Compliance



ARJUNA DAYARATHNE
Deputy General Manager
Engineering



MRS. GAYANIKA JAYAWARDENE
Executive Personal Assistant to the
Managing Director/CEO
Deputy General Manager
Human Resources & Administration



CHAMINDA KOTTEGODA
Deputy General Manager
Finishing (Technical)



EIROSH KARUNARATHNA
Deputy General Manager
Finishing



SURANGA PERERA
Deputy General Manager
Dye House



CHAMIL MADDUMAGE
Deputy General Manager
Sales & Marketing



NALIN PERERA
Deputy General Manager
Finance



LAKMAL DIYAWATHTHEGE
Deputy General Manager
Sustainability



INDUNIL NIMALARUWAN
Deputy General Manager
Quality Assurance

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

Mr. Eranga Rohan Peiris Goonetilleke joined Hayleys Fabric PLC, as Managing Director /CEO on the 1st of March 2013, and was appointed to the Group Management Committee in the same month. He also serves as Managing Director/CEO of South Asia Textiles Limited with effect from April 2021. On the 20th of October 2024, he was appointed to the Board of Srilankan Airlines Ltd.

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

R. ROHITHA BANDARA**Director – Finance & ESG**

Mr. Rohitha Bandara joined in 2012 as Chief Financial Officer and was appointed to the Board on 15th May 2018. Mr. Rohitha Bandara is a Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA) and Fellow member of ACCA (UK). He holds a B.Sc. Management Special Degree from the University of Sri Jayawardenepura and in addition, an MBA in Finance from the University of Colombo. He is also qualified in AAT, ACMA (SL), ACPM, AIPFM (UK) and has over four years' experience

with Ernst & Young in different industry segments in Sri Lanka and Singapore and over 16 years of manufacturing experience in textiles industry as Sector Head of Finance/ Director-finance. He has undergone several corporate leadership training programmes including Corporate Leadership Programme conducted by HIDA, in Japan.

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

M. H. JAYASINGHE**Director – Sales & Marketing**

Mr. Malith Jayasinghe joined Hayleys Fabric PLC as a Management Trainee, assumed duties with increased responsibilities in Sales and Marketing functions during his career. He counts for over 20 years of experience at Hayleys Fabric. He was appointed to the Board of Hayleys Fabric PLC in 2019 and to the Board of South Asia Textiles Limited. in 2021.

K. P. C. P. K. PATHIRANA**Director – Human Resources & Administration**

Mr. Prasanna Pathirana is a Graduate in Business Management (Human Resource) Special from the University of Kelaniya. In addition, he holds a Diploma in Psychology from Sri Lanka Psychological Institute. He has over 23 years' experience in the field of Human Resource Management at leading local and multinational companies.

He was appointed to the Board of South Asia Textiles Limited in 2021 and also appointed to the position of Chairman, Tea, Rubber and Coconut Estates (Control of Fragmentation) Board on 28th October 2024, which comes under the Ministry of Plantation and Community Infrastructure.

P. M. P. PERERA**General Manager – Engineering**

Mr. Mahesh Perera earned a National Diploma in Mechanical Engineering from the University of Moratuwa. He has over 32 years of Engineering experience, with 23 of those years focused on the textile manufacturing industry.

K. D. C. R. GUNARATNE**General Manager – Knitting/ Production Development & Innovation**

Mr. K. D. Gunaratne has over 26 years's experience in Knitting Technology and Production at Hayleys Fabric PLC. He has advanced technical trainings on Knitting technology in a large-scale knitting mill in Australia.

ASANGA INDRAJITH KARUNARATNE**General Manager – Sales & Marketing**

Mr. Asanga Indrajith Karunaratne has over 23 years of apparel industry experience, working for two leading apparel manufacturing companies in Sri Lanka and has managed key accounts of top global apparel brands based out of the USA and Europe. Further, he's played a key role in Training and Development space by training individuals working in Marketing, Customer Service and in other apparel functions.

Mr. Karunaratne holds a Bachelor of Business Administration from the University of Colombo, Master of Business Administration from Postgraduate Institute of Management (PIM), University of Sri Jayawardenepura and Postgraduate Diploma of Marketing, Chartered Institute of Marketing, UK (CIM-UK).

MANAGEMENT TEAM - HAYLEYS FABRIC PLC

PRABASH PRIYANTHA

General Manager – Production

Mr. Prabash Priyantha is an accomplished professional with 28 years of experience in the textile industry, spanning both local and international markets. He has successfully led capacity expansions projects in overseas companies and played a key role in developing synthetic fabric and lace manufacturing in India.

He is an alumnus of Indian Institute of Management (IIM-A) and followed Senior Leaders' Programme of 3TP. He also holds an Executive Master Program in Business Management from IIBM India.

C. P. WANASINGHE

Deputy General Manager – Production Planning

Mr. Chinthaka Wanasinghe holds a BSc. in Industrial Management from the University of Kelaniya, MSc. in Operational Research from the University of Moratuwa and in also holds a National Diploma in Engineering Science from the Institute of Engineering Technology (IET). He has over 14 years' experience in overall planning, SAP - ERP and information systems.

SALIYA THILAKARATHNA

Deputy General Manager – Supply Chain

Mr. Saliya Thilakarathna holds MBA from London Metropolitan University of UK. He is with over 21 years' experience in Textile & Apparel industry in local & overseas.

He joined Hayleys Fabric PLC in April 2021 as Head of Supply Chain and was previously he has attached to two large scale fabric

mills in Sri Lanka. He has also served in overseas as Senior Manager Production Planning & Supply Chain for 6 years who has perfected the art of lace fabric knitting mills located in both China & Thailand.

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

DUNSTAN WERAGALA

Deputy General Manager – Compliance

Mr. Dunstan Weragala, with over 20 years of experience at Hayleys Fabric PLC, is a seasoned leader in compliance. He holds a Bachelor of Science degree (BSc) from the University of Colombo (2003) and a Master of Science (MSc) in Textile and Clothing Management from the University of Moratuwa (2018).

A diploma holder with Merit from the National Institute of Occupational Health and Safety (NIOSH), Sri Lanka, Mr. Weragala is also certified in Clothing Production and Technology from Phoenix College of Clothing Technology, Ratmalana.

ARJUNA DAYARATHNE

Deputy General Manager – Engineering

Mr. Arjuna Dayarathna holds a National Diploma in Mechanical Engineering from the University of Moratuwa. He has over 24 years' experience in the field of engineering and 19 years' experience in the textile manufacturing industry.

MRS. GAYANIKA JAYAWARDENE

Executive Personal Assistant to the Managing Director/CEO

Deputy General Manager – Human Resources & Administration

Mrs. Gayanika Jayawardene has over 17 years' experience at Hayleys Fabric PLC. She was also appointed to the above position at South Asia Textiles Limited in April 2021.

Mrs. Jayawardene holds a LLB (Hons) Degree from the New Buckinghamshire University, United Kingdom and a MBA from the Cardiff Metropolitan University, United Kingdom.

She also holds a Graduate Diploma in Management from the Northumbria University, United Kingdom and a Diploma in Ticketing from the International Airline Ticketing Academy, Sri Lanka and a Diploma in Marketing from the Sri Lanka Institute of Marketing (SLIM).

CHAMINDA KOTTEGODA

Deputy General Manager – Finishing (Technical)

Mr. Chaminda Kottegoda holds a Diploma in Quality Testing for Textile and Garments from TT&SC Rathmalana. He has over 29 years' experience in working with large textile mills in Sri Lanka as well as overseas in different capacities. In addition to his experience working in the fabric Mills, he also has experience as a Textile Processing Consultant at Santex AG Switzerland for a period of over 5 years and he has provided consultation for many textile fabric mills around the globe.

EIROSH KARUNARATHNA**Deputy General Manager – Finishing**

Mr. Eirosh Karunaratna has over 24 years' experience in working with large textile mills in Sri Lanka as well as overseas in different capacities. In addition to experience in Sri Lanka, He has over 6 years' experience in leading large-scale fabric mills in India and South Korea.

SURANGA PERERA**Deputy General Manager
– Dye House**

Mr. Suranga Perera has over 27 years' experience in working with large textile mills in Sri Lanka as well as overseas in different capacities.

In addition to his experience in Sri Lanka, he has over 3 years' experience in leading large-scale fabric mills in Mauritius, India and China.

CHAMIL MADDUMAGE**Deputy General Manager
– Sales & Marketing**

Mr. Chamil Maddumage is a seasoned professional with over two decades of experience in the Textile and Apparel industry, renowned for his expertise in manufacturing and marketing. He holds an MBA from the University of Bedfordshire, UK, and an MSc in Strategic Marketing from Asia e University, Malaysia.

He joined Hayleys Fabric PLC in November 2021 as Senior Manager -Sales & Marketing & prior to that he contributed significantly to the success of a leading multinational company in Sri Lanka.

NALIN PERERA**Deputy General Manager – Finance**

Mr. Nalin Thusitha Perera is a Fellow member [FCA] and a prize winner of the Institute of Chartered Accountants of Sri Lanka (ICASL). He is also an Associate member of the ACCA (UK) as well as AATSL

and holds a Business Management Finance Special Degree (B.B. Mgt. [Fin.] sp.) from the University of Kelaniya.

He brings over 15 years of experience in the corporate sector, serving in roles such as Head of Finance and Finance Manager both locally and internationally. His professional background also includes audit and assurance experience with Ernst & Young. Furthermore, he has extensive experience working with the SAP ERP system over 10 years.

LAKMAL DIYAWATHTHEGE**Deputy General Manager
– Sustainability**

Mr. Lakmal Diyawaththege holds a Master's degree for Environment Management at University of Colombo, Postgraduate Diploma in Management at University of Rajarata, Mechanical Engineering Technology (NDT) at University of Moratuwa, Diploma in Social Works at NISD Sri Lanka, Health and Safety Management certification at NEBOSH-UK.

He has undergone extensive training in ESG management in Holderbank, Switzerland and Ecological restoration in Curtin University of Perth, Australia. He is also a certified lead auditor of ISO- 14001 and Associate professional of the Sri Lanka Green Building Council (GBCSL).

He is a Chartered Environmental Professional of the IEPsL, Member of SER -US, and an Associate member of the IIESL.

He has over 17 years of experience in Sustainability, Environment Management & Engineering in cement manufacturing industry at Holcim, LafargeHolcim & INSEE Cement.

He was appointed as Deputy General Manager - Sustainability in September 2024.

INDUNIL NIMALARUWAN**Deputy General Manager
– Quality Assurance**

Mr. Indunil Nimalaruwan started his career in Hayleys Fabric PLC as Head of Quality Assurance and has over 23 years' experience in quality assurance and quality operations in the leading fabric mills in Sri Lanka. In addition to the experience in Sri Lanka he also has over 3 years' experience in a leading fabric mill in China.

MANAGEMENT TEAM - SOUTH ASIA TEXTILES LIMITED



1. **DARSHANA AMARASEKARA** - Deputy General Manager - Product Development & Innovation
2. **UDAYANGA JAYAWEERA** - General Manager - Sales & Marketing
3. **UDAN WEDAMUNINILAME** - Manager - Supply Chain
4. **JAGATH KARIYAWASAM** - Senior Manager- HR & Administration
5. **SAMEERA JAYASINGHE** - Senior Manager - Planning



6. **KUMUDU KODAGODA** - General Manager - Production



7. **BUDDHIKA PERERA** - Senior Manager - Finance



8. **INDIKA CHANDRARATHNE** - Deputy General Manager - Dye House



9. **CHAMPIKA LIYANAGE** - Senior Manager - Knitting



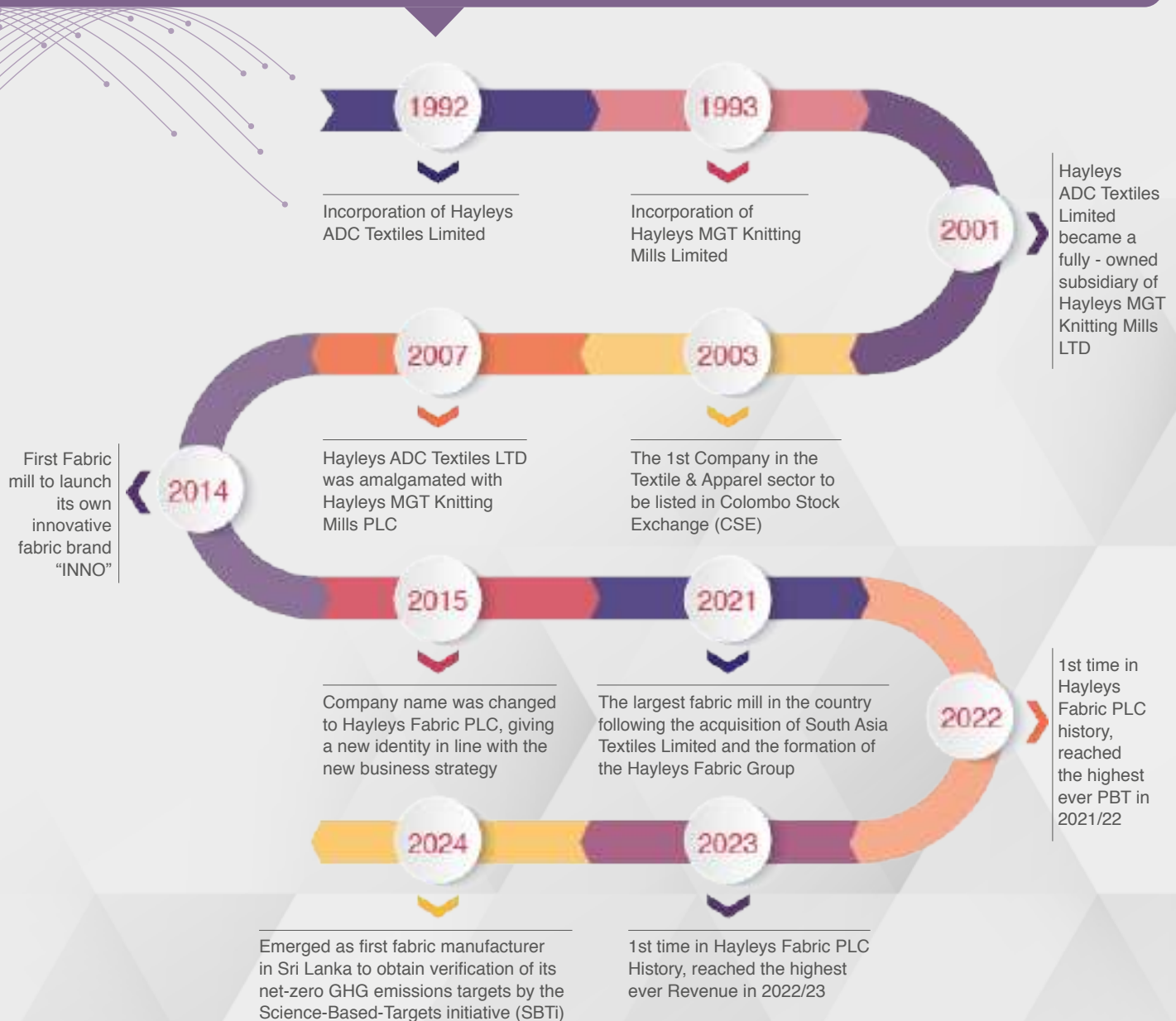
10. **CHAMINDA MORAWATTA** - Deputy General Manager - Finishing



11. **SHYAM JAYASUNDARA** - Senior Manager - Engineering

THE EVOLUTION OF A PIONEER

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





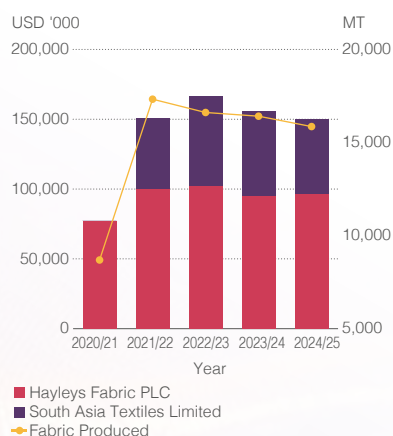
The Fibres of **INTEGRITY**

**THE YEAR
AT A GLANCE**

FINANCIAL HIGHLIGHTS

		GROUP		COMPANY	
		2024/25	2023/24	2024/25	2023/24
Financial Performance					
Revenue	USD '000	146,036	155,327	96,239	96,180
Gross Profit	USD '000	25,890	29,177	18,843	20,880
Gross Profit Margin	%	18%	19%	20%	22%
Results from operating activities	USD '000	13,138	17,212	10,024	12,542
Operating Profit Margin	%	9%	11%	11%	14%
Profit Before Tax	USD '000	10,313	11,748	9,006	9,551
Profit Before Tax Margin	%	7%	8%	9%	10%
Profit After Tax	USD '000	7,036	7,865	5,756	6,609
Net Profit Margin	%	5%	5%	6%	7%
Basic / Diluted earnings per share	USD	0.017	0.019	0.014	0.016
Cash Profit	USD '000	16,581	19,434	12,122	14,594
Dividends	USD '000	2,529	3,314	2,529	3,314
Interest Cover	No. of times	4.3	4.0	6.0	5.4
Return on Equity	%	19%	24%	17%	23%
Pre-tax Return On Capital Employed (ROCE)	%	18%	25%	21%	24%
Return on Assets (ROA)	%	6%	7%	7%	8%
Price earning ratio	No. of times	8.8	6.7	10.7	8.0
Financial Position					
Total Assets	USD '000	118,752	116,267	80,969	82,120
Total Debt	USD '000	39,388	38,384	20,175	24,670
Inventory Holding Period	No. of days	90	84	80	83
Debtors' Holding Period	No. of days	43	38	40	42
Current ratio	No. of times	1.05	1.12	1.19	1.19
Quick assets ratio	No. of times	0.51	0.55	0.61	0.63
Total Shareholders' Funds	USD '000	37,746	32,809	32,947	29,297
Stated capital	USD '000	17,562	17,562	17,562	17,562
Retained earnings	USD '000	19,249	14,733	14,449	11,220
No. of Shares in Issue	Number	415,481,776	415,481,776	415,481,776	415,481,776
Net Assets per Share	USD	0.09	0.08	0.08	0.07
Gearing Ratio [Debt /(Equity+Debt)]	%	51%	54%	38%	46%
Total Debt / Total Assets	%	33%	33%	25%	30%
Shareholder Information					
Market Price of Share as at 31st March	Rs.	-	-	45.00	41.10
Market Capitalisation	Rs. Mn	-	-	18,697	17,076
Dividend per Share	Rs.	1.85	2.60	1.85	2.60
Dividend Cover	No. of times	2.78	2.37	2.28	1.99
Dividend payout ratio	%	36%	42%	44%	51%
Dividend yield	%	4%	6%	4%	6%

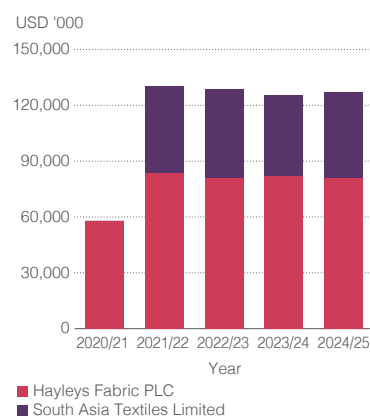
Revenue



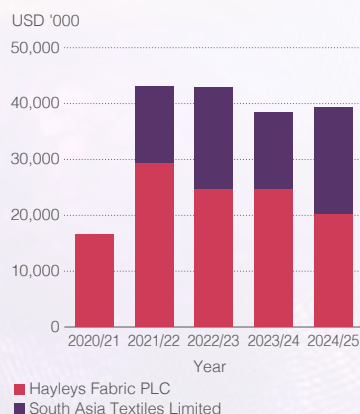
Profit After Tax



Total Assets



Total Debt



Market Cap & Price



EBITDA MARGIN (2023/24 - 14.2%)



INTEREST COVER (2023/24 - 4 TIMES)



CASH PROFIT

(2023/24 - USD 19.4MN)

USD 16.6 MN

EARNINGS PER SHARE

(2023/24 - USD 0.019)

USD 0.017

RETURN ON CAPITAL EMPLOYED (2023/24 - 25%)



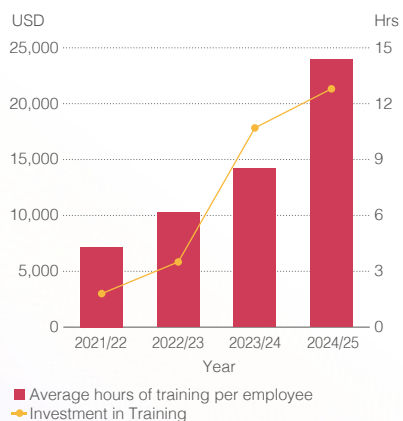
RETURN ON EQUITY (2023/24 - 24%)



NON-FINANCIAL HIGHLIGHTS

	GROUP		COMPANY	
	2024/25	2023/24	2024/25	2023/24
Social Highlights				
No of employees	3,397	3,285	1,877	1,827
Employee retention rate %	>70%	69%	89%	86%
Employee productivity	18	19	23	21
Salaries and Wages (USD '000)	12,068	11,370	8,115	7,661
Investment in Training (USD)	23,968	14,224	17,189	8,843
Training coverage of employees (excluding casual)	305%	192%	207%	249%
Percentage of employees receiving performance reviews	100%	100%	100%	100%
Incidents of child labour (Our operations and suppliers)	Nil	Nil	Nil	Nil
Incidents of forced labour (Our operations and suppliers)	Nil	Nil	Nil	Nil
Investment in CSR (USD)	41,219	39,472	35,640	36,273
No. of persons impacted	Over 6,850	Over 6,800	Over 4,850	Over 4,000
Proportion of businesses analysed for risk of corruption (%)	Nil	Nil	Nil	Nil
Significant fines for violation of laws/ regulations (USD)	Nil	Nil	Nil	Nil
Proportion of labels carrying ingredients used (%)	100%	100%	100%	100%
Payments made to suppliers (USD Mn)	140	130	79.7	78.6
Proportion of local suppliers %	39%	34%	36%	35%
Suppliers assessed for environmental and social compliance %	85%	91%	91%	89%
Environmental Highlights				
Total raw material consumption (MT)	30,505	28,579	18,713	16,177
Recycled raw materials as a percentage of total material consumption %	11%	6%	8%	7%
Direct energy consumption (GJ)	1,471,387	1,456,654	804,221	759,961
Energy intensity (GJ/MT of production)	84.9	80.3	85.2	77.3
Indirect energy consumption (GJ)	34,771	35,306	22,207	21,539
Indirect energy intensity (GJ/MT of production)	2.01	1.95	2.35	2.19
Renewable energy (%)	73%	73%	60%	61%
Water withdrawal for industrial purpose (m³)	2,727,788	2,664,381	1,565,994	1,507,961
Water consumption	2,729,318	2,669,620	1,567,524	1,513,200
Water intensity (l/kg)	157	147	166	154
Water Recycled (m³)	664,609	675,578	461,374	398,647
Water discharged to the river (m³)	2,429,701	2,396,032	1,431,063	1,413,473
Water Quality - Incidents of non-compliance with standards	Nil	Nil	Nil	Nil
Total carbon footprint (tCO ₂ e)	204,897	206,928	122,623	117,422
Direct: Scope 1 (tCO ₂ e)	22,254	20,668	19,125	15,776
Indirect: Scope 2 (tCO ₂ e)	14,073	13,939	8,049	6,993
Indirect: Scope 3 (tCO ₂ e)	168,570	172,321	95,449	94,653
Emission Intensity (tCO ₂ e/ MT of production)	11.7	12.6	13.0	12.0
Waste recycled %	63%	62%	67%	65%
Waste to land re-fill %	Nil	Nil	Nil	Nil
Trees planted (NOs)	1,325	175	1,155	35
Other Highlights				
Production (MT)	15,856	16,413	8,562	8,851
No. of accreditations/ certifications and memberships from fashion brands	53	51	36	38
Percentage of sales from Inno and product development	99%	97%	99%	96%
Investment in R&D (USD)	139,811	162,167	69,665	24,944
On time delivery %	Over 85%	90%	Over 85%	91%
Lead time (Days)	3 days	3 days	3 days	3 days
Property, plant and equipment – USD '000	46,425	44,489	25,239	25,689
CAPEX during the year – USD '000	6,374	3,977	2,194	1,645
Capacity Utilisation	>85%	>90%	>85%	>90%

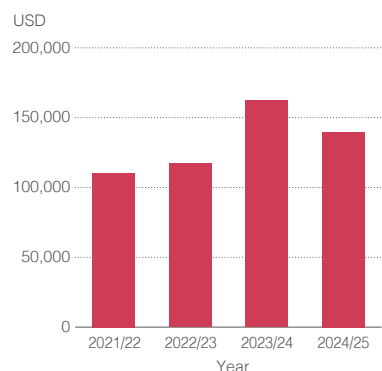
Training



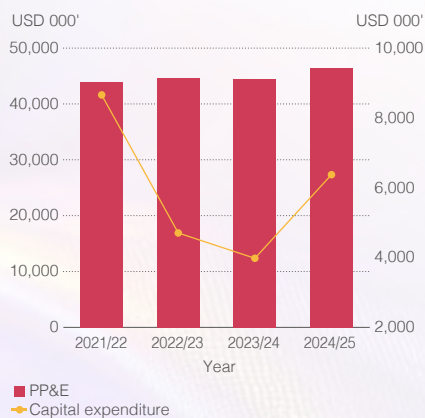
Investment in CSR



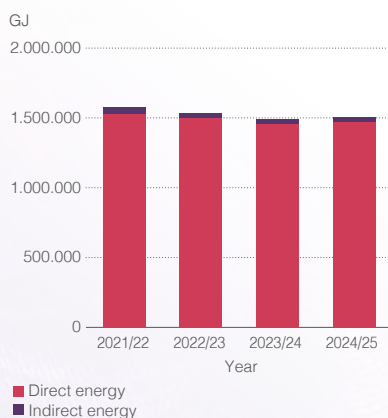
Investment in R&D



Capital Expenditure



Energy Consumption



CARBON FOOTPRINT

(2023/24 - 206,927 tCO₂e)

204,897 tCO₂e

WATER INTENSITY

(2023/24 - 147 l/kg)

157 l/kg

EMPLOYEE RETENTION

(2023/24 - 69%)

> 70%

OUR SOCIO-ECONOMIC IMPACT

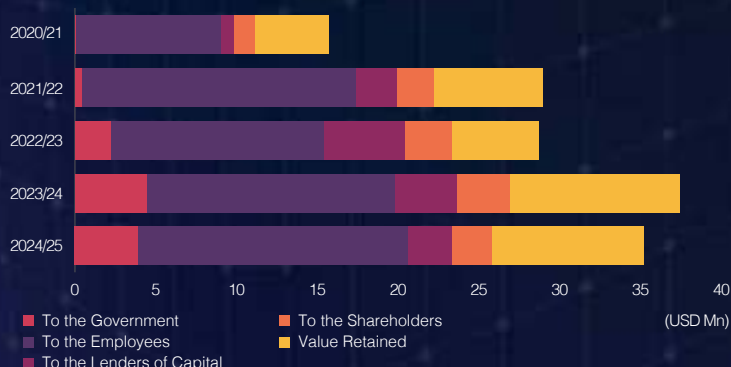
As the largest fabric manufacturer in the country, we are conscious of our socio-economic responsibility, and are actively involved in working towards the betterment of all our stakeholders. A brief overview of our economic impact is illustrated below:



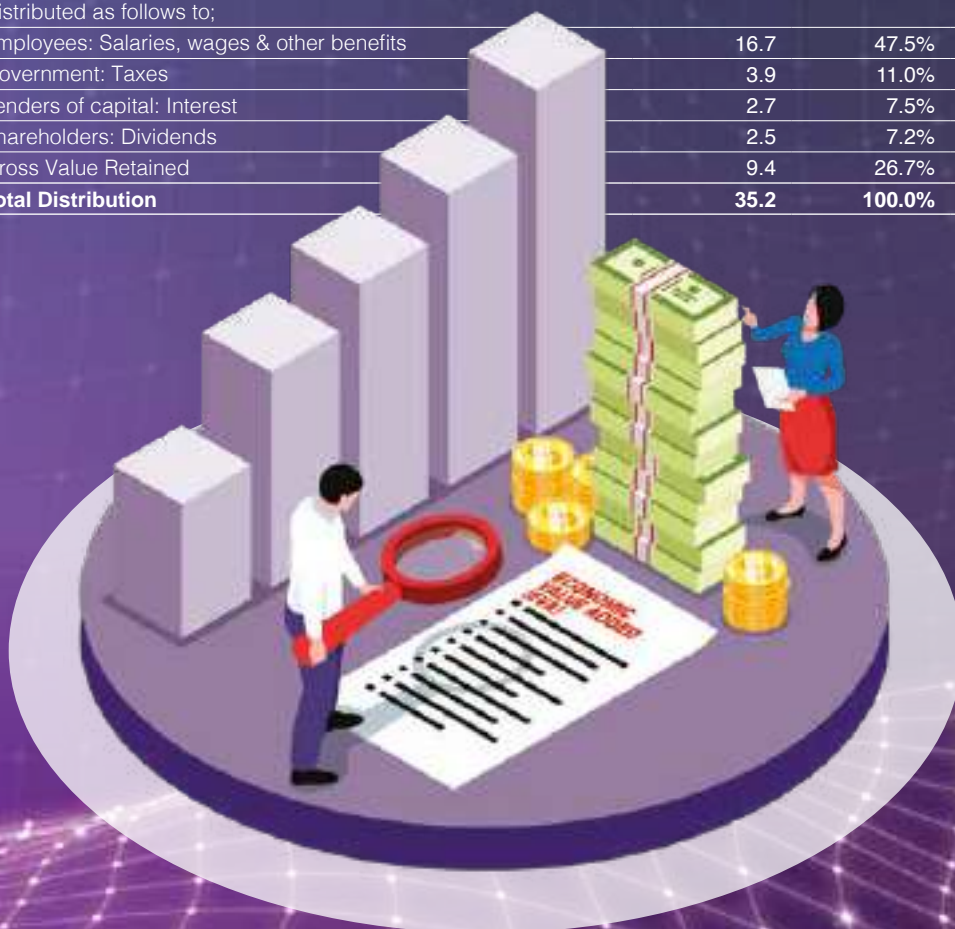
ECONOMIC VALUE-ADDED STATEMENT

Total value added accounted for USD 35.20 Mn during the year. The highest amount of value was distributed amongst our employees accounting for 47.5% of the total. The increase in remuneration from USD 15.4 Mn to USD 16.7 Mn is an affirmation of our commitment to the well-being of our employees, particularly in times of economic stress (Refer human capital – page 130).

Sustainable Growth in Value Created for Stakeholders



	2024/25		2023/24	
	USD Mn	%	USD Mn	%
Revenue	146.0		155.3	
Cost of Production and other OH	(111.8)		(118.5)	
Value Added by Operating Activities	35.2		37.5	
Distributed as follows to;				
Employees: Salaries, wages & other benefits	16.7	47.5%	15.4	41.1%
Government: Taxes	3.9	11.0%	4.4	11.7%
Lenders of capital: Interest	2.7	7.5%	3.8	10.2%
Shareholders: Dividends	2.5	7.2%	3.3	8.8%
Gross Value Retained	9.4	26.7%	10.5	28.1%
Total Distribution	35.2	100.0%	37.5	100.0%



AWARDS AND ACCOLADES



- 1 Green Productivity Awards 2024 - Gold Award Winner
- 2 National Business Excellence Awards 2024 - Runner-up for Excellence in Environmental Sustainability
- 3 International Quality Awards 2024 - Winner in the Sustainability Impact Category
- 4 Presidential Environment Awards 2024 - Gold Award Winner in the Textile & Textile Processing Industry
- 5 Presidential Environment Awards 2024 - Bronze Award Winner for Best Environment Friendly Innovation (WARNA by Mahogany)
- 6 ZDHC Torchbearer Award - ZDHC Roadmap to Zero Programme in supplier category
- 7 Chemical Management Excellence Award - Recognition to the outstanding performance and commitment to chemical management practices
- 8 International Business Magazine Awards 2024 - Excellence in Sustainable Textile Manufacturing in Sri Lanka
- 9 CA TAGS Awards 2024 - Certificate of Recognition for Sustainability Reporting
- 10 Lanka Responsible Care Council Awards 2024 - Excellence in EHS Practices
- 11 Inova Awards 2024 - Silver Award Winner for the Annual Report 2023/2024 (Sustainability Report)
- 12 Mercury Excellence Awards 2024/ 2025 - Bronze Award Winner for the Annual Report 2023/2024 (Integrated AR & CSR/ Sustainability Report)
- 13 Global CSR Excellence & Leadership Award - Best Corporate Social Responsibility Practices



- 1 National Business Excellence Awards 2024 - Silver Overall Award Winner
- 2 National Business Excellence Awards 2024 - Winner for Manufacturing (Apparel, Textile & Leather)
- 3 National Business Excellence Awards 2024 - Winner for Excellence in Capacity Building
- 4 National Business Excellence Awards 2024 - Winner for Excellence in Corporate Governance & Strategy
- 5 National Business Excellence Awards 2024 - Runner-up in the Extra Large Category
- 6 National Business Excellence Awards 2024 - Merit Award Winner for Excellence in Performance Management
- 7 NCE Export Awards 2024 - Merit Award Winner in the Textile and Garments Sector, Extra Large Category
- 8 NCE Export Awards 2024 - Highest Foreign Exchange Earner
- 9 International Business Magazine Awards 2024 - Best in Textile Industry Sri Lanka
- 10 Presidential Export Awards 2023/2024 - Best Exporter in the Knitted Fabric Sector



- 1 Questar Awards 2024 - Silver Award Winner for the Annual Report 2022/2023
- 2 2024 International ARC Awards - Gold Award Winner for the Annual Report 2022/2023 (Integrated AR & ESG - Central & South Asia)
- 3 Sri Lanka Leadership Awards 2024 - Award for HR Strategy
- 4 Sri Lanka Leadership Awards 2024 - Best Employer Brand
- 5 CMA Excellence in Integrated Reporting Awards 2024 - Ranked among the 10 best Integrated Reports
- 6 CMA Excellence in Integrated Reporting Awards 2024 - Best Integrated Report (Sector Award for Textile and Apparel Sector)
- 7 CA TAGS Awards 2024 - Silver Award Winner in the Manufacturing Sector (Group Turnover Above LKR 20 billion)
- 8 CA TAGS Awards 2024 - Certificate of Recognition for Corporate Governance Disclosure (Non-financial Services)
- 9 CA TAGS Awards 2024 - Certificate of Recognition for Integrated Reporting
- 10 Global CEO leadership Excellence Award 2024 - Award Recognition
- 11 Galaxy Award 2024 - Bronze Award Winner for the Annual Report 2023/2024
- 12 Inova Awards 2024 - Bronze Award Winner for the Annual Report 2023/2024 (Online Annual Report :Manufacturing)
- 13 ACCA Sri Lanka Sustainability Reporting Awards 2024 - Joint Runner-up in the Manufacturing Category
- 14 Asia Integrated Reporting Awards 2024 - Finalist - Asia's Best Integrated Reporting (Integrated Thinking)
- 15 Best Management Practices Company Award 2025 - Winner in the Knitted Fabric Category
- 16 Best Management Practices Company Award 2025 - Top Twenty Outstanding Companies

Chairman's **REFLECTIONS**

We have made significant progress in accelerating our ESG agenda, attesting to our deep commitment to achieve sustainability leadership against the backdrop of evolving stakeholder expectations and unprecedented changes in the natural environment

Return On Capital Employed

18%

Dear Shareholders

In a year defined by volatility and unpredictability, Hayleys Fabric PLC relied on its characteristic resilience and agility to deliver impressive financial, operational and sustainability performance. It is my pleasure to present to you the Integrated Annual Report and financial statements of Hayleys Fabric PLC for the financial year ended 31 March 2025.

Group Profit Before Tax

USD 10.3MN

YEAR IN REVIEW

The year 2024/25 was shaped by a confluence of uncertainties and increasing complexities. Global economic growth remained modest, weighed down by ongoing geopolitical tensions in Europe and the Middle East, collectively causing disruptions to energy and commodity supply chains and contributing to heightened market volatility which negatively affected consumer and business sentiments worldwide.



Dividend per Share

Rs. 1.85

The fashion industry too, experienced only modest growth in 2024/25, denoting a marked slowdown compared to previous years. The industry substantial headwinds, driven by geopolitical instability, economic volatility, and inflation - key factors that prompted consumers to adopt a more cautious approach to

discretionary spending. At the same time, shifting consumer behaviour, particularly the growing appeal of affordable alternatives and increasing sustainability consciousness have emerged as notable trends, reshaping demand patterns across key global markets.

CHAIRMAN'S REFLECTIONS

Meanwhile, the Sri Lankan economy showed clear signs of recovery from the financial crisis. The country's macroeconomic fundamentals strengthened, supported by improving fiscal and monetary stability and resumption of GDP growth. Inflation, which had been a major concern during the crisis, stabilised through prudent fiscal and monetary management. Revenue based fiscal consolidation improved the financial position of the government while receding inflation, subdued aggregate demand and an improved external sector allowed the Central Bank of Sri Lanka to switch to a more accommodative policy stance. This resulted in a low-interest rate environment that created a conducive environment for businesses to access capital and invest in growth. Meanwhile, the Sri Lankan Rupee strengthened against the backdrop of increased foreign inflows and the considerable recovery of the tourism sector.

DELIVERING STEADY RETURNS DESPITE EXTERNAL PRESSURES

Despite external challenges which included subdued and shifting demand dynamics and the appreciation of the Sri Lankan Rupee, the Hayleys Fabric Group delivered a healthy financial performance for the year under review. The Group recorded consolidated revenue of USD 146Mn for FY 2024/25. Profit Before Tax (PBT) at a healthy USD 10.3Mn, underscores the positive impact of operational efficiencies despite margin constraints. Profit After Tax (PAT) of USD 7Mn highlights the Group's disciplined financial management and unwavering commitment to sustaining shareholder value.

The decline in Revenue in 2024/25 reflected deferred orders from key brands due to global dynamics. However, these issues are expected to normalise in the forthcoming year.

Meanwhile, the Group continued to deliver on its shareholder commitments, declaring and paying an interim dividend of LKR 1.85 per share during the current year.

STRIVING FOR ESG EXCELLENCE

I am pleased to share that we have made significant progress in accelerating our ESG agenda, attesting to our deep commitment to achieve sustainability leadership against the backdrop of evolving stakeholder expectations and unprecedented changes in the natural environment which are reshaping business risk landscapes.

In the current year, the Hayleys Fabric Group adopted the Second Edition of the Hayleys Lifecode. The foundation established with the first edition has placed us in a strong position to meet the heightened commitments of the second edition confidently. In a major milestone during the year, the Hayleys Fabric PLC Group obtained verification of its emission targets by the Science Based Targets initiative (SBTi), aligning with the "Accelerate Climate Action" pillar of the Hayleys Lifecode. We continued to make progress in reducing reliance on fossil-fuel based energy sources through sustained investments in renewable energy, including solar, hydro, and biomass solutions.

The Group's long-standing efforts in water stewardship, circularity, and waste management as well as dedication to nature-based solutions to preserve biodiversity and ecosystems are directly aligned to the environmental focus areas of the Hayleys Lifecode. On the social front, we remain fully committed to fostering a "Responsible Workplace" where employee well-being, diversity, and inclusion are key priorities. We are also partnering progress through building collaborative, responsible partnerships across our supply

chain to drive shared value, while continued emphasis is placed on strengthening our governance, risk management and reporting standards. Both Hayleys Fabric PLC and South Asia Textiles Limited are Members of the United Nations Global Compact and have committed to the 10 principles of Responsible Business.

GOVERNANCE AND COMPLIANCE

Hayleys Fabric PLC benefits from the robust governance frameworks, policies and procedures of the Hayleys Group and is committed to maintaining the highest standards of integrity and transparency across all aspects of its operations. In line with this commitment, the Board has focused its efforts in the year under review on strengthening governance frameworks to align with the new Corporate Governance Listing Rules set forth by the Colombo Stock Exchange (CSE).

One of the key steps taken was the formal adoption of all mandatory policies ahead of the mandated timeline. Additionally, we undertook a thorough review of our Board committees with necessary steps taken to reconstitute committee compositions in complying with the new CSE listing rules.

BOARD CHANGES

I wish to welcome newly appointed Directors Mr. J.A.N.R. Adihetty and Mr. T.A.B. Speldewinde who were appointed to the Board as independent Directors on 01.10.2024 and 23.12.2024 respectively. Both are well-experienced finance and business professionals who have extensive experience in managing diverse businesses.

I also wish to place on record my gratitude to the outgoing Directors Ms. S. Amarasekara PC and Mr. A.A. Mason for their dedicated service to the Hayleys Fabric Group. I wish you well in all your future endeavours.

WAY FORWARD

Looking ahead, we remain mindful of the increasingly complex and volatile global landscape in which we operate. Escalating geopolitical tensions, including ongoing conflicts in Europe and the Middle East and more recently in the Indian subcontinent are all likely to influence global economic activity in the near to medium term.

Hayleys Fabric PLC will also be particularly cautious of the risks surrounding global trade, especially given the uncertainty currently brewing in the North American market and possible ripple effects on the global economy. We are aware that proposed revisions to duty structures and trade agreements could alter the competitive dynamics of textile and apparel exports, in turn affecting manufacturers like us. It is therefore critical that we stay agile, anticipate potential shifts, and strengthen our resilience to withstand external shocks.

Key priorities over the short-to-medium include diversification of markets, brands and supplier networks and strategic integration of ESG, all of which are expected to improve the Group's resilience and agility.

APPRECIATIONS

I would like to take this opportunity to thank my colleagues on the Board of Directors for their valuable counsel and guidance in these challenging times. On behalf of the Board, I would like to express my appreciation to Mr. Rohan Goonetilleke, Managing Director/ CEO of Hayleys Fabric Group, and his outstanding corporate management team for their adaptability and dedication that have been instrumental in steering the Group forward in a year marked by significantly volatility

The Board joins me in extending our sincere appreciation to our loyal customers and global partners, whose confidence in our ability remains a source of endless inspiration that drives our pursuit of excellence.

To our valued shareholders, we are profoundly grateful for your trust and support. As we look ahead, we eagerly anticipate your support as we attempt to bring to life the Hayleys Fabric purpose "To Strengthen the Fabric of Society by Knitting together a better environment for all !"



A.M. Pandithage
Chairman

06th May 2025

Managing director's **INSIGHTS**

Anchored by our purpose to “Strengthen the fabric of society by knitting together a better environment for all !” we have long moved beyond mainstream approaches, to achieve a level of sustainability recognised and valued by the world’s leading fashion brands.

Renewable Energy

73%

Dear Shareholders

The past year was a true test of the Hayleys Fabric Group’s resilience, agility, and leadership. Even as we faced unexpected disruptions, we succeeded in turning challenges into opportunities to emerge stronger and more prepared for the future than ever before.

Group Revenue

USD 146MN

A TEST OF STRENGTH

For the Hayleys Fabric Group, FY 2024/25 was a true test of strength and resilience. We entered the year riding on strong momentum, having delivered excellent results in the previous financial year followed by robust performance in the first two quarters of the current year. However, the second half of the year presented us with an unexpected disruption: a sudden and sharp drop in orders from one of our largest global customers attributed to internal restructuring within the customer portfolio.



Value Created to Employees

USD 16.7MN

Yet, in true Hayleys Fabric spirit, we refused to let this setback define the remainder of the year, choosing instead to transform adversity into opportunity. Acknowledging the inherent risks of over-dependence on a narrow cluster of customers, we took decisive action to accelerate our customer diversification strategy. Rethinking our traditional customer acquisition

approaches, we deliberately focused on high-value, high-margin segments that aligned with our core capabilities and operational strengths. This fresh approach yielded excellent results, with our teams successfully onboarding several new customers that fit our targeted profile, thereby broadening our revenue base and reducing customer concentration risk.

MANAGING DIRECTOR'S INSIGHTS

At the same time, we leaned into our competitive advantages, particularly our innovation capability and the commitment to consistent quality, along with our track record for on-time delivery, to deepen relationships with existing customers. By sharpening our focus on increasing wallet share among the existing customer base, we were able to unlock new growth opportunities within longstanding partnerships, which allowed us to offset some of the volume losses from elsewhere. Furthermore, the fact that customers were willing to expand their engagement with us, I believe, reinforces our status as a strategic partner in our customer's value chain.

In parallel, we launched a determined effort to optimise our sourcing models. By leveraging scale efficiencies, we initiated renegotiations with existing raw material and chemical suppliers, while also seeking out new supplier relationships. Our objectives were two-fold: our immediate goal was to reduce direct costs and shore up profitability, while creating a pricing buffer would give us the flexibility to adopt more competitive and adaptive pricing strategies. This was key to supporting our efforts to win new customer accounts and deepen penetration in existing strongholds.

RESILIENT FINANCIAL RESULTS

Against the backdrop of customer-driven challenges, the Hayleys Fabric Group recorded consolidated revenue of USD 146 Mn for FY 2024/25, denoting a 6% decline from the USD 155Mn reported in the previous financial year. Notably, within the Revenue mix, Hayleys Fabric PLC delivered stable revenue performance, while South Asia Textiles Limited faced a notable contraction due to reduced demand from a major Tier 1 customer. Given that this particular customer has historically been our largest buyer, typically accounting for nearly

50% of Group revenues, it goes without saying that the impact was substantial. Nevertheless, I am pleased to note that our customer diversification efforts helped to partially offset the impact.

The revenue dynamics naturally cascaded into the cost of sales and gross profit margins. Group cost of sales decreased by 5%, broadly in line with the revenue decline. Moreover, the gains from sourcing efficiencies, which were passed on to customers through competitive pricing, also put additional pressure on margins. A culmination of these factors saw gross profit margins contracting to 18%, down from 19% the prior year.

Amidst revenue and margin pressures, the Group recorded profit before tax (PBT) of USD 10.3Mn, reflecting a 12% decline from the previous year. After accounting for tax expenses of USD 3.3Mn, Group profit after tax (PAT) came in at USD 7.0Mn, down 11% year-on-year.

On a positive note, the Group Statement of Financial Position further strengthened, marked by a notable reduction in gearing as loan repayments during the year significantly outpaced new borrowings, a testament to our disciplined approach to financial management, prudent capital allocation, and unwavering focus on improving liquidity and long-term financial resilience.

SUSTAINABILITY IN ACTION

Anchored by our purpose to "Strengthen the fabric of society by knitting together a better environment for all!" we have long moved beyond mainstream approaches, to achieve a level of sustainability recognised and valued by the world's leading fashion brands. The challenges we faced on the operating front this year only served to strengthen this resolve and our journey toward becoming a benchmark in responsible

manufacturing, innovation, and environmental stewardship is shaped by our Environmental, Social, and Governance (ESG) roadmap, which is guided by the Hayleys Lifecode - the umbrella ESG framework of Hayleys PLC. This year, we embraced Hayleys Lifecode Version2, deepening the integration of ESG factors across our operations.

We also achieved several milestones that further validate the Hayleys Fabric Group's standing as a global sustainability champion. Hayleys Fabric PLC became the first Forest Stewardship Council (FSC)-certified facility in Sri Lanka's textile sector. South Asia Textiles Limited secured Sri Lanka Responsible Care Council Membership and joined the UN Global Compact Network, while both entities became the country's first to achieve ZDHC Verified InCheck (Level 1) status.

In yet another notable achievement, in November 2024, we secured approval from the Science Based Targets initiative (SBTi), affirming that Hayleys Fabric Group's operations are aligned with the Paris Agreement's 1.5°C pathway to combat climate change. While I do acknowledge that our near-term targets to reduce Scope 1 and 2 emissions by 42% and Scope 3 emissions by 25% by FY2030, are ambitious, I am confident that they are well within our reach. Our progress in achieving energy self-sufficiency is encouraging, given the success in reducing heavy fuel consumption across both Hayleys Fabric and South Asia Textiles through major biomass conversion initiatives along with our expanding renewable energy footprint. To date, we have invested USD 2.8Mn in solar energy, including the latest 3 MW rooftop solar system at South Asia Textiles and a pioneering 35 kW floating solar installation developed in partnership with Hayleys Fentons.

We have also made remarkable progress in adopting energy-efficient



technologies and digital tracking systems to curb energy consumption and contribute to our Group-wide greenhouse gas (GHG) reduction roadmap. Our knitting machines are now digitally tracked for productivity and fault analysis, and stenter machines are remotely monitored for temperature and runtime via mobile devices, ensuring precision and efficiency.

Water stewardship remains a top priority in the Hayleys Fabric Group sustainability mandate. As signatories to the UN Global Compact CEO Water Mandate, we actively manage water-related risks and invest in water-efficient technologies. For example, our LKR 6.3 million Blowdown Recovery Project, which recaptures and reuses water from sedimentation tanks, saves approximately 250 m³ of water daily. With initiatives like this, we are confident of reducing our water intensity from the baseline 188 l/kg in 2022, by 30% by 2030.

Circularity has been one of our passion projects for many years. Adding to our long list of sustainable innovations, we launched The Art of Transformation in the current

year, an upcycling initiative in collaboration with the ProGreen Lab at the University of Moratuwa. This groundbreaking project aims to transform cotton cut waste from our fabric plants into recycled yarn that can be reintegrated into our production process. Parallely, we began preparing to commercialise bricks made from textile waste, a groundbreaking innovation developed with the University of Moratuwa.

Our dedication to nature-based solutions gained significant traction following the adoption of the Hayleys Lifecode V2 in the current financial year. Moving to accelerate our efforts, we expanded the extent allocated for biodiversity parks at both Hayleys Fabric PLC and South Asia Textiles Limited. Building on these efforts, Hayleys Fabric PLC collaborated with the University of Peradeniya, Wayamba University, and the Central Environmental Authority (CEA) to undertake a special conservation programme focused on protecting the endemic “Lagenandra” species at the Diyathuru Uyana wetland park. Additionally, through our “Breath” – A Better Environment for All platform,

we advanced environmental preservation and community empowerment efforts. Our mangrove planting and reforestation programmes also gained momentum, further reinforcing our purpose-driven commitment.

Meanwhile, taking a holistic view on sustainability, we fully adopted the SLFRS S1 and S2 standards, engaging an external consultant to ensure robust, comprehensive integration and strengthen the transparency and credibility of our sustainability reporting.

While our motivation for sustainability is certainly not for the purpose of awards, it is indeed very rewarding when our efforts are recognised. On that note, I wish to note, that our “WARNA by Mahogany” natural dyes secured the Bronze Award at the 2024 Presidential Environment Awards for Best Environment-Friendly Innovation.

EMPOWERING PEOPLE

As global market dynamics continue to evolve, causing shifts in customer expectations, technological disruptions, and increasing competition, we believe

MANAGING DIRECTOR'S INSIGHTS

it is vital that we create an inclusive, equitable, and motivating workplace that empowers every employee to contribute meaningfully and share in our success.

Reinforcing our commitment to safeguard the financial wellbeing of employees, we increased the minimum wage for employees under the Wages Board Ordinance to Rs. 21,000, exceeding the regulatory minimum of Rs.17,500. Additionally, we enhanced monetary benefits for non-executive employees and introduced new incentive schemes, representing a total investment of USD 3,300. Complementing these financial initiatives, we rolled out several programmes to promote workplace diversity and preserve employee wellness. As always, training and upskilling remained a key priority, with the delivery of over 40,000 total hours of structured learning, representing a 29% increase from the previous year.

Moreover, signaling our intention to develop purpose-driven leaders, we launched the People Leaders Development by Sandbox (PLDP), a special programme designed to nurture the next generation of leaders within the Group. This initiative ensures that we build a resilient leadership pipeline, ready to steer the Hayleys Fabric Group into the future.

The strength of these initiatives is reflected in our outcomes: an impressive annual employee retention rate, and the prestigious Best Employer Brand 2024 award. Together, these achievements underscore how our people approach not only empower individuals but also fortify the Group's capacity to thrive amid shifting market demands.

LOOKING AHEAD

Having reinforced our foundation, diversified our commercial portfolio, sharpened our operational edge,

and deepened our sustainability leadership this past year, I believe Hayleys Fabric Group is now fully geared to accelerate its growth trajectory in the coming years.

However, we remain mindful of the uncertainty surrounding the U.S. duty structures and with approximately 60% of the Hayleys Fabric Group revenues linked to the U.S. market, we will focus on developing contingency plans to safeguard continuity in the event of unfavourable market shifts.

At the same time, recognising the global slowdown in fast fashion consumption, we have made a strategic decision to pause capacity expansion plans, instead channelling investment toward technology upgrades, automation, and process innovation, all actions that will undoubtedly enhance efficiency, reduce unit costs, and increase resilience across our manufacturing footprint.

Equally importantly, we will seek to strengthen our sustainability impact by prioritising circularity, renewable energy adoption, and nature-based solutions across all collectively contributing towards enhancing the Hayleys Fabric Group's readiness to navigate future challenges, while enhancing its position as a global ESG leader.

APPRECIATIONS

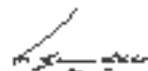
I wish to express my sincere thanks to the Chairman and the Board for their stewardship and conviction in helping steer the Group during a period marked by uncertainty

I also wish to extend my heartfelt gratitude to the Senior Management team, and staff of both Hayleys Fabric PLC and South Asia Textiles Limited for their perseverance and agility that have been instrumental to our success.

I would like to take this opportunity to express my sincere appreciation to our valued customers, whose continued trust and loyalty motivate us to push the boundaries of quality, innovation, and service.

Additionally, I acknowledge the vital support of our supply chain partners, who, by working closely with us to drive innovation and agility, embody the true spirit of collaboration and shared progress.

Lastly, I want to convey my deep gratitude to our shareholders for their unwavering confidence in our ability to generate sustainable value. I encourage you to remain invested in the future of Hayleys Fabric PLC as we prepare to explore the road ahead.



E.R.P. Goonetilleke
Managing Director/CEO

06th May 2025



The Fibres of VITALITY

**STRATEGIC
REVIEW**

OUR BUSINESS MODEL

INPUTS



Financial Capital

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

- **Total Equity: USD 37.75 Mn**
- **Borrowings: USD 39.39 Mn**



Intellectual Capital

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

- **Certifications/Accreditations: 53**
- **Investment in R&D: USD 139,811**



Human Capital

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

- **3,397 employees**
- **40,459 training hours**



Social & Relationship Capital

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

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



Manufactured Capital

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

- **PP&E: USD 46.42 Mn**
- **Capex: USD 6.37 Mn**

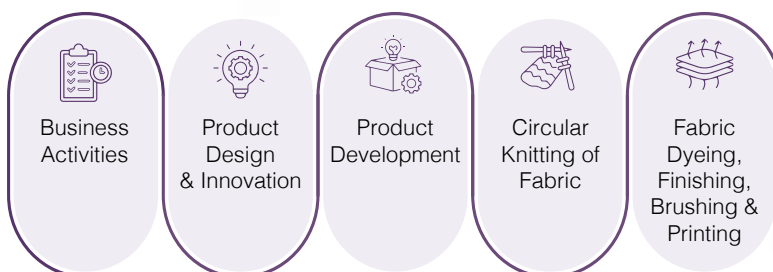
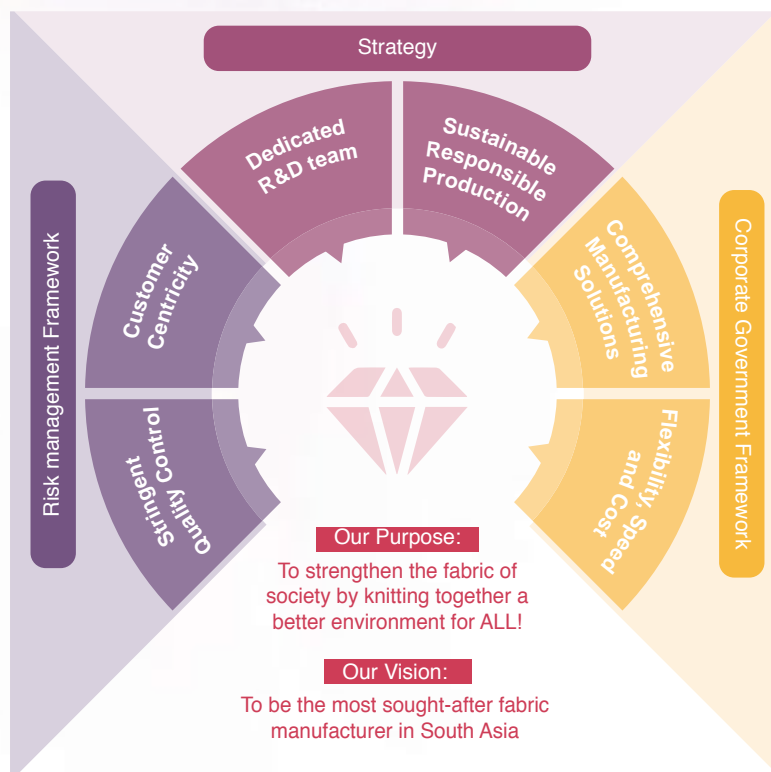


Natural Capital

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

- **Water consumption: 2.72 Mn (m³)**
- **Energy intensity (GJ/MT) of production: 84.90**

HOW WE CREATE VALUE



ESG INTEGRATION



OUTPUTS FOR HAYLEYS FABRIC GROUP



Financial

- 7% PBT margin
- ROI - 19%
- Asset Turnover ratio - 1.23 Times
- Liquid Asset Ratio - 0.51 Times



Manufactured

- Equipment downtime - 7%
- Capacity utilisation >85%
- Machine Utilisation Ratio 97%
- Production Efficiency Ratio > 90%



Intellectual

- 2% year on year increase in sales volumes for Inno products
- 2% year on year increase in sales value for Inno products
- Awards (Refer to 2 key awards)



Human

- >70% employee retention
- 38% of employees employed for over 5 years
- 95% employee satisfaction
- Best Employer Brand 2024
- HR Strategy Award



Social and Relationship

- First Time Through (FTT) - 93%
- On-Time Delivery (OTD) - 90%



Natural

- Energy intensity is 85 GJ/MT
- Emission intensity is 11.7 tCO₂e/MT
- Water intensity is 157 l/kg
- ZERO incidents pertaining to non-compliance of regulatory or voluntary requirements, in the current financial year

CAPITAL TRADEOFFS

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

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

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

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

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

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

STAKEHOLDER OUTCOMES



Investors

- EPS - Rs.5.12
- Dividend Payout - 36%
- ROE - 19%



Customers

- Guarantee of best in class products underscored by global standards and certifications
- 350 new product innovations
- On time Delivery with shorter lead times



Employees

- USD 16.7 Mn distributed as monetary benefits to employees
- 222 employees promoted
- 1,639 new recruits
- 5% women in leadership in positions
- 1:1 - ratio of basic salary between men and women for entry level positions



Suppliers

- USD 140 Mn paid to suppliers (39%:61% - local:overseas)



Regulators

- 9% reduction in grid electricity consumption
- Withdrawal of groundwater 3,504 m³
- Water discharged to the environment 2,429,700 m³
- Increase in national forest cover



Community

- 61% employment opportunities to local community members
- 6,850 direct beneficiaries through CSR projects
- Reduction in waste sent to landfills owing to use of recycling / reclaimed materials
- No contamination of water bodies owing to ZERO spills

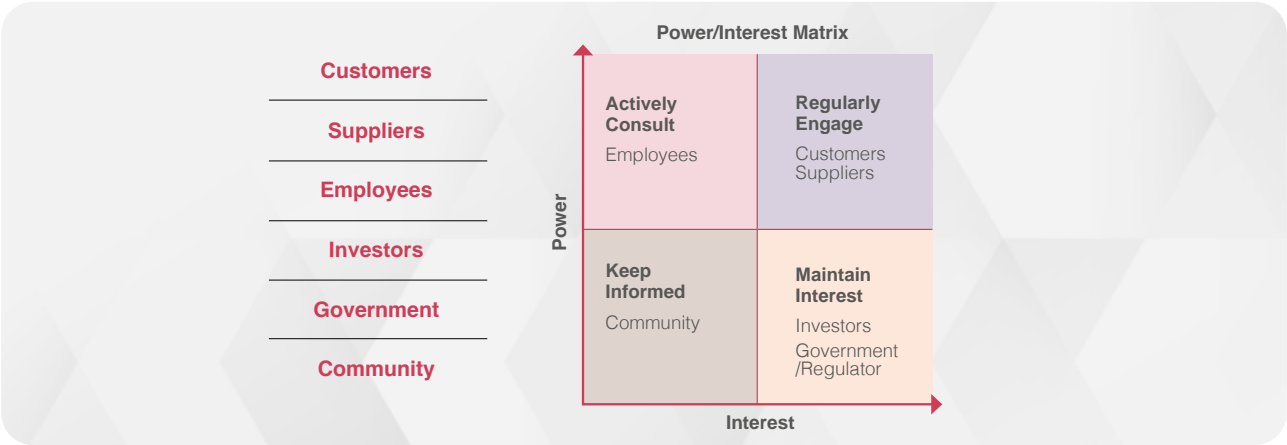
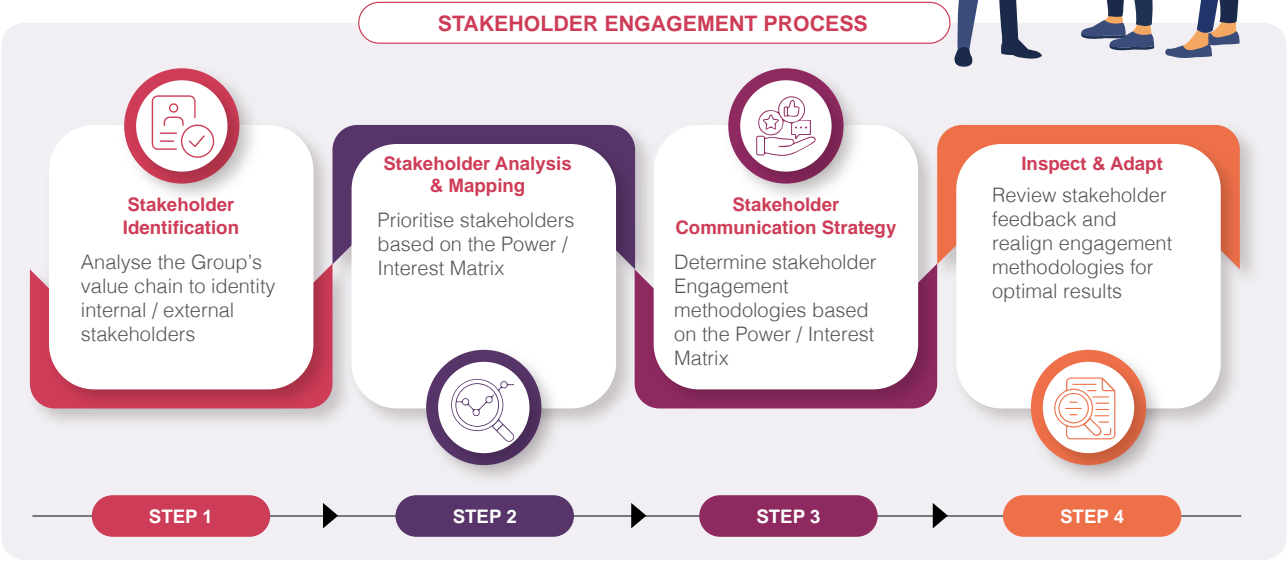
STAKEHOLDER ENGAGEMENT



As a textile manufacturer operating in the fast-paced and rapidly evolving global fashion industry and serving some of the world’s leading fashion brands demands that Hayleys Fabric Group stays closely connected to stakeholders to better understand their expectations, anticipate emerging needs, and respond proactively.







Additionally, stakeholder engagement also provides the opportunity to communicate the actions taken in response to key concerns. This ongoing exchange of ideas and feedback is critical to maintaining the Group’s competitiveness, relevance, and accountability, both within the international fashion supply chain and in the wider societal and environmental context.

GOVERNANCE OF STAKEHOLDER ENGAGEMENT



The Hayleys Fabric Governance pillar, which outlines the Group’s value proposition to stakeholders and contains particular policies for Customers, Suppliers, Investors, Employees, Government /Regulators, and Communities that provide guidelines on how to approach stakeholder engagement, includes stakeholder engagement as a crucial component. The Governance pillar also outlines the engagement metrics for each chosen strategy, which are listed below:



 <p>CUSTOMERS</p>	<p>Global tier 1 brand owners and apparel manufacturers</p>	<p>Strength of Relationship</p> 
<p>Engagement Mechanisms and Frequency of Engagement</p>	<ul style="list-style-type: none"> • Multi-layered relationship management (O) • Visits (as needed) • Virtual meetings (O) • Participation in Trade Exhibitions & Fairs (as needed) • Customer survey (O) • Quality & Performance Review (O) 	
<p>Key Concerns Raised</p>	<ul style="list-style-type: none"> • Product quality and reliability • Lead times • Environmental footprint • Ethical labour practices • Innovations • Sustainable supply chain • Competitive pricing 	

Our Response				
Material Matters	Strategy Integration	Resource Allocation through Capitals		Value Creation
<ul style="list-style-type: none"> • Customer health and safety • Customer satisfaction • Technology and product innovations • Product Quality • Manufacturing capabilities • On time delivery (OTD) • Regulations and compliance • Human Rights & Social Compliance • Procurement Practices • Material & Chemical management • Water and Effluents • Emissions & Air Quality • Energy consumption • Climate change adaptation • Waste • Biodiversity 	<p>Excellence in Service Levels</p> <p>Inspired and Dedicated Team</p> <p>Crafting a Seamlessly Integrated Supply Chain</p> <p>Operational Excellence</p> <p>Sustainability and Climate Action</p>	<ul style="list-style-type: none"> • Investment in research and development • Upgrading machinery • Obtaining and maintaining certifications and accreditations • Employee training and development • Sustain the good industrial relations with collaborative projects lead by Hayleys Fabric. • Strengthened supply chain • Enhanced biodiversity and environmental practices 	     	<ul style="list-style-type: none"> • Customers' reliability in our products • Guarantee of best-in-class products underscored by global standards and certifications • Product innovations • On time delivery with shorter lead times • 90% Customer Satisfaction Score • Alignment with sustainability goals



STAKEHOLDER ENGAGEMENT

 <p>SUPPLIERS</p>	<p>Large-scale suppliers are typically selected from a pool accredited by the Brand owners and assessed for environmental and social practices</p>	<p>Strength of Relationship</p> 
<p>Engagement Mechanisms and Frequency of Engagement</p>	<ul style="list-style-type: none"> • Supplier site visits • Relationship management (as needed) • Written communication and feedback (O) • Supplier appraisals (O) • Evaluation of new suppliers (As needed) • Due diligence to verify the business practices and ethics (A) 	
<p>Key Concerns Raised</p>	<ul style="list-style-type: none"> • Timely payments and ease of transacting • Constructive feedback • Guidance on social and environmental conformity • Opportunities for economic development and business growth 	

Our Response			
Material Matters	Strategy Integration	Resource Allocation through Capitals	Value Creation
<ul style="list-style-type: none"> • Supplier social & environment assessment • Customer satisfaction • Product Quality • Manufacturing capabilities • On time delivery (OTD) • Procurement Practices • Operational efficiency and productivity • Principal relationships 	<p>Excellence in Service Levels</p> <p>Crafting a Seamlessly Integrated Supply Chain</p> <p>Operational Excellence</p>	<ul style="list-style-type: none"> • Centralised procurement for the Hayleys Fabric Group • Working closely with suppliers to assist them to align with the Hayleys Fabric Group's sustainability Objectives and KPIs • Providing opportunities for local suppliers   	<ul style="list-style-type: none"> • 30 new suppliers on boarded • USD 140 Mn paid to suppliers (39%: 61% local: overseas) • 85% supplier base screened for social and environmental criteria

 <p>INVESTORS</p>	<p>Providers of equity and debt capital to support day-to-day operations and drive business expansion</p>	<p>Strength of Relationship</p> 
<p>Engagement Mechanisms and Frequency of Engagement</p>	<ul style="list-style-type: none"> • Annual General Meeting (A) • Investor forums and discussions (As needed) • Annual Report (A) • Quarterly financial results (Q) • CSE Announcements (As needed) • Press releases (As needed) 	
<p>Key Concerns Raised</p>	<ul style="list-style-type: none"> • Business expansion • Share price and liquidity • Business continuity • Corporate governance and risk management practices • Return on investment (ROI) • Social and environmental impact 	







Our Response			
Material Matters	Strategy Integration	Resource Allocation through Capitals (Our Response)	Value Creation
<ul style="list-style-type: none"> Customer health and safety Customer satisfaction Manufacturing capabilities Energy cost & uninterrupted energy Employee wellbeing & proposition Human Rights & Social Compliance Technology and product innovations Regulations and compliance Government policy 	<p>Excellence in Service Levels</p> <p>Operational Excellence</p>	<ul style="list-style-type: none"> Pursue niche markets and increased penetration with existing buyers Optimal capacity utilisation Improved productivity and cost efficiencies Improved social and environmental practices. Compliance and adherence to global best practices. Awards and accolades 	   <ul style="list-style-type: none"> 19% ROE 6% ROA 0.51 times Liquid Asset ratio Dividend paid Rs.1.85 per share

 <p>EMPLOYEES</p>	<p>3,397 employees at both Hayleys Fabric PLC and South Asia Textiles Limited</p> <p>Strength of Relationship</p> 
Engagement Mechanisms and Frequency of Engagement	<ul style="list-style-type: none"> Performance appraisals (A) Open door policy (O) Meetings with trade unions (O) Training sessions (O) Employee engagement activities (O)
Key Concerns Raised	<ul style="list-style-type: none"> Attractive remuneration and reward schemes Opportunities for training and career development Safe and conducive workplace Job security and career progression

Our Response			
Material Matters	Strategy Integration	Resource Allocation through Capitals	Value Creation
<ul style="list-style-type: none"> Employee wellbeing & proposition Freedom of association and collective bargaining Human Rights & Social Compliance Regulations and compliance 	<p>Excellence in Service Levels</p> <p>Inspired and Dedicated Team</p> <p>Operational Excellence</p>	<ul style="list-style-type: none"> Create a robust, yet challenging work environment to empower employees to achieve personal and professional growth 	  <ul style="list-style-type: none"> USD 16.7 Mn distributed as monetary benefits to employees 222 employees promoted 1,639 new recruits 5% women in leadership positions

STAKEHOLDER ENGAGEMENT

 GOVERNMENT / REGULATORS	Key facilitators of a conducive environment for entities to carry out business activities	Strength of Relationship 	
Engagement Mechanisms and Frequency of Engagement	<ul style="list-style-type: none">• Written communications (As needed)• Face to face interactions (As needed)• Annual and monthly tax returns (A)• Site Visits (ad-hoc)• Data submission and reporting (As needed)		
Key Concerns Raised	<ul style="list-style-type: none">• Compliance with all applicable regulatory requirements• Timely payment of regulatory dues and taxes• Contribution to economic growth• Environmental and social implications		
Our Response			
Material Matters	Strategy Integration	Resource Allocation through Capitals	Value Creation
<ul style="list-style-type: none">• Material & Chemical management• Water and Effluents• Emissions & Air Quality• Energy consumption• Climate change adaptation• Waste• Biodiversity• Freedom of association and collective bargaining• Human Rights & Social Compliance• Local Communities• Regulations and compliance• Government fiscal & other policies	<ul style="list-style-type: none">Operational ExcellenceSustainability and Climate ActionContributing to National Economy	<ul style="list-style-type: none">• Established processes to ensure full compliance with all relevant regulatory requirements• Investment in Climate Action and sustainability initiatives to minimise the overall footprint• Timely payment of taxes and other dues to regulatory bodies <div></div>	<ul style="list-style-type: none">• ZERO incidents of non-compliance of regulations• 30% reduction in water intensity in 2030.• Aligned with waste management HIRAC and Zero waste direct to land fill• Zero discharge Hazardous Chemical to open environment• Taxes paid USD 3.9 Mn• Revenue generated in USD 146 Mn

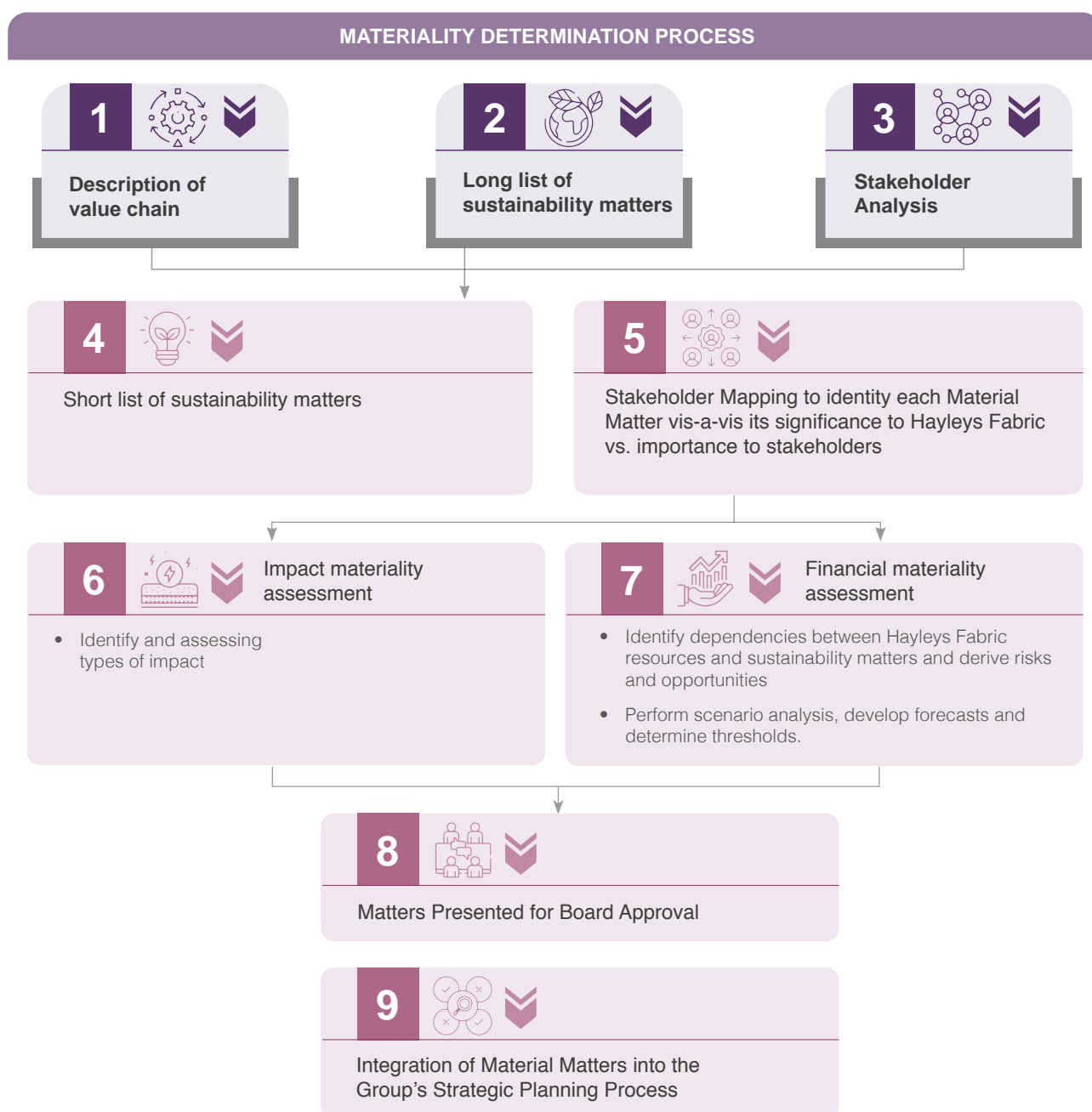
 COMMUNITY	Communities living in and around the vicinity of the Group's factories	Strength of Relationship 	
Engagement Mechanisms and Frequency of Engagement	<ul style="list-style-type: none">• CSR activities (As needed)• Community grievance mechanisms (O)• Community awareness programmes (O)		
Key Concerns Raised	<ul style="list-style-type: none">• Opportunities for socio-economic development• Employment opportunities• Livelihood and community development• Environmental preservation• Infrastructure development		
Our Response			
Material Matters	Strategy Integration	Resource Allocation through Capitals	Value Creation
<ul style="list-style-type: none">• Local Communities• Water and Effluents• Emissions & Air Quality• Energy consumption• Climate change adaptation• Waste• Biodiversity• Human Rights & Social Compliance• Regulations and compliance• Government policy	<ul style="list-style-type: none">Operational ExcellenceInspired and Dedicated TeamSustainability and Climate Action	<ul style="list-style-type: none">• Employment opportunities• Uplift the quality of life for the community• Investment in climate action• Implement the sustainable CSR model to create multiple benefits to the communities <div>   </div>	<ul style="list-style-type: none">• 100% female run knitting plant in Wagawatta-Horana• 61% employing local community members (<15km Radius)• USD 41,219 invested in CSR projects• 6,850 direct beneficiaries through CSR projects• ZERO community grievances reported• Increase in national forest cover• Preservation of natural ecosystems
O - Ongoing A - Annual Q - Quarterly			

DETERMINING MATERIAL ISSUES

The concept of Materiality draws attention to the most significant aspects that affect the Group's ability to create and preserve value over time. As a manufacturing organisation, a good understanding of Material Matters applicable to the Hayleys Fabric Group value chain ensures such matters receive top priority in the Group's strategic planning and risk management processes. The annual Materiality assessment is the primary tool used to determine material issues.

The findings from the latest materiality assessment confirmed that the Material Topics identified in the previous financial year remain relevant in the current reporting period. However, to gain a deeper understanding of these topics and their broader implications, the scope of the materiality determination process was expanded in the current year by adopting the double materiality approach, which is consistent with the procedure applied by the Hayleys Group.

In line with the double materiality approach, Hayleys Fabric Group's material topics were scrutinised through dual filters, where on the one hand they were assessed to determine their impact on the environment and society (impact materiality) and on the other hand measure the potential financial risks and opportunities (financial materiality) to the organisation.



Material Matter		Outcome of the Double Materiality Filter					
		Impact Materiality			Financial Materiality		
		High	Medium	Low	Low	Medium	High
Environment	1 Material & chemical management						
	2 Water and effluents						
	3 Emissions & air quality						
	4 Energy consumption						
	5 Climate change adaptation						
	6 Energy cost & uninterrupted energy						
	7 Waste						
	8 Biodiversity						
Social	9 Supplier social & environment assessment						
	10 Procurement practices						
	11 Customer health and safety						
	12 Customer satisfaction						
	13 Employee wellbeing & proposition						
	14 Freedom of association and collective bargaining						
	15 Human rights & social compliance						
	16 Local communities						
Governance	17 Technology and product innovations						
	18 Product quality						
	19 Operational efficiency and productivity						
	20 Manufacturing capabilities						
	21 On time delivery (OTD)						
	22 Principal relationships						
	23 Regulations and compliance						
	24 Government policy						
	25 Customer requirements on sustainability						

CHANGES TO MATERIAL TOPICS - 2024/25

Topics Removed	Reason for Removal
Climate change adaptation	In aligned with SLFRS S1&S2 risk assessment
Biodiversity	In aligned with SLFRS S1&S2 risk assessment
New Topics Added	Reason for Inclusion
Physical climate risks- rainfall & temperature	Flooding can halt production due to inaccessible facilities, power outages, or unsafe conditions. Also access path would be affected. Extreme heat over long-term poses physical climate risk by impairing machinery performance.
Ecological impacts	Risks arising from nature degradation, ecosystem disruption, and biodiversity loss can directly affected the supply chain stability.
Customer requirements on sustainability	In aligned with SLFRS S1&S2 risk assessment









DETERMINING MATERIAL ISSUES

	Material Matter	Topic Boundary	GRI Relevance	Impact Materiality (Environmental and Social Impact)	
1	Material & chemical management	Internal - covering areas such as manufacturing, procurement, and R&D.	GRI 301 GRI 403	Improper material and chemical management can lead to environmental pollution and pose health and safety risks to workers and surrounding communities	
2	Water and effluents	Internal - covering all operations such as manufacturing External - local water sources and ecosystems,	GRI 303	Excessive water usage and poor effluent management can harm local ecosystems, contribute to water scarcity, and negatively affect community health and livelihoods	
3	Emissions & Air Quality	Internal - covering all operations such as manufacturing External - air quality and ecosystems	GRI 305	Poor air quality can contribute to climate change, respiratory diseases, and environmental harm, affecting both ecosystems and human health	
4	Energy consumption	Internal - covering areas such as production and manufacturing operations	GRI 302	High energy consumption leads to increased carbon emissions, contributing to climate change	
5	Climate change adaptation	Internal - covering operations such as operations and infrastructure development	GRI 201 GRI 301 GRI 302 GRI 303 GRI 304 GRI 305 GRI 306 GRI 308 GRI 414	Strengthening community resilience, improve health, create jobs, and protect vulnerable populations, while also conserving ecosystems, promoting sustainability, and enhancing environmental services	
6	Energy cost & uninterrupted energy	Internal - focus on areas such as energy consumption, cost management, and energy security	GRI 302	High energy costs can distort equitable access to energy	
7	Waste	Internal - covering such areas as manufacturing and production External - environment and ecosystems	GRI 306	Improper waste management can harm ecosystems and public health, while effective waste reduction, recycling, and disposal practices reduce pollution and promote sustainable development	
8	Biodiversity	Internal - covering manufacturing, production, waste management External - land and ecosystems	GRI 304	The conservation of ecosystems and habitats, contributing positively to environmental health, local community well-being	

	Financial Materiality		Management Approach	Link to Strategy and Resource Allocation Through Capitals	
	Risks	Opportunities		Strategy	Capitals
	Fines, legal penalties, and costs involved with operational disruptions	Cost savings and enhanced brand reputation through the use of safer, sustainable materials and improved chemical efficiency. This has the opportunity to get more orders from the Brands.	Managing material and chemical usage through stringent procurement policies, safe handling procedures, and compliance with global environmental and chemical safety standards	Operational Excellence Sustainability and Climate Action	
	Water scarcity risks, and fines due to inefficient water management or pollution of local water bodies	Cost savings and sustainability leadership by implementing water-efficient practices and reusing water in production processes	Manage water use and effluent discharge through efficient systems, wastewater treatment, and in strict adherence to environmental regulations	Operational Excellence Sustainability and Climate Action	
	Regulatory fines, increased operational costs, and reputational damage due to high emissions or poor air quality management	Cost savings and brand differentiation through the implementation of emissions reduction technologies and clean energy solutions	Manage emissions and air quality through continuous monitoring, energy-efficient technologies, and efforts to reduce greenhouse gas emissions in line with regulatory requirements	Sustainability and Climate Action Operational Excellence	
	Rising energy costs and regulatory penalties for excessive energy use and associated emissions	Invest in energy efficiency initiatives and transitioning to renewable energy sources	Manage energy consumption by optimising energy efficiency, transitioning to renewable energy, and monitoring energy usage to reduce costs and emissions	Operational Excellence Sustainability and Climate Action Financial Growth	
	Operational and financial losses from infrastructure damage, and increased costs due to climate-related events	Investments in climate-resilient infrastructure	Investing in resilient infrastructure, enhancing disaster preparedness, and adapting operations to minimise the impacts of climate change	Operational Excellence Sustainability and Climate Action	
	Volatility in energy prices leads to higher operational costs, affecting profitability and cost forecasting	Cost savings and competitive advantage through energy efficiency improvements and securing stable, renewable energy sources	Investing in energy-efficient technologies and exploring renewable energy options to ensure uninterrupted and sustainable energy supply	Operational Excellence Sustainability and Climate Action Financial Growth	
	Increased costs associated with waste disposal, regulatory penalties, and potential reputational damage from poor waste management practices	Cost savings through waste reduction, recycling initiatives, and potential revenue generation from waste-to-resource processes	Integrated approach that focuses on reducing, reusing, and recycling materials, ensuring compliance with regulations and promoting sustainability	Operational Excellence Sustainability and Climate Action	
	Environmental degradation and loss of biodiversity could result in regulatory penalties, damaged reputation, and higher operational costs due to resource scarcity	Biodiversity preservation boosts the Company's sustainability credentials, enhancing brand value and enabled access to eco-conscious markets, and attracting sustainable investments.	Working closely with environmental experts to minimise the organisation's ecological footprint and ensure compliance with sustainability standards	Operational Excellence Sustainability and Climate Action	























DETERMINING MATERIAL ISSUES

	Material Matter	Topic Boundary	GRI Relevance	Impact Materiality (Environmental and Social Impact)	
9	Supplier social & Environment assessment	External - covering the supply chain	GRI 308 GRI 414	Unethical supplier practices can harm ecosystems and violate human rights, affecting communities	
10	Procurement Practices	External - covering the supply chain	GRI 204 GRI 205 GRI 408 GRI 409	Sustainable procurement reduces environmental degradation and promotes fair labour, improving social outcomes	
11	Customer health and safety	Internal - covering such areas as product development, innovation, procurement, manufacturing, packing and overall quality assurance	GRI 416	Failure to ensure product safety can harm consumers' health and well-being,	
12	Customer satisfaction	Internal - covering areas such as product/ service quality, customer communication, managing complaints, data privacy	GRI 416 GRI 417 GRI 418	Contributes to social wellbeing and responsible use of resources	
13	Employee wellbeing & proposition	Internal - covering areas such as employee remuneration, training, career progressions, health, safety	GRI 202 GRI 401 GRI 402 GRI 403 GRI 404 GRI 406	Improve participation in the workforce and enhances social stability, while also improving community health	
14	Freedom of association and collective bargaining	Internal - covering human rights and employee relations processes	GRI 405 GRI 407	Supports social equity within the broader community	

	Financial Materiality		Management Approach	Link to Strategy and Resource Allocation Through Capitals	
	Risks	Opportunities		Strategy	Capitals
	Reputational damage and operational delays due to supplier non-compliance with ESG standards.	Building a resilient, responsible supply chain that strengthens brand credibility and reduces long-term costs	Evaluate suppliers based on strict environmental and social criteria to ensure responsible sourcing and risk mitigation	Excellence in Service Levels Financial Growth Crafting a Seamlessly Integrated Supply Chain Sustainability and Climate Action	
	Supply chain disruptions or inflated costs due to unreliable or non-compliant suppliers	Reducing costs by forming long-term partnerships with responsible and reliable suppliers	Promote sustainable and inclusive procurement by prioritising ethical, and environmentally responsible suppliers	Excellence in Service Levels Financial Growth Crafting a Seamlessly Integrated Supply Chain Sustainability and Climate Action	
	Legal liabilities, product recalls, and reputational damage due to health and safety incidents involving products	Strengthening consumer trust and market competitiveness through the development of safe, high-quality products	Prioritise customer health and safety by adhering to rigorous product safety standards, conducting thorough impact assessments, and addressing compliance issues promptly	Excellence in Service Levels Crafting a Seamlessly Integrated Supply Chain Operational Excellence	
	Loss of customers and revenue due to poor product/service quality or failure to meet customer expectations	Increased revenue and market share	Commitment to ensuring customer satisfaction through continuous product quality improvements, regular feedback mechanisms, and responsive customer service	Excellence in Service Levels Crafting a Seamlessly Integrated Supply Chain Operational Excellence Financial Growth	  
	Increased absenteeism, turnover, and healthcare costs due to poor employee well-being	Improved employee productivity, retention, and engagement leading to reduced costs and enhanced organisational performance	Promote diversity and equal opportunities for all employees	Inspired and Dedicated Team	
	Labour disputes, strikes, and reputational risks if employee rights are infringed or not respected, leading to potential operational disruptions	Enhanced productivity through strong, collaborative labour-management relations	Respecting employee rights, actively engaging with trade unions, and ensuring compliance with relevant labor laws	Inspired and Dedicated Team Sustainability and Climate Action	










DETERMINING MATERIAL ISSUES

	Material Matter	Topic Boundary	GRI Relevance	Impact Materiality (Environmental and Social Impact)	
15	Human Rights & Social Compliance	Internal - covering all operations External - supply chain	GRI 414	Failure to uphold human rights can lead to exploitation, discrimination, and social unrest,	
16	Local Communities	Internal - covering hiring waste management practices External - economic inclusion, environmental footprint, infrastructure support, and social development	GRI 203 GRI 413	Engagement with local communities fosters social equity and environmental stewardship	
17	Technology and product innovations	Internal - covering areas such as manufacturing, product development and infrastructure development		Innovations in technology and products can drive sustainability by reducing environmental footprints and offering consumers safer, more efficient solutions, while promoting social wellbeing through improved access to advanced products	
18	Product Quality	Internal - covering the entire product lifecycle, including sourcing, manufacturing, packaging, distribution, and customer use	GRI 417	High quality products enhance reduce waste associated with recalls or defective products	
19	Operational efficiency and productivity	Internal - covering processes, resource utilisation, and employee productivity	GRI 201 GRI 302 GRI 303 GRI 404	Reduces resource consumption, waste generation, and environmental footprint	
20	Manufacturing capabilities	Internal - focusing on strength, resilience and scalability of manufacturing operations		Strong manufacturing capabilities can lead to better resource efficiency and reduced environmental impact, while also providing job opportunities and contributing to local economic development	

	Financial Materiality		Management Approach	Link to Strategy and Resource Allocation Through Capitals	
	Risks	Opportunities		Strategy	Capitals
	Legal penalties, reputational damage, and loss of market share due to human rights violations or non-compliance.	Foster strong relationships with stakeholders by upholding human rights and ethical business practices	Integrate human rights considerations into its policies and processes, ensuring compliance through regular assessments, training, and supplier engagement	Sustainability and Climate Action Crafting a Seamlessly Integrated Supply Chain Operational Excellence	 
	Weak community relations can result in operational disruptions, protests, or delays in project approvals	Strong community ties enhance social license to operate, support workforce availability, and create shared value	Actively engages with local stakeholders through structured dialogue, impact assessments, and community investment aligned with ESG priorities	Sustainability and Climate Action	 
	High R&D and production costs for new technologies and products that may not yield immediate returns	Increased revenue and market differentiation through innovative products that meet evolving consumer demands for sustainability and efficiency	Focuses on driving innovation by investing in R&D, collaborating with stakeholders, and continuously improving products and technologies to align with sustainability goals and customer needs	Excellence in Service Levels Inspired and Dedicated Team Sustainability and Climate Action Financial Growth	  
	Poor product quality can lead to recalls, reputational damage, legal liability, and loss of market share.	Superior quality builds brand loyalty, enables premium pricing, and strengthens competitive advantage	Commitment to First Time Right through rigorous quality assurance systems, supplier audits, and continuous improvement programs aligned with global standards	Operational Excellence Excellence in Service Levels Inspired and Dedicated Team Financial Growth Sustainability and Climate Action	     
	Inefficiencies may lead to increased operational costs, resource waste, and lower profitability, negatively impacting the bottom line	Cost savings, higher margins, and competitive advantage through optimised processes and resource utilisation	Continuous improvement initiatives, lean manufacturing techniques, and employee training to boost operational efficiency, reduce waste, and drive higher productivity	Operational Excellence Excellence in Service Levels Inspired and Dedicated Team Financial Growth Sustainability and Climate Action	     
	Increased operational costs or inefficiencies due to outdated or inadequate manufacturing capabilities that reduce competitiveness	Enhanced operational efficiency and cost savings through advanced manufacturing techniques, driving product innovation and market growth	Continually invest in enhancing manufacturing capabilities through the adoption of advanced technologies, process optimisation, and capacity-building to ensure sustainable and efficient operations	Excellence in Service Levels Operational Excellence Sustainability and Climate Action Financial Growth	  

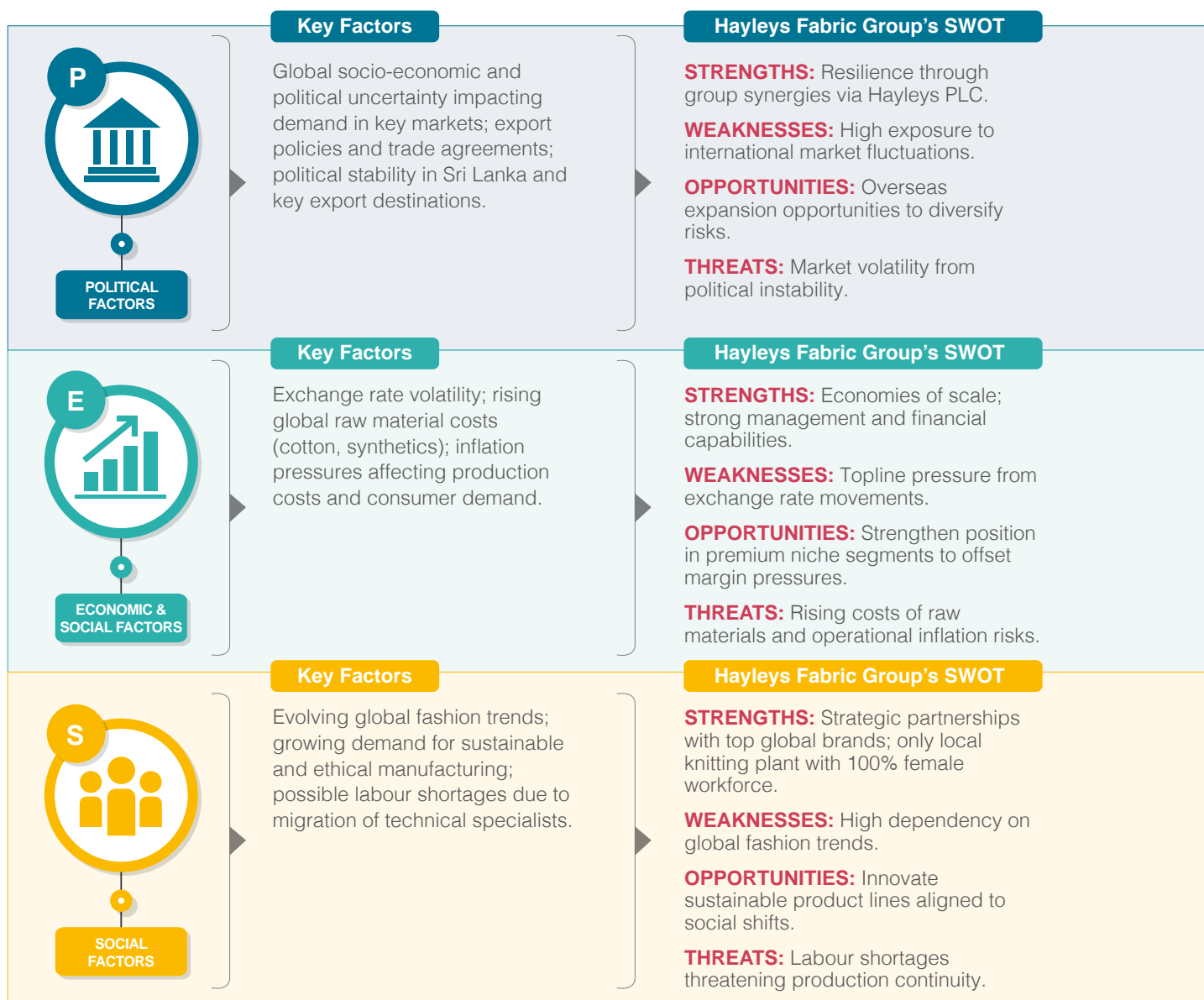
DETERMINING MATERIAL ISSUES

	Material Matter	Topic Boundary	GRI Relevance	Impact Materiality (Environmental and Social Impact)	
21	On time delivery (OTD)	Internal - focus on areas such as procurement, inventory, manufacturing, finishing and quality assurance External - logistics		On-time delivery enhances customer satisfaction, reduces wastage associated with delays	
22	Principal relationships	Internal / External - relationships with value chain partners	GRI 204 GRI 308 GRI 414	Shared business goals contribute to long-term economic and social development	
23	Regulations and compliance	Internal & External - covering all applicable regulations and voluntary best practices	GRI 201 GRI 207	Compliance with regulations mitigates environmental degradation, reduces exploitation of workers, and minimises social harm	
24	Government policy	Internal - focusing regulatory compliance External - regulatory environment and stakeholders	GRI 203 GRI 207	The organisation's response to government policies can influence resource allocation towards social welfare and environmental projects	
25	Customer requirements on sustainability	Internal - covering all operations from supply chain to finish product manufacturing	GRI 302, 305, 401	Potential loss of market share due to customers' push for sustainability integration & increasing demand for sustainable end products	

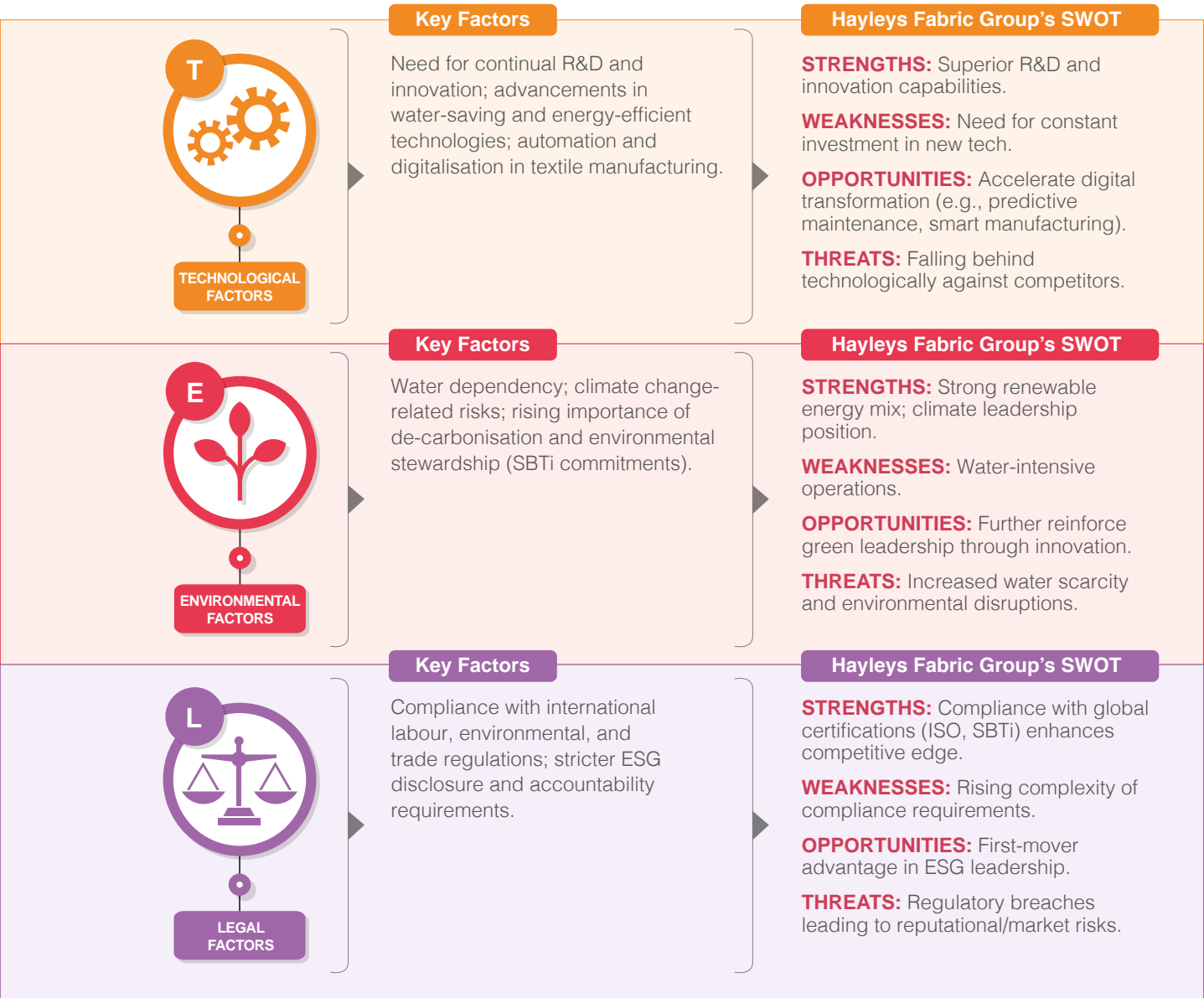
	Financial Materiality		Management Approach	Link to Strategy and Resource Allocation Through Capitals	
	Risks	Opportunities		Strategy	Capitals
	Financial penalties, loss of business, and damaged reputation due to frequent delays or supply chain inefficiencies	Customer retention, repeat business, and competitive advantage by maintaining high levels of on-time delivery performance	Optimising internal process efficiency, maintaining strong supplier relationships, and continuously monitoring delivery performance.	<p>Excellence in Service Levels</p> <p>Inspired and Dedicated Team</p> <p>Crafting a Seamlessly Integrated Supply Chain</p> <p>Operational Excellence</p> <p>Financial Growth</p>	   
	Dependence on a limited number of principal relationships, which could expose the organisation to operational disruptions or market shifts	Strategic partnerships with key principals can lead to innovation, market expansion, and long-term profitability through collaborative ventures	Cultivate strong, transparent relationships with key principals, ensuring mutually beneficial outcomes through strategic alignment, consistent communication, and joint initiatives	<p>Excellence in Service Levels</p> <p>Crafting a Seamlessly Integrated Supply Chain</p> <p>Financial Growth</p> <p>Operational Excellence</p>	  
	Legal penalties, operational disruptions, and reputational damage due to non-compliance with regulations	Enhance reputation and market competitiveness by maintaining strong regulatory compliance and ethical standards	Ensure adherence to all applicable regulations supported by comprehensive compliance monitoring, regular audits, and employee training	<p>Operational Excellence</p> <p>Sustainability and Climate Action</p> <p>Financial Growth</p>	
	Increased costs or restrictions from regulatory changes that impact operations or lead to compliance penalties	Potential for growth through government incentives, subsidies, or favorable regulations supporting sustainability or innovation	Full compliance with government policies by monitoring regulations and engaging with policymakers to align operations with evolving laws and regulations	<p>Sustainability and Climate Action</p> <p>Financial Growth</p>	
	Sustainability investments will continue to pressure profit margins	Opportunities include access to green financing and sustainability investments	On account of evolving customer expectations, Company is focused on reducing reliance on fossil fuels, increasing water efficiency and improving working condition of the employees	<p>Operational Excellence</p> <p>Financial growth</p>	

OUR STRATEGY



Strategy development at Hayleys Fabric Group is a dynamic process aimed at reinforcing resilience and adaptability in line with the long-term vision and growth ambitions. The Group adopts an iterative approach to review and update its 3-year strategic plan on a rolling basis to ensure strategic initiatives remain relevant to effectively respond proactively to evolving market dynamics, stakeholder expectations, and internal business priorities.



A key component of the strategy development exercise is a set of clearly defined SMART (Specific, Measurable, Achievable, Relevant, and Time-bound) objectives which serve as key performance indicators to support regular monitoring to ensure potential deviations are identified early, and corrective actions are taken swiftly. This disciplined approach ensures strategic coherence, operational agility, and strong alignment with the overarching direction approved by the Board of Directors.






OUR STRATEGY

EXCELLENCE IN SERVICE LEVELS		
Material Matters	Associated Risks and Opportunities	Stakeholders Impacted
<ul style="list-style-type: none">• Supplier social & Environment assessment• Procurement Practices• Customer health and safety• Customer satisfaction• Technology and product innovations• Product Quality• Operational efficiency and productivity• Manufacturing capabilities• On time delivery (OTD)• Principal relationships	<div>BR 1</div> <div>BR 6</div> <div>BR 7</div> <div>CRR 1</div> <div>CRR 2</div> <div>CRR 3</div> <div>SRR 1</div> <div>SRR 2</div> <div>OP 2</div> <div>Refer - Risk Report on page 74</div>	<div></div> <div></div>
Key Focus Areas for FY 2024/25	Resource Allocation	Performance Outcomes
Optimise production capacity to improve flexibility and customer responsiveness along with quality enhancement, speed of delivery	USD. 6.3 Mn invested in Plant & Machinery	<div>Customer feedback ratings - First Time-Rift (FTR) - Right > 93%</div> <div>Customer Satisfaction Quality - 99%</div> <div>On-Time-Delivery - 90%</div> <div>Customer Returns - < 0.5%</div>
	USD. 0.25 Mn Incurred on Building enhancements	
	Strengthening the product quality control process	
	40,459 hours training	
Improve the product mix from top Tier-1 customers through R&D -led New product developments	USD. 139,811 incurred on R&D	<div>Launch of 350 new products</div> <div>99% of total sales from Inno + new product development</div> <div>Submitted a patent for recycled yarn launched under the "Inno" label</div>
	M&S-Devon Quality Process Improvement Project	
	Held Over 850 customer meetings	
Future Plans		
Short Term	Medium - Long Term	
Establish a state-of-the-art fabric studio at South Asia Textiles Limited to focus on ongoing process improvements targeting shorter production cycles, timely deliveries, and improved customer satisfaction.	Incorporate advanced technologies such as RFID tagging to enhance the accuracy and facilitate real-time tracking of products	

INSPIRED AND DEDICATED TEAM

Material Matters	Associated Risks and Opportunities	Stakeholders Impacted
<ul style="list-style-type: none"> Employee wellbeing & proposition Freedom of association and collective bargaining Human rights & social compliance Technology and product innovations Product quality Operational efficiency and productivity On time delivery (OTD) 	BR 6 BR 7 CRR 1 SRR 1 OP 2 Refer - Risk Report on page 74	

Key Focus Areas for FY 2024/25	Resource Allocation	Performance Outcomes
Retain key skills especially among technical staff	Increased the minimum wage of employees under the Wages Board Ordinance to LKR. 21,000/- (regulatory minimum LKR 17,500/-)   305 training sessions accounting for 40,459 hours of training Launch of the People Leaders Development by Sandbox PLDP	<ul style="list-style-type: none"> > 70% employee retention 38% of employees employed for over 5 years 95% employee satisfaction Best Employer Brand 2024 HR Strategy Award
Improve gender diversity in the workforce	Implemented the DEI Policy Updated the Parental Leave Policy 	



Future Plans

Short Term	Medium - Long Term
Implement technological advancements to streamline employees' work and enhance accuracy More training opportunities for the workforce	Conduct regular awareness sessions to foster positive attitudes and promote good health practices

OUR STRATEGY

CRAFTING A SEAMLESSLY INTEGRATED SUPPLY CHAIN

Material Matters	Associated Risks and Opportunities	Stakeholders Impacted
<ul style="list-style-type: none"> • Supplier social & environment assessment • Procurement practices • Customer health and safety • Customer satisfaction • On time delivery (OTD) • Principal relationships 	BR 1 BR 4 SRR 2 SRR 3 Refer - Risk Report on page 74	

Key Focus Areas for FY 2024/25	Resource Allocation	Performance Outcomes
Improving sourcing efficiency	Negotiate bulk pricing advantages  Collaborating with Tier 1 suppliers to improve lead times 	<ul style="list-style-type: none"> • Supplier audit ratings >85% • Shortest lead times: 3 days

Future Plans

Short Term


Establish a Supplier Code of Conduct that clearly defines contract terms, delivery schedules, quality standards, and other key requirements. This code also sets forth explicit environmental and social expectations in line with global benchmarks such as ISO 14001 Environmental Management Standards and SA8000 for social accountability.





Medium - Long Term

Monitoring upstream supply chain sustainability practices and KPIs

Rationalisation of supply base

OPERATIONAL EXCELLENCE

Material Matters	Associated Risks and Opportunities	Stakeholders Impacted
<ul style="list-style-type: none"> • Material & chemical management • Water and effluents • Emissions & air quality • Energy consumption • Climate change adaptation • Energy cost & uninterrupted energy • Waste • Biodiversity • Customer health and safety • Customer satisfaction • Human rights & social compliance • Product quality • Operational efficiency and productivity • Manufacturing capabilities • On time delivery (OTD) • Principal relationships • Regulations and compliance 	BR 1 BR 3 BR 4 BR 6 BR 7 CRR1 CRR2 CRR3 CRR4 SRR 1 SRR 2 SRR 3 OP 1 OP 2 Refer - Risk Report on page 74	

Key Focus Areas for FY 2024/25	Resource Allocation	Performance Outcomes
Drive operational and cost efficiencies	USD. 3.85 Mn on maintenance and upkeep of machinery and equipment    Introduction of METAL EYE fabric inspection machine for improving defect detection Group-wide Power BI and IoT Dashboard Strengthening BCP Governance Training and upskilling	Capacity utilisation: > 85% Customer feedback ratings - First Time-Right (FTR) > 93% Quality rejects < 1%
Compliance with global quality standards certifications	100% compliance with all standards and certifications  	

Future Plans

Short Term	Medium - Long Term
Finalise implementation of Secure Access Service Edge (SASE) for secure and seamless connectivity Focus on Machine Digitalisation to enhance the productivity	Prepare ERP system migration to SAP HANA

SUSTAINABILITY AND CLIMATE ACTION


Material Matters	Associated Risks and Opportunities	Stakeholders Impacted
<ul style="list-style-type: none"> Material & chemical management Water and effluents Emissions & air quality Energy consumption Climate change adaptation Energy cost & uninterrupted energy Waste Biodiversity Supplier social & environment assessment Procurement practices Freedom of association and collective bargaining Human rights & social compliance Local communities Technology and product innovations Product quality Operational efficiency and productivity Manufacturing capabilities Regulations and compliance Government policy 	CRR1 CRR2 CRR3 CRR4 SRR 1 SRR 2 SRR 3 OP 1 OP 2 Refer - Risk Report on page 74	  

OUR STRATEGY

Key Focus Areas for FY 2024/25	Resource Allocation	Performance Outcomes
Holistic action to integrate climate action to the core business	<p>SBTi approval confirming Hayleys Fabric PLC Group operations align with the Paris agreement's 1.5°C pathway to combat climate change</p> <p>Installation of a 3Mw solar power plant covering 80% of the SAT building roof to generate sustainable energy and contribute to the national grid</p> <p>USD 18,526 invested in the Blowdown Recovery Project to improve quality of raw water in the sedimentation tanks</p> <p>USD.148,154 invested in energy efficiency projects including biomass conversion</p> <p>South Asia Textiles Limited joined the UN Global Compact Network as a subsidiary of Hayleys Fabric PLC.</p>	<p>Energy intensity is 85 GJ/MT</p> <p>Emission intensity is 11.7 tCO₂e/MT</p> <p>Water intensity is 157 l/kg</p> <p>ZERO incidents pertaining to non-compliance of regulatory or voluntary requirements</p> <p>Hayleys Fabric PLC became the first Forest Stewardship Council (FSC)-certified facility in Sri Lanka's textile sector.</p> <p>South Asia Textiles Limited earned Sri Lanka Responsible Care Council Membership</p> <p>Both Hayleys Fabric PLC and South Asia Textiles Limited became the first Sri Lankan facilities to achieve ZDHC Verified InCheck (Level 1).</p>
Emphasis on environmental advocacy	<p>USD. 3,683 towards biodiversity projects</p> <p>Collaborating with Universities to support biodiversity research</p>	

Future Plans	
Short Term	Medium - Long Term
Reduce Scope 1 and 2 emissions by 42% and Scope 3 emissions by 25% by FY2030 (base year: FY2021)	Achieve a 95% reduction in Scope 1 and 2 emissions and a 90% reduction in Scope 3 emissions by FY2050 (Net Zero Target)

OPERATIONAL EXCELLENCE

Material Matters	Associated Risks and Opportunities	Stakeholders Impacted
<ul style="list-style-type: none"> • Energy consumption • Energy cost & uninterrupted energy • Supplier social & environment assessment • Procurement practices • Customer satisfaction • Technology and product innovations • Product quality • Operational efficiency and productivity • Manufacturing capabilities • On time delivery (OTD) • Principal relationships • Regulations and compliance • Government policy 	BR 1 BR 2 BR 3 BR 4 BR 5 BR 6 CRR1 CRR2 CRR3 CRR4 SRR 1 SRR 2 SRR 3 OP 1 OP 2 Refer - Risk Report on page 74	

Key Focus Areas for FY 2024/25	Resource Allocation	Performance Outcomes
Stringent management of variable costs	Improve employee productivity through training and up-skilling 	USD 146 Mn revenue
	Cost containment strategies to lower operational costs 	USD 120 Mn Cost of Sales
	Diversify customer base	18% GP margin
	Explore new markets	USD 10.3 Mn - PBT
	Negotiate with suppliers for bulk pricing advantages	ROA - 6%
Emphasis on environmental advocacy	USD. 3,683 towards biodiversity projects	ROE – 19%
	Collaborating with Universities to support biodiversity research	Gearing Ratio - 51%
		LKR 1.85 - dividend per share declared to shareholders
		EPS – USD 0.017

Future Plans

Short Term	Medium - Long Term
<ul style="list-style-type: none"> • Improve profitability through product differentiation • Introduce technology to improve productivity and minimise wastage 	<ul style="list-style-type: none"> • Business expansion plan • Improve the profitability through sustainable innovations

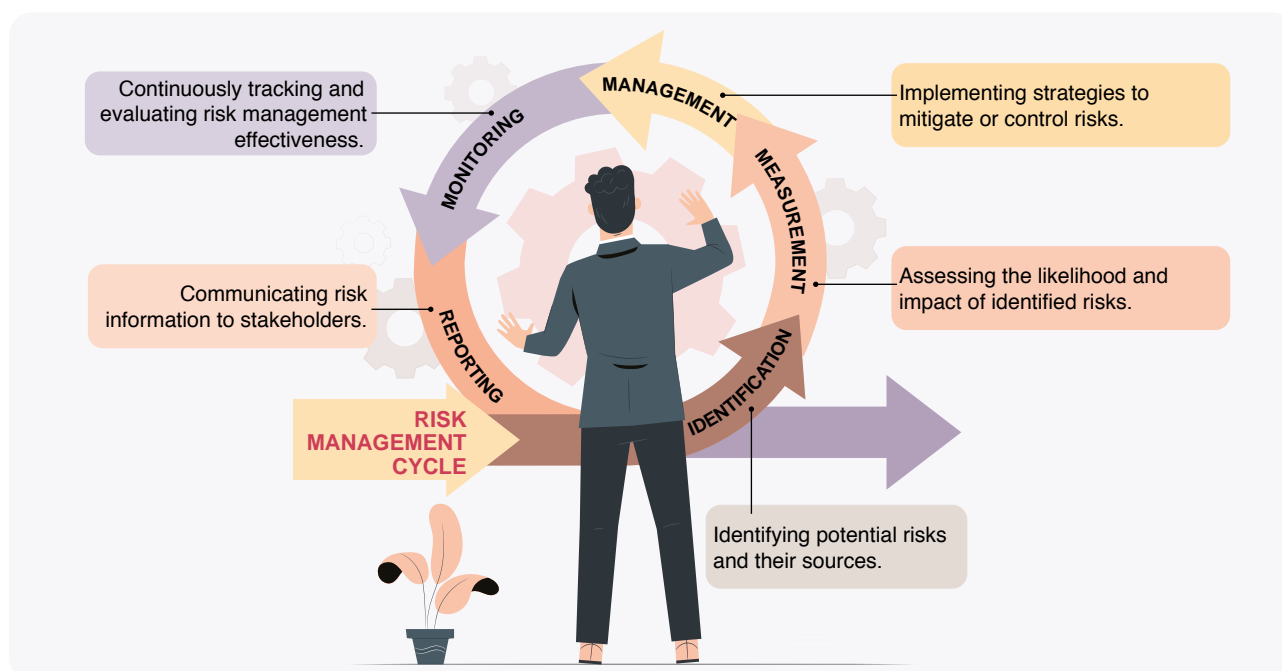
BR - Business Risk | CRR - Climate Related Risk | SRR - Sustainability Related Risk | OP- Opportunity

RISKS AND OPPORTUNITIES

HAYLEYS FABRIC PLC APPROACH TO RISK MANAGEMENT

Risk management at Hayleys Fabric Group is a comprehensive process designed to protect business continuity, long-term viability and reputation. The Group follows a structured risk management cycle that involves identification, assessment, management, monitoring, and reporting of risks, ensuring potential risks are systematically addressed at every level of the organisation, from strategic decision-making regarding business development, capital allocation, and investments, to day-to-day on-site operations.

This risk management cycle is underpinned by the Enterprise Risk Management (ERM) Framework, which provides a comprehensive structure for aligning risk management efforts with the Company's strategic goals. Hayleys Fabric Group's ERM framework, which is in line with the best practices of the broader Hayleys Group, ensures both current and emerging risks are proactively managed, and opportunities capitalised, thereby securing long-term, sustainable value for all stakeholders of Hayleys Fabric PLC and its Subsidiaries.



RISK APPETITE

Risk appetite refers to the level of risk Hayleys Fabric Group is willing to accept while pursuing its strategic goals. It acts as a guiding framework for decision-making, ensuring that risks are aligned with Hayleys Fabric Group's resources, values, and long-term objectives. The Board of Directors holds the responsibility for setting the risk appetite, considering the Group's financial capacity, strategic ambitions, and market conditions. The Board works closely with the Board Audit Committee to understand the context for determining the risk appetite to

ensure it is practical and in line with the Group's current and future needs.

The Board reviews and updates the risk appetite regularly to ensure it remains relevant to the evolving business environment. This process is supported by continuous monitoring of risk exposures, feedback from business units, the internal audit department and the Board Audit Committee regarding external factors such as industry trends and regulatory changes.

RISK GOVERNANCE STRUCTURE

The Board of Directors remains the ultimate authority responsible for risk management at Hayleys Fabric Group. Under the stewardship of the Board, risk governance is managed via the three-lines-of-defence model, wherein each line of defence has specific roles and responsibilities. The mechanism is designed to provide a clear structure for managing risk at every level of the organisation, with separation between the execution of tasks and the control and monitoring of risks.

HAYLEYS FABRIC PLC BOARD



RISK CULTURE

A strong risk awareness culture complements the three lines of defence by embedding risk management across all levels of the organisation. The Board of Directors plays a crucial role in shaping this culture by setting the tone from the top, promoting sound governance, and integrating risk management into strategy and day-to-day operations. Likewise, employees are encouraged to proactively identify and escalate risks to the relevant authorities for timely action.

RISK MATRIX

MANAGING RISKS FOR FY 2024/25

Risk Event	Implications to Hayleys Fabric Group	Risk Mitigation Approaches	Outlook and Way Forward
BR1 Geopolitical issues including the war in Ukraine, the Israel / Palestine conflict Link to Strategy: <ul style="list-style-type: none"> Excellence in Service Levels Crafting a Seamlessly Integrated Supply Chain Operational Excellence Financial Growth 	<ul style="list-style-type: none"> Failure to meet customer deliverables owing to disruption to supply chains Inflationary conditions leading to increase in the price of main raw materials Rising global oil prices pushing up domestic energy costs Cash flow constraints attributed to export shipment delays 	<ul style="list-style-type: none"> Maintain alternative suppliers for key raw material Developing global supply chains based on nearshoring Regular engagement with strategic suppliers to secure preferential access Effective procurement planning in collaboration with key suppliers Leverage Hayleys Group synergies to explore cost effective alternative shipping routes 	<p>Escalating US-China tensions, the potential trade tariffs imposed by the US along with ongoing conflicts such as the Russia-Ukraine war call for heightened vigilance to build resilience against such unforeseen occurrences.</p>
BR2 Potential trade tariffs imposed by the US Link to Strategy: <ul style="list-style-type: none"> Financial Growth 	<ul style="list-style-type: none"> Loss of market share in the US due to decreased competitiveness driven by higher prices. Higher input costs and potential delays due to tariff-affected imports 	<ul style="list-style-type: none"> Strengthening sourcing Implement cost-saving measures and improve operational efficiency to offset the impact of higher tariffs and maintain competitive pricing 	<p>The 90-day pause in U.S. tariffs presents Hayleys Fabric Group with the opportunity to prepare to strengthen ties with US buyers and also diversify the customer portfolio</p>

RISKS AND OPPORTUNITIES

Risk Event		Implications to Hayleys Fabric Group	Risk Mitigation Approaches	Outlook and Way Forward
BR3	Global economic slowdown amidst rising inflation Link to Strategy: <ul style="list-style-type: none"> Operational Excellence Financial Growth 	<ul style="list-style-type: none"> Increase in cost of production and higher variable costs due to inflationary conditions Loss of revenue owing to lower demand from key export markets Capacity underutilisation due to lower volumes 	<ul style="list-style-type: none"> Strengthening partnerships with global fashion brands, to fill order book Reassess pricing strategies and offer price discounts to key buyers Prioritise cost containment to safeguard the bottom line Close supervision of wastage and production losses to enhance productivity 	The global economic environment is expected to be challenging in 2025 with slow growth and persistent inflation. Navigating this environment will require businesses to focus on optimising strategies, optimising operations, and embracing sustainability to ensure long-term success and stability.
BR4	Appreciation of the LKR against the USD Link to Strategy: <ul style="list-style-type: none"> Crafting a Seamlessly Integrated Supply Chain Operational Excellence Financial Growth 	<ul style="list-style-type: none"> Reduced competitiveness in export markets, potentially reducing demand in international markets. Lower reported earnings resulting in margin pressure Higher costs of imported raw materials and components, affecting overall cost structure 	<ul style="list-style-type: none"> Reassess pricing strategies and offer price discounts to key buyers Strengthening sourcing to negotiate discounts and beneficial credit terms Continuous and ongoing monitoring of exchange rate movements and quantifying the potential impact on the Hayleys Fabric Group 	The outlook for the LKR in 2025 suggests moderate depreciation against the USD, presenting an environment of stability that would likely augur well for Hayleys Fabric Group.
BR5	Low AWPLR in the mid-single digit range Link to Strategy: <ul style="list-style-type: none"> Financial Growth 	<ul style="list-style-type: none"> Lower finance costs on LKR borrowings 	<ul style="list-style-type: none"> Proactive monitoring of interest rate developments and negotiating with Banks in partnership with the Hayleys Treasury Unit to capitalise on the low-rate environment 	The outlook for Sri Lanka's AWPLR in 2025 suggests a moderate increase in 2025, which will translate into higher borrowing costs in the short term.
BR6	Labour shortages Link to Strategy: <ul style="list-style-type: none"> Excellence in Service Levels Inspired and Dedicated Team Operational Excellence Financial Growth 	<ul style="list-style-type: none"> Disruptions to business operations due to the loss of key personnel 	<ul style="list-style-type: none"> Consistent investment in training and development to retain skilled employees 	Given the improving economic conditions in Sri Lanka in 2025, the likelihood of labour shortages affecting Hayleys Fabric is limited. However, the Group will continue to enhance employment opportunities and maintain wage growth to improve workforce sustainability.
BR7	Employee health and safety attributed to the manufacturing operation Link to Strategy: <ul style="list-style-type: none"> Excellence in Service Levels Inspired and Dedicated Team Operational Excellence 	<ul style="list-style-type: none"> Disruptions to manufacturing operations owing to trade union action or as a result of injuries / fatalities / absenteeism Fines or legal action owing to non-compliance with or breaches of Health and Safety requirements 	<ul style="list-style-type: none"> Regular and ongoing communication with trade unions to ensure worker welfare matters are understood and addressed proactively ISO 45001 Occupational Health and Safety Management Standard Certification to ensure the systematic approach for health and safety. Safety Governance Structure, including cross functional Safety Teams to promote the safety awareness culture Workmen's compensation and other insurance covers for employees 	Hayleys Fabric Group's strong Occupational Health and Safety (OHS) structure, coupled with the commitment to continuous improvements in safety protocols, training, and technology will further mitigate risks and ensure a safe working environment as the Group grows.

Risk Event		Implications to Hayleys Fabric Group	Risk Mitigation Approaches	Outlook and Way Forward
			<ul style="list-style-type: none"> Continue to drive the Hayleys Lifecode – meeting targets and ensuring stringent policies and ethical work practices are in place to foster a conducive work environment Regular safety training for all employees Voluntary adoption of global standards and certifications such as WRAP, BSCI and ETI to align with global best practices for human rights 	

Risk Event		Implications to Hayleys Fabric Group	Risk Mitigation Approaches	Outlook and Way Forward
CRR1	Water Scarcity Link to Strategy <ul style="list-style-type: none"> Excellence in Service Levels Sustainability and Climate Action Operational Excellence Financial Growth 	<ul style="list-style-type: none"> Disruptions to manufacturing operations resulting in the inability to meet customer timelines Reduced revenue due to decreased production capacity and increased operating costs for sourcing water 	<ul style="list-style-type: none"> Target to reduce its water intensity from the current 168 l/kg to 30% reduction in 2030 Resource efficiency measures (e.g., Effluent Treatment Plant (ETP) upgrades, Backwash Recovery) Rainwater harvesting Annual water footprint analysis 	Water scarcity, operational risks, and stricter discharge regulations and licensing fees will require the proactive integration of water data into decision-making and supply chain planning, making compliance a strategic focus for the Group.
CRR2	Riverine and Urban Floods Link to Strategy <ul style="list-style-type: none"> Excellence in Service Levels Sustainability and Climate Action Operational Excellence Financial Growth 	<ul style="list-style-type: none"> Flooding can halt production due to inaccessible facilities, power outages, or unsafe conditions. Roads, bridges, and transport links may be damaged, affecting logistics and supply chain continuity. Repeated exposure to flooding can lead to higher repair and maintenance expenses. 	<ul style="list-style-type: none"> Developed a flood risk mitigation plan under its Emergency Response Plan (ERP) Implemented both preventive planning measures and engineering controls to protect its facilities from flooding. 	<ul style="list-style-type: none"> To ensure supply chain resilience, Company may need to assess suppliers' flood mitigation measures before onboarding. Include flood-risk checks using a ≥ 1-in-100-year riverine + 1-in-50-year pluvial scenario for new CAPEX-based spending proposals.
CRR3	Extreme heat Link to Strategy <ul style="list-style-type: none"> Excellence in Service Levels Sustainability and Climate Action Operational Excellence Financial Growth 	<ul style="list-style-type: none"> Extreme heat over long-term poses physical climate risk by impairing machinery performance, increasing energy demand for cooling, and reducing labour productivity. This leads to higher operational costs, potential production slowdowns, and strain on energy infrastructure. 	<ul style="list-style-type: none"> Hayleys Fabric Group monitors the conditions of infrastructure undertakes modifications to infrastructure to make them more resilient to extreme heat; in addition, the Company also conducts heat stress training for employees. 	<ul style="list-style-type: none"> Shifting energy-efficient and renewable solutions may raise short-term CAPEX but reduce long-term OPEX. Transitioning HVAC systems to renewables is likely necessary to meet 2050 GHG emissions reduction targets (95% Scope 1 & 2, 90% Scope 3 reduction).

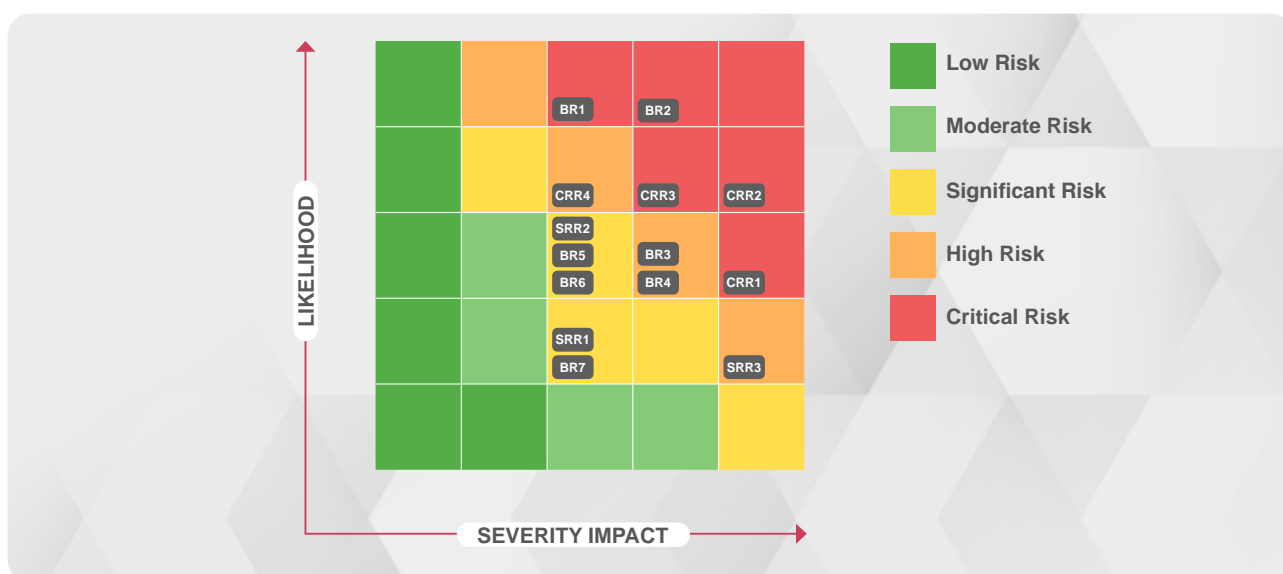
RISKS AND OPPORTUNITIES

Risk Event		Implications to Hayleys Fabric Group	Risk Mitigation Approaches	Outlook and Way Forward
CRR4	Cost of transitioning to low emission technology Link to Strategy <ul style="list-style-type: none"> Operational Excellence Sustainability and Climate Action Financial Growth 	<ul style="list-style-type: none"> Investments in low-carbon technologies, such as renewable energy systems and cleaner production processes, may lead to increased capital and operational expenditure 	<ul style="list-style-type: none"> Investments in renewables and upgrading to energy efficient systems (73% of Group energy sources are currently renewable) Adopted SBTi near -term targets in 2030 - 42% GHG emissions reduction in Scope 1 & 2, 25% GHG emissions reduction in Scope 3. Adopted/Implemented SLFRS S1 and S2 for climate disclosures 	<ul style="list-style-type: none"> Complete transition to renewable energy with 100% Group energy requirements met through clean energy sources Commitment to SBTi Net Zero by 2050 Targeting 100% sustainable biomass by 2030 Targeting 30% reduction in energy intensity by 2030 HFO phase-out plan by 2027

Risk Event		Implications to Hayleys Fabric Group	Risk Mitigation Approaches	Outlook and Way Forward
SRR1	Changing Customer Behaviour Link to Strategy <ul style="list-style-type: none"> Excellence in Service Levels Sustainability and Climate Action Financial Growth 	<ul style="list-style-type: none"> Shift in customer preferences towards sustainable products may lead to reduced sales and revenue loss if existing offerings do not align with evolving expectations 	<ul style="list-style-type: none"> Integrating customer sustainability feedback into product innovation, leading to eco-branded launches like Eco Stretch and INNO Label. Production processes are aligned with recognised sustainability standards to meet evolving customer expectations 	As customer expectations on certifications and transparent sustainability reporting continue to expand, Hayleys Fabric Group will integrate sustainability more deeply into product development and decision-making processes, ensuring effective responses to these evolving demands
SRR2	Sourcing sustainable raw materials Link to Strategy <ul style="list-style-type: none"> Crafting a Seamlessly Integrated Supply Chain Sustainability and Climate Action Financial Growth 	<ul style="list-style-type: none"> Lower profitability owing to the high costs involved in switching to sustainable raw materials 	<ul style="list-style-type: none"> Working with Tier 1 customers to explore the use of recycled yarn certified under the Global Recycled Standard. Partnered with "Eco Spindles" for recycled polyester yarn from ocean waste plastic Certified fiber sourcing, with cost-pass-through mechanisms used where possible Sourcing from suppliers aligned with BCI, GRS, and RCS criteria Diversified organic cotton sources 	Hayleys Fabric Group will need to revisit budgeting and planning mechanisms to account for capital allocations to support capacity rescaling to accommodate higher recycled content and undertake larger-scale process adjustments to minimise waste reduction.

Risk Event		Implications to Hayleys Fabric Group	Risk Mitigation Approaches	Outlook and Way Forward
SRR3	Compliance Related Obligations	<ul style="list-style-type: none"> Evolving national and international environmental and sustainability regulations may require ongoing process adjustments and reporting upgrades, posing risks of non-compliance penalties or reputational damage 	<ul style="list-style-type: none"> Alignment with EPL, SWML, SLFRS S1 & S2, and international standards such as ISO 14001, ISO 50001, ISO 45001, and ZDHC Level 1 (100% aligned), along with certifications like Eco-Label Sri Lanka and Higg FEM assessments. Regular third-party energy, water, and waste audits, waste managed by authorised partners, and surveillance audits under ISO 14001, including Carbon and Water Footprint verifications 	<p>In response to evolving regulations in Sri Lanka, the EU, and the US, Hayleys Fabric PLC (Hayleys Fabric Group) will adopt stricter sustainability targets and advanced green manufacturing practices alongside enhanced tracking, reporting, and due diligence across both operations and the supply chain.</p>
	Link to Strategy <ul style="list-style-type: none"> Operational Excellence Sustainability and Climate Action Financial Growth 			

BR - Business Risk | CRR - Climate Related Risk | SRR - Sustainability Related Risk



MANAGING SUSTAINABILITY AND CLIMATE RELATED OPPORTUNITIES

Opportunity	Implications to Hayleys Fabric Group	Outlook and Way Forward
Resource Efficiency Link to Strategy: <ul style="list-style-type: none"> Operational Excellence Financial Growth 	<ul style="list-style-type: none"> Improving the efficiency of water, energy, and raw material use can lower operating costs, reduce waste, and enhance environmental performance. Supports compliance with evolving sustainability standards while strengthening profitability and long-term competitiveness 	<p>Hayleys Fabric Group's strategic decisions will increasingly prioritise ESG alignment, long-term cost savings, and risk mitigation through investment in circular manufacturing systems and digital monitoring infrastructure.</p>
Access to new Markets Link to Strategy: <ul style="list-style-type: none"> Excellence in Service Levels Operational Excellence Financial Growth 	<ul style="list-style-type: none"> Expand market presence in other regions (e.g., Europe, Asia) to reduce reliance on the risky & volatile markets Leverage innovation and sustainability credentials to secure first-mover advantage in premium market segments 	<p>Decision-making will need to be more proactive and innovation-focused, with dedicated R&D investments aligned with evolving customer targets. Cross-functional innovation teams and product lifecycle traceability will support agile product development and access to premium sustainable segments.</p>

APPROACH TO SUSTAINABILITY

Since its inception in 2022, the Hayleys Fabric Group has championed sustainable growth through the steadfast commitment to environmental, social and governance (ESG) matters, which has seen the Group often emerging as a trailblazer and a transformative force in Sri Lanka's ESG landscape.

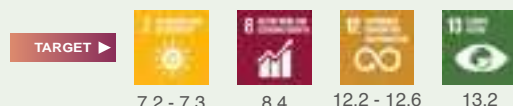
The Group's commitment to ESG is fundamentally anchored to the Hayleys Lifecode - a comprehensive and clearly defined ESG framework of the Hayleys PLC Group which serves as an all encompassing pledge intended to showcase the commitment to the United Nations Sustainable Development Goals (SDG) and the UNGC (United Nations Global Compact) 10 principles.

The Hayleys Fabric Group expresses its commitment to the Hayleys Lifecode by taking note of the material ESG factors relevant to its core business as a textile manufacturer. Efforts to address these material ESG considerations are driven by the Hayleys Fabric Group 2030 Sustainability Roadmap - a cohesive long range plan outlining the Group's fundamental ESG commitments, related strategies, and target KPI's for the short, medium and long term.

ENVIRONMENTAL COMMITMENTS

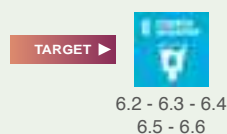
Energy & Emissions Management

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Focus for the Future (FY 2025/26 Target)
Reliance on sustainable and renewable energy sources	90% sustainable and renewable energy applications by 2030	73%	73%	74%
	Maintain 100% Sustainable biomass	100%	100%	100%
Reduction in energy intensity through improving operational efficiencies.	30% energy intensity reductions by 2030	80 GJ/MT	85 GJ/MT	73 GJ/MT
	Scope 1 & Scope 2 GHG emissions reduce by 42%, Scope 3 GHG emissions reduce by 25%(158,614 tCO ₂ e)	206,927 tCO ₂ e	204,897 tCO ₂ e	190,073 tCO ₂ e
HFO Phase out plan	Maintain 100% Elimination	87% Eliminated	87% Eliminated	100% Elimination



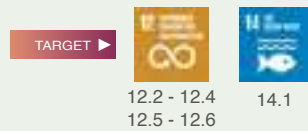
Water Management

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Focus for the Future (FY 2025/26 Target)
Application of sustainable water sources	30% sustainable water sourcing (rain water / water recoveries / recycled water use) across the Group by 2030	25%	24%	26%
Reduction in water intensity through improving operational efficiencies	30% water intensity reductions by 2030	147 l/kg	157 l/kg	151 l/kg



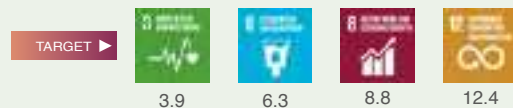
Material and Waste Management

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Focus for the Future (FY 2025/26 Target)
Value additions on all waste generation	Maintain 100%	100% Achieved	100% Achieved	Maintain 100%
Ensure responsible consumption of natural resources and sustainable production across the Group	Application of green production initiatives across 30% products/ services volumes by 2030	20%	23%	25%



Chemical Management

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Focus for the Future (FY 2025/26 Target)
Ensure best chemical management practices across the supply chain	100% aligning with safe chemical management practices within the Group operations	99% ZDHC Level 1/ OEKOTEX 99%	100% ZDHC Level 1/ 100% OEKOTEX	Maintain 100% ZDHC Level 1/ 100% OEKOTEX
	10% of total green chemical consumption applications by 2030	5% of total green chemical consumption applications (Natural + Energy efficient + Water saving options)	4% of total green chemical consumption applications	6% of total green chemical consumption applications
	75% of supply chain to implement chemical management practices	60% of Bluesign Certified chemical suppliers in supply chain	63% of Bluesign Certified chemical suppliers in supply chain	65% of Bluesign Certified chemical suppliers in supply chain



Biodiversity Conservation

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Focus for the Future (FY 2025/26 Target)
Biodiversity conservation and preservation relating to our business operations	Increase the biodiversity enhancing program to cover 5 times the area occupied by the Group	Maintain Green: Building ratio 1:1	Maintain Green: Building ratio 1:1	Maintain Green: Building ratio 1:1



APPROACH TO SUSTAINABILITY

SOCIAL COMMITMENTS

Employment

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Focus for the Future (FY 2025/26 Target)
Developing a diverse, engaged team	Attrition rate Managerial - 12% Executive - 19% Non-Executive - 22%	31% Attrition rate across entire Group	30% Attrition rate across entire Group	30% Attrition rate across entire Group
	2% new hire attrition rate across entire Group by 2030	42% new hire attrition	48% new hire attrition	40% new hire attrition
Provide opportunity for continuous learning	Each employee to receive an average of 40 training hours per annum	Each employee received an average of 10 hrs and 40 min per annum	Each employee received an average of 12 hrs and 50 min per annum	Improve training coverage to at least 25 hours per employee
Create a performance-driven conducive work culture	100% of selected employee categories to receive performance appraisals	100% performance evaluation process across the Group	100% performance evaluation process across the Group	Sustain 100% performance evaluation process across the Group
Leadership and supervisory development plan	10,000-man hours of leadership and supervisory development programs covering all sectors by 2030	4,876-man hours of leadership and supervisory development programs covered	12,313-man hours of leadership and supervisory development programs covered	10,000-man hours of leadership and supervisory development programs will be covered

TARGET ▶



4.4 - 4.5



5.5



8.1 - 8.2
8.5

Health and Safety

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Focus for the Future (FY 2025/26 Target)
Ensure the health, safety and wellbeing of all employees	Safest workplace with zero workplace injuries/ occupational diseases	Injuries have been reduced by 28% and training coverage for Health & Safety programs were 123%	Injuries have been increased by 8% and training coverage for Health & Safety programs were 130%	Injuries to be reduced by 45% and training coverage for Health & Safety programs will be 150%

TARGET ▶



4.4 - 4.5



8.1 - 8.2
8.5

Community Relationships

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Focus for the Future (FY 2025/26 Target)
Uplifting livelihoods and empowering communities	Increase CSR beneficiaries by 50% by 2030	Over 6,800 beneficiaries	Over 6,850 beneficiaries	Over 6,900 beneficiaries

TARGET ▶



10.2

GOVERNANCE COMMITMENTS

Customer Management

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Focus for the Future (FY 2025/26 Target)
Exceed customer expectations through identifying and responding to customer needs	Customer satisfaction surveys covering 100% of operations	Customer satisfaction survey with customer coverage of 100% achieved	Covered 100% through various feedback mechanisms	Sustain customer satisfaction survey with customer coverage of 100%
	All sectors should implement a systematic customer grievance handling procedure, which is clearly communicated to all customers	All complaints have been acknowledged and attended within 2-5 days on time, investigated every complaint with a visit, a video call or with technical details and solutions were given same time.	All complaints have been acknowledged and attended within 2-5 days	All complaints to be acknowledged and attend within 2-4 days
Adopt responsible marketing practices	40% of all products and services include relevant product information, which enables customers to make informed purchasing decisions	100% of the produces (hanger presentations) have product information	100% of the produces (hanger presentations) have product information	100% of the produces (hanger presentations) have product information & digitalisation of the information

TARGET ▶



Non-Discrimination

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Focus for the Future (FY 2025/26 Target)
Build and= inclusive and equitable organisational culture	All employees to undergo training and awareness on anti-discrimination	All employees underwent training and awareness on anti-discrimination upon the induction	All employees underwent training and awareness on anti-discrimination upon the induction	Sustain the training and awareness on anti-discrimination upon the induction

TARGET ▶



Procurement Practices

ESG Strategy	2030 Target	Achievement in 2023/24	Achievement in 2024/25	Focus for the Future (FY 2025/26 Target)
Propagate good social and environmental practices across our supply chain	Achieve 40% social and environmental screening of total suppliers	91% social and environmental screening of total suppliers	85% social and environmental screening of total suppliers	90% social and environmental screening of total suppliers
Implementation of strategic supplier development programs across key supply chains	All Sectors to establish at least one long term supplier development program	163 suppliers joined the supplier development program	132 suppliers joined the supplier development program	160 suppliers will join the supplier development program

TARGET ▶



SCIENCE-BASED TARGETS INITIATIVE (SBTi) JOURNEY

KNITTING A GREENER FUTURE:

At Hayleys Fabric PLC, sustainability is more than just a commitment, it is intricately knitting into the fabric of our operations. As the first textile manufacturer in Sri Lanka to adopt the Science-Based Targets initiative (SBTi), Hayleys Fabric remains at the forefront of the local textile industry's transition towards a low-carbon future. By embedding science-based targets into our business model, we are striving to lead by example in charting a path where innovation, operational excellence, and environmental stewardship come together to proactively address climate risks and drive lasting impact.

NEAR-TERM TARGET APPROVED BY SBTi



The Hayleys Fabric Group's near-term and net-zero targets to reduce Scope 1 and 2 GHG emissions by 42% and Scope 3 emissions by 25% by 2030 were formally approved by SBTi in November 2024, signalling a major milestone that places the Group at the forefront of sustainability efforts in the region and among a select group of global businesses aligning their operations with the Paris agreement's 1.5°C pathway to combat climate change. Our pledge to limit global warming to 1.5°C embodies our dedication to responsible growth, ensuring that every step we take aligns with the urgent global call for climate action.

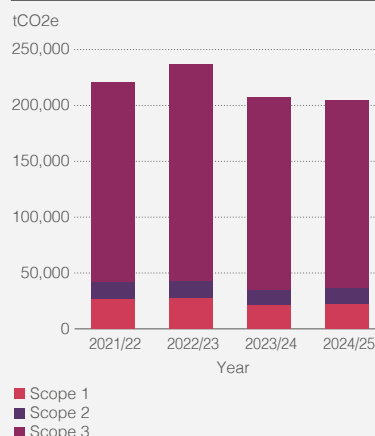
The SBTi, a globally recognised body, enables businesses and financial institutions to set rigorous, science-based emissions reduction targets. Validation from the SBTi is a rigorous process that ensures targets are not only ambitious but also robust, credible and scientific. The initiative's endorsement of Hayleys Fabric Group's targets solidifies the Group's position as a leader in sustainable manufacturing, setting a new benchmark for the Sri Lankan fabric industry.



GHG EMISSION REDUCTION PERFORMANCE

FY	Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)	Scope 3 (tCO ₂ e)	Total (tCO ₂ e)
21/22	26,844	15,161	179,004	221,008
22/23	27,690	14,679	194,438	236,806
23/24	20,668	13,939	172,321	206,927
24/25	22,254	14,073	168,570	204,897

GHG (Absolute) Emission Reduction Performance



OUR COMMITMENT TO A NET-ZERO FUTURE



Looking ahead, Hayleys Fabric Group has pledged to achieve net-zero emissions by 2050, with reductions of 95% in Scope 1 and 2 emissions and 90% in Scope 3 emissions. These long-term commitments reflect

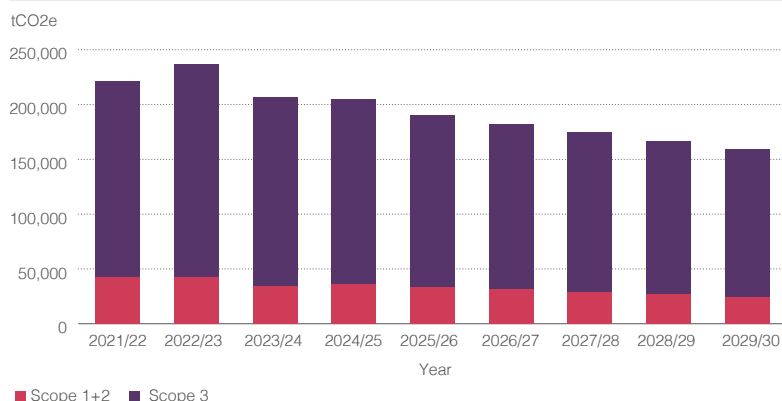
the Group's focus on systematically reducing emissions as much as possible and offsetting remaining emissions through credible carbon removal strategies. As we continue this journey, Hayleys Fabric Group remains steadfast in its mission to redefine textile manufacturing for a better and greener tomorrow.

We have established a robust framework to systematically reduce greenhouse gas (GHG) emissions across Scope 1, Scope 2, and Scope 3 categories underscoring the Hayleys Fabric Group's unwavering commitment to climate leadership. With FY 2021/22 as our baseline, we have implemented a year-on-year reduction plan that steadily moves us toward our near-term (FY 2030) and net-zero (FY 2050) targets.

HAYLEYS FABRIC GROUP'S JOURNEY WITH SCIENCE-BASED TARGETS INITIATIVE (SBTi)

GHG REDUCTION TRAJECTORY BASELINE TO NEAR-TERM

GHG reduction trajectory Baseline to Near-term



■ Scope 1+2 ■ Scope 3

ACHIEVING GHG EMISSION REDUCTIONS ACROSS OUR VALUE CHAIN

SCOPE 1 INITIATIVES

To actively de-carbonise our direct emissions, we have undertaken several strategic initiatives. We are accelerating the transition to renewable thermal energy sources such as biomass, reducing our reliance on fossil fuels. Additionally, we are implementing a phased elimination of heavy fuel oil (HFO) in our operations to minimise carbon-intensive energy sources. Furthermore, we are enhancing boiler and thermic heater efficiencies to ensure optimal performance and reduced emissions. Another key initiative involves shifting to refrigerants and coolants with non-HFC alternatives, such as R-410A, to lower our environmental impact.

SCOPE 2 INITIATIVES

Our efforts to mitigate indirect emissions associated with electrical energy consumption continue to be pivoted in the expansion of renewable electrical energy solutions. This includes the installation of rooftop and floating solar panels, significantly increasing our renewable energy capacity. Supported by consistent investments in renewable energy made over the past decade, we have successfully achieved a renewable energy mix of 73%, which is instrumental in reducing our dependence on grid electricity and lowering our carbon footprint.

SCOPE 3 INITIATIVES

Recognising that Scope 3 emissions account for the largest share of our footprint, we have implemented targeted strategies to optimise upstream and downstream supply chain logistics to enhance efficiency and reduce emissions. Moreover, we have introduced category-specific emission reduction initiatives that focus on high-impact areas. Additionally, we are strengthening collaborations with suppliers and partners, fostering industry-wide sustainability initiatives that drive collective progress toward a low-carbon future.



Nature Based Solutions

Nature-based solutions form a key part of Hayleys Fabric Group's environmental advocacy initiatives, in particular efforts to restore ecosystems, enhance biodiversity, and support climate resilience.

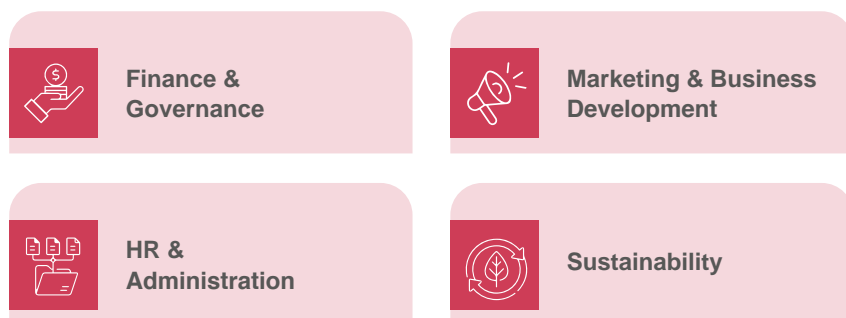


Carbon Sequestration

Hayleys Fabric Group's "Diyathuru Park," a 9-acre wetland area within its Narthupana Estate in Neboda, Kalutara District, plays a key role in the Group's carbon sequestration efforts. Surrounded by rubber plantations, paddy fields, and wetlands near the Kalu River, the park has been assessed to estimate its carbon stock in both vegetation and soils. This baseline assessment, conducted by a team of forestry experts through literature review and on-site evaluations, lays the groundwork for advancing toward formal carbon claims, reinforcing Hayleys Fabric's commitment to climate action and natural carbon capture.

ESG EXECUTIVE SUMMARY

Recognising the growing significance of ESG matters and it is imperative to lead the business into a sustainable future, the ESG Steering Committee was established on 25th November 2024 to strengthen top management's oversight of environmental and social issues. The ESG Steering Committee is headed by the Hayleys Fabric Group Managing Director / CEO and comprises other members of top management, including the Executive Director-Finance & ESG, Executive Director-Marketing, Executive Director- HR & Admin and DGM-Sustainability. The multidisciplinary skill set of its members enables the ESG Steering Committee to provide strategic guidance, anticipate emerging trends, and ensure that sustainability is embedded into core business functions and long-term planning.



The Committee is governed by the Terms of Reference (TOR) that sets out the Committee composition, role and oversight responsibilities. As per the TOR, the ESG Steering Committee serves as the main body in charge of overseeing the execution of the Hayleys Fabric Group sustainability strategy. In this capacity the Committee is tasked with guiding and monitoring the execution of the Hayleys Fabric Group's ESG Framework to ensure alignment with the Group's corporate purpose and the Hayleys Lifecode, as well as reviewing progress against ESG targets. The Committee is also entrusted with the responsibility of identifying ESG-related risks, opportunities, and impacts, recommending appropriate actions to address them, while reviewing and advising the management on relevant policies, programmes, and stakeholder engagement strategies. The Committee reports directly to the Board and is required to keep the Board apprised of key developments through regular updates on ESG performance, emerging trends and their implications, and ESG disclosures in corporate reporting and external communications.

The ESG Steering Committee setup in South Asia Textiles Limited (A fully owned subsidiary of Hayleys Fabric PLC) acts as a sub-committee to the Committee setup in Hayleys Fabric PLC.

(Please refer ESG Steering Committee Report on Page 223 for more information)

SLFRS S1 AND S2 – SUSTAINABILITY AND CLIMATE-RELATED DISCLOSURES

Hayleys Fabric Group embraces the evolving landscape of climate-related disclosures, recognising that it extends beyond mere corporate obligations. These disclosures reflect the Group's/Company's commitment to transparency and proactive management of sustainability and climate-related risks and opportunities, in line with the requirements of SLFRS,

S1 General Requirements for Disclosure of Sustainability-related Financial Information

S2 - Climate- Related Disclosures

GOVERNANCE

- **The Governance body responsible for oversight of sustainability and climate-related risks and opportunities**

The Board of Directors of Hayleys Fabric PLC is the governing authority entrusted with the overall management and strategic direction of the Hayleys Fabric Group, including sustainability and climate-related matters. The Board also oversees Hayleys Fabric PLC's overall ESG strategy and has delegated the target-setting exercise to the ESG Steering Committee. Once finalised, these targets are cascaded to the departmental level, where designated representatives oversee their integration.

- **Reflection of Responsibilities in Terms of Reference, Mandates, and Policies**

The "Hayleys Way" Code of Conduct, Bribery and Anti-Corruption Policy, and Corporate Disclosures Policy guide ethical standards and transparency. Additionally, The Hayleys LifeCode serves as a comprehensive and clearly defined ESG framework for the Board, defining the approach towards managing Natural Capital and setting targets for environmental aspirations in the short, medium, and long-term. In addition to the LifeCode the ESG steering committee 's terms of reference include responsibilities for the committee for identifying sustainability and climate-related risks, opportunities, and impacts, recommend the implementation of appropriate measures, and provides guidance on related policies and programs. It receives regular updates on sustainability

performance and ensures ESG considerations are integrated into corporate reporting and external communications.

For more information on the Terms of Reference of the ESG Steering Committee please refer the report on page 223.

- **Ensuring Appropriate Skills and Competencies for Oversight**

When appointing new directors, the Board follows a rigorous selection process that focuses on professional expertise, industry experience, and integrity. Importantly, the Board also considers the importance of diversity, ensuring a balanced mix of skills, experience, gender, and age to strengthen Board deliberations by incorporating varied perspectives and fostering independent judgment, ultimately enhancing decision-making effectiveness in areas like sustainability. The Board receives training on sustainability-related matters, and the Finance Director also serves as the Head of ESG, ensuring that sustainability issues are adequately addressed and discussed at the Board level.

- **Frequency and Method of Information Flow**

The Board is informed about sustainability and climate-related risks and opportunities through various reporting mechanisms. The Risk Management Cycle, which includes identification, measurement, management, monitoring, and reporting of risks, aims to inform the Group's leadership on risk performance during the reporting phase. SRROs (Sustainability-Related

Risks and Opportunities) and CRRO (Climate-Related Risks and Opportunities) are reported to both the ESG Committee and the Audit Committee, with significant aspects escalated to the Board of Directors. Additionally, the Audit Committee informs the Board of sustainability and climate issues through its reviews of internal and independent external audits that cover these aspects.

- **Consideration of Sustainability and Climate-Related Risks in Strategy and Major Decisions**

The Board authorises major capital projects, investments, acquisitions, mergers, and disposals to support sustainable growth, considering technical, social, environmental, and financial criteria to ensure alignment with overall Group strategic objectives and value creation for stakeholders. ESG considerations are also now integrated into the budgeting process, reinforcing the Group's commitment to embedding sustainability into core financial and strategic decision-making.

- **Setting Targets and Monitoring Progress**

The Board oversees sustainability and climate change targets based on the Hayleys LifeCode framework. Hayleys Fabric Group has developed customised targets aligned with this framework. The Board has delegated the target-setting responsibility to the ESG Steering Committee. Performance against these targets is monitored, with progress updates presented monthly at the Management Review Meeting and quarterly at the ESG Steering Committee meeting at the Group level.

SLFRS S1 AND S2 – SUSTAINABILITY AND CLIMATE-RELATED DISCLOSURES

MANAGEMENT'S ROLE IN MONITORING, MANAGING, AND OVERSEEING SUSTAINABILITY AND CLIMATE-RELATED RISKS AND OPPORTUNITIES.

Delegation of Oversight to Specific Management-Level Positions or Committees

Hayleys Fabric PLC employs a structured process for managing climate-related risks, embedded within its broader risk management framework, the management forms the 2nd line of defense in risk governance framework, their responsibilities include; ensuring that all business units are functioning in accordance with established risk policies and standard operating procedures, conducting regular PESTLE analysis to monitor the Group's risk landscape, including factors related to climate change. The management is accountable for the day-to-day operations of the Company, it ensures that the Company operates within the approved risk appetite, also oversee the implementation of strategies and initiatives aimed at mitigating identified climate-related risks. Moreover, the annual process of preparing the integrated report, which includes sustainability information, is the responsibility of a Working Group led by the Executive Director – Finance & ESG and comprising senior members of the finance, marketing, and sustainability teams. Additionally, under the supervision of the Head of Sustainability, dedicated teams have been appointed to oversee each environmental pillar.

- **Management Controls and Procedures Integrated with Other Internal Functions**

Management maintains an integrated approach based on the Enterprise Risk Management (ERM) Framework to ensure that all key risks, including sustainability-related risks and opportunities, are managed in alignment with the overall corporate strategy. Business risks, along with sustainability-related risks, are presented to the Audit Committee on a quarterly basis, ensuring Board awareness and oversight of environmental, social, and governance risks.

STRATEGY

- **Introduction**

At Hayleys Fabric PLC, our sustainability strategy is built on a deep understanding of industry dynamics, operational challenges, and evolving stakeholder expectations. Recognising the strategic importance of these factors, we have aligned our approach with the six focus areas outlined in the Hayleys Lifecode: Climate Action, Nature Restoration and Regeneration, Resource Footprint Optimisation, Responsible Workplace Practices, Progress through Partnerships, and Responsible Corporate Citizenship. As climate-related risks grow more prominent, our strategy increasingly integrates forward-looking climate action. In line with emerging regulatory frameworks such as SLFRS S2, we are enhancing our climate resilience

through scenario analysis-ensuring that long-term decision-making is informed, adaptive, and aligned with global best practices.

- **Climate Resilience**

In the reporting period, Hayleys Fabric Group conducted a climate resilience assessment using climate-related scenario analysis aligned with SLFRS S2 and TCFD guidance. The analysis considered both physical and transition risks under multiple global warming scenarios. The results indicate that our strategy and business model remain fundamentally resilient, supported by our focus on decarbonisation, sustainable innovation and operational efficiency. However, to maintain competitiveness and manage emerging risks, we recognise the need for accelerated investments in renewable energy, water efficiency, and decarbonisation initiatives across our operations.

Hayleys Fabric Group is well-positioned to adapt, with access to group-level financial resources, a largely modular and upgradeable asset base, and an active CAPEX pipeline that includes rooftop solar expansion, water reuse and recover infrastructure, and ISO-aligned energy management upgrades. These efforts not only support our medium-term emission reduction targets but also enhance long-term resilience to climate-related risks while enabling us to capitalise on emerging opportunities in sustainable textiles.

Note: While Hayleys Fabric Group has conducted a comprehensive transition and physical risk assessment based on a likelihood impact matrix, the financial quantification of such risks has not been disclosed at this stage. This is due to the inherent uncertainty in forecasting future regulatory mechanisms of transition risks-such as carbon pricing, taxes, and other market-based instruments-which are currently under policy development and vary significantly across jurisdictions. Additionally, Hayleys Fabric Group continues to meet customer sustainability expectations and has aligned with prevailing compliance obligations, thereby minimising immediate financial exposure. Given these factors and the current data limitations in modelling future outcomes under various climate scenarios, the quantification of financial impact for transition risks and physical risks is deemed not relevant or sufficiently reliable for disclosure at this juncture.

APPROACH TO RISK ASSESSMENT

Time Horizons and Scenarios

Hayleys Fabric Group’s scenario analysis is designed to evaluate potential transition risks in alignment with our strategic planning horizons. The analysis considers two key time frames - up to 2030 and up to 2050 - mapped to our corporate strategy timelines. These are categorised into short, medium, and long-term horizons to ensure our climate response is timely, targeted, and transformative.

Short (<12 months)	Medium (1-5 years)	Long (>5 years)
Focuses on near-term regulatory changes, shifts in consumer expectations, and short-term physical risks such as sudden-onset climate events (e.g., floods or heatwaves). This period is critical for operational responsiveness and immediate mitigation planning.	Aligned with strategic and operational planning cycles, this period supports the execution of key decarbonisation and resource efficiency projects. It also involves preparing for chronic physical risks like rising temperatures and water stress that could impact operations and supply chains.	Captures broader systemic transitions, including shifts in energy systems, technology, and consumer behaviour. This horizon also addresses long-term physical climate risks such as recurring droughts, sea level rise, and ecosystem disruption, shaping Hayleys Fabric Group’s adaptation strategy and low-carbon business model.

SCENARIOS

Physical Risk

Low-emission scenario (Regional Rivalry – Limited Climate Action)	High-emission scenario (Business-as-usual without additional mitigation)
SSP3-7.0 is a low-mitigation scenario characterised by limited global cooperation, regional policy divergence, and slower technological development.	SSP5-8.5 is a high-emissions scenario that follows a fossil fuel-driven growth model with minimal additional climate policy.

Risk Assessment Scale

Risks under both scenarios are evaluated using a four-level scale: **No Hazard, Low, Medium, and High.**

Scenarios	Description	Rise in Temperature
IEA Stated Policies Scenario (STEPS)	Reflects current policy settings based on a detailed sector-by-sector and country-by-country assessment of energy-related policies as of August 2024, including those under development.	2.7°C by 2100
IEA Net Zero Emissions by 2050 (NZE 2050)	Outlines a pathway for the global energy sector to achieve net zero GHG emissions by 2050, aligned with limiting global warming to 1.5°C.	1.5°C by 2100

SLFRS S1 AND S2 – SUSTAINABILITY AND CLIMATE-RELATED DISCLOSURES

Risks and Opportunities

The risks and opportunities under S1 and S2 have been broadly classified into Physical, Transitional and Other Sustainability Risks.

Physical Risk

Hayleys Fabrics PLC has conducted a comprehensive Physical Risk Assessment to identify current and future climate-related hazards that could impact operations and supply chains. The assessment incorporates projections under the IPCC's SSP3-7.0 and SSP5-8.5 scenarios for 2030 and 2050, evaluating the potential frequency and severity of acute events such as riverine flooding, extreme rainfall flooding acute extreme heat, rainfall-induced landslides, and cyclones, as well as

chronic risks like water stress, and chronic extreme heat. The analysis covers three operational sites and includes a cumulative risk score and mean financial impact for each hazard. Notably, the assessment suggests no hazard for rainfall-induced landslides and cyclones and hence are not identified as risks under either time horizon.

Conducting physical risk assessments is critical for the fabric manufacturing sector in Sri Lanka, a country increasingly vulnerable to flooding and water scarcity. These climate risks pose significant threats to production continuity, raw material availability, and long-term business viability making proactive

risk identification and mitigation essential for operational resilience and strategic planning. Similarly, to our own operation our upstream partners are integral to overall business model and central to our strategy of a Seamlessly Integrated Supply Chain. However, climate risk hazards at supplier sites can shut down production, cause raw-material shortages, delivery delays, and cost spikes for Hayleys Fabric Group. Hence, it is important to factor in the supply chain partners in risk assessment to ensure overall climate resilience. Therefore, similar hazard assessments are conducted for key suppliers across 12 critical supplier sites.

Mean Financial Impact* (Risk/Opportunity)	Low	Medium	High
Risk Rating	Low	Medium	High

1. RIVERINE AND URBAN FLOODS

TYPE: Risk

CATEGORY: Acute

NATURE OF RISK: Flooding can halt production due to inaccessible facilities, power outages, or unsafe conditions. Roads, bridges, and transport links may be damaged, affecting logistics and supply chain continuity. Repeated exposure to flooding can lead to higher repair and maintenance expenses.

RISK ASSESSMENT				
Scenario	Financial Impact		Risk Rating	
	Till 2030	2030 to 2050	Till 2030	2030 to 2050
SSP3-7.0				
SSP5-8.5				
Mitigation Measures: As part of its Health and Safety Policy, Hayleys Fabric Group has developed a flood risk mitigation plan under its Emergency Response Plan (ERP). The Company has implemented both preventive planning measures and engineering controls to protect its facilities from flooding. As part of its elimination and substitution strategies, Hayleys Fabric Group assesses flood risk before constructing or operating new facilities and considers relocating planned operations to areas with lower or no flood exposure. Additionally, engineering controls have been adopted to reduce vulnerability at existing sites, including the installation of flood barriers, early warning systems, secure storage practices for hazardous materials, and the construction of emergency spillways to manage excess water during high rainfall events.				

IMPACT			
Business Model and Value Chain		Strategy and Decision Making	
Current	Anticipated	Current	Anticipated
No current impact.	<ul style="list-style-type: none"> Flooding may disrupt worker access and housing, affecting labour availability and continuity. Dyeing and finishing operations risk contamination and effluent treatment failure, posing environmental threats. Power outages from internal and external disruptions may delay operations. Floodwaters could cause hazardous material leakage, harming nearby ecosystems. Supplier logistics may be delayed due to road inaccessibility, impacting raw material flow. 	<ul style="list-style-type: none"> As part of their mitigation Plan Hayleys Fabric Group at some locations is identifying the use of alternate routes for worker access and transportation to maintain operational continuity during disruptions. 	<ul style="list-style-type: none"> Hayleys Fabric Group may need to include flood-risk checks using a \geq 1-in-100-year riverine + 1-in-50-year pluvial scenario for new CAPEX-based spending proposals. To ensure supply chain resilience, Hayleys may need to assess suppliers' flood mitigation measures before onboarding.

FINANCIAL IMPACT	
Current	Anticipated
Hayleys Fabric Group faces short-term margin compression due to higher CAPEX for flood mitigation measures. Despite initial cost pressures, these investments shall improve long-term operational efficiency.	Direct physical damage to assets and operational disruption may result in reduced production output and direct revenue loss. This will affect overall efficiency and impact the Group's ability to meet delivery timelines and customer demand.

Riverine and urban floods in supply chain: Flooding at supplier sites can shut down production and transport routes, inaccessible facilities, power outages, or unsafe conditions causing raw-material shortages, delivery delays, and cost spikes for Hayleys Fabric Group.

The 12 most critical suppliers have the following impact from extreme heat:

Hazard	Risk Rating		
	Low	Medium	High
Number of Sites	7	3	2

SLFRS S1 AND S2 – SUSTAINABILITY AND CLIMATE-RELATED DISCLOSURES

2. EXTREME HEAT

TYPE: Risk

CATEGORY: Chronic and Acute

NATURE OF RISK: Extreme heat over long-term poses physical climate risk by impairing machinery performance, increasing energy demand for cooling, and reducing labour productivity. This leads to higher operational costs, potential production slowdowns, and strain on energy infrastructure

RISK ASSESSMENT				
Scenario	Financial Impact		Risk Rating	
	Till 2030	2030 to 2050	Till 2030	2030 to 2050
SSP3-7.0				
SSP5-8.5				
Mitigation Measures:				
Hayleys Fabric Group monitors the conditions of infrastructure and undertakes modifications to infrastructure to make them more resilient to extreme heat. In addition, the Company also conducts heat stress training for employees.				
IMPACT				
Business Model and Value Chain			Strategy and Decision Making	
Current	Anticipated		Current	Anticipated
No current impact.	<ul style="list-style-type: none">Elevated temperatures over long-term may reduce machinery efficiency, leading to decreased production performance.Increased cooling requirements (HVAC, fans) are likely to raise energy consumption and operational expenses.		<ul style="list-style-type: none">No current impact.	<ul style="list-style-type: none">Rising cooling demand may increase dependence on fossil fuels, driving up emissions and costs.Lack of investment in efficient systems could further escalate operational expenses and carbon intensity.Transitioning HVAC systems to renewables is likely necessary to meet 2050 targets (95% Scope 1 & 2, 90% Scope 3 reduction).
FINANCIAL IMPACT				
Current	Anticipated			
No current impact.	<ul style="list-style-type: none">Increased cooling needs will elevate overall energy consumption.Shifting to energy-efficient and renewable solutions may raise short-term CAPEX but reduce long-term OPEX.Higher energy use and prices are expected to drive up operating costs.			
Extreme heat in supply chain: Heatwaves and sustained high temperatures at supplier facilities may impair machinery performance, increasing energy demand for cooling, and reducing labor productivity, affect worker health, leading to delays, higher costs, and supply chain disruptions.				
The 12 most critical suppliers have the following impact from extreme heat:				
Hazard	Risk Rating			
	Low	Medium	High	
Number of Sites	6	4	2	

3. WATER SCARCITY

TYPE: Risk

CATEGORY: Chronic

NATURE OF RISK: Reduced revenue from decreased production capacity and increased operating costs for sourcing water.

RISK ASSESSMENT				
Scenario	Financial Impact		Risk Rating	
	Till 2030	2030 to 2050	Till 2030	2030 to 2050
SSP3-7.0				
SSP5-8.5				

Mitigation Measures:

- 1. Improve Monitoring**
 - Set specific targets across extraction, usage, treatment, reuse, and release.
 - Continuously monitor performance to identify efficiency improvements.
 - Installed flow meters at each production stage to enhance the accuracy of monitoring and reporting.
- 2. Technology to Reduce Water Intensity**
 - Backwash recovery project at the water treatment plant.
 - Improved cooling water recovery in the dye house.
 - Automated sump level and river water pump controls.
 - Target to reduce water intensity from 188 l/kg in 2022, by 30% reduction in 2030.
- 3. Nurturing a Culture of Water Consciousness**
 - Regular training sessions and awareness programs are conducted for employees to educate them on effective water-saving techniques and promote responsible water usage.

IMPACT			
Business Model and Value Chain		Strategy and Decision Making	
Current	Anticipated	Current	Anticipated
<ul style="list-style-type: none"> Hayleys Fabric Group has not experienced water shortages to date, with no adverse impacts observed on its own operations or across the upstream value chain. 	<ul style="list-style-type: none"> Intensifying water stress from climate change, regulation, and population growth may restrict freshwater access and disrupt operations. Supplier-side water scarcity may necessitate diversification of the procurement base. Shifting to low-water materials and processes will reduce dependency but require new sourcing channels. 	<ul style="list-style-type: none"> Hayleys Fabric PLC recycles 25% of its wastewater, with backwash recovery and efficient equipment reducing freshwater consumption and lowering the risk of operational disruption. Upgrades to ETP/WTP systems and annual water footprint assessments help manage water supply and regulatory compliance risks. R&D in low-water processes strengthens long-term operational resilience and supports future regulatory alignment. 	<ul style="list-style-type: none"> Water scarcity may drive the need for integrated water data in operations and supply chain planning. Stricter discharge norms and rising licensing costs will elevate compliance as a strategic focus.

SLFRS S1 AND S2 – SUSTAINABILITY AND CLIMATE-RELATED DISCLOSURES

FINANCIAL IMPACT			
Current		Anticipated	
<ul style="list-style-type: none">• Hayleys Fabric Group faces short-term margin compression due to higher CAPEX and OPEX for water efficiency measures, effluent treatment plants (ETPs), and R&D.• Reduced water availability may require the Company to procure water from alternative sources at a higher cost, increasing operational expenses.		<ul style="list-style-type: none">• Water shortages may lead to short-term production halts and revenue loss• Near-term profitability may dip due to high CAPEX/OPEX for Zero Liquid Discharge (ZLD) and Sewage Treatment Plants (STPs), though profit margins may improve as efficiencies improve.	
Water scarcity in supply chain: Water stress in supplier regions may disrupt raw material availability, increase input costs, and impact delivery timelines, posing a risk to supply chain continuity and cost stability.			
The 12 most critical suppliers have the following impact from water scarcity:			
Hazard	Risk Rating		
	Low	Medium	High
Number of Sites	5	5	2

Transition Risks

Transition risk evaluation is essential for Hayleys Fabric Group as it navigates evolving climate regulations, shifting customer demands, and stakeholder expectations. Identifying and assessing these risks and opportunities help ensure compliance with emerging climate-related policies, mitigate potential adverse impacts, meet evolving stakeholder expectations, and maintain competitiveness in a low-carbon economy. Evaluating transition risks and opportunities also supports strategic decision-making, enabling proactive investment in sustainable products, energy efficiency, and carbon reduction initiatives.

Mean Financial Impact (Risk/Opportunity)	Low	Medium	High
Likelihood	Low	Medium	High
Risk Rating	Low	Medium	High

The following risks and opportunities were identified in this evaluation:

1. COMPLIANCE RELATED OBLIGATIONS

TYPE: Risk

CATEGORY: Policy & Legal Risk

NATURE OF RISK: Evolving national and international environmental and sustainability regulations may require ongoing process adjustments and reporting upgrades, posing risks of non-compliance penalties or reputational damage.

RISK ASSESSMENT						
Scenario	Financial Impact		Likelihood		Risk Rating	
	Till 2030	2030 to 2050	Till 2030	2030 to 2050	Till 2030	2030 to 2050
STEPS						
IEA NZE 2050						
Mitigation Measures:						
<ul style="list-style-type: none"> Strong environment and social management systems such as ISO 14001, ISO 50001, ISO 45001 are in place. Alignment with EPL, SWML requirements; adoption of SLFRS S1 & S2; ZDHC Level 1 (100% aligned), along with certifications like Eco Label Sri Lanka and Higg FEM assessments. Regular third-party energy, water, and waste audits, and surveillance audits under ISO 14001, including Carbon; Management of waste by authorised partners 						

IMPACT			
Business Model and Value Chain		Strategy and Decision Making	
Current	Anticipated	Current	Anticipated
<ul style="list-style-type: none"> Environmental Protection, Scheduled Waste Management Licenses, and the National Policy on Chemicals Management are the Environmental Compliances applicable to Hayleys Fabrics currently. Hayleys conducts Environmental Impact Assessments (EIA) before launching development projects. There are other compliance/ voluntary sustainability requirements from the US and EU customers. 	<ul style="list-style-type: none"> Future domestic carbon market/regulations in Sri Lanka may require Hayleys Fabric Group to adopt carbon taxes, or internal carbon pricing. Compliance with EU and US regulations (CSRD, CSDDD, SEC Climate Disclosure Rules) may demand advanced ESG monitoring across operations and the value chain. 	<ul style="list-style-type: none"> Voluntary adoption of SLFRS positions Hayleys Fabric Group ahead of regulatory timelines, reducing current and future compliance risks 	<ul style="list-style-type: none"> Hayleys Fabric Group may need to adopt stricter sustainability targets and advanced green manufacturing practices in response to evolving regulations in Sri Lanka, the EU, and the US. Alignment with the Sri Lankan Green Finance Taxonomy may require pursuing green or sustainability certifications. Enhanced tracking, reporting, and due diligence will be essential across operations
FINANCIAL IMPACT			
Current	Anticipated		
<ul style="list-style-type: none"> Hayleys Fabric Group incurs recurring costs for audits, certifications, licensing, and due diligence to meet compliance obligations. Invests in wastewater treatment and quality assessment for river discharge compliance. 	<ul style="list-style-type: none"> The cost of compliance may increase as sustainability regulations become stringent. 		

2. COSTS OF TRANSITIONING TO LOWER EMISSION TECHNOLOGY

TYPE: Risk

CATEGORY: Technology Risk

NATURE OF RISK: Investments in low-carbon technologies, such as renewable energy systems and cleaner production processes, may require additional capital and operational expenditure

RISK ASSESSMENT						
Scenario	Financial Impact		Likelihood		Risk Rating	
	Till 2030	2030 to 2050	Till 2030	2030 to 2050	Till 2030	2030 to 2050
STEPS						
IEA NZE 2050						
Mitigation Measures: <ul style="list-style-type: none"> Hayleys Fabric Group has adopted SBTi Net Zero targets and aims to achieve net zero GHG emissions by 2050. Out of the total energy requirements, 73% comes from renewable sources. Hayleys Fabric Group has a 4.6MW & 3MW rooftop solar and a 35kW floating solar system. The Group's energy efficiency program includes energy audits, energy-efficient equipment installation - LED, HVAC, solar energy, biomass-based boilers, smart energy-saving systems, and energy-efficient pumps. Transitioned from HFO to biomass-based boilers at the South Asia Textiles Limited plant as part of its shift to cleaner energy sources. The company plans to phase out HFO for other plants as well. 						

SLFRS S1 AND S2 – SUSTAINABILITY AND CLIMATE-RELATED DISCLOSURES

IMPACT			
Business Model and Value Chain		Strategy and Decision Making	
Current	Anticipated	Current	Anticipated
<ul style="list-style-type: none"> Currently, 73% of Hayleys Fabric Group's electricity is generated from renewable sources - which comprises of biomass, rooftop solar, and floating solar installations. Smart energy-saving initiatives have reduced electricity consumption by approximately 45,000 kWh monthly, contributing to cost savings and lower GHG intensity. Fuel transition from HFO to LPG and biomass boilers has lowered direct emissions. 	<ul style="list-style-type: none"> Hayleys Fabric Group is expected to transform its value chain to align with low-carbon expectations by scaling on-site/off-site renewable energy solutions, including third-party PPAs and wind energy projects. Digital energy management systems, like smart metering, are anticipated to improve energy oversight and operational agility. Focus on developing less carbon-intensive products by embedding sustainability in sourcing and production. 	<ul style="list-style-type: none"> Hayleys Fabric Group integrates sustainability into strategic decisions through investments in renewable energy and energy efficiency. Strategic targets include achieving 100% sustainable biomass by 2030, phasing out HFO by 2027, and a 42% reduction in absolute Scope 1 and 2 emissions by 2030 from a 2021/22 base year, aligned with SBTi. 	<ul style="list-style-type: none"> Future strategy focuses on a complete transition to renewable energy. Increased investment in R&D for clean technologies and energy efficiency will be necessary to mitigate long-term climate-related operational risks.

FINANCIAL IMPACT	
Current	Anticipated
<ul style="list-style-type: none"> Significant CAPEX invested in solar, biomass, and energy-efficient systems for long-term cost savings and reduced fossil fuel reliance. 87% of HFO phased out, lowering operational costs and exposure to energy price volatility. 	<ul style="list-style-type: none"> Continued energy cost savings and efficiencies to strengthen financial resilience. Renewable energy investments are expected to result in savings in the long-term. Additional CAPEX for clean energy and rising borrowing costs may impact short-term profitability.

3. CHANGING CUSTOMER BEHAVIOUR - ESCALATING CUSTOMER REQUIREMENTS ON SUSTAINABILITY

TYPE: Risk

CATEGORY: Market Risk

NATURE OF RISK: Potential loss of market share due to customers' push for sustainability integration & increasing demand for sustainable end-products

RISK ASSESSMENT						
Scenario	Financial Impact		Likelihood		Risk Rating	
	Till 2030	2030 to 2050	Till 2030	2030 to 2050	Till 2030	2030 to 2050
STEPS						
IEA NZE 2050						

Mitigation Measures:

- On account of evolving customer expectations, Hayleys Fabric Group is focused on reducing reliance on fossil fuels, increasing water efficiency and improving working conditions of the workforce.
- Hayleys Fabric Group implements strategic supplier development programs across key supply chains. In FY 2023/24, 163 supplier-supported development programs were conducted.
- Yarn and greige suppliers are required to disclose additional information adhering to the Group's traceability indicators.
- Strict compliance with customer specifications and stringent quality control checks are implemented across the value chain. They consistently maintain a Right-First Time (RFT) rate of 95% across all processes.

IMPACT			
Business Model and Value Chain		Strategy and Decision Making	
Current	Anticipated	Current	Anticipated
<ul style="list-style-type: none"> Alignment with international certifications such as Oeko-Tex 100, GRS, SEDEX has enhanced market credibility. Supplier development programs have strengthened supply chain resilience and helped retain critical customers demanding sustainability compliance. Integration of sustainability requirements has significantly enhanced traceability across Tier 1 suppliers. 	<ul style="list-style-type: none"> Increasing customer focus on supply chain transparency and ethical sourcing will require deeper visibility across all tiers of the supply chain. Rising demand for real-time sustainability data and improved product labeling will necessitate advanced digital tracking and reporting systems. 	<ul style="list-style-type: none"> Hayleys Fabric Group has integrated customer sustainability feedback into its product innovation cycle, resulting in eco-branded launches like Eco Stretch and INNO Label. Production processes are aligned with recognised sustainability standards, enabling compliance with customer-specific procurement requirements. Strategic sourcing of recycled polyester, organic dyes, and traceable raw materials ensures alignment with evolving customer expectations and helps maintain competitiveness in sustainable textiles, additionally supplier qualification now includes BCI, GRS, and RCS criteria, with cost-pass-through mechanisms used where possible. 	<ul style="list-style-type: none"> To meet future customer requirements Hayleys Fabric Group may need to strategically design new products that align with evolving sustainability criteria. Brand-driven sourcing shifts and limited domestic supplier readiness complicate procurement planning and elevate operational risks. Continuous monitoring and integration of customer requirements into product design will become essential, with a focus on sustainability features such as recyclability, organic materials, and ethical sourcing.
FINANCIAL IMPACT			
Current	Anticipated		
<ul style="list-style-type: none"> Hayleys Fabric PLC has invested in product innovation, resource efficiency, and environmental management to support its customer requirements, some of which are passed on to customers. No material financial impact from sustainability-related market share loss has been observed. Alignment with international certifications adds recurring audit fees and administrative costs. 	<ul style="list-style-type: none"> Sustainability investments will continue to pressure profit margins. Opportunities include access to green financing and sustainability-linked investments. Revenue growth is expected from expanding sustainable product lines and targeting eco-conscious markets. Procurement costs may rise with growing demand for sustainable raw materials. 		

SLFRS S1 AND S2 – SUSTAINABILITY AND CLIMATE-RELATED DISCLOSURES

4. RESOURCE EFFICIENCY

TYPE: Opportunity

CATEGORY: Resource Efficiency

NATURE OF OPPORTUNITY: Improving the efficiency of water, energy, and raw material use can lower operating costs, reduce waste, and enhance environmental performance. This supports compliance with evolving sustainability standards while strengthening profitability and long-term competitiveness.

OPPORTUNITY ASSESSMENT			
Impact		Likelihood	
IMPACT			
Business Model and Value Chain		Strategy and Decision Making	
Current	Anticipated	Current	Anticipated
<ul style="list-style-type: none">• Process-level improvements such as water recovery, energy conservation, material reuse, and insulation upgrades, presently pose as opportunities for improving resource efficiency helping reduce external resource dependency and operational inefficiencies.• Regulatory and customer pressures are pushing resource optimisation across the supply chain.	<ul style="list-style-type: none">• Business model to evolve toward circular production systems.• Aim to collaborate with local and regional recycling companies to repurpose textile offcuts and leftover yarn, and to convert ETP sludge into construction material by-products, moving away from traditional co-processing methods.	<ul style="list-style-type: none">• Resource efficiency is recognised as a key sustainability pillar, guiding investment in process upgrades.	<ul style="list-style-type: none">• Strategic decisions will increasingly prioritise ESG alignment, long-term cost savings, and risk mitigation through investment in circular manufacturing and closed-loop systems, along with digital monitoring infrastructure.
FINANCIAL IMPACT			
Current	Anticipated		
<ul style="list-style-type: none">• Operational costs of electrical energy have been reduced due to the implementation of solar PV modules.	<ul style="list-style-type: none">• Moderate improvement in cost efficiency is expected through better resource use and reduced wastage.• Alignment with environmental policies may help avoid future compliance costs and improve readiness for ESG-driven customer requirements.		

5. PRODUCT INNOVATION AND ACCESS TO NEW MARKETS

TYPE: Opportunity

CATEGORY: New Products and Services, Access to new markets

NATURE OF OPPORTUNITY: Rising demand for low-carbon, climate-resilient, and sustainably produced textiles present an opportunity for Hayleys Fabric Group to innovate its product portfolio. By developing eco-friendly fabrics and leveraging certifications, the Group can access new customer segments, enter sustainability-focused markets, and strengthen partnerships with global brands committed to climate goals.

OPPORTUNITY ASSESSMENT			
Impact		Likelihood	
IMPACT			
Business Model and Value Chain		Strategy and Decision Making	
Current	Anticipated	Current	Anticipated
<ul style="list-style-type: none">• Hayleys Fabric Group has initiated product innovation efforts in line with sectoral sustainability trends, including partial transitions to recycled materials and improved manufacturing transparency.	<ul style="list-style-type: none">• The business model is expected to evolve toward sustainability-led innovation, with a focus on low-impact, traceable, and certified fabric solutions.• New market entry will be supported by certifications, strategic partnerships, and sustainable sourcing agreements.	<ul style="list-style-type: none">• Strategy is guided by meeting immediate customer sustainability targets. Innovation efforts are decentralised, and new market entry is primarily through existing brand relationships.	<ul style="list-style-type: none">• Decision-making will be more proactive and innovation-focused, with dedicated R&D investments aligned with evolving customer targets.
FINANCIAL IMPACT			
Current	Anticipated		
<ul style="list-style-type: none">• Revenue from sustainable fabric is gradually increasing, driven by demand from select customers with clear sustainability targets.• Profitability gains are modest, with cost pressures from sourcing sustainable inputs and limited premium realisation to date.	<ul style="list-style-type: none">• With increasing demand for certified and eco-friendly products, Hayleys Fabric Group is well-positioned to capture premium pricing, reduce input cost volatility through long-term sourcing agreements, and secure repeat business.• This is expected to improve profitability, market resilience, and unlock significant revenue opportunities in the sustainable textile segment.		

SLFRS S1 AND S2 – SUSTAINABILITY AND CLIMATE-RELATED DISCLOSURES

OTHER SUSTAINABILITY RISK

1. ECOLOGICAL IMPACTS

TYPE: Risk

CATEGORY: Sustainability - Ecological

NATURE OF RISK: Risks arising from nature degradation, ecosystem disruption, and biodiversity loss can directly affect the Group’s operations, supply chain stability, and have a limited effect on market positioning.

Mitigation Measures:			
<ul style="list-style-type: none"> The Hayleys Fabric PLC currently maintains a Green: Building Ratio of 1:1 Monitor of critical suppliers' biodiversity impacts. Biodiversity conservation activities on site and off site 			
IMPACT			
Business Model and Value Chain		Strategy and Decision Making	
Current	Anticipated	Current	Anticipated
<ul style="list-style-type: none"> The operational sites of Hayleys Fabric PLC and South Asia Textiles Limited are situated outside designated biodiversity hotspots, and therefore do not pose any direct risk to any protected ecosystems. The special yarn blends made from Cotton, Cashmere, Wool, and Silk rely on their ecosystems for raw fiber. 	<ul style="list-style-type: none"> Overexploitation of limited fauna for sourcing special yarns from Tier-1 supplier in India may pose a potential threat to local biodiversity in that region. 	<ul style="list-style-type: none"> The Group collaborates with Tier 1 customers to adopt Global Recycled Standard (GRS)-certified recycled yarns, supporting traceable and sustainable sourcing practices. 	<ul style="list-style-type: none"> Hayleys Fabric Group may face pressure on margins if global brands mandate biodiversity impact assessments and comprehensive biodiversity management plans across all operations.
FINANCIAL IMPACT			
Current		Anticipated	
<ul style="list-style-type: none"> No current impact. 		<ul style="list-style-type: none"> Implementing an ecosystem conservation and biodiversity management plan would lead to an increase in short-term operational costs for Hayleys Fabric Group 	

2. SUSTAINABILITY ISSUES ALONG THE SUPPLY CHAIN

TYPE: Risk

CATEGORY: Sustainability - Supply Chain

NATURE OF RISK: Sustainability issues along the supply chain arise from non-compliance by the suppliers on social and environmental parameters.

Mitigation Measures:
<ul style="list-style-type: none"> Hayleys Fabric Group collaborates with existing and new Tier 1 suppliers to develop capabilities for sustainable raw material production. The Group has implemented customised self-declaration tools, aligned with international frameworks (e.g., SASB), to strengthen environmental and social credentials. The Supply Chain Management Unit team conducts social and environmental annual audits, spot audits, and unannounced site visits to assess supplier performance around labour laws, human rights, workplace safety, and diversity policies.

IMPACT			
Business Model and Value Chain		Strategy and Decision Making	
Current	Anticipated	Current	Anticipated
<ul style="list-style-type: none"> • Divergent brand sourcing policies on human rights and child labour - such as restrictions on sourcing from China and Bangladesh - limit Hayleys Fabric's sourcing flexibility and complicate procurement planning and supply chain management. • While 91% of suppliers are currently assessed for environmental and social compliance, gaps remain in meeting customer expectations for eco-friendly product offerings. 	<ul style="list-style-type: none"> • Rising compliance expectations under the upcoming EU CSDDD may compel Hayleys Fabric Group to implement enhanced environmental and social due diligence across its supply chain, increasing administrative burden and compliance-related costs. 	<ul style="list-style-type: none"> • Hayleys Fabric Group currently implements supplier development programs across its supply base, with 123 programs completed in 2025. As supply chain expansion continues, additional resources will be required to support ongoing capacity-building efforts. • Continued engagement with B and C-rated suppliers to resolve non-compliance issues is raising supplier management costs but remains essential for strengthening long-term supply chain resilience and regulatory conformity. 	<ul style="list-style-type: none"> • Shifting brand sourcing preferences and gaps in domestic supplier readiness may increase the risk of operational disruptions, potentially impacting key performance targets such as 95% Right First Time and 90% On-Time Delivery. • Strengthening local supplier capabilities and enhancing traceability systems will be critical to maintaining supply chain resilience and operational performance.
FINANCIAL IMPACT			
Current	Anticipated		
<ul style="list-style-type: none"> • Hayleys Fabric Group faces increased operational expenditure due to ongoing sustainability audits, compliance with certification requirements, and investments in logistics upgrades to meet evolving customer and regulatory expectations. 	<ul style="list-style-type: none"> • Non-compliance with emerging sustainability regulations or customer-specific ESG criteria may expose Hayleys Fabric Group to regulatory fines and penalties. 		

Risk Management

This year, Hayleys Fabric Group significantly advanced its climate-related risk management by conducting a comprehensive assessment of both physical and transition risks. Key manufacturing assets and critical supply chains were geo-mapped and evaluated against acute and chronic climate hazards, with future risk scenarios developed for 2030 and 2050 using IPCC-aligned SSP pathways. Transition risks and opportunities—including regulatory shifts and market pressures, technological shifts, change in customer preferences, resource efficiency, and access to new markets—were assessed using global scenarios such as IEA Stated Policies Scenario (STEPS) and IEA NZE2050. Risks were prioritised based on likelihood and impact, with high-level financial analysis estimating potential effects

on revenue using a High, medium, low scale.

Inputs and Parameters Used

Inputs and parameters are derived from multiple data sources: for physical hazards, the Company evaluates mean daily maximum temperature (extreme heat), water stress indices (water scarcity), 100-year flood return periods (riverine floods), elevation-based studies (urban/flash floods), annual rainfall-triggered landslide frequencies, and historical cyclone tracks. These assessments cover key operations under two climate scenarios (SSP3-7.0 and SSP5-8.5).

Scenario Analysis to inform identification.

For physical risk assessments, Hayleys Fabric Group utilises two Shared Socioeconomic Pathway (SSP) scenarios to gauge the

impacts of climate change on its operations: SSP3-7.0, which represents a low-mitigation setting marked by limited global cooperation and slower technological development, and SSP5-8.5, a high-emissions pathway reflecting fossil fuel-driven economic growth with minimal climate policy intervention. In assessing transition risks, the Group applies the International Energy Agency's Stated Policies Scenario (STEPS)—which incorporates existing and upcoming climate and energy policies globally, anticipating a 2.7°C temperature rise by 2100 and the Net Zero Emissions (NZE) 2050 pathway, projecting a 1.5°C rise by 2100 under an accelerated decarbonisation trajectory. By using this dual approach, Hayleys Fabric PLC obtains a balanced view of potential physical and transitional climate outcomes over short, medium, and long-term horizons.

SLFRS S1 AND S2 – SUSTAINABILITY AND CLIMATE-RELATED DISCLOSURES

Likelihood of the Impact

For Physical risks the nature, likelihood, and magnitude of each risk is determined using low-medium-high thresholds derived from scenario-specific data, cross-referencing qualitative and quantitative factors for each hazard. For transition risks, Hayleys Fabric employs the Stated Policies Scenario (STEPS) and the IEA Net Zero Emissions by 2050 (IEA NZE 2050) to analyse regulatory developments, shifting operational

requirements, emissions limitations, evolving customer expectations, and emerging low-carbon technologies. The process ranges from defining scenario scope to quantifying financial implications and consulting internal and external stakeholders - Hayleys Fabric Group rates each risk based on likelihood and potential financial impact.

Prioritisation of the Risks and Opportunities

Risks are then prioritised according to their rating outcomes and

strategic importance, focusing on those posing the greatest potential effect on profitability or operational continuity. This integrated approach ensures that climate-related risks, whether physical or transition-driven, are managed within the broader enterprise risk framework and guide the development of targeted response strategies, including mitigation measures and opportunity-driven initiatives.

SLFRS S1 CONTENT INDEX

SLFRS S1 Indicator	SLFRS S1 Indicator Description	Section – (Sub Section)	Page Number
SLFRS S1– 27 (a) i	How responsibilities for sustainability-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s);	Governance - The Governance body responsible for oversight of sustainability and climate-related risks and opportunities	87
SLFRS S1– 27 (a) ii	How the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to sustainability-related risks and opportunities;	Governance - The Governance body responsible for oversight of sustainability and climate-related risks and opportunities	87
SLFRS S1– 27 (a) iii	How and how often the body(s) or individual(s) is informed about sustainability-related risks and opportunities;	Governance - The Governance body responsible for oversight of sustainability and climate-related risks and opportunities	87
SLFRS S1– 27 (a) iv	How the body(s) or individual(s) takes into account sustainability-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities	Governance - The Governance body responsible for oversight of sustainability and climate-related risks and opportunities	87
SLFRS S1– 27 (b) i	Whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and	Governance - The Governance body responsible for oversight of sustainability and climate-related risks and opportunities	88
SLFRS S1– 27 (b) ii	Whether management uses controls and procedures to support the oversight of sustainability-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.	Governance - The Governance body responsible for oversight of sustainability and climate-related risks and opportunities	88
SLFRS S1 – 30 (b)	Specify the time horizons - short, medium or long term - over which the effects of each of those sustainability-related risks and opportunities could reasonably be expected to occur.	Strategy – Approach to Risk Assessment	89
SLFRS S1 – 30 (c)	Explain how the entity defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the entity for strategic decision-making.	Strategy – Approach to Risk Assessment	89
SLFRS S1 – 29 (a)	The sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects	Strategy – Other Sustainability Risks	100-101

SLFRS S1 Indicator	SLFRS S1 Indicator Description	Section – (Sub Section)	Page Number
SLFRS S1 – 29 (b)	The current and anticipated effects of those sustainability-related risks and opportunities on the entity's business model and value chain.	Strategy – Other Sustainability Risks	100-101
SLFRS S1 – 29 (c)	The effects of those sustainability-related risks and opportunities on the entity's strategy and decision-making, including information about its sustainability-related transition plan.	Strategy – Other Sustainability Risks	100-101
SLFRS S1 – 29 (d)	The effects of those sustainability-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period, and their anticipated effects on the entity's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how those sustainability-related risks and opportunities have been factored into the entity's financial planning	Strategy – Other Sustainability Risks	100-101
SLFRS S1 – 44 (a)	The processes and related policies the entity uses to identify, assess, prioritise and monitor sustainability-related risks, including information about:	Risk Management –Inputs and Parameters Used	101
SLFRS S1 – 44 (b)	The processes the entity uses to identify, assess, prioritise and monitor sustainability-related opportunities; and	Risk Management – Scenario Analysis to inform identification	101
SLFRS S1 – 44 (c)	The extent to which, and how, the processes for identifying, assessing, prioritising and monitoring sustainability-related risks and opportunities are integrated into and inform the entity's overall risk management process.	Risk Management – Prioritisation of the Risks and Opportunities	102

SLFRS S2 CONTENT INDEX

SLFRS S2 Indicator	SLFRS S2 Indicator Description	Section	Page Number
SLFRS S2 – 6 (a) i	How responsibilities for climate-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s);	Governance - Reflection of Responsibilities in Terms of Reference, Mandates, and Policies	87
SLFRS S2 – 6 (a) ii	How the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities;	Governance - Ensuring Appropriate Skills and Competencies for Oversight	87
SLFRS S2 – 6 (a) iii	How and how often the body(s) or individual(s) is informed about climate-related risks and opportunities;	Governance - Frequency and Method of Information Flow	87
SLFRS S2 – 6 (a) iv	How the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities;	Governance -Consideration of Sustainability and Climate-Related Risks in Strategy and Major Decisions	87
SLFRS S2 – 6 (b) i	Whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and	Governance - The Governance body responsible for oversight of sustainability and climate-related risks and opportunities	88
SLFRS S2 – 6 (b) ii	Whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.	Governance - The Governance body responsible for oversight of sustainability and climate-related risks and opportunities	88
SLFRS S2 – 10 (c)	Specify, for each climate-related risk and opportunity the entity has identified, over which time horizons - short, medium or long term - the effects of each climate-related risk and opportunity could reasonably be expected to occur; and	Strategy – Approach to Risk Assessment	89

SLFRS S1 AND S2 – SUSTAINABILITY AND CLIMATE-RELATED DISCLOSURES

SLFRS S2 Indicator	SLFRS S2 Indicator Description	Section	Page Number
SLFRS S2 – 10 (d)	Explain how the entity defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the entity for strategic decision-making.	Strategy – Approach to Risk Assessment	89
SLFRS S2 – 22 (a)	The entity's assessment of its climate resilience as at the reporting date, which shall enable users of general-purpose financial reports to understand:	Strategy – Climate Resilience	89
SLFRS S2 – 22 - (b)	How and when the climate-related scenario analysis was carried out, including:	Strategy – Approach to Risk Assessment	89
SLFRS S2 – 9 (a)	The climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects	Strategy – Risk and Opportunities	89-99
SLFRS S2 – 9 (b)	The current and anticipated effects of those climate-related risks and opportunities on the entity's business model and value chain	Strategy – Risk and Opportunities	89-99
SLFRS S2 – 9 (c)	The effects of those climate-related risks and opportunities on the entity's strategy and decision-making, including information about its climate-related transition plan	Strategy – Risk and Opportunities	89-99
SLFRS S2 – 9 (d)	The effects of those climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period, and their anticipated effects on the entity's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how those climate-related risks and opportunities have been factored into the entity's financial planning	Strategy – Risk and Opportunities	89-99
SLFRS S2 – 10 (b)	Explain, for each climate-related risk the entity has identified, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk;	Strategy – Risk and Opportunities	89-99
SLFRS S2 – 24	The objective of climate-related financial disclosures on risk management is to enable users of general-purpose financial reports to understand an entity's processes to identify, assess, prioritise and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process.	Risk Management	101
SLFRS S2 – 25 (a)	The processes and related policies the entity uses to identify, assess, prioritise and monitor climate-related risks, including information about:	Risk Management – Inputs and Parameters Used	101
SLFRS S2 – 25 (b)	the processes the entity uses to identify, assess, prioritise and monitor climate-related opportunities, including information about whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related opportunities; and	Risk Management – Scenario Analysis to inform identification	101
SLFRS S2 – 25 (c)	The extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the entity's overall risk management process.	Risk Management – Prioritisation of the Risks and Opportunities	102



The Fibres of **EVOLUTION**

**MANAGEMENT
COMMENTARY**

OPERATING ENVIRONMENT

GLOBAL ECONOMIC OVERVIEW 2024

The global economy experienced a slowdown in 2024, with growth decelerating to 2.4% from 2.6% in 2023, marking the third consecutive year of declining growth and positioning the 2020s as potentially the weakest half-decade for global economic performance in the past 30 years. The deceleration was attributed to a combination of factors, including persistent inflation, elevated interest rates, geopolitical tensions, and subdued investment levels.

Advanced economies registered a further growth deceleration in 2024, with projections indicating a slowdown to 1.2% from 1.5% in the previous year. The United States, however, demonstrated resilience, with growth estimated at 2.7%, bolstered by robust consumer spending and a strong labor market. Conversely, the Euro Area's growth remained subdued at 0.8%, reflecting ongoing challenges resulting from weak external demand and significant energy price volatility attributed to ongoing Russia / Ukraine war. Japan's economy also experienced a slowdown to 0.9%.

Projections for emerging markets and developing economies (EMDEs)

meanwhile indicate an expansion of 3.9%. However, EMDE recovery in 2024 continued to be hampered by high debt levels, limited access to financing, and vulnerability to external shocks, including climate-related disasters and geopolitical conflicts.

GLOBAL TRADE

Global trade performance in 2024 remained sluggish, with weak trade growth attributed to factors such as persistent trade tensions, supply chain disruptions, and a shift towards protectionist policies in some regions. The slowdown in merchandise trade volumes underscored the need for renewed multilateral cooperation to address trade barriers and enhance global integration.

INFLATION

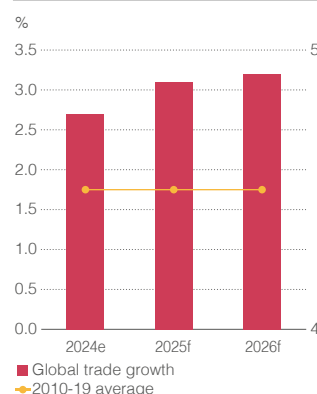
Inflationary pressures persisted in 2024 despite the significant decline from the peak levels observed in previous years. The persistence of inflation posed challenges for monetary authorities, particularly in balancing the need to support economic growth while maintaining price stability. In advanced economies, inflation rates converged towards target levels, whereas EMDEs continued to experience more persistent price pressures

due to factors such as currency depreciations and supply-side constraints.

COMMODITY PRICES

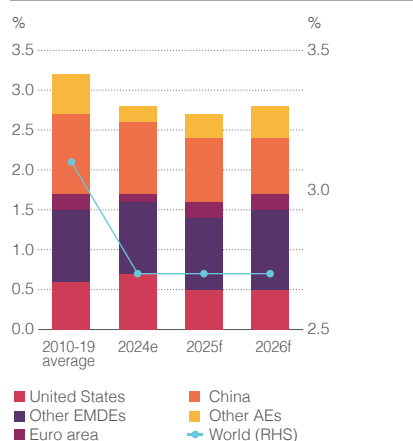
Commodity prices exhibited a mixed trajectory. Energy prices, including oil, experienced a decline, with Brent crude oil prices averaging around USD80 per barrel, influenced by an oversupply in the market. Food prices also saw a decrease, with global food prices estimated to fall by 8.5%, providing some relief to consumers. However, despite these declines, overall commodity prices remained approximately 30% above pre-pandemic levels, reflecting ongoing supply constraints and geopolitical uncertainties.

Global trade growth



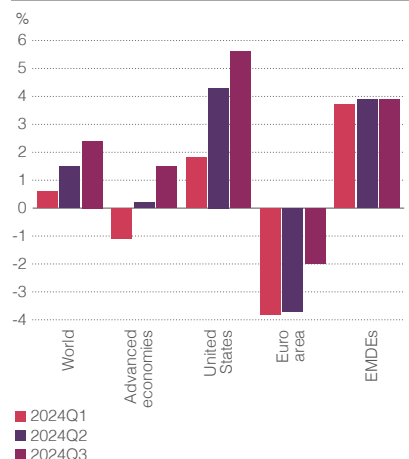
Source: Global Economic Prospects - Jan 2025 (World Bank)

Contributions to global growth



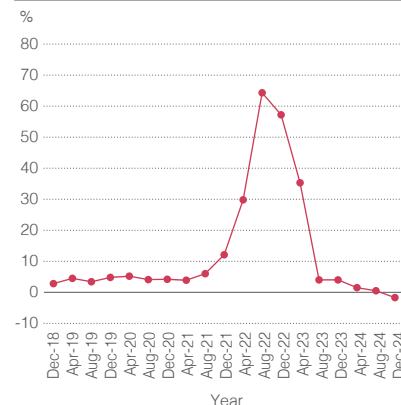
Source: Annual Economic Review 2024 (Central Bank of Sri Lanka)

Goods trade growth



Source: Global Economic Prospects - Jan 2025 (World Bank)

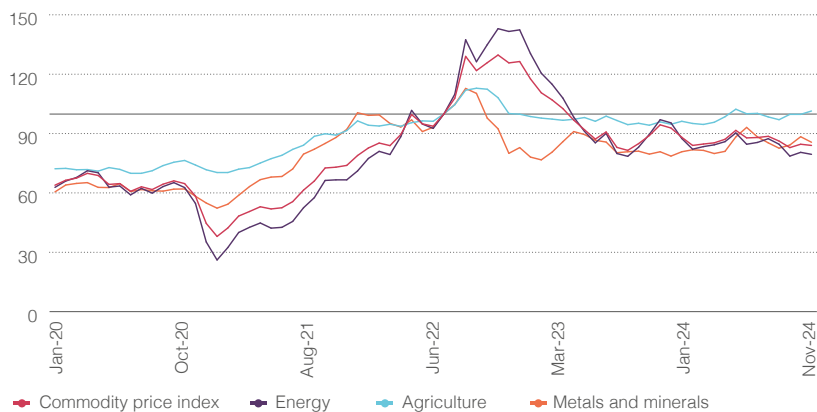
CCPI based Y-o-Y Headline Inflation



Source: Annual Economic Review 2024 (Central Bank of Sri Lanka)

Commodity price indexes, monthly

Index, 100 = January 2022



Headline consumer price inflation



GLOBAL ECONOMIC OUTLOOK 2025

The global economic outlook for 2025 reflects a cautious optimism tempered by significant challenges, particularly concerning trade dynamics influenced by recent U.S. tariff policies.

According to the World Bank's Global Economic Prospects (January 2025), global growth is projected to hold steady at 2.7% in both 2025 and 2026, suggesting stabilisation at a lower growth trajectory compared to pre-pandemic levels, indicating that the global economy is settling into a period of modest expansion. Growth in advanced economies is expected to moderate to 1.5% in 2025, reflecting weaker domestic demand and tighter financial conditions across major markets, while EMDE growth is expected to continue around 4%.

IMPACT OF U.S. TARIFF STRUCTURES ON GLOBAL TRADE IN 2025

In March 2025, the United States implemented sweeping tariff increases, with rates reaching up to 145% on Chinese imports and significant levies on goods from other trading partners. These measures have led to a notable contraction in global trade, disrupting supply chains and causing significant welfare losses, particularly within the U.S. economy. The direct trade between the U.S. and China has been severely affected, with projections indicating a potential collapse in bilateral trade volumes.

Furthermore, the global response to U.S. protectionism has been to strengthen alternative trade alliances. Countries such as the United Kingdom and India have entered into new trade agreements, while the European Union has accelerated efforts to broker deals with other regions. These developments indicate a shift towards diversified trade partnerships, potentially reducing reliance on U.S. markets and altering global trade patterns.

GLOBAL FASHION INDUSTRY TRENDS 2024

The year 2024 was a challenging one for the global fashion industry marked by economic headwinds, shifting consumer behaviour, and the evolving competitive environment. According to McKinsey's State of Fashion 2024 report, the global fashion industry as a whole was projected to achieve top-line growth between 2% - 4%. The luxury segment, while still contributing significantly, experienced a notable slowdown compared to 2023, as consumers curtailed spending following a post-pandemic surge.

SHIFT IN CONSUMER PREFERENCES

Consumer behaviour in 2024 reflected a heightened sensitivity to value and a growing demand for authenticity. Consumers appeared to be increasingly seeking products combining both quality and affordability, leading to a rise in the popularity of "dupes" - well-made look-alikes of luxury items. This trend signified a shift in consumer priorities, with value perception extending beyond price to encompass overall product worth. Additionally, there was a notable emphasis on personalised experiences, with consumers expecting brands to cater to their specific preferences and values.

SPORTSWEAR SLOWDOWN

The sportswear segment, which had experienced robust growth in previous years, encountered a deceleration in 2024 driven by weak

OPERATING ENVIRONMENT

economic growth and persistent inflationary pressures in key markets in Asia-Pacific, Western Europe, and Latin America.

GROWING EMPHASIS ON SUSTAINABLE FASHION

With the global fashion industry responsible for as much as 3% - 8% of global greenhouse gas emissions, sustainability remained among the key priorities influencing the strategies of global fashion brands in 2024. The industry faced increasing pressure to address environmental concerns, with projections indicating that by 2030, extreme weather events could jeopardise USD 65 billion worth of apparel exports and eliminate nearly one million jobs in key economies, promoting widespread action to integrate sustainability more deeply across the apparel value chain.

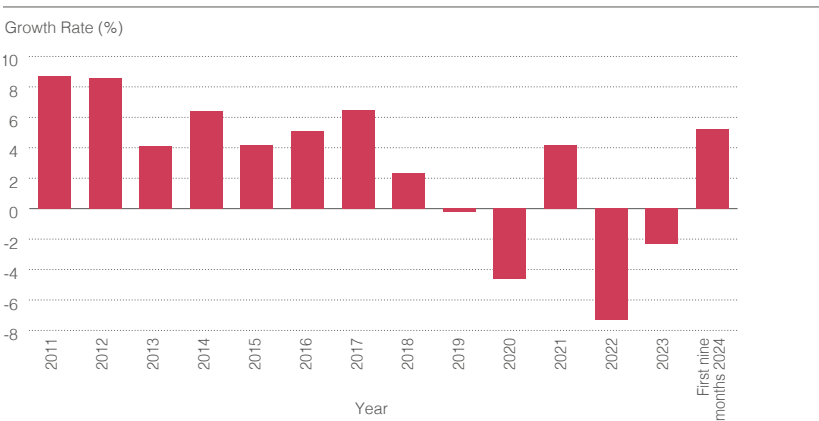
FASHION INDUSTRY OUTLOOK FOR 2025

Looking ahead, the fashion industry is expected to continue to face sluggish growth, with revenue growth forecasts to hover in the low single digits. While luxury has historically led in value creation, it is predicted that the non-luxury segment will be the main contributor to profit growth for the first time since 2010, excluding the COVID-19 pandemic period. This calls for urgent action by the industry to recalibrate to adapt to shifting consumer behaviours and focus more intently on sustainability integration to achieve long-term resilience and growth.

SRI LANKA'S ECONOMIC PERFORMANCE 2024

Sri Lanka's economy registered a remarkable turnaround in 2024 with economic expansion for the first nine months recorded at a robust 5.2%, surpassing the Central Bank's prudent estimate of 3% growth. In all, Sri Lanka recorded real GDP growth of 5%, in 2024 denoting the highest figure in seven years. Significant contributions were noted from the industrial and tourism sectors. The industrial sector benefited from improved energy supply and increased domestic demand, while

Annual Real GDP Growth



Source: Annual Economic Review 2024 (Central Bank of Sri Lanka)

tourism rebounded due to enhanced political stability and targeted promotional efforts. Additionally, the services sector, particularly information technology and business process outsourcing, experienced growth driven by increased global demand and favourable exchange rates. Economic resurgence was further bolstered by the implementation of a USD 2.9 billion IMF programme in March 2023 and the completion of a USD 25 billion debt restructuring in December 2024. Wikipedia

INFLATION

Inflation declined notably in 2024. After peaking at 64% in 2022, inflation eased to 0.5% by August 2024. By December, the country experienced -1.7% deflation. This reduction in price pressures alleviated the burden on businesses and households, gradually restoring purchasing power and contributing to the overall economic recovery.

EXCHANGE RATE

The Sri Lankan rupee strengthened underpinned by improved foreign exchange reserves, which reached USD 6.5 billion by March 2025, and consistent inflows from tourism and remittances. The Central Bank's introduction of a new single policy rate of 8% in November 2024 also contributed to exchange rate stability by supporting economic recovery and enhancing investor confidence.

BALANCE OF TRADE

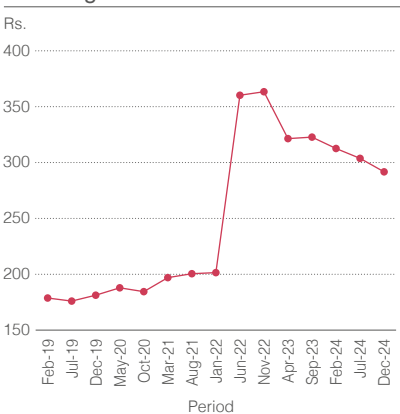
Sri Lanka's trade deficit narrowed in 2024 compared to 2023 owing to

the dual impact of increased export earnings and moderated import expenditures. The export sector benefited from the recovery in global demand and favourable exchange rates, while continuing restrictions on vehicle imports alongside reduced global commodity prices helped contain import costs.

APPAREL SECTOR PERFORMANCE

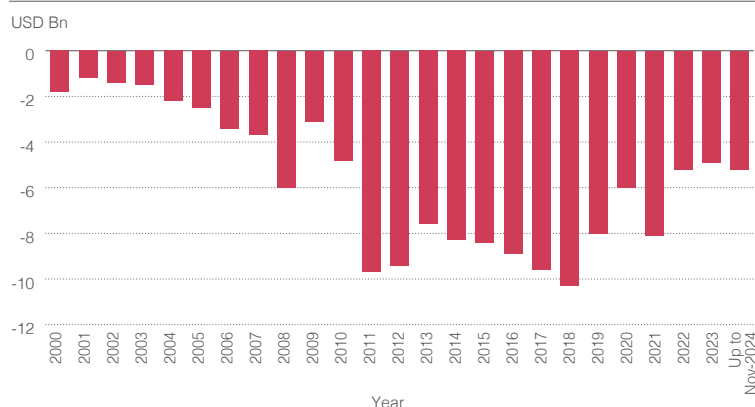
The apparel sector, which has long been the bedrock of Sri Lanka's export economy, encountered several challenges in 2024, key among them heightened competitive pressures from regional players and rising production costs. Efforts to diversify markets and invest in value-added products were initiated to enhance competitiveness. However, the full benefits of these strategies are expected to materialise in the coming years.

Exchange Rate Movements



Source: Annual Economic Review 2024 (Central Bank of Sri Lanka)

Trade Balance



Source: Annual Economic Review 2024 (Central Bank of Sri Lanka)

OUTLOOK FOR THE SRI LANKAN ECONOMY IN 2025

Looking ahead, the Central Bank projects a GDP growth rate exceeding 3% for 2025. This outlook is supported by continued policy reforms, infrastructure development, and efforts to attract foreign investment. However, potential challenges include the impact of global economic uncertainties and trade policies. Notably, the implementation of new U.S. tariffs could affect Sri Lanka's export sectors, particularly apparel, by reducing competitiveness in key markets. To mitigate these risks, Sri Lanka aims to diversify its export base and strengthen trade relations with alternative markets.

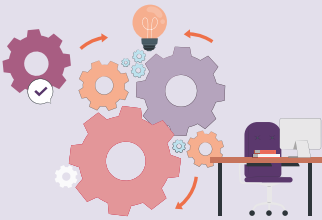
ANALYSIS OF RISKS, OPPORTUNITIES AND WAY FORWARD FOR HAYLEYS FABRIC PLC

	Risks	Threat Level	Opportunities and Way Forward for Hayleys Fabric	Favourable Impact
Global Economic Slowdown	Reduced orders from buyers in advanced economies due to weak demand and slower fashion industry growth	High	Strengthening ties in resilient markets and diversify to emerging markets with better growth	High
Advanced Economy Slowdowns (Euro Area)	Weak demand from Euro buyers; exposure to energy price volatility impacting European brands	Moderate	Strengthen the commitment to sustainability to align with EU buyer requirements	High
Global Trade Sluggishness	Supply chain disruptions, increased logistics costs and delays	High	Collaborate on nearshoring, build resilient supply chains, and explore trade agreements that reduce exposure to barriers	High
Persistent Global Inflation	Erosion of consumer purchasing power, reducing demand for non-essential goods like fashion and apparel	High	Leverage supplier relationship to improve sourcing efficiency	High
Global Fashion Industry Shifts	Sportswear slowdown reduces demand for performance fabric; luxury slowdown reduces demand for high-margin orders Pressure to deliver both quality and affordability; risk if unable to meet fast-changing consumer expectations	High	Innovate with affordable, high-quality fabrics; invest	High
Sustainability Push in Fashion	Pressure to comply with stricter sustainability standards or risk being excluded from global supply chains	High	Differentiate by scaling up sustainable and circular fabric innovations; strengthen ESG brand position	High
Strengthened Exchange Rate (LKR)	Stronger rupee reduce export competitiveness in dollar/euro terms	High	Improved forex reserves and policy stability increase investor confidence and operational stability	High
Sri Lankan Apparel Sector Challenges	Rising production costs and regional competition threaten Hayleys Fabric's competitiveness	High	Diversify into value-added, niche, or sustainable fabric lines; build innovation capacity to stay ahead	High



FINANCIAL CAPITAL

Hayleys Fabric Group's Financial Capital comprises monetary resources, including both equity and debt, which are essential for supporting ongoing business operations and fuelling future expansion.



MANAGEMENT APPROACH

The Hayleys Fabric Group adopts a multi-pronged approach to safeguard profitability while continuously strengthening its Statement of financial position. Top priority is given to top-line growth in tandem with efficient cost management to ensure sustained earnings and improved return on equity (ROE). Equal emphasis is placed on maintaining a strong financial position through positive cash flows, securing liquidity and solvency necessary for long-term business continuity and expansion. Decision making at all levels of the Group is underpinned by a sound risk management framework and robust internal controls.

As part of the overall approach to responsible financial capital management, the Group adheres to globally accepted standards in accounting, auditing, and financial governance, alongside full compliance with relevant statutory and regulatory requirements. Independent assurance from internal and external auditors further enhances the credibility of financial reporting.

Risks



- ❑ Dependence on a few large buyers
- ❑ Impact of exchange rate fluctuations on financial reporting
- ❑ Volatility of SOFR (Secured Overnight Financing Rate) and AWPLR (Average Weighted Prime Lending Rate)

Opportunities



- ❑ Diversify the customer base by making inroads into new segments including premium markets.
- ❑ Pursuing strategic partnerships to derive sourcing advantages

Material Matters



- ❑ Regulations and compliance
- ❑ Government policy

KEY ACTIONS

01.

18% of Average
GP Margin

02.

6% decline in
yarn cost through
sourcing efficiency

03.

USD 9.53 Mn worth
term loan settlements

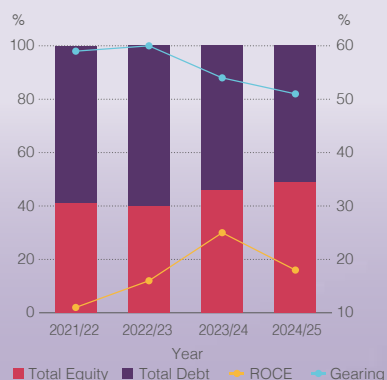
04.

USD 2.17Mn worth
new long term
borrowings

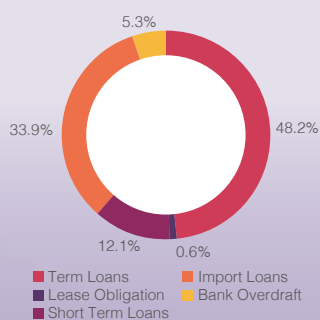
VALUE TRANSFORMATION

Outputs for Hayleys Fabric Group

Capital Structure



Debt Structure (%)



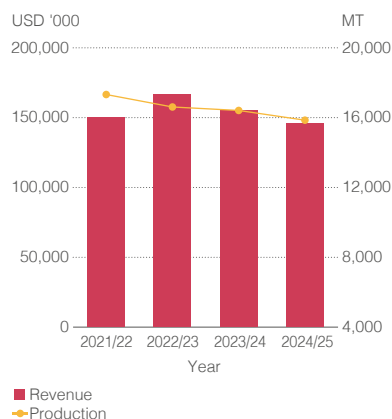
Stakeholder Outcomes

- ❑ LKR 1.85 per share interim dividend
- ❑ 36% Dividend Payout Ratio
- ❑ 2.8 Dividend cover (times)
- ❑ USD 0.017 EPS
- ❑ 19% Return on Equity
- ❑ USD 0.09 Net Assets per share
- ❑ LKR 45.00 Market price per share
- ❑ 8.8 P/E ratio (times)
- ❑ LKR18.7 Bn Market Capitalisation



FINANCIAL CAPITAL

Revenue vs Production



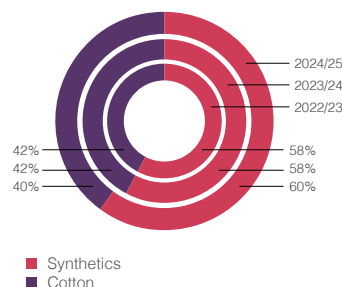
REVENUE

The Hayleys Fabric PLC Group reported consolidated Revenue of USD 146 Mn for FY 2024/25, reflecting a 6% decline from the USD155.3 Mn reported in the previous financial year. While revenue recorded by Hayleys Fabric was consistent with the previous year, South Asia Textiles Limited reported a notable revenue decline attributed to the demand contraction from a major Tier 1 customer. Impacted by these dynamics, product-wise revenue composition of the Group also shifted. Consequently, Athleisure which previously accounted for the largest share of the mix, accounted for 60% of the revenue mix for FY 2024/25.

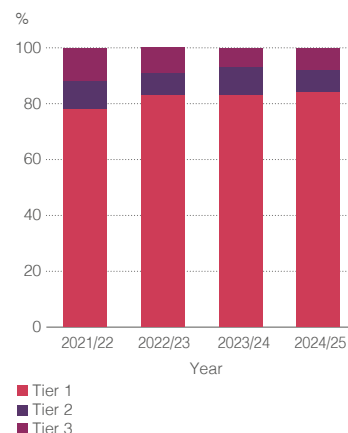
Cost of Sales and Gross Profit Margin

The cascading impact of the revenue decline was reflected in the Group's cost of sales and gross profit margin for the year. Cost of Sales decreased by 5%, broadly in line with the drop in revenue, while the 1% variance represents the higher input costs that could not be fully absorbed.

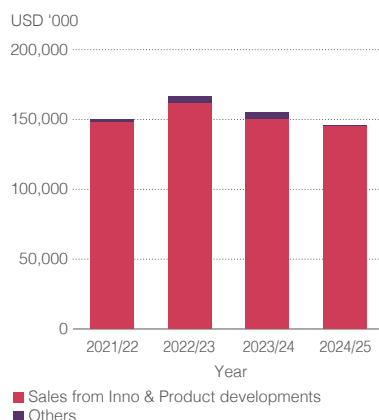
Synthetic vs Cotton



Revenue by Customer Tiers



Sales from Inno & Developments



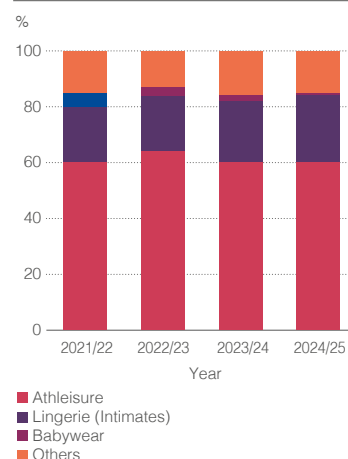
Revenue



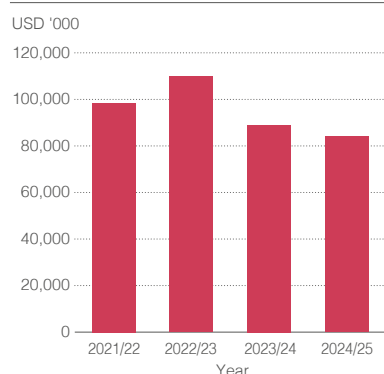
Although the result of improved sourcing efficiencies was evident in the 6% decline in yarn cost, the impact was not visible in the cost of sales, as the benefits were factored into pricing structures and passed on to customers by way of price reductions and discounts offered on new orders.

A culmination of these factors exerted considerable pressure on margins, resulting in a contraction of the Group's gross profit margin to 18%, down from 19%.

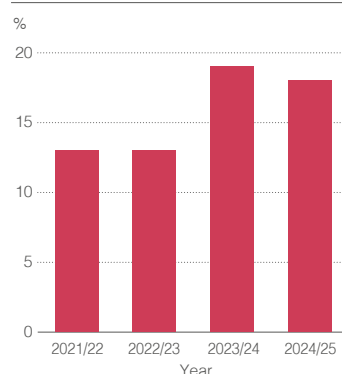
Revenue Mix



Raw Materials



Gross Profit Margin



Cost of Sales vs Gross Profit



OPERATING EXPENSES

Group operating Expenses increased by 7% owing partly to the conversion impact due to the appreciation of the Sri Lankan Rupee against the US dollar.

Administrative expenses at the Group level increased by 4%. Distribution expenses registered a notable increase of 64% at the Group level and 59% at Hayleys Fabric.

This sharp rise is largely attributed to the significantly lower volume of claims negotiated and concluded compared to the previous year. In the prior year, a sizeable volume of the provisions made for potential customer claims were later concluded following successful negotiations. However, during the year under review, there are claims yet to be completed and negotiated.

Other expenses declined at the Group level, primarily due to the absence of disposal losses on property, plant, and equipment PP&E, compared to the previous year. Additionally, impairment provisions for the current year owing to prudent provisioning in prior periods, reducing the need for further impairment in FY 2024/25.

FINANCE EXPENSES

Finance expenses recorded a significant 39% decline year on year, driven by more effective negotiations with banks, resulting in lower borrowing rates. In testament to these efforts, the overall weighted average cost of capital, which stood at 8.91% in the previous year, decreased to 7.48% in the current year.

In parallel, interest expenses on long-term borrowings declined by 33%, primarily due to the lower value of new borrowings compared to loan settlements. During the year, the Group settled loans amounting to USD 9.5 Mn while mobilising new loans of USD 2.2 Mn.

Exchange losses also declined, further supporting the improvement in finance costs. Unrealised exchange losses at the Group level decreased to USD 1.06 Mn from USD 2.29 Mn in the previous year - the result of the appreciation of the Sri Lankan Rupee against the US Dollar. Approximately 59% of this reduction was attributable to Hayleys Fabric, which holds the largest volume of LKR-denominated loans.

PROFIT BEFORE TAX (PBT)

The revenue contraction outlined above and consequent deterioration in gross profit margin directly impacted Group profit before tax (PBT). Group PBT for FY 2024/25 stood at USD 10.3 Mn, denoting a

Tax Policy

Hayleys Fabric PLC and its Subsidiaries adhere to a robust and transparent tax policy, reflecting its commitment to responsible corporate citizenship and compliance with regulatory requirements. The Group's proactive approach to tax planning takes into account all applicable tax structures and prioritises timely and accurate tax filings. Furthermore, the Group upholds integrity and accountability in all tax-related matters, striving for transparency in its financial reporting to stakeholders. Through diligent adherence to its tax policy, Hayleys Fabric PLC demonstrates its dedication to contributing positively to the communities in which it operates while maximising shareholder value in a sustainable manner.

FINANCIAL CAPITAL

12% decline from the USD 11.7 Mn recorded in the previous financial year. It is noteworthy that the decline was partly offset by the significant reduction in finance costs, driven by more favourable borrowing terms and a lower interest burden due to strategic debt restructuring.

Taxation

The Group recorded tax expenses of USD 3.3 Mn for FY 2024/25.

The effective tax rate of the Group remained at 32% on par with the current financial year.

Profit After Tax (PAT)

Group PAT for FY 2024/25 stood at USD 7 Mn, down 11% from USD 7.9 Mn tabled in the previous financial year.

Meanwhile, Other Comprehensive Income showed a marked

improvement in the current years bolstered by the revaluation gain recorded on freehold land. The actuarial gain arising from employee benefit obligations also contributed positively to Other Comprehensive Income (OCI). But, OCI for both the Group and Hayleys Fabric recorded a year-on-year decrease due to impact coming from a Gross profit level drop compared to last year.

Quarterly Results - 2024/25	1Q	2Q	3Q	4Q
Turnover	42,208	42,585	30,486	30,758
Gross Profit	8,291	8,121	4,496	4,980
Profit before tax	3,801	3,372	932	2,207
Tax expense	(1,223)	(1,207)	(106)	(740)
Profit after tax	2,578	2,165	826	1,467

Vertical Analysis of Income Statement - Group

	2024/25		2023/24		2022/23		2021/22	
	USD '000	%	USD '000	%	USD '000	%	USD '000	%
Revenue	146,036	100%	155,327	100%	166,631	100%	150,219	100%
Cost of sales	(120,146)	-82%	(126,150)	-81%	(145,236)	-87%	(130,658)	-87%
Gross Profit	25,890	18%	29,177	19%	21,396	13%	19,560	13%
Other operating income	916	1%	722	0%	704	0%	1,876	1%
Administrative expenses	(11,799)	-8%	(11,385)	-7%	(9,313)	-6%	(10,989)	-7%
Distribution expenses	(953)	-1%	(580)	0%	(1,265)	-1%	(1,907)	-1%
Other expenses	(31)	0%	(69)	0%	(42)	0%	(208)	0%
Net financing income/(expense)	(3,710)	-3%	(6,117)	-4%	(3,097)	-2%	6,643	4%
Profit before tax	10,313	7%	11,748	8%	8,383	5%	14,976	10%
Income tax expense	(3,277)	-2%	(3,883)	-2%	(7,250)	-4%	(2,199)	-1%
Profit for the year	7,036	5%	7,865	5%	1,133	1%	12,777	9%

Horizontal Analysis of Income Statement - Group

	2024/25		2023/24		2022/23		2021/22
	USD '000	%	USD '000	%	USD '000	%	USD '000
Revenue	146,036	-6%	155,327	-7%	166,631	11%	150,219
Cost of sales	(120,146)	-5%	(126,150)	-13%	(145,236)	11%	(130,658)
Gross Profit	25,890	-11%	29,177	36%	21,396	9%	19,560
Other operating income	916	27%	722	3%	704	-62%	1,876
Administrative expenses	(11,799)	4%	(11,385)	22%	(9,313)	-15%	(10,989)
Distribution expenses	(953)	64%	(580)	-54%	(1,265)	-34%	(1,907)
Other expenses	(31)	-56%	(69)	64%	(42)	-80%	(208)
Net financing income/(expense)	(3,710)	-39%	(6,117)	98%	(3,097)	-147%	6,643
Profit before tax	10,313	-12%	11,748	40%	8,383	-44%	14,976
Income tax expense	(3,277)	-16%	(3,883)	-46%	(7,250)	230%	(2,199)
Profit for the year	7,036	-11%	7,865	594%	1,133	-91%	12,777

Key Ratios	FY 2024/25	FY 2023/24	FY 2022/23
Interest Cover (Times)	4.3	4	2.2
Debt to / EBITA (Times)	2.13	1.75	2.79
EBITA / Total Revenue (%)	12.6%	14.1%	9.2%
ROA (%)	6%	7%	1%
Current Ratio (Times)	1.05	1.12	1.0
Quick Asset Ratio (Times)	0.51	0.55	0.41

Dividend

An interim dividend of Rs.1.85 per share was paid during the year, reflecting a decline from the total dividend of Rs 2.50 per share declared in the previous year, due to declined in profit in 2024/25

Capital Expenditure

Group capital expenditure on Property, Plant and Equipment amounted to USD 6.4 Mn in the current financial year. A major portion of this expenditure was on account of machinery modifications, machine

digitalisation and investments in renewable energy at South Asia Textiles Limited.

Cash Flow and Liquidity

Cash flow from operations deteriorated during the year, primarily due to the decline in profitability. Other factors impacting cash flow during the year were the higher inventory levels and the increase in trade receivables due to extended credit periods granted to several key customers.

Additionally, higher capital expenditure incurred during the year, along with net term loan repayments, where repayments exceeded new borrowings, also contributed to the overall reduction in cash flows. However, the impact on the year-end cash position was not significant, as the strong opening cash balance provided an adequate liquidity buffer to absorb the pressures from these operational and investment activities.

FINANCIAL CAPITAL

Vertical Analysis of Statement of Financial position - Group

	2024/25		2023/24		2022/23		2021/22	
	USD '000	%	USD '000	%	USD '000	%	USD '000	%
ASSETS								
Non-Current Assets								
Property, plant and equipment	46,425	39%	44,489	38%	44,660	38%	43,920	36%
Right of use assets	861	1%	803	1%	832	1%	844	1%
Intangible assets	455	0%	590	1%	709	1%	364	0%
Goodwill	10,440	9%	10,440	9%	10,440	9%	10,440	9%
Other non-current receivables	-		-		-		327	0%
	58,181	49%	56,323	48%	56,641	48%	55,895	46%
Current Assets								
Inventories	30,986	26%	30,414	26%	36,717	31%	36,794	30%
Trade receivables	16,892	14%	15,947	14%	18,030	15%	16,159	13%
Other receivables	482	0%	624	1%	1,480	1%	1,398	1%
Advances and prepayments	1,706	1%	1,917	2%	1,521	1%	1,921	2%
Cash and cash equivalents	10,505	9%	11,043	9%	4,561	4%	9,876	8%
	60,571	51%	59,945	52%	62,309	52%	66,148	54%
Total Assets	118,752	100%	116,267	100%	118,950	100%	122,043	100%
EQUITY AND LIABILITIES								
Capital and Reserves								
Stated capital	17,562	15%	17,562	15%	17,562	15%	17,562	14%
Revaluation reserve	936	1%	515	0%	515	0%	632	1%
Retained earnings	19,249	16%	14,733	13%	10,222	9%	12,263	10%
Total Equity	37,746	32%	32,809	28%	28,299	24%	30,457	25%
Non-Current Liabilities								
Interest bearing loans and borrowings	10,497	9%	17,083	15%	15,870	13%	17,446	14%
Deferred tax liabilities	8,514	7%	8,957	8%	9,526	8%	4,205	3%
Retirement benefit obligations	4,339	4%	3,866	3%	3,032	3%	2,942	2%
	23,350	20%	29,905	26%	28,429	24%	24,592	20%
Current Liabilities								
Trade and other payables	23,844	20%	25,288	22%	27,269	23%	35,451	29%
Interest bearing loans and borrowings	28,891	24%	21,301	18%	27,088	23%	25,700	21%
Amounts due to Hayleys PLC	370	0%	266	0%	74	0%	339	0%
Other non-financial liabilities	4,550	4%	6,698	6%	7,791	7%	5,503	5%
	57,655	49%	53,553	46%	62,222	52%	66,994	55%
Total Equity and Liabilities	118,752	100%	116,267	100%	118,950	100%	122,043	100%

Horizontal Analysis of Statement of Financial Position- Group

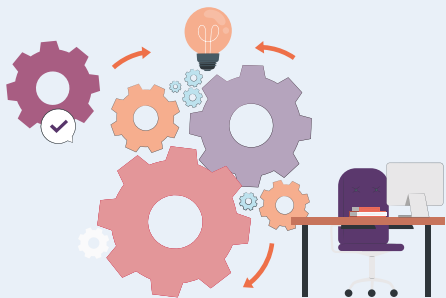
	2024/25		2023/24		2022/23		2021/22
	USD '000	%	USD '000	%	USD '000	%	USD '000
ASSETS							
Non-Current Assets							
Property, plant and equipment	46,425	4%	44,489	0%	44,660	2%	43,920
Right of use assets	861	7%	803	-3%	832	-1%	844
Intangible assets	455	-23%	590	-17%	709	95%	364
Goodwill	10,440	0%	10,440	0%	10,440	0%	10,440
Other non-current receivables	-		-		-		327
	58,181	3%	56,323	-1%	56,641	1%	55,895
Current Assets							
Inventories	30,986	2%	30,414	-17%	36,717	0%	36,794
Trade receivables	16,892	6%	15,947	-12%	18,030	12%	16,159
Other receivables	482	-23%	624	-58%	1,480	6%	1,398
Advances and prepayments	1,706	-11%	1,917	26%	1,521	-21%	1,921
Cash and cash equivalents	10,505	-5%	11,043	142%	4,561	-54%	9,876
	60,571	1%	59,945	-4%	62,309	-6%	66,148
Total Assets	118,752	2%	116,267	-2%	118,950	-3%	122,043
EQUITY AND LIABILITIES							
Capital and Reserves							
Stated capital	17,562	0%	17,562	0%	17,562	0%	17,562
Revaluation reserve	936	82%	515	0%	515	-19%	632
Retained earnings	19,249	31%	14,733	44%	10,222	-17%	12,263
Total Equity	37,746	15%	32,809	16%	28,299	-7%	30,457
Non-Current Liabilities							
Interest bearing loans and borrowings	10,497	-39%	17,083	8%	15,870	-9%	17,446
Deferred tax liabilities	8,514	-5%	8,957	-6%	9,526	127%	4,205
Retirement benefit obligations	4,339	12%	3,866	27%	3,032	3%	2,942
	23,350	-22%	29,905	5%	28,429	16%	24,592
Current Liabilities							
Trade and other payables	23,844	-6%	25,288	-7%	27,269	-23%	35,451
Interest bearing loans and borrowings	28,891	36%	21,301	-21%	27,088	5%	25,700
Amounts due to Hayleys PLC	370	39%	266	257%	74	-78%	339
Other non-financial liabilities	4,550	-32%	6,698	-14%	7,791	42%	5,503
	57,655	8%	53,553	-14%	62,222	-7%	66,994
Total Equity and Liabilities	118,752	2%	116,267	-2%	118,950	-3%	122,043

Focus for the Future		
Key Priorities	Short Term	Medium - Long Term
Improve the profitability	Reduction of short-term borrowing costs further. Conversion of LKR term loans with USD loans to reduce the negative exposure coming from exchange rate fluctuations.	Reschedule of term loans with lower rates funding. Adding new brands to the Tier 01 customer base. Optimising production cost structure and reduce the wastage by digitalisation.
Improve the liquidity and cash operating cycle.	Reduction of additional credit periods given on temporary basis.	Increase the supplier credit periods further.



MANUFACTURED CAPITAL

Manufactured Capital comprises the production facilities, including **Property, Plant and Equipment (PP&E)** and **IT infrastructure and systems** that serve as the foundation for Hayleys Fabric Group's core business operations



MANAGEMENT APPROACH

Strategically invest in state-of-the-art technology to upgrade machinery and capacity expansion to strengthen the Hayleys Fabric Group's market presence and build economies of scale, while ensuring optimal asset performance to sustain cost efficiencies

Risks



- ❑ High maintenance costs and production inefficiencies due to aging machinery.
- ❑ Delays in meeting delivery timelines owing to unexpected machine failures that could disrupt operations.
- ❑ Higher energy consumption and negative environmental impact attributed to inefficient equipment
- ❑ Delays in sourcing spare parts leading to machine downtime

Opportunities



- ❑ Machinery Upgrades
- ❑ Automation & Smart Technologies
- ❑ Predictive Maintenance
- ❑ Asset Rationalisation

Material Matters



- ❑ Procurement practices
- ❑ Climate change adaptation
- ❑ Customer satisfaction
- ❑ Technology and product innovations
- ❑ Manufacturing capabilities
- ❑ On time delivery (OTD)
- ❑ Operational efficiency and productivity
- ❑ Product quality



KEY ACTIONS

01.

USD 6.4 Mn
invested in Plant
& Machinery

02.

USD 249,870
incurred on Building
enhancements

03.

Installation of a 3MW solar
power plant covering 80%
of the South Asia Textiles
Limited's building roof to
generate sustainable energy
and contribute to
the national grid

04.

Introduction of METAL
EYE, a QC innovation
standardizing
fabric inspection
machine calibration
and improving
defect detection

05.

Strengthening BCP
Governance

VALUE TRANSFORMATION

Outputs for Hayleys Fabric Group

- ❑ Equipment downtime - 7% (10% - 2023/24)
- ❑ Capacity utilisation > 85% (> 90% - 2023/24)
- ❑ Machine Utilisation Ratio 97% (92% - 2023/24)
- ❑ Production Efficiency Ratio > 90% (> 90% - 2023/24)

Stakeholder Outcomes

- ❑ On time delivery with shorter lead times
(Customers)
- ❑ Improved returns attributed to cost efficiencies
(shareholders)
- ❑ Lower environmental impact from
manufacturing operations (Community)



MANUFACTURED CAPITAL

Hayleys Fabric Group Manufactured Capital

Hayleys Fabric PLC - Narthupana

- Main Plant – Neboda, Horana
- Capabilities – Knitting, Dyeing, Finishing, Printing, Brushing & Sueding
- Current Capacity: 900 MT per month
- Capacity Utilisation: > 85%
- Investment in PPE – USD 2.1 Mn
- ERP System – SAP ECC6 as its ERP on AWS cloud infrastructure, Fast React Planning Tool and File Maker
- Operate only on Bio mass and LPG and eliminated the use of Furnace

Hayleys Fabric PLC - Wagawatte Knitting Plant- Horana

- Knitting Plant – Wagawatta- Horana Industrial Zone.
- Investment in PP&E – USD. 0.1 Mn
- Current Knitting Capacity: 175 MT per month
- Capacity Utilisation: > 85%
- ERP System – SAP ECC6 as its ERP on AWS cloud infrastructure, Fast React planning tool and File Maker

South Asia Textiles Limited - Pugoda

- Main Plant – Felix R.Dias Bandaranayake Mawatha, Pugoda.
- Capabilities – Knitting, Dyeing, Finishing, Printing, Brushing & Sueding
- Current Capacity: 700 MT per month
- Capacity Utilisation: > 85%
- Investment in PP&E – USD. 4.2 Mn
- ERP System – IFS Application 9.1, hosted on the robust infrastructure of Microsoft Azure cloud & Fast React Planning Tool
- 100% Bio Mass operation

Property, Plant & Equipment (PP&E)

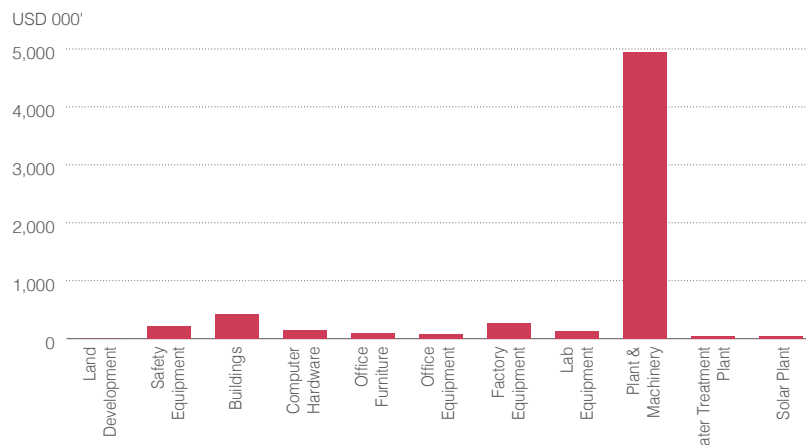
Property, Plant, and Equipment (PP&E) represents the most significant component of Hayleys Fabric Group's Manufactured Capital, forming the backbone of its production capabilities and operational infrastructure. As a capital-intensive manufacturing Group, Hayleys Fabric relies on PP&E, including land, buildings, machinery, production lines, and equipment to drive efficiency and maintain product quality. Continuous and ongoing investments in PP&E over the years has enabled the Hayleys Fabric Group to build a robust, resilient and scalable physical asset base to ensure scalability in line with customer expectations.

A disciplined approach underpins all PP&E investments. The Board provides strategic direction regarding large-scale expansion plans, after careful consideration of technical, social, environmental and financial criteria to ensure alignment with the overall Group strategic objectives and risk appetite.

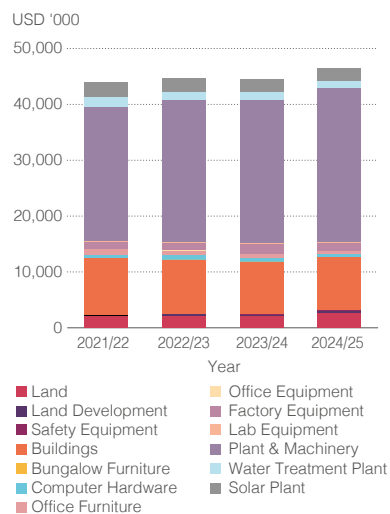
Routine upgrades to plant, machinery and equipment are also planned ahead and undertaken in line with the annual Board approved CAPEX budget.

Both Hayleys Fabric PLC and South Asia Textiles Limited adhere to a strict procurement policy, sourcing Plant and Equipment only from reputed global manufacturers. Guided by the Hayleys Group Procurement Policy, business heads must obtain at least three quotations, with shortlisted suppliers undergoing rigorous screening based on quality, price, delivery, and after-sales support.

CAPEX



PP&E Composition



Where necessary, comprehensive technical evaluations are conducted for added assurance. Additionally, in line with the Group's sustainable procurement practices, due diligence protocols assess the energy and water efficiency of machinery and equipment before purchase.

Key Highlights for FY 2024/25		
Asset Category	Hayleys Fabric PLC	South Asian Textiles Limited
Land Development	<ul style="list-style-type: none"> • Expansion of the wetland park. • Upgrading the old chemical warehouse. • Extension of floor capacity near the finishing canopy area. • Aesthetic improvements around the ETP area, including the Filter Press building. • Implementation of a rainwater harvesting model using the Filter Press/sludge store roof 	<ul style="list-style-type: none"> • Aesthetic improvements around the ETP area, including the Filter Press building. • Implementation of a rainwater harvesting model using the Filter Press/sludge store roof.
Building Enhancements	<ul style="list-style-type: none"> • Office upper floor and production floor improvements. • Dye house canal construction to minimise water accumulation. • Expansion of the colour kitchen and construction of INNO Studio. • New buildings for the finishing department and waste yard. 	<ul style="list-style-type: none"> • Construction of South Asia Textiles Limited's first-ever green-certified R&D building, set for completion by mid-March.
Upgrades	<ul style="list-style-type: none"> • Old Chemical warehouse upgrading project • Stenter TY 03 – PLC modification and machine enhancement project • Steam traps replacement project – Dye house department • New turning table installation for Slitting machine 	<ul style="list-style-type: none"> • Installing new Eight Bay stentor (Bruckner) • New raising machine installation
Innovation	<ul style="list-style-type: none"> • Automated the Biomass boiler 02 for running the boiler with required pressure • Installed new expansion tank for Thermic heater • New centering device for Santex dryer machine • Lapping 07 machine modification for A frame in preparation department 	<ul style="list-style-type: none"> • Dedicated Sludge drying area
Asset rationalisation	<ul style="list-style-type: none"> • Exhaust improvement in Ten Bay machine • Calibration and out setting correction in Stork printing machine 	<ul style="list-style-type: none"> • Digitalization of Knitting machines to enhance efficiency and productivity
Sustainable Manufacturing		<ul style="list-style-type: none"> • Installation of a 3MW solar power plant covering 80% of the South Asia Textiles Limited's building roof to generate sustainable energy and contribute to the national grid

MANUFACTURED CAPITAL

Continuous Improvement in Asset Performance

Hayleys Fabric Group drives continuous asset performance improvement through upgrades, innovation, asset rationalisation, and predictive maintenance to enhance productivity and efficiency. By adopting the latest technology, modernising production lines, and innovating, the Group aims to extend asset lifespan. Asset rationalisation which involves reviewing and phasing out obsolete equipment ensures optimal resource use and lower costs. Additionally, the Group's comprehensive maintenance programme, including preventive, predictive, and condition-based approaches, is designed to prevent failures and sustain a high performing asset base.

Sustainable Manufacturing

Operating in a highly competitive and rapidly evolving textile manufacturing space, Hayleys Fabric Group strives to continuously enhance the resilience of its assets by integrating the principles of sustainable manufacturing in alignment with global sustainability standards.

By adhering to the ISO 50001 Energy Management Standard the Group seeks to improve energy efficiency across its operations by migrating to energy efficiency technology.

These efforts are complemented by investments in renewable energy to further reduce its carbon footprint. Similarly, the Group adopts closed-loop processes that support circular economy principles to minimise waste and optimise water use, collectively contributing towards enhancing the resilience and flexibility of its manufacturing infrastructure to meet customer expectations and regulatory compliance requirements.

IT Infrastructure

Sound IT infrastructure including robust ERP systems play a crucial role in supporting the continuity of Hayleys Fabric Group's day-to-day operations. The Group evaluates new IT investments through a comprehensive assessment of business requirements, operational efficiency, and technological advancements, ensuring strict adherence to industry standards and Hayleys Group compliance protocols. This process involves identifying gaps in existing systems, aligning IT capabilities with strategic objectives, and analysing factors such as cost-effectiveness, scalability, and return on investment (ROI) to ensure well-informed decisions.

Both Group entities - Hayleys Fabric PLC and South Asia Textiles Limited

have strategically invested in the latest server infrastructure with a robust on-premise Primary Site and on-premise Disaster Recovery Site. These facilities incorporate advanced features such as fire-resistant ceilings, raised floors, environment monitoring systems, fire suppression equipment, and Access Control Units. This resilient setup ensures uninterrupted operations and seamless functionality, even during unforeseen disasters.

Demonstrating a commitment to adaptability and scalability, both companies have also adopted Virtualisation Technology to optimise system efficiency and availability. A secure three-layered network architecture, fortified with clustered firewalls, guarantees safe and reliable user authentication. Critical user data and server backups are protected through NAS storage solutions, further enhanced by a planned off-site backup system for added reliability. Hayleys Fabric PLC operates its SAP ERP system on a robust AWS Cloud infrastructure, ensuring high performance and scalability. Similarly, South Asia Textiles Limited employs the IFS ERP system hosted on the dependable Microsoft Azure cloud platform, which includes an advanced Disaster Recovery system to ensure continuity during potential disruptions.

Leading the Transition to Eco-friendly Materials

Enhanced Data Security with NAS (Network Attached Storage)

Implementing NAS for automated backups provides secure and reliable storage for critical user data and databases, significantly reducing the risk of data loss due to hardware failures or cyberattacks. Automated processes minimise human error, support rapid disaster recovery, and enhance business continuity. The system's scalability accommodates increasing data demands, while integration with off-site backups adds an additional layer of protection.

Investments in IoT Technologies:

Both companies are actively investing in IoT technologies to optimise resource utilisation and drive operational efficiencies. These advancements aim to enhance productivity and enable data-driven decision-making.

Strengthening Network Security with SASE Solutions:

Secure Access Service Edge (SASE) solutions provide a unified, cloud-based framework for network and security needs. By integrating wide-area networking (WAN) and network security services, SASE ensures secure and seamless access to data and applications from any location. This approach reduces the risk of cyber threats, enhances compliance, and supports the growing demands of remote and hybrid work environments.

Workflow Automation with Power Apps:

The adoption of Power Apps helps to streamline manual processes, reduce paperwork, and enhance digital workflows. This initiative minimises paper waste, accelerates approval processes, and saves valuable time, contributing to operational efficiency.

Business Continuity Plan (BCP) Framework

Hayleys Fabric Group has established a comprehensive Business Continuity Plan (BCP) framework to safeguard assets and ensure the seamless continuation of critical business operations in the face of disruptions. The overall focus of the framework is on risk mitigation and operational resilience, with measures that strengthen the Group's ability to manage risks effectively and maintain continuous,

smooth operations during disruptions.

The Governance of the BCP framework revolves around clear roles and responsibilities. The dedicated BCP Committee provides oversight, while the Crisis Management Team (CMT), plays a central role in managing incidents and coordinating recovery efforts.

In 2024, the BCP governance structure was further refined to

enhance responsiveness and strengthen interdepartmental collaboration, reinforcing the Group's commitment to business continuity in an evolving risk landscape. Annual drills were also conducted for critical systems like SAP / IFS & other non-critical systems like Sedo Master, ViewTex, Colour Service, File Maker, Fast React, and Data Colour System to ensure recovery objectives (RTO/ RPO) for each system were met within the specified timeframes.

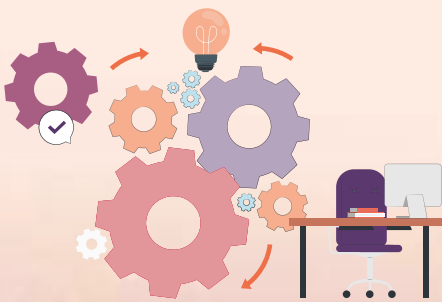
Focus for the Future

Key Priorities	Short Term	Medium - Long Term
Infrastructure & Equipment Upgrades	<p>Upgrade generators and install energy-efficient equipment, including energy meters for thermic heaters, biomass boiler automation, and increase renewable energy integration</p> <ul style="list-style-type: none"> Plan to purchase new category of Knitting Machines to move into different types of Knitting 	<ul style="list-style-type: none"> Investment more on new energy efficient Dyeing and finishing machinery Improve the productivity and control the wastages through digital infrastructures. Further strengthen the Innovation, Research & Development of new fabric qualities
IT Infrastructure Modernisation	<ul style="list-style-type: none"> Finalise implementation of Secure Access Service Edge (SASE) for secure and seamless connectivity 	<ul style="list-style-type: none"> Prepare ERP system migration to SAP HANA



INTELLECTUAL CAPITAL

Hayleys Fabric Group's Intellectual Capital comprises Group's reputation, goodwill, knowledge, expertise, and R&D capabilities and other intangible assets that together provide the foundation of resilience, adaptability and long term sustainability of the business



MANAGEMENT APPROACH

Mobilise resources to strengthen each intangible element individually, while optimising the symbiotic relationships between elements to ensure all intangibles work in harmony to support the Hayleys Fabric Group's strategic endeavours.

Risks



- ❑ Intellectual Property (IP) protection issues.
- ❑ Regulatory compliance risks, especially in international markets.

Opportunities



- ❑ Expanding market reach through collaboration and knowledge sharing.
- ❑ Differentiating the brand with sustainable practices and eco-friendly solutions.

Material Matters



- ❑ Technology and product innovations
- ❑ Principal relationships
- ❑ Product quality

KEY ACTIONS

01.

USD 139,811
incurred on R&D

02.

M&S-Devon
Quality Process
Improvement Project

03.

Group-wide
Power BI and IoT
Dashboards

04.

Digitalization of
machinery

05.

Monetary benefit for non-
executive employees
have been increased and
new incentive schemes
were introduced.
USD 3,300.

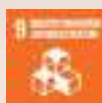
VALUE TRANSFORMATION

Outputs for Hayleys Fabric Group

- ❑ 39 Awards
- ❑ 2% year-on-year increase in sales & volumes for Inno products

Stakeholder Outcomes

- ❑ Guarantee of best-in-class products underscored by global standards and certifications
- ❑ 350 new product innovations



INTELLECTUAL CAPITAL

Industry Leadership

Hayleys Fabric Group has solidified its position as Sri Lanka's leading textile manufacturer through a steadfast commitment to innovation and disciplined business expansion. The strategic acquisition of South Asia Textiles Ltd. in April 2021 significantly bolstered Hayleys Fabric Group's production capacity to six million meters of fabric per month, reinforcing the Group's market dominance and cementing its standing as the largest textile manufacturer in Sri Lanka.

Today, Hayleys Fabric Group stands at the forefront of textile innovation supported by the collective knowledge base at Hayleys Fabric PLC and South Asia Textiles Limited. The knowledge, skills, and expertise of its teams, who continuously advance product innovation, enhance operational efficiency, and uphold international quality standards have proved to be instrumental in empowering customers, namely globally renowned brands such as NIKE, Victoria's Secret, Decathlon, and PVH in their endeavour to drive the fashion industry forward.

In recent years, Hayleys Fabric Group has also carved out a unique reputation by making demonstrable progress in integrating Environmental, Social, and Governance (ESG) principles into its core operations, ensuring long-term value creation while reducing its environmental footprint. As part of its sustainability-driven initiatives, Hayleys Fabric Group operates Sri Lanka's largest single rooftop solar installation, generating over 6.2 million kWh of power annually, which accounts for 20% of the Group's energy needs and reduces CO₂ emissions by over 4,000 tons. Another key example is the 'Warna by Mahogany' initiative - a pioneering project to develop natural dyes to

Hayleys Fabric Innovation Centre

Innovation Centre serves as a collaboration hub for the advancement of textile research. To-date, one of the most significant achievements attributed to the Innovation Centre is the "Inno" brand - a revolutionary development that introduced fashionable, value-added, and functional fabrics to the market. The "Inno" brand has been widely embraced by Hayleys Fabric Group's Tier 1 customers, enabling the Group to pivot to new markets. Marking a historic milestone, Hayleys Fabric applied for its first-ever patent for recycled yarn, developed and launched under the "Inno" label, which reinforces Hayleys Fabric's commitment to sustainability and innovation in textile manufacturing.

minimise chemical waste, that sets a precedent for sustainable dyeing practices in the industry. Additionally, Hayleys Fabric takes active steps in biodiversity conservation, as demonstrated by the development of the nine-acre 'Diyathuru Uyana' wetland park, home to over 140 species, including endangered ones.

Further consolidating its leadership in the ESG space and confirming the Group's commitment to mitigating climate change and reducing its carbon footprint in line with global standards, Hayleys Fabric PLC became the first and only local textile manufacturer in Sri Lanka to be accepted into the Science Based Targets initiative (SBTi) in 2024, a milestone that not only reinforces Hayleys Fabric Group's leadership in sustainable textile manufacturing but also raises the bar for the Sri Lankan textile industry.

Global recognition and numerous accolades the Group continues to receive, serve as further affirmation of Hayleys Fabric Group's industry leadership, commitment to innovation, and dedication to sustainability.

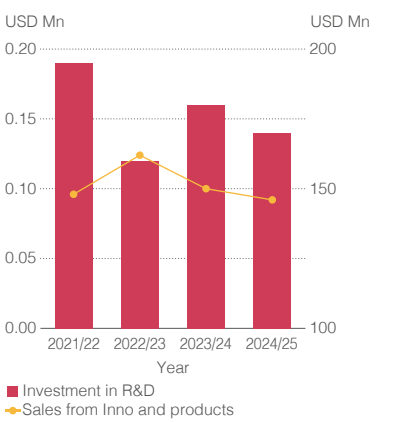
R&D Capability

The Group's dedicated research and development arm, comprises a dedicated team of 24 designers and textile engineers, all graduates

from leading textile institutes and universities in Sri Lanka and across the globe, bringing a wealth of knowledge and innovation to the Group's operations. The collective expertise of the R&D team saw the development of more than 149 groundbreaking fabric innovations in the current year, all tailored to meet the evolving demands of global customers.

These innovations span a diverse range of sustainable and high-performance textiles, incorporating blends of organic cotton, recycled polyester, spandex, and modal. The focus extends beyond aesthetics, ensuring that each fabric delivers superior durability, comfort, and style.

The Strength of R&D

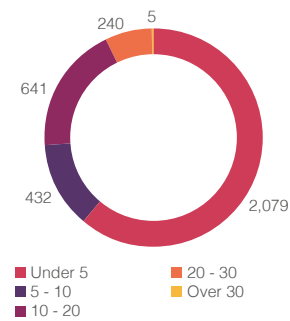


Process Innovations

Operating in the fast evolving global apparel industry domain, innovation remains a key differentiator that sets the Hayleys Fabric Group apart from peers, both locally and internationally. The Group focuses on a 360 degree process innovation model encompassing every aspect of Group operations.

Extensive Group-wide adoption of innovative data analytics tools, including Power BI and IoT Dashboards in the current year, has proven to be critical in transforming decision-making processes, in turn improving operational efficiency, streamlining processes, and enhancing performance tracking to support effective collaboration between teams to drive continuous improvement.

Tenure Analysis



M&S-Devon Quality Process Improvements

A collaborative effort bringing together several of Hayleys Fabric's key customers, these improvements focus on optimising various stages of the manufacturing process, ultimately leading to cost savings, reduced defects, and better product consistency. Key measures include refining dyeing processes to improve colour consistency, minimising fabric distortion through tubular slitting and optimised stenter processes, and enhancing fabric texture with sueding and brushing techniques. Furthermore, the implementation of a non-gum and cut stenter process ensures improved fabric quality, and rigorous inspection and careful packing reduce defects, material wastage, and returns. These process improvements have contributed to a more efficient, cost-effective production cycle, aligning with global quality standards.

Business Unit / Department	Analytics / Monitoring Tools Introduced	Benefits to the Group	Impact to Other
Knitting	Power BI Dashboard	Real-time monitoring of production data monitor defects, wastage and individual performance	
Finishing	IOT & Dashboard	Real-time monitoring of production machine related data	
QC	Power BI Dashboard	Monitor current production and internal defects	
FG Warehouse	Power BI Dashboard	Improved inventory visibility Reduced holding costs Faster order fulfillment and fewer stockouts	
Yarn Warehouse	Power BI Dashboard	Efficient stock tracking Reduced material wastage Accurate inventory forecasting and replenishment	
HR & Admin	MS Flows – Handling user recruitments & resignations	Handle user recruitment / Resignation & IT asset allocation	

Standards and Certifications

Adherence to internationally recognised standards and certifications contributes immensely towards strengthening Hayleys Fabric Group's industry credentials. Standards and certifications which serve as a testament to the Group's compliance with the best global practices, also open up opportunities to access new markets, forge new partnerships and enhance the Hayleys Fabric Group's reputation among stakeholders.

By obtaining accreditations such as ISO 14001 for environmental management, ISO 45001 for occupational health and safety, and OEKO-TEX Standard 100 for product safety, Hayleys Fabric Group ensures its operations meet stringent global benchmarks. These standards not only validate the Group's sustainable practices but also provide customers with assurance regarding product safety and environmental responsibility.

Additionally, certifications such as GOTS (Global Organic Textile Standard) and GRS (Global Recycled Standard) reinforce Hayleys Fabric Group's leadership in responsible sourcing and sustainable textile production.

Furthermore, compliance with social and ethical standards such as WRAP (Worldwide Responsible Accredited Production) and SA 8000 confirms Hayleys Fabric Group's advocacy

INTELLECTUAL CAPITAL

of fair labour practices and a safe working environment, aligning with international corporate social responsibility expectations.

Group Synergies

As a member of the Hayleys Group - one of the largest and most diversified conglomerates in Sri Lanka-Hayleys Fabric Group's benefits from significant synergies including shared resources, industry expertise, and cross-functional collaboration to enhance operational resilience, market positioning, and long-term sustainability.

The Hayleys Group's reputation and global business presence also create opportunities for Hayleys Fabric Group to expand its customer base and explore new markets. Additionally, the Hayleys Group's sound financial and governance practices provide a robust ecosystem to facilitate Hayleys Fabric Group's continued growth, enabling strategic investments in technology, product development, and sustainability-driven initiatives.

Beyond operational advantages, the Hayleys Group's deep-rooted commitment to sustainability advocacy further bolsters Hayleys

Fabric Group's own commitment to environmental, social and governance principles.

Memberships and Affiliations

Memberships and affiliations with leading industry bodies, sustainability platforms, and trade associations play a crucial role in mitigating business risks across multiple fronts. Memberships and affiliations with leading industry bodies, and trade associations provide critical market intelligence to enable Hayleys Fabric Group to stay ahead of regulatory shifts, technological advancements, and sustainability trends, while also facilitating collaboration and collective action to strengthen the resilience of the textile sector and ensure compliance

with evolving global standards. Additionally, partnerships with research institutions and industry think tanks enable the Group to anticipate market trends, shifting consumer preferences, and supply chain disruptions, allowing for better strategic planning and risk management.

Meanwhile, affiliations with sustainability-focused initiatives, such as the Science Based Targets initiative (SBTi) and ZDHC (Zero Discharge of Hazardous Chemicals) programme, allow Hayleys Fabric Group to stay ahead of regulatory changes, reducing the risk of non-compliance penalties and reputational damage.

Memberships and Affiliations

- Ceylon Chamber of Commerce
- Fabric & Apparel Accessor Manufacturer Association (FAAMA)
- United Nations Global Compact (UNGC)
- Federation of Chambers of Commerce and Industry of Sri Lanka
- Import Export Control Department » Department of Commerce
- Export Development Board (EDB)
- National Chamber of Exporters (NCE)

Focus for the Future

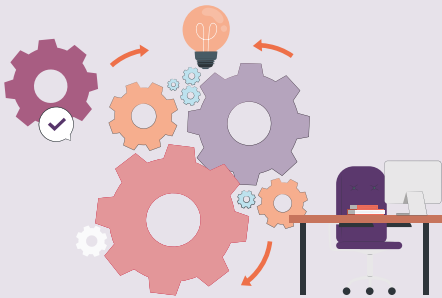
Key Priorities	Short Term	Medium - Long Term
R&D	The South Asia Textiles Limited R&D team plans to establish a state-of-the-art fabric studio to elevate both technical and design capabilities. Equipped with cutting-edge technology, the facility will focus on ongoing process improvements targeting shorter production cycles, timely deliveries, and improved customer satisfaction. The studio, which is expected to be set up, will aim to foster collaboration and creativity in an innovative, user-centric environment.	<ul style="list-style-type: none">• Development of specific blended Nylon fabric• Nylon re-cycle project with the collaboration of suppliers and Tire 1 Brand• Production of stretchable fabric without Spandex





HUMAN CAPITAL

A skilled, engaged, and motivated workforce forms the backbone of Hayleys Fabric Group's operations, ensuring efficiency, quality, and continuous improvement.



MANAGEMENT APPROACH

Attract, develop, and retain the most talented people by providing them with a distinctive employee value proposition that includes a challenging and inspiring work environment complemented by fair and equitable opportunities to thrive and grow both personally and professionally

Risks



- ❑ Difficulty attracting due to the highly-specialised nature of skills required
- ❑ Lack of gender diversity in leadership roles
- ❑ Challenges in retaining high skill employee (production, technical)
- ❑ Increasing competition for skilled labour within the manufacturing sector

Opportunities



- ❑ Leveraging digital learning platforms to provide continuous learning
- ❑ Strengthening internal communication and feedback mechanisms to improve transparency and engagement

Material Matters



- ❑ Human rights & social compliance
- ❑ Regulations and compliance
- ❑ Employee wellbeing & proposition
- ❑ Freedom of association and collective bargaining
- ❑ Operational efficiency and productivity



KEY ACTIONS

01.

Increased the minimum wage of employees under the Wages Board ordinance to Rs. 21,000/- (regulatory minimum Rs. 17,500/-)

02.

Implemented the Diversity Equity & Inclusion (DEI) Policy

03.

Implemented the Parental Leave Policy

04.

305 training sessions accounting for 40,459 hours of training

05.

Launch of the People Leaders Development by Sandbox PLDP

06.

Monetary benefit for non-executive employees have been increased and new incentive schemes were introduced. USD 3,300

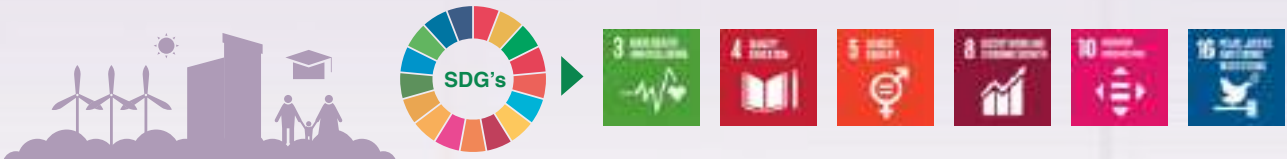
VALUE TRANSFORMATION

Outputs for Hayleys Fabric Group

- ❑ >70% employee retention
- ❑ 38% of employees employed for over 5 years
- ❑ 95% employee satisfaction
- ❑ Best Employer Brand 2024
- ❑ HR Strategy Award
- ❑ Best corporate social responsibility practices Award

Stakeholder Outcomes

- ❑ USD 16.7 Mn distributed as monetary benefits to employees (USD 15.4 Mn - 2023/24)
- ❑ 222 employees promoted (120 - 2023/24)
- ❑ 1,639 new recruits (1,385 - 2023/24)
- ❑ 5% women in leadership (8% - 2023/24) positions
- ❑ 1:1 - ratio of basic salary between men and women for entry level positions



HUMAN CAPITAL

HR GOVERNANCE STRUCTURE



HAYLEYS FABRIC AND SOUTH ASIA TEXTILES - HUMAN CAPITAL MANAGEMENT FRAMEWORK

Regulatory Compliance

- Shop and Office Employees Act of 1954
- Wages Board Ordinance Amendment Act
- Factories Ordinance No. 45 of 1942.
- Social Security Act
- Women, Young Persons & Children Act 1920

Voluntary Best Practices

- UNGC Principle 3: freedom of association and the effective recognition of the right to collective bargaining
- UNGC Principle 4: elimination of all forms of forced and compulsory labour
- UNGC Principle 5: effective abolition of child labour
- UNGC Principle 6: elimination of discrimination in respect of employment and occupation.
- ISO 45001 Occupational Health and Safety Management Systems
- Global certifications such as WRAP, SEDEX, ETI

Internal Policies and Procedures

- HR Manual
- Recruitment and Selection Policy
- Disciplinary Procedure Policy
- Maternity Leave Policy
- Benefit Structure
- Grievance Handling Policy Procedure
- Compensation Policy
- Work Hours Policy
- Communication Policy
- Suggestion Box Policy
- Freedom of Association Policy
- Anti-corruption & Bribery Policy
- Salary Advance Policy
- Facility Management & Workplace Rules
- Manpower Subcontractor Policy
- Hayleys Lifecode
- Hayleys Way



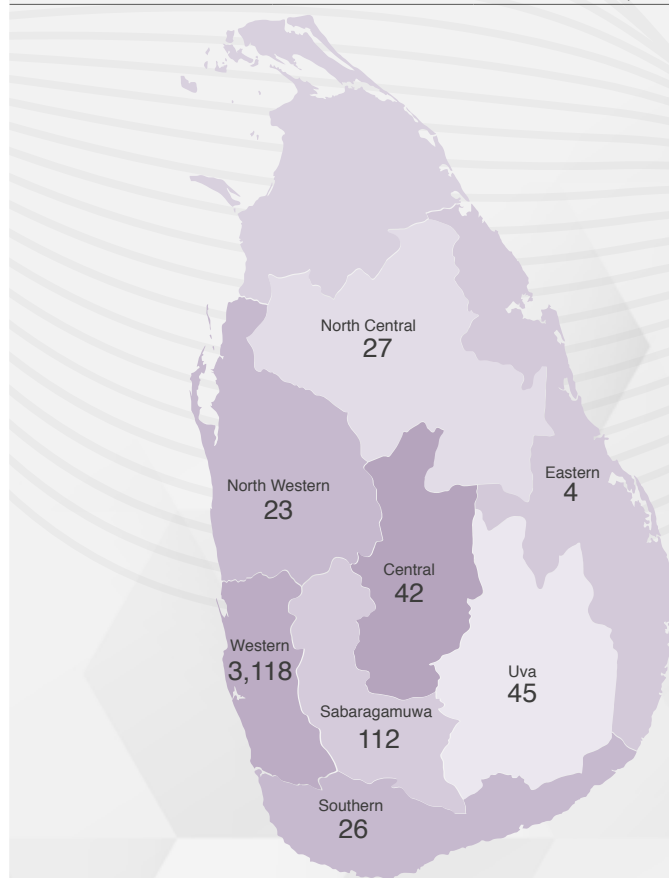
Employees by Type					
Employee by Type	Male		Female		Total
Permanent	2,377		612		2,989
Contract	267		141		408
Team Profile - FY 2024/25					
Category	Employee Grade				
	Executive and above	Manual grade	Clerical, Supervisory & Allied	Casual	Total
Total	421	2,225	515	236	3,397
Distance from work	-	-	-	-	-
< 15 Km	78	1,538	358	92	2,066
> 15 km	343	687	157	144	1,331
Total	421	2,225	515	236	3,397
Gender	-	-	-	-	-
Male	335	1,705	441	163	2,644
Female	86	520	74	73	753
Total	421	2,225	515	236	3,397
Age	-	-	-	-	-
18 - 30	97	1,290	151	190	1,728
30 - 50	263	817	313	46	1,439
> 50	61	118	51	-	230
Total	421	2,225	515	236	3,397

**All employees are on Full-Time basis*

EMPLOYEES BY REGION AND GENDER

- Hayleys Fabric Group

Central		
Male	35	
Female	7	
Eastern		
Male	4	
Female	0	
North Central		
Male	16	
Female	11	
North Western		
Male	19	
Female	4	
Sabaragamuwa		
Male	87	
Female	25	
Southern		
Male	19	
Female	7	
Uva		
Male	39	
Female	6	
Western		
Male	2,425	
Female	693	



Employees by Category and Gender			
Category	Male	Female	Total
Executive	335	86	421
Non-Executive	2,309	667	2,976

HUMAN CAPITAL

DIVERSITY, EQUALITY AND INCLUSION (DEI)

The Hayleys Fabric Group is deeply committed to fostering a diverse, equitable, and inclusive workplace where every employee is valued and empowered. As a non-discriminatory and equal opportunity employer, Hayleys Fabric Group strongly advocates for equality and fairness by ensuring individuals from all backgrounds have equal access to opportunities for growth and success. Through equitable policies, inclusive leadership, and targeted initiatives, the Group continuously works to eliminate unconscious bias, support underrepresented groups,

and create an environment where all employees can thrive and contribute meaningfully.

As part of its overall approach to Diversity, Equity and Inclusion (DEI), the Group promotes gender pay equity by maintaining a 1:1 ratio in minimum wages and the basic salary offered to men and women in similar roles Group-wide.

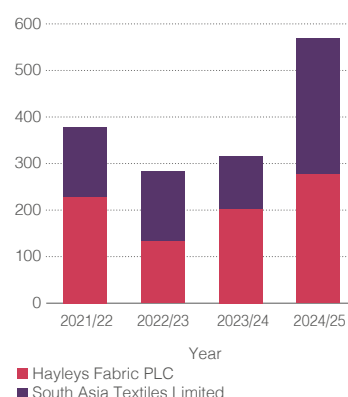
Formalising these commitment a new DEI Policy was approved by the Board stating the Group's zero tolerance approach to discrimination and harassment in the workplace. The policy reinforces the commitment

to eliminate unconscious bias by mandating that all individuals be treated fairly, regardless of their race, gender, age, ethnicity, or background, thereby fostering an inclusive environment free of harassment and discrimination, where diversity is embraced and respected. There were no incidents of discrimination reported in the current financial year.

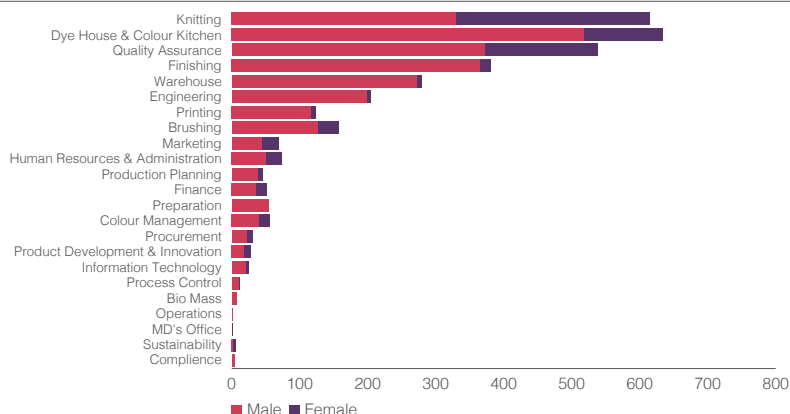
The Hayleys Fabric knitting plant in Wagawatta-Horana is a 100% female operated facility, that demonstrates the Group's commitment as a non-discriminatory and equal opportunity employer.



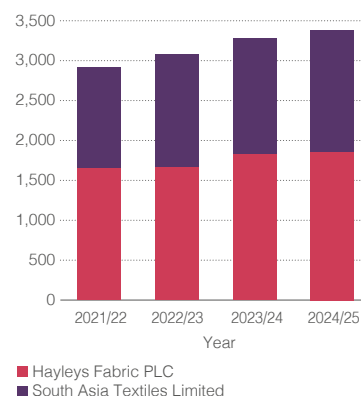
Growth of Women Recruitments



Composition of Male: Female by Departments



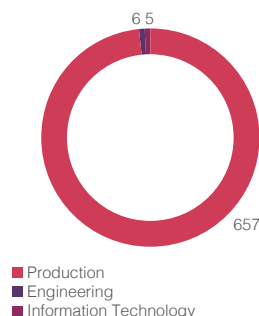
No. of Employees



Diversity, Equality and Inclusion Indicators

Salary Ratios of Permanent Employees - 2024/25					
Company		Executive and above	Clerical Supervisory and Allied	Manual Grade	Total
Hayleys Fabric PLC	M:F	Depending on position, experience & qualifications	1:1	1:1	1:1
South Asia Textiles Limited	M:F	Depending on position, experience & qualifications	1:1	1:1	1:1

Proportion of Women in IT, Engineering and Production Related Activities



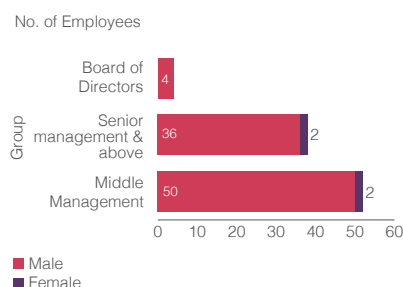
HUMAN RIGHTS

As a member of the United Nations Global Compact (UNGC), Hayleys Fabric Group aligns with the UNGC principles on human rights and labour. These principles extend beyond direct employment to include contractors and suppliers across the value chain. To that end, the Group undertakes to provide regular training for value chain partners, including outsourced security services personnel to educate them on human rights best practices

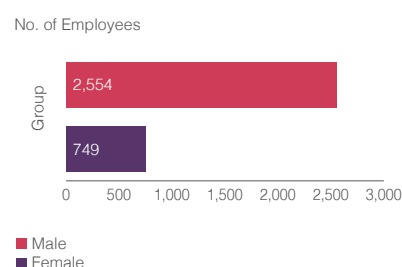
Freedom of Association and Collective Bargaining

Hayleys Fabric Group fully respects and supports the right of employees to form and join trade unions or worker councils of their choice and to engage in collective bargaining. The Freedom of Association Policy safeguards employees' rights to freely associate and assemble without fear of discrimination or retaliation. The policy guarantees that representatives of employee unions or councils are not subjected to any form of discrimination and are granted unrestricted access to the Group management as needed. This commitment is reflected in the significant proportion of the workforce covered under collective bargaining agreements, fostering a collaborative and fair workplace environment. It is covered 18% of total employees by collective bargaining agreement.

Gender Representation Across Middle Management and Above



Gender Representation Across Below Middle Management



Elimination of Child Labour

Hayleys Fabric Group enforces strict policies to prevent child labour, fully adhering to the Employment of Women, Young Persons, and Children Act, No. 47 of 1956, which sets the minimum age for employment at 18 years. To uphold this commitment, the Group has implemented stringent due diligence measures to verify the age of all recruits, ensuring that no individuals under the legal working age are employed within its operations. There were no incidents of child labour reported in the current financial year.

Prevention of Forced and Compulsory Labour

Hayleys Fabric Group maintains a zero-tolerance policy towards forced and involuntary labour and ensures all employees are engaged on a voluntary basis, without any form of coercion, threat, or penalty. There were no incidents of forced or compulsory labour reported in the current financial year.

RECRUITMENT AND SELECTION

Hayleys Fabric Group recruitment strategy focuses on attracting the best-fit talent in alignment with the Group's corporate objectives. Hiring follows a pre-approved annual workforce plan, integrated into the budgeting cycle and approved by the Managing Director/CEO.

The Recruitment and Hiring Policy ensures transparency, fairness,

and compliance with organisational standards. Accordingly, while public advertisements aim to source external talent, vacancies are also advertised internally to provide career advancement opportunities for existing employees.

All applicants (internal and external) are treated equally. The selection process is fair, consistent, and merit-based, with executive-level candidates subject to multiple interview rounds. Hiring of non-executives' recruitments are need-based and done on a weekly basis through walk-in interviews.

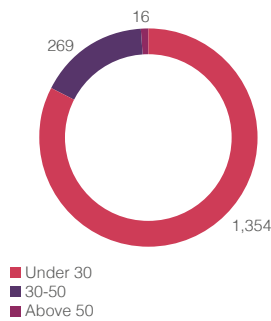
Orientation and induction form an integral part of Hayleys Fabric Group's hiring process. The Group's well-structured orientation and induction process ensure seamless onboarding for all employees.

Executives receive their appointment letters and employee handbooks during day-1 orientation. They also undergo a special induction covering Group operations, customer expectations, and health and safety.

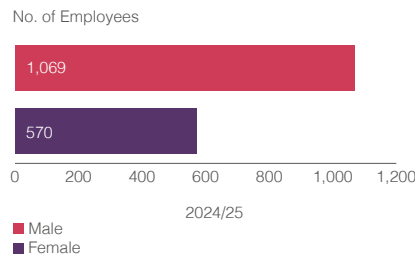
The induction programme for non-executives was strengthened in the current year. The previous day-1 induction was extended to 3 days to cover additional topics including HR policies, environmental awareness, and sustainability practices. Letters and handbooks are also issued within these three days.

HUMAN CAPITAL

Recruitment by Age Group



Recruitment by Gender

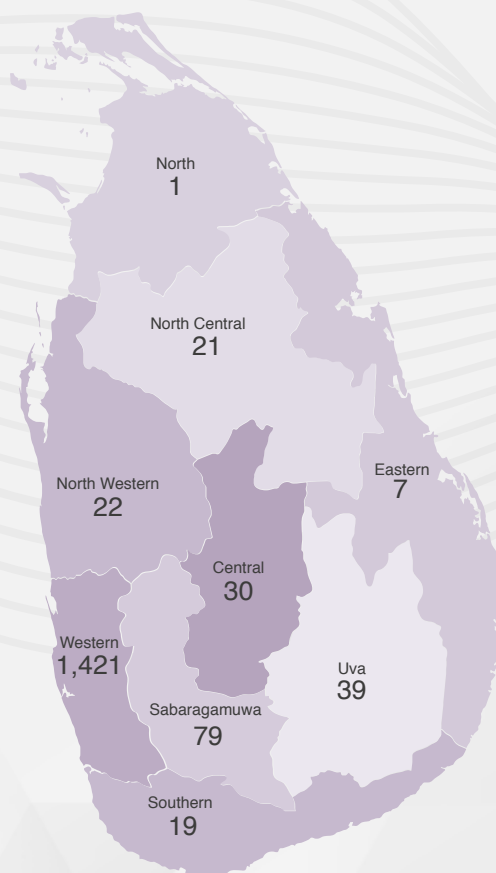


Employee Movement in FY 2024/25			
New Hires by Gender	Male	Female	Total
Hayleys Fabric PLC	474	276	750
South Asia Textiles Limited	595	294	889

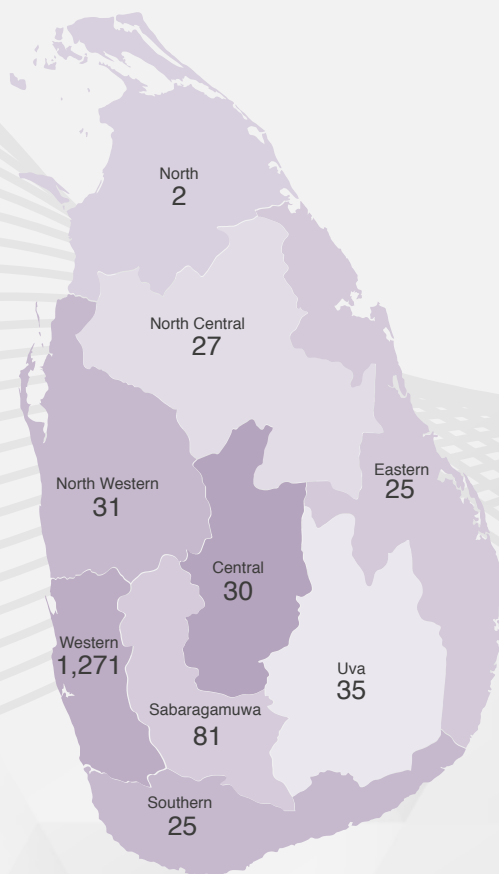
NEW HIRES BY REGION AND GENDER

- Hayleys Fabric Group

Central		
Male		22
Female		8
Eastern		
Male		6
Female		1
North Central		
Male		11
Female		10
North Western		
Male		14
Female		8
Northern		
Male		1
Female		0
Sabaragamuwa		
Male		57
Female		22
Southern		
Male		11
Female		8
Uva		
Male		30
Female		9
Western		
Male		917
Female		504



Employee Turnover by Gender	Male	Female	Total
Hayleys Fabric PLC	488	212	700
South Asia Textiles Limited	624	203	827

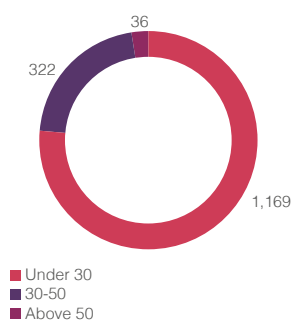


EMPLOYEE TURNOVER BY REGION AND GENDER

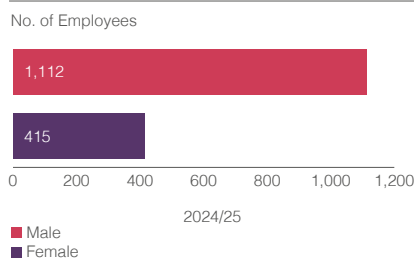
- Hayleys Fabric Group

Central		
Male	27	
Female	3	
Eastern		
Male	22	
Female	3	
North Central		
Male	23	
Female	4	
North Western		
Male	26	
Female	5	
Northern		
Male	1	
Female	1	
Sabaragamuwa		
Male	58	
Female	23	
Southern		
Male	20	
Female	5	
Uva		
Male	29	
Female	6	
Western		
Male	906	
Female	365	

Turnover by Age Group



Turnover by Gender



HUMAN CAPITAL

REMUNERATION AND BENEFITS

Hayleys Fabric Group is dedicated to offering fair, competitive, and equitable remuneration and benefits. As per the Compensation Policy in place, remuneration is determined by the principle that employees should be rewarded appropriately for their contributions, aligned with industry standards and best practices.

For executive roles, compensation is based on skills, competency requirements, and demands of the job role. Additionally, industry standards and best practices also play a crucial role in determination of executive salaries, with regular salary reviews conducted to ensure the Group's structures remain competitive with market norms.

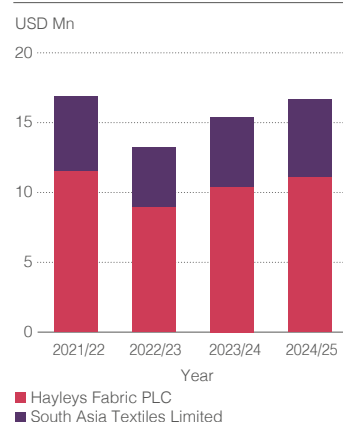
For non-executives, salaries are set in accordance with Minimum Wage regulations. In 2024/25, the National Minimum Wage of Workers (Amendment) Act raised the national

minimum monthly wage from Rs. 12,500 to Rs. 17,500, and the daily minimum wage from Rs. 500 to Rs. 700. In response, the minimum wage for Hayleys Fabric Group's non-executive employees under the Wages Board ordinance was increased to Rs. 21,000 in May 2024, well above the regulatory minimum.

In parallel, a salary restructure was carried out for non-executive employees (clerical, supervisory, manual, and casual workers) covered by the Shop and Office Act, where a new minimum salary of Rs. 26,000 was introduced, taking into account role-specific qualifications and experience.

In line with the new legal requirements, Hayleys Fabric Group also strengthened its internal systems, including the establishment of a Compliance Log to enable ongoing monitoring of wage disparities across employee

Remuneration



categories. Additionally, as stipulated by law, all employees are entitled to EPF and ETF on their basic salary as well as gratuity upon completion of five (5) consecutive years of service.

In addition to their basic salaries, Hayleys Fabric Group's employees also enjoy a range of monetary and non monetary benefits.

Benefit	Executive	Non-Executive
Attendance Incentives		√
Shift Incentives		√
Production Incentives	√	√
Annual Bonus	√	√
Annual Salary Revision	√	√
Annual Salary Increment	√	√
Leave Encashments		√
Best Attendance		√
Funeral Fund	√	√
Festival Advance		√
Forklift Performance Incentives		√
Chemical Handling Incentives		√
Fabric Inspection Incentives		√
Fire Team Membership Incentives		√
Non-Financial Benefit		√
Uniforms	√	√
Transports	√	√
Personal Safety Equipment (PPE's)	√	√
Tea and Snacks (Day and Night shift)	√	√
Medical Insurance	√	√
Rewarding best performance employees	√	√
Parental Leave (Paternity – approved recently) & Maternity Leaves)	√	√
Gift Ceremony for employee's children who excelled in O'level/ A'level/ Grade 05 Exams	√	√
Annual Book Donation	√	√

Benefit	Executive	Non-Executive
Health & Medical Camps	√	√
Women Empowerment Annual Training / Workshop Programs	√	√
First Aid Courses / Development Courses for Employees	√	√
SLITA Diploma Program for Employees	√	√
Company Doctor Consultation (Free Medical services in-house)	√	√

In keeping with global best practices, the Maternity Leave Policy was also updated in the current year and renamed the Parental Leave Policy to include paternity leave. Under the revised policy, male employees are entitled to 3 days of paid leave following the birth of a child.

In compliance with the Shop and Office Employees Act of 1954 (amendment Act No.14 of 2018) and the Wages Board Ordinance Amendment Act, female employees are entitled to 84 days paid maternity leave, post-delivery as well as two hours nursing time for a period of one year after returning to work.

Parental Leave	2024/25	2023/24
Total number of employees that were entitled to parental leave	753	598
Total number of employees that took parental leave	11	9
Total number of employees that returned to work in the reporting period after parental leave ended	10	4

PERFORMANCE MANAGEMENT

All permanent employees of the Hayleys Fabric Group are entitled to benefit from the Group's performance evaluation process. A two-tier performance evaluation structure is in place to ensure the performance of both executives and non-executives are evaluated annually, if not more often.

As per the established framework, the performance of executives is evaluated bi-annually through the mid-year review and again at the

Annual Performance Review - both formal processes that focus on reviewing employee progress on quantitative targets and qualitative goals, thereby providing a vital link between the performance of individuals and teams in relation to stated objectives of the Group. Training needs assessments also form an important part of the mid-year and annual appraisal process, while decisions regarding increments and promotions are made based on the results of the annual performance appraisal process.

The performance of non-executives is evaluated on an ongoing basis by their respective line managers, based on job-specific quantitative targets, a process that helps to identify and correct performance gaps. Non-executives who achieve targets are incentivized accordingly. Meanwhile increments for non-executive employees are defined based on the performance appraisal system.

Performance Evaluation of Permanent Employees - 2024/25									
Company		Executive and above Clerical		Supervisory and Allied		Manual Grade		Total	
		No of Heads	%	No of Heads	%	No of Heads	%	No of Heads	%
Hayleys Fabric PLC	M	185	100%	226	100%	1,073	100%	1,484	100%
	F	58	100%	21	100%	314	100%	393	100%
South Asia Textiles Limited	M	150	100%	215	100%	795	100%	1,160	100%
	F	28	100%	53	100%	279	100%	360	100%

Promotions Granted						
Employee Category	2024/25		2023/24		2022/23	
	Men	Women	Men	Women	Men	Women
Hayleys Fabric PLC	79	22	42	8	41	17
South Asia Textiles Limited	84	37	50	9	7	3

HUMAN CAPITAL

TRAINING AND DEVELOPMENT

Training is a critical component of Hayleys Fabric Group's strategy to build a highly skilled, productive, and motivated workforce. As a manufacturing organisation, the Group places significant emphasis on both technical and leadership training to ensure that employees are equipped with the necessary skills to excel in their roles and contribute to the overall success of the organisation. Training is delivered through a combination of on-the-job training, workshops and classroom training, coupled with coaching and mentoring, all aimed at building expertise in specific areas of manufacturing.

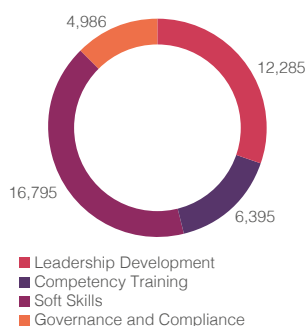
The Group's annual training budget allocates significant resources towards technical training. Leadership training represents another key component of the Group's training agenda. Typically aligned with the Group's talent development and succession planning initiatives, leadership training interventions such as the newly-launched People Leaders Development by Sandbox PLDP, aim to enhance employee skills in decision-making, people management, and strategic thinking in order to prepare them for leadership roles in the future.

A key leadership development initiative for the current year was the "Advanced Leadership Training Programme - Crafting Future

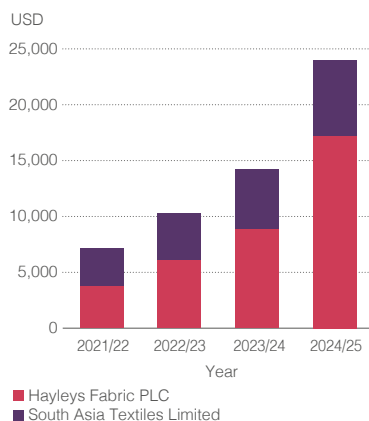
Leaders" which saw the participation of 30 Executive Grade & Above employees.

Average Training Hours by Gender	
Male	10.30
Female	21.93
Average Training Hours by Gender	
Managerial	26.39
Executives and Junior Executives	6.28
All Others	13.11

Training Mix (Hours)



Investment in Training



Training Hours for FY 2024/25			
Executives		Non-Executives	
M	F	M	F
3,655	880	21,890	14,034

EMPLOYEE RELATIONS

The Group recognises that strong employee relations are crucial to cultivating an engaged and motivated workforce leading to higher job satisfaction, increased productivity, and lower turnover, ultimately driving long-term business success

In relation to executive employees, managers are encouraged to engage in continuous dialogue with their teams through regular team briefings, departmental meetings, and informal discussions. Moreover, the open-door policy empowers employees to reach out directly to their superiors to discuss work-related concerns, seek guidance, or share feedback.

Scheduled trade union meetings serve as the main communication channel for non-executives. The Group Head of HR holds a monthly meeting with trade union representatives to discuss matters pertaining to non-executives. Additionally, suggestion boxes are placed at all sites to capture employee feedback and ideas on cost-saving, product improvements etc

Measuring Employee Satisfaction

The Annual Employee Survey was initiated in Q3 covering 932 employees of Hayleys Fabric PLC and South Asia Textiles Limited.

Key findings: 95% of employed are satisfied with work environment.

Meanwhile, employees are informed of operational changes within 2-4 weeks prior to implementation. Executives are informed by email, while the factory noticeboard is used to communicate operational changes to non-executives. Union representatives are also informed of operational changes at the monthly meetings.

A formal Grievance Handling Procedure, supported by a comprehensive Disciplinary Procedure Policy, is in place to enable employees to anonymously lodge complaints. On-site suggestion boxes provide a confidential avenue for individuals to report grievances. Suggestion boxes are opened by the grievance team officials every two weeks. Under the custody of the grievance team, each case undergoes a thorough investigation, with a detailed report prepared to document findings. Additionally, a Disciplinary Action Register is maintained to track all relevant grievance matters. Training regarding the grievance process is carried out regularly for both executives and non-executives as well as for supervisors involved in managing employee concerns.

OCCUPATIONAL HEALTH AND SAFETY (OH&S)

Adherence to local safety regulations serves as the first point of reference in Hayleys Fabric Group's commitment to occupational health and safety management. Accordingly, all Group sites operate in strict compliance with applicable safety regulations as set out under the Factory Ordinance No 45 of 1942, and its amendments thereto, the Urban Councils Ordinance, Municipal Council Ordinance and the Pradeshiya Sabhas Act. No. 15 of 1987. There were no incidents of non-compliance of safety regulations reported in the current financial year.

OH&S Management System

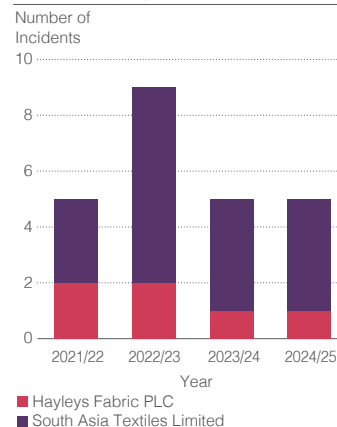
Beyond regulatory compliance, Hayleys Fabric Group continues to demonstrate its commitment to the highest standards of safety excellence through adoption of the ISO 45001:2018 certification. The Group's Occupational Health & Safety (OH&S) Management System which is built around the ISO 45001:2018 includes Standard Operating Procedures (SOPs) that establish a comprehensive ecosystem for workplace safety to protect employees and third parties present at the Group's sites at a given time.

Hazard identification and risk assessment are key components of the OHS Management System. As part of the system, regular inspections, safety walk through and audits are carried out to identify workplace hazards and determine potential risks. Stemming from this, OHS objectives are established supported by appropriate measures to achieve these targets

Governance of the OH&S system has been entrusted to a dedicated safety team, led by the Hayleys

Fabric Group SOHS Manager who has over 35 years of experiences in different multinational companies. Under his stewardship, on-site safety teams oversee the ground-level implementation of the OH&S System, including adherence to SOP's. Safety teams also collaborate with the Group OHS Manager for hazard identification and risk assessment, as well as establishing OHS objectives, formulating appropriate plans to achieve these targets and conducting training. Safety teams are also responsible for investigating incidents / accidents and near misses to identify root causes. All such investigations are formally documented and presented to the Group OHS Manager on a monthly basis. Critical incidents are being communicated with corrective and preventive actions taken among all employees via safety alert to prevent recurrence.

Rate of Injury



Safety Teams comprise a cross functional teams represented by both the Management cadre and non-executive cadre, including male and female workers at all levels as well as Union representatives, thus creating a forum to support employee participation in safety matters. Well trained fire team is established, and team members are available on all shifts and ensure fire safety at site.

HUMAN CAPITAL

Potential Safety Risks at Hayleys Fabric PLC and South Asia Textiles Limited	
Identified Risk Activity	Safety Measures Adopted
Handling of chemicals in the dying process	Comprehensive safety data sheets detailing proper chemical handling process, including use of appropriate PPE
	Storage of chemicals as per manufacturer recommended specifications and considering the compatibility
	Lockout and tag out procedures
Injury due to moving parts of mechanical equipment	Appropriate safeguards for all moving parts
	Clear guidelines for safe use of machinery and equipment
	Instruction and facilitate to wear appropriate PPE
	Lockout and tag out procedures
Noise / heat / dust etc	Installation of dust screens
	Installation of temperature controlled systems and monitoring of ambient environment within the factory
	Use of noise insulation materials and wearing suitable PPE

In our supply chain, we recognise potential challenges such as long working hours, compensation concerns, and limitations on freedom of association. We proactively address these through regular audits, supplier engagement, and strict adherence to our social compliance standards.

Hayleys Fabric Group Injury / Ill Health Record					
	2024/25	2023/24	2022/23	2021/22	2020/21
No. of minor injuries	109	101	144	74	32
No. of major injuries	Nil	Nil	Nil	Nil	Nil
No. of fatalities	Nil	Nil	Nil	Nil	Nil
No. of lost workdays due to injury	218	187	184	211	116
No. of cases of ill health	Nil	Nil	Nil	Nil	Nil
No. of fatalities due to ill health	Nil	Nil	Nil	Nil	Nil
No. of lost workdays due to ill health	Nil	Nil	Nil	Nil	Nil

Safety Training Hours for FY 2024/25		
	Male	Female
South Asia Textiles	2,067	443
Hayleys Fabric PLC	855	1,189



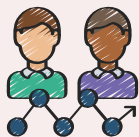
Head count of workers who are not employees

Details of outsourced employees 31st March 2025

Type of non-employees	Group Head Count	
	Male	Female
Clerical & Supervisory	211	97
Manual Grade	121	60
	332	157

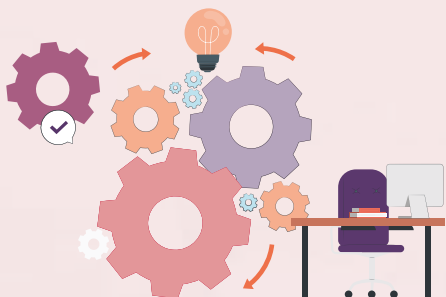
Focus for the Future		
Key Priorities	Short Term	Medium - Long Term
Improve Gender balancing further	Launch more retention strategies to keep male and female staff who have more experience.	Recruit more female staff to production departments to balance the gender inequality.
Improve the technical skills of the production workforce	Increase the number of training sessions and arrange short production courses for the production staff	Get support from the foreign technical expertise and plan for more high-level technical sessions for production staff.





SOCIAL AND RELATIONSHIP CAPITAL

Social and Relationship Capital represents the ties with key stakeholders - customers, suppliers, and local communities, that together help to safeguard business continuity, and sustain growth.



MANAGEMENT APPROACH

Form long term strategic partnerships with key customers, major suppliers and the wider community based on the principle of shared value.

Risks



- ❑ Low switching costs prompting customers to diversify their sourcing strategies
- ❑ Supply chain disruptions that could lead to disruption of production schedules

Opportunities



- ❑ Further development of tier 2 brands
- ❑ Making inroads into emerging markets

Material Matters



- ❑ Supplier social & environment assessment
- ❑ Procurement practices
- ❑ Human rights & social compliance
- ❑ Regulations and compliance
- ❑ Customer health and safety
- ❑ Climate change adaptation
- ❑ Customer satisfaction
- ❑ Technology and product innovations
- ❑ On time delivery (OTD)
- ❑ Principal relationships
- ❑ Product quality
- ❑ Local communities

KEY ACTIONS

01.

Strengthened the product quality control process

02.

Held Over 850 customer meetings

03.

Conducted 02 supplier audits (SASB)

04.

Invest USD 41,219 in CSR activities

VALUE TRANSFORMATION

Outputs for Hayleys Fabric Group

Key Indicator	Requirement (%)	Achievement (%)
First Time Through (FTT)	95%	93%
On-Time Delivery (OTD)	95%	90%

- 85% of suppliers demonstrating compliance

Stakeholder Outcomes

- 211 new product innovations delivered to customers
- USD 140 Mn paid to suppliers (39%: 61% - local:overseas)
- 2,066 employment opportunities to local community members
- 6,850 direct beneficiaries through CSR projects



SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMERS

Customer Segmentation

Customer segmentation is a critical strategy for Hayleys Fabric Group as it allows the Group to tailor its services, product offerings, and operational strategies to meet the specific needs and preferences of different customer groups. Out of the Group's customer base, Tier 1 customers, which include renowned global apparel brands account for 84% of the annual revenue. Tier 1 customers also account for approximately 90% of the Group's total annual manufacturing capacity utilisation, signalling their commanding role in driving both financial performance and operational efficiency.

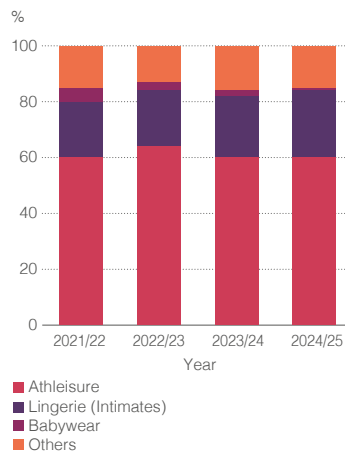
Responsible Products

As a textile manufacturer supplying global fashion brands, Hayleys Fabric Group's approach to product responsibility revolves around quality excellence which is based on an integrated approach to quality assurance encompassing the entire value chain.

Quality assurance begins in close collaboration between the Group's Planning teams and Tier 1 customer representatives to ensure clear communication of product specifications and timelines for order fulfilment. These efforts are complemented by coordinated activities with procurement and production teams, ensuring smooth planning and managing both upstream and downstream timelines.

Beyond this, Hayleys Fabric Group employs rigorous quality control measures, including continuous testing and inspections, not only at the final stages but throughout the entire production cycle, ensuring that products meet both customer expectations and sustainability standards.

Sales Product Categories



Further, the Group prioritises traceability and transparency by maintaining strict documentation and clear reporting to enable customers to track the journey of each product, from raw materials through to finished goods. Accordingly, product labelling provides comprehensive information about the sourcing, manufacturing processes, and certifications associated with each product.

There were no incidents regarding the non-compliance of product safety reported in the current financial year.

There were no incidents regarding the non-compliance of product labelling / marketing information reported in the current financial year.

Commitment to Innovation

Innovation is a fundamental part of Hayleys Fabric Group's commitment to its customers. Through a holistic, 360-degree approach, spanning products, processes, and systems, the Group strives to ensure each aspect of its operations drives continuous improvement in line with customer fulfilment objectives.

New product developments are undertaken in close collaboration with customers. Pre-production meetings with customer

representatives help the Group's technical and production teams to understand customer expectations enabling Hayleys Fabric Group to stay ahead of market trends and meet the dynamic needs of the global fashion industry.

Hayleys Fabric Group's process innovation primarily focuses on quality improvements, supported by rigorous monitoring and quality checks. Throughout the production process, strict adherence to customer quality specifications is maintained across all stages targeting more than 95% First Time Through (FTT) across all processes.

In the current year, the Group took further steps to improve quality performance by introducing a midway-quality assurance inspection process ahead of the final testing stage. These midway-process inspections, conducted daily for every batch, aim to ensure necessary corrections are made before the final quality assurance stage. Additionally, a range of new quality-related KPIs were incorporated into the daily monitoring process.

To provide additional assurance, arrangements were made for customer quality inspectors to review the quality parameters within the premises before the fabrics are dispatched. This dual inspection process forms part of the broader objective to secure the green channel facility from key customers, a mechanism that represents increased customer trust.

Process innovation is also undertaken in line with the growing industry-wide emphasis on sustainability. The Group's R&D teams, including engineering experts, focus on optimising the manufacturing process to increase energy efficiency, reduce resource consumption, and minimise waste to support customers' sustainability goals.

Managing Feedback and Complaints

Recognising that effectively managing feedback and complaints is crucial for maintaining strong relationships, the Group has adopted a structured mechanism to regularly connect with customers. Online weekly progress meetings with all Tier 1 customers facilitates two-way communication and focuses on obtaining feedback and understanding customers' evolving expectations. These meetings also provide an opportunity for customers to review progress of ongoing projects, assess KPIs and highlight shortcomings. Meanwhile, the customer visits by the Group's Marketing and Customer Care teams foster direct communication and serve as a vital channel for promptly resolving complaints.

All customer complaints along with the resolutions provided are formally documented, with the data used to drive continuous improvement of internal systems and processes with a view to enhancing the overall customer experience.

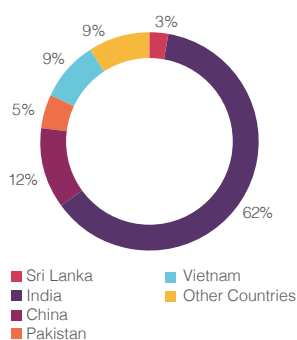
Data Privacy

Given that Hayleys Fabric Group deals with large global fashion brands, data privacy is a top priority. Customers' intellectual property rights are protected via Non-Disclosure Agreements (NDAs) signed during New Product Developments. Moreover, all Tier 1 customers are assigned a designated team to ensure sensitive data is protected. Any dissemination of information is done only with proper authorisation and high-level approval to maintain security. There were no incidents regarding the breach of customer data privacy reported in the current financial year.

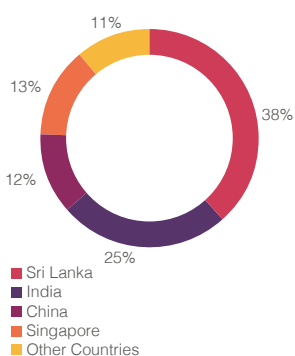
Supply Chain Management

Hayleys Fabric Group's supply chain network consists of 1,383 players supplying crucial items for the Group's day-to-day activities. Suppliers who provide essential inputs such as Yarn & Greige as well as Dyes & Chemicals account for between 55% - 60% of the total annual procurement value, and are therefore deemed material suppliers (Tier 1) for the Hayleys Fabric Group. Both Yarn & Greige as well as Dyes & Chemicals are procured from suppliers in India, Asia and Europe, while Dyes & Chemicals are also sourced locally from suppliers based in Sri Lanka. Overseas suppliers account for approximately 61% of the average annual procurement spend, with local suppliers accounting for the remaining 39%.

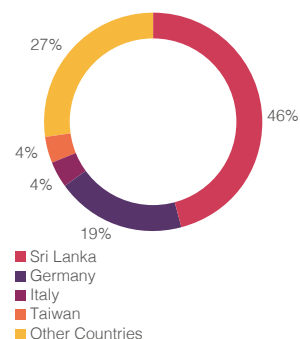
Yarn & Greige Supplier by Country



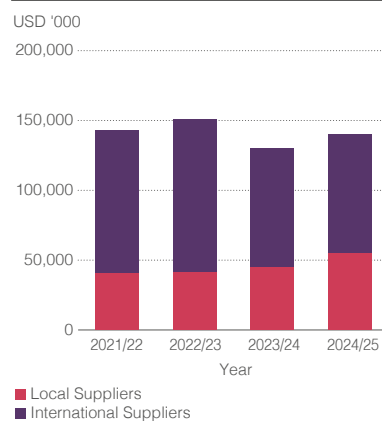
Dye & Chemicals Supplier by Country



Machinery & Spare Parts Supplier by Country



Amount Paid to Suppliers



Given Hayleys Fabric Group's heavy dependency on suppliers, a dedicated Supply Chain Management Unit is entrusted with the responsibility of managing supply chain activities in line with the Group's Procurement Guidelines which includes category-wise Standard Operating Procedures for selecting, on-boarding and managing Tier 1 suppliers.

SOCIAL AND RELATIONSHIP CAPITAL

Suppliers Assessment and On-Boarding

1

Supplier Assessment Program: All new suppliers undergo a stringent assessment to evaluate their capabilities and credentials, including:

- Capacity: Ability to meet demand.
- Quality Standards: Compliance with required quality levels.
- Legal and Regulatory Compliance: Adherence to relevant laws and regulations.
- Financial Stability: Ensuring the supplier is financially sound.
- Delivery Track Record: Evaluating historical performance in terms of on-time delivery.

2

Self-Declaration of Sustainability Commitment: As part of the assessment, suppliers are required to submit a self-declaration confirming their adherence to environmental and social sustainability best practices. This is done through customised self-declaration formats designed in alignment with the SASB (Sustainability Accounting Standards Board) Framework, which helps evaluate the supplier's environmental and social sustainability credentials.

3

Additional Requirements for Yarn & Greige Suppliers: Suppliers of yarn and greige fabrics are asked to provide additional information to meet the Group's traceability standards.

4

Due diligence activities including the site visits by the Hayleys Fabric Group Management Team and verification of certifications EPLs (Environment Protection License), Global Convention, SWML (Schedule Waste Management License), ZDHC, Blue sign, Oekotex certifications etc. by the Hayleys Fabric Group Compliance Team.

Supplier Monitoring and Development

Supplier monitoring and development forms an integral part of Hayleys Fabric Group efforts to build a reliable and resilient supply chain to safeguard the continuity of Group operations notwithstanding cyclical fluctuations in global economic activity.

The Hayleys Fabric team conducts annual audits, spot audits, and unannounced site visits to assess supplier performance. These evaluations help identify gaps in compliance and ensure adherence

to contractual agreements, industry regulations, and sustainability best practices. In recent times, the audit framework has been further strengthened with the inclusion of social and environmental audits that examine labour laws, human rights, workplace safety, and diversity policies followed by suppliers together with environmental impact assessments to evaluate carbon footprint, waste management, energy utilisation, and responsible sourcing commitments. Audit findings are documented and reported to the relevant authorities for appropriate action on addressing

non-compliances. These efforts are further complemented by independent assurance through independent third-party verification platforms such as Sedex that require suppliers to provide measurable KPIs on sustainability and responsible business practices.

Suppliers are rated based on their overall performance, and those receiving B and C ratings are provided with additional support to address areas of non-compliance, including through capacity-building initiatives.

Suppliers assessed for risks related to corruption

Total number of new suppliers assessed for risks related to corruption .	05 process is ongoing
Total number of suppliers benefitting from anti-corruption training and awareness	Nil
Total number of incidents of corruption detected in the supply chain	Nil
Action taken in relation to incidents	Nil

Supplier environmental Assessment	
Percentage of new suppliers that were screened using environmental criteria	02
Total number of existing suppliers assessed for environmental impacts	48
Number of suppliers identified as having significant actual and potential negative environmental impacts	Nil
Significant actual and potential negative environmental impacts identified	Nil
Percentage of suppliers with whom improvements were agreed upon as a result of negative environmental impacts identified	Nil
Percentage of suppliers with whom relationships were terminated as a result of then negative environmental assessment, and why.	Nil

Supplier Social Assessment	
Percentage of new suppliers that were screened using social criteria	02
Total number of existing suppliers assessed for social impacts	48
Number of suppliers identified as having significant actual and potential negative social impacts	Nil
Significant actual and potential negative social impacts identified	Nil
Percentage of suppliers with whom improvements were agreed upon as a result of negative social impacts identified	Nil
Percentage of suppliers with whom relationships were terminated as a result of the social assessment, and why.	Nil

COMMUNITY

Community Empowerment

Hayleys Fabric Group is deeply aware of the broader community in which it operates and recognises its responsibility to create a meaningful and lasting impact. While acknowledging that the employment opportunities generated through the core business activities contribute positively to uplifting communities, the Group acknowledges that as a manufacturing organisation, emissions and noise disturbances associated with factory operations can cause potential damage to

those residing in and around the vicinity of the Group's operational sites. Understanding this dual impact, Hayleys Fabric Group has established a structured approach to direct resources toward community empowerment while mitigating any negative effects.

The Group focuses on job creation, particularly for women, targeting 25% female workforce participation, alongside a comprehensive approach to Corporate Social Responsibility (CSR), to support education and community wellbeing.

A well-defined governance structure ensures the effective implementation of community initiatives, with top management actively engaging in the process. The MD/CEO and Executive Director of HR & Administration regularly interact with community leaders, local councils, and interest groups to understand community concerns, identify challenges, and collectively develop solutions to address them.

A total of USD 41,219 was incurred got Group-wide CSR initiatives in 2024/25.

Focus for the Future		
Key Priorities	Short Term	Medium - Long Term
Improve mechanism to enhance traceability	Obtain certificates such as certificate of origins, confirmation from government agencies in respective countries etc. perform key tests such as Oritane Test etc.	Incorporate advanced technologies such as RFID tagging to enhance accuracy and facilitate real-time tracking of products
Develop and implement a supplier code of conduct	Establish a Supplier Code of Conduct that clearly defines contract terms, delivery schedules, quality standards, and other key requirements. This code also sets forth explicit environmental and social expectations in line with global benchmarks such as ISO 14001 Environmental Management Standards and SA8000 for social accountability. Additionally, it outlines the consequences of non-conformity and establishes clear processes for dispute resolution and corrective action plans	Commence the upstream supplier evaluation and audit of their ESG compliances

SOCIAL AND RELATIONSHIP CAPITAL



Blessing Ceremony held on 1st January 2025 at Hayleys Fabric PLC



Annual Book Donation - Hayleys Fabric employees' children



Best performed Production department



Annual book donation to neighboring school (Karannagoda)



Anuradhapura Rathmalgahawewa book distribution ceremony



Winners of Grade 5 scholarship examination
- Children of our Employees



Students who have obtained 9 A's in GCE (O/L)
Examination - Children of our Employees



Leadership training programme organised for
senior staff members of the Group



Celebration of Women's Day



Annual Pirith Ceremony 2025



Annual Blood donation event 2025



Blessing Ceremony at South Asia Textiles Limited on 1st January 2025



Celebration of International Women day



Leadership Development Programme for employees



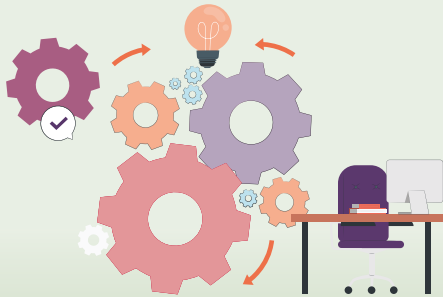
Distribution of books and educational materials to our employees' children



NATURAL CAPITAL

Natural capital is crucial for Hayleys Fabric Group as it directly impacts resource availability, operational continuity, and the Group's ability to align with growing consumer demand for eco-friendly practices

MANAGEMENT APPROACH



The Hayleys Fabric Group's approach to managing Natural Capital begins with the firm commitment to comply with National & Global regulatory requirements applicable to the business. Going beyond compliance, the "Hayleys Lifecode" serves as the overarching mandate that defines the principle approach towards managing Natural Capital and creates a platform for setting clear targets and action plans for driving environmental aspirations. These efforts are further complemented by the Hayleys Fabric Group's commitment to adopt global best practices to counteract the adverse impact caused to the environment due to the core business and also find ways to systematically increase the net positive impact over time.

Risks



- ❑ Climate impact has been impacted on raw material availability
- ❑ Adoption of Global level current and upcoming regulatory changes within a shorter period
- ❑ Extreme weather and environmental shifts may disrupt operational continuity

Opportunities



- ❑ Embracing lean manufacturing and resource conservation
- ❑ Transition toward renewable energy option
- ❑ Leading the transition towards Net Zero.

Material Matters



- ❑ Water stress
- ❑ Regulations and compliance
- ❑ Physical climate risks- rainfall
- ❑ Physical climate risks- temperature
- ❑ Ecological impacts
- ❑ Environmental and social issues along supply chain
- ❑ Energy consumption
- ❑ Customer requirements on sustainability

KEY ACTIONS

01.

SBTi net-zero approval confirming Hayleys Fabric PLC Group operations align with the Paris agreement's 1.5°C pathway to combat climate change

02.

Hayleys Fabric PLC became the first Forest Stewardship Council (FSC)-certified facility in Sri Lanka's textile sector.

03.

South Asia Textiles Limited obtained the Sri Lanka Responsible Care Council Membership in 2025

04.

Both Hayleys Fabric PLC and South Asia Textiles Limited became the first Sri Lankan facilities to achieve ZDHC Verified - Level 1.

05.

South Asia Textiles Limited, a subsidiary of Hayleys Fabric PLC, became an active participant in the United Nations Global Compact

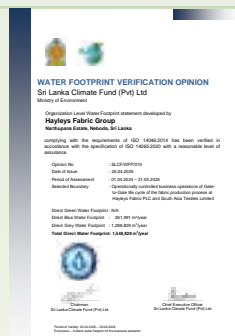
VALUE TRANSFORMATION

Outputs for Hayleys Fabric Group

- ❑ Energy intensity is 85 GJ/MT
- ❑ Emission intensity is 11.7 tCO₂e/MT
- ❑ Water intensity is 157 l/kg
- ❑ ZERO incidents pertaining to non-compliance of regulatory or voluntary requirements, in the current financial year.

Stakeholder Outcomes

- ❑ 9% reduction in grid electricity consumption
- ❑ Water withdrawal of groundwater is 3,504 m³
- ❑ Water discharge to the environment is 2,429,700 m³
- ❑ Zero waste landfills and promote recycled and reclaimed materials
- ❑ Biodiversity conservation and ecological restoration
- ❑ Preservation of natural ecosystems
- ❑ No contamination of water bodies owing ZERO spills



NATURAL CAPITAL

Environmental Governance

Governance Structure

Regulatory Compliance

- Trade License
- Environmental Protection License (Renewed Annually)
- Scheduled Waste Management License (Renewed Annually)

Internal Mandates

- Hayleys Lifecode
- Hayleys Fabric Environmental Policy
- Energy and Emission Management Policy
- Waste Management Policy

Performance Monitoring & Assurance

- ISO 14001:2015 – Environmental Management Standard
- ISO 50001:2018 – Energy Management Standard
- Science Based Targets Initiative (SBTi)
- Higg Facility Environmental Module (Higg FEM)
- CEO Water Mandate
- Carbon footprint quantification in line with ISO 14064-1: 2018 and GHG protocol, verified in line with ISO 14064-3: 2019 standard
- Water footprint verification
- Independent Waste Audit
- Life Cycle Assessment (LCA)

Reporting

- Global Reporting Initiative (GRI) standards - 'In Accordance', issued by Global Sustainability Standards Board
- United Nations Sustainable Development Goals (SDGs)
- Sustainability Accounting Standard for the Apparel, Accessories and Footwear sector standard of the Sustainability Accounting Standards Board (SASB)
- 10 Principles of United Nations Global Compact (UNGC)
- UNGC CEO Water Mandate
- Gender Parity Reporting Framework of CA Sri Lanka
- Adoption of SLFRS S 1 and S 2

Environmental Management System

Fully-fledged EMS encapsulating global best practices set out under.

- Science Based Targets Initiative (SBTi)
 - ISO 14001:2015 – Environmental Management Standard
 - ISO 50001:2018 Energy Management Standard
 - Global Recycled Standard
 - Global Organic Textile Standard
- Standard 100 by OEKO-TEX
 - OSC Blended Organic Content Standard OCS100 - Organic Content Standard Responsible Sourcing Network
 - ECO Label Certification
 - Forest Stewardship Certificate
 - International Renewable Energy Certificate (IREC)
 - ZDHC
 - Responsible Care Council certificate



Materials

As a textile manufacturer, the Hayleys Fabric Group utilizes a combination of renewable and non-renewable materials. The Group's raw material mix typically includes renewable yarn and greige fabrics, comprising 100% synthetic fibers such as polyester and nylon, as well as natural-synthetic blends like poly-cotton.

While material selection is largely dictated by customer preferences, Hayleys Fabric Group has committed to collaborate with its Tier 1 customers in recent years to explore the use of recycled yarn certified under the Global

Recycled Standard. As part of this effort, the Group has partnered with Eco-Spindles, a local recycled yarn producer specialising in polyester yarn made from ocean waste collected along Sri Lanka's shores. This ongoing partnership has enabled Hayleys Fabric Group to systematically increase the percentage of recycled polyester yarn used in production.

Leading the Transition to Eco-friendly Materials



Evolve: The Art of Transformation
- Waste Upcycling Project



Sustainable Yarn Production from Recycled
PET Bottles - Circularity Project



Reducing the use of Hazardous Chemicals
in the Production process



Ongoing research of Nature base
Solution (NbS) to Synthetic dyes

NATURAL CAPITAL

Inspired by the success of these initial attempts, the Group has expanded its recycling initiatives to explore the use of organic cotton and bio-based materials in fabric development. A recent project involved trialling auxiliaries (chemicals) produced from recycled materials.

Another key sustainability initiative is the “Evolve: The Art of Transformation” waste upcycling project in collaboration with the University of Moratuwa. Hayleys Fabric is working on scaling up a successfully proven lab-developed product, which is 100% generated from internal operations.

Meanwhile, non-renewable inputs used in the production processes are mainly in the form of dyes and chemicals. In recent years, Hayleys Fabric Group has made a conscious effort to reduce the proportion of non-renewable used in the day to day operations. These efforts are led by

innovative technology and R & D to develop eco-friendly alternatives.

Evolve: The Art of Transformation - Waste Upcycling Project

Hayleys Fabric PLC in collaboration with the ProGreen Lab at the University of Moratuwa launched Evolve: The Art of Transformation—a pioneering initiative aimed at redefining waste management in the textile industry. The initiative which underscores Hayleys Fabric Group’s commitment to embedding circular economy practices within the textile sector, focuses on converting hazardous and non-hazardous waste into valuable, sustainable construction materials, offering innovative solutions to environmental challenges.

Key Products Developed:

- FabriEco – Geo-polymerised mud concrete blocks made from fabric waste, fly ash, and production wastewater.

- EcoCeil – Composite ceiling boards crafted by repurposing polyester waste and HDPE.
- EcoLam – Laminated sheets for partition walls, made from polyester waste and LDPE.
- EcoPlastic – Synthetic coarse aggregate produced from post-consumer PET plastic waste and fly ash.
- Geo-polymer concrete – Produce the required materials for the concrete by using waste materials such as fly ash. In progress level

Reducing the use of Hazardous Chemicals in the Production process

USD 200,000 Investment to introduce singeing machines to minimise the use of chemicals in the bio-polish process. Another significant advantage of this process is the reduction in water consumption, contributing to overall resource efficiency and sustainability.

Materials used across the Hayleys Fabric Group value chain					
Material Type (MT)		2024/25	2023/24	2022/23	2021/22
Non - Renewable Materials	Yarn & Greige	12,789	10,685	11,097	10,630
	Dyes & Chemicals	11,236	11,358	11,276	14,259
Renewable Materials	Yarn & Greige	6,480	6,536	6,560	8,590
Total Raw Materials		30,505	28,579	28,933	33,479
Non - Renewable Materials	Recycled Yarn	3,414	1,805	2,049	1,150
	% of Recycled Yarn/ Total Material Consumption	11%	6%	7%	3%
	% of Recycled Yarn/ Total Production	22%	11%	12%	7%

ENERGY

Hayleys Fabric Group's operations as a textile manufacturer are highly energy intensive. As such the Group has worked with great conviction to lower the energy intensity of operations by implementing robust energy management practices, investing in energy efficient

technologies, monitoring energy utilisation and savings as well as promoting a culture of conservation.

Keen to align with global best practices, the Group complies with the ISO 50001 Energy Management Standard as the baseline for all energy management activities. Guided by this principle approach,

significant emphasis continues to be placed on energy conversion and clean energy projects with a view to achieving energy efficiency targets. As part of the ongoing effort, the Group invested a collective total of USD 148,153 on energy intensity reduction projects at Hayleys Fabric PLC and South Asia Textiles in the year under review.

Energy Intensity Reduction Projects

1. Smart Energy Saving System of Stenter Machines – installed for 05 Stenter machines
2. New Biomass Weighing Scale System to Measure Biomass Fuel
3. Steam Traps Replacement Project – Dye House Department
4. Compressed Air Leaks Evaluation – Full Factory
5. Automated the Biomass Boiler 02 for Running the Boiler with Required Pressure
6. Replaced the Thermic Oil in Thermic Heater 04 System
7. Refractory Work of Biomass Boilers
8. Washing Range Modification to Use Hot Water for Operation and Reduce Heat-Up Time
9. Replaced the New Thermic Heater without Burner in TB 06 Thermic Heater
10. Power factor optimisation in Motors
11. Installed the 75 KW Inverter-Type Compressor for Compressor Room 01
12. Energy Audit – Expected 15-20% Annual Fuel Savings
13. Insulation Improvement in Steam Distribution System and Condensate Recovery System
14. Stenter - 03 Squeezing Padder Installation
15. Stenter - 01 Controlling System Modification (to PLC with SCADA)
16. Slitting Machine - 01 Performance Improvement (Padder, Centering Unit & Controlling)
17. Stenter - 01, 02, 03, 04 Exhaust System Insulation – Enhancing Work Environment
18. PRS System for Dyeing Steam Distribution

Hayleys Fabric PLC - Pioneering Renewable Energy in Textile Manufacturing

Hayleys Fabric Group is recognised as a trailblazer in the local textile manufacturing industry for its early adoption of renewable energy. The 4.6 MW rooftop solar deck, commissioned in 2021, continues to play a crucial role in the Group's energy mix, significantly reducing reliance on non-renewable sources.

In the year under review, Hayleys Fabric Group further strengthened its commitment to renewable energy by partnering with Hayleys Fentons to establish a 35 kW floating solar system. Additionally, the Group transitioned its Solar Net Plus System to a Solar Net Metering System. These strategic investments, alongside ongoing biomass conversion initiatives, have enabled the Group to strengthen the renewable energy component in the overall energy mix. The Group's energy mix in FY 2024/25 was 73% (Renewable: Non-Renewable).

In December 2024 Hayleys Fabric Group was granted the opportunity to participate in a pilot assessment conducted by Solidaridad to determine the Group's readiness to comply with the European Union Corporate Sustainability Due Diligence Directive (EUCSDDD) framework. If approved, this will mark a crucial step in aligning Hayleys Fabric Group with international compliance and sustainability standards.

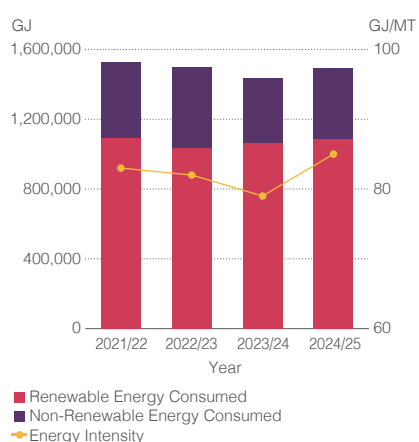


NATURAL CAPITAL

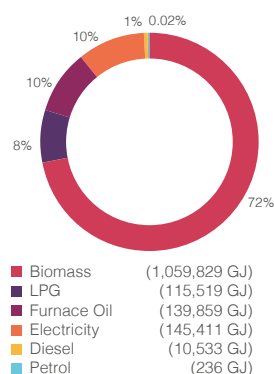
Type of energy	COMPANY		GROUP	
	2024/25	2023/24	2024/25	2023/24
Non-renewable energy (GJ)	318,924	293,621	391,070	393,600
Renewable energy (GJ)/ %	485,297/ 60%	466,340/61%	1,080,317 / 73%	1,063,054 / 73%
Total energy consumption (GJ)	804,221	759,961	1,471,387	1,456,654
Energy intensity ratio (GT/MT of dyeing production)	85.2	77.3	84.9	80.3

Performance Against Lifecode Goals	2030 Target	2024/25 Performance
Sustainable and Renewable energy applications	90%	73%
Sustainable biomass sourcing	100%	72%

Energy Consumption & Intensity



% of Energy by Source



Hayleys Fabric Group's commitment under the SBTi

Near-term targets: Reduce Scope 1 and 2 emissions by 42% and Scope 3 emissions by 25% by FY2030 (base year: FY2021).

Long-term targets: Achieve a 95% reduction in Scope 1 and 2 emissions and a 90% reduction in Scope 3 emissions by FY2050.

EMISSIONS

Emission management remains an important part of Hayleys Fabric Group's broader energy strategy. Since commencing its emission management strategy in 2021/22 by undertaking to measure its emissions profile both direct (Scope 1) and indirect (Scope 2 and Scope 3) emissions, the Hayleys Fabric Group has made major strides in this area.

For the past several years, separate Greenhouse Gas (GHG) Inventory reports have been compiled for Hayleys Fabric PLC and South Asia Textile Limited in accordance with the ISO14064-1:2018 and GHG protocol standard, with the consolidated assessment independently verified by the Climate Fund in line with ISO 14064-3: 2019 standard (under the Ministry of Environment).

In 2024, Hayleys Fabric Group further accelerated its emission strategy by seeking alignment with the Science-Based Targets initiative (SBTi). The Group was on-boarded to the programme in 2024 following formal validation that Hayleys Fabric Group's net-zero greenhouse gas emissions target is aligned with the SBTi Corporate Net Zero Standard, adhering to the 1.5°C pathway critical for combating climate change.

Consequently, the Group has set ambitious near-term targets, aiming to reduce Scope 1 and 2 emissions by 42% and Scope 3 emissions by 25% by FY2030, using FY2021 as the baseline. Over the long term, the Group seeks to achieve a 95% reduction in Scope 1 and 2 emissions and a 90% reduction in Scope 3 emissions by FY2050.

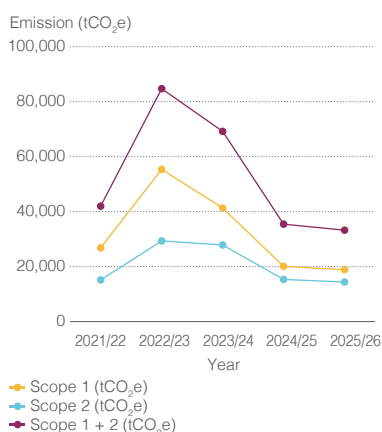
To realise these objectives, Hayleys Fabric Group has implemented

a series of transformative initiatives focused on minimising emissions through energy-efficient technologies. These efforts were accompanied by the launch of a structured programme to gradually phase out heavy fuel oil (HFO) and transition towards low-carbon fuel alternatives, ensuring a more sustainable and resilient energy mix.

Beyond its own operations, the Group is now aiming to promote emission reduction across its supply chain network. A key initiative in this regard was the supplier mapping exercise undertaken in mid-2024 to identify and engage with biomass suppliers located in closest proximity to operational sites. A special initiative was also launched to educate identified suppliers and encourage them to transition from traditional biomass to sustainable biomass, aligned with the SLS 1551 standard.

Emission Footprint- Hayleys Fabric Group				
Scope	2024/25	2023/24	Reduction/(Increase)	
	tCO ₂ e	tCO ₂ e	tCO ₂ e	%
Scope 1	22,254	20,668	(1,586)	-8%
Scope 2	14,073	13,939	(134)	-1%
Scope 1 + Scope 2	36,327	34,607	(1,720)	-5%
Scope 3	168,570	172,321	3,751	2%
Scope 1 + Scope 2 + Scope 3	204,897	206,927	2,030	1%

Absolute Emission Targets (1.5°C)



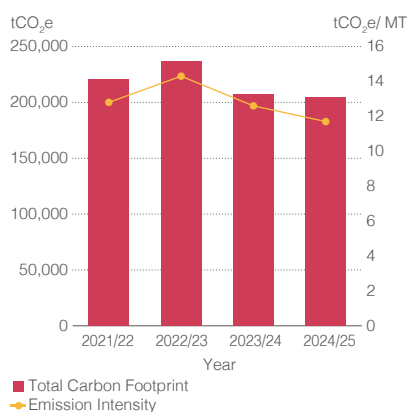
In addition, ambient air quality parameters such as NO₂, SO₂, and Ozone have been tested within the industrial premises in accordance with the specified test methods. The test reports have been submitted to the Board of Investment (BOI) and the Central Environmental Authority (CEA) as required by the Environmental Protection License (EPL) regulations.

Water

Hayleys Fabric Group's day-to-day operations is highly water intensive, with key process of dyeing, all requiring significant volumes of water. Fabric dyeing alone accounts for over 75% of the Group's water intake.

Water for these day-to-day requirements is extracted from nearby sources. Hayleys Fabric PLC relies on the 'Kalu Ganga' River, while South Asia Textiles Limited uses the 'Kelani River, with the

Carbon Footprint



daily average water consumption from these sources amounting to approximately 5,000 m³ and 4,000 m³, respectively.

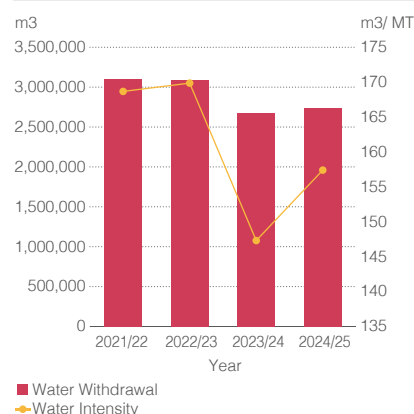
Given the heavy dependence on water resources, the Group has adopted the UN Global Compact CEO Water Mandate to promote responsible water use across operations and work towards reducing water-related risks.

In keeping with these guidelines, both Group entities work within assigned targets to reduce water usage and continue to invest in water efficient technology to reduce water intensity across all key processes. Performance against these targets are regularly monitored and reported to Tier 1 customers, who require such insights. Since achieving "GREEN" status by NIKE in 2016, the Group's water guidelines have been independently verified under the NIKE Sustainable Water initiative.

This initiative mandates the Group to achieve the water target part of the Nike Water Minimum Programme.

In addition, based on the findings from the water audit conducted by an independent third party, the Group is aiming to reduce its current water intensity by 30% in 2030 based on 2022 baseline. In the year under review, the Group also initiated a project to explore the possibility of channelling rainwater towards production requirements, given that water collected through Modified drainage network.

Water Withdrawal & Intensity



NATURAL CAPITAL



Water Treatment Efficiency Pumps Replacement Project



Cooling water recovery project



Inventor & electrical panels for water recovery system



Blow Down Water Recovery System



Filter Backwash Water Recovery System



Installation of rotor screen for Grid removal of ETP



Sand Filter Replacement



Water Treatment System Automation

Blowdown Recovery Project to Recycle Treated Water

The Blowdown Recovery Project involving an investment of USD 18,526 aims to reduce freshwater consumption by collecting washed water from the raw water treatment plant's sedimentation tanks. Previously discharged directly into the 72,000 m³ to river per year. The same volume of water is now collected in a tank, allowed to settle, and then reused in the raw water treatment plant.

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

Hayleys Fabric PLC - Water (m ³)	Location	2024/25	2023/24	Source Classification	Measurement
Withdrawal	Kalu Ganga	1,565,994	1,507,961	Surface water- fresh water	Daily
Withdrawal	Tube well	3,504	3,168	Ground water- fresh water	Daily
Withdrawal	Third party water	2,294	2,071	Third party water	
Grey Water	Recycled	461,374	398,647	Recycled	Calculated
Discharge	Kalu Ganga	1,431,063	1,413,473	Surface water- fresh water	Calculated

South Asia Textiles Limited - Water (m ³)	Location	2024/25	2023/24	Source Classification	Measurement
Withdrawal	Kelani River	1,161,794	1,156,420	Surface water- fresh water	Daily
Grey Water	Recycled	203,235	276,931	Recycled	Calculated
Discharge	Kelani River	998,638	982,559	Surface water- fresh water	Calculated

Waste and Effluents

Hayleys Fabric Group's waste footprint comprises both hazardous and non-hazardous waste generated as a result of manufacturing processes. Hazardous waste (Scheduled waste), consisting mainly of chemical sludge collected by the on-site effluent treatment plant, is managed in accordance with the Central Environmental Authority's (CEA) scheduled waste management license. Since 2017, the Group has also committed to the Zero Discharge of Hazardous Chemicals (ZDHC) standard, with all sludges being directed as alternative energy to Cement Kiln co-processing in partnership with INSEE Cement Sri Lanka.

Non-hazardous waste including wastewater generated during production is treated on-site and reused or recycled where possible. Almost 100% of treated wastewater is discharged to the environment, with strict monitoring to ensure compliance with the effluent water quality standards stipulated by the EPL (Environmental Protection License) issued to each entity by the CEA. No significant spills were reported in the current financial year.

Commitment to Reducing Hayleys Fabric Group's water Footprint



Blowdown Recovery Project to reduce freshwater intake

NATURAL CAPITAL

Hayleys Fabric Group Waste and Waste Sources



Waste Type	Hayleys Fabric PLC		South Asia Textiles Limited		Group	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
Directed to Disposal						
Hazardous Waste	2,340	2,328	1,017	1,327	3,357	3,655
Total waste - MT (Disposed according to CEA requirements)	2,340	2,328	1,017	1,327	3,357	3,655
Diverted from Disposal						
Non- Hazardous Waste	1,558	1,515	1,233	1,140	2,791	2,655
Total waste - MT	1,558	1,515	1,233	1,140	2,791	2,655
% of waste recycled or incinerated through third party contractors	67%	65%	57%	58%	63%	62%

Biodiversity

The operational sites of both Hayleys Fabric PLC and South Asia Textile Limited are not located in designated biodiversity hotspots and hence do not pose any direct threat to protected ecosystems. Nevertheless, Hayleys Fabric PLC has an ongoing partnership with the University of Sri Jayewardenepura, where the

Group has allocated USD 7,500 towards funding research on the surface water of Kelani River as well as for screening and quantification of antibiotic residues, antibiotic-resistant bacteria, and antibiotic resistance genes in the surface waters of the Kelani River basin, Sri Lanka.

Moreover, the Group has made a further commitment to support the country's endeavour to preserve biodiversity by undertaking high impact projects focusing on ecosystem restoration, reforestation as well as driving environmental awareness among employees and the wider community.

"Breath – A Better Environment for All" is a long-term project initiative launched by the Hayleys Fabric Group in September 2024. Implemented in 3 phases, the project demonstrates the Group's commitment on environmental preservation and community empowerment, while highlighting the alignment with key United Nations Sustainable Development Goals (SDGs).

Phase 1: Coastal Ecosystem Restoration



KEY ACTIVITIES:

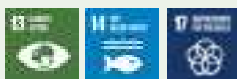
Education Programmes:

Highlighting the ecological importance of coastal and mangrove ecosystems.

Cleanup Drive: Collecting 500 kilograms of waste, responsibly disposed of by INSEE Ecocycle.

Mangrove Planting: Planting 1,000 mangroves to promote biodiversity and combat climate change.

Phase 2: Empowering Future Environmental Champions in celebration of World Children's Day 2024



KEY ACTIVITIES

Beach Cleanup: Engaging students and community members in a collaborative cleanup effort.

Art Competition: Encouraging children to creatively address marine pollution.

Educational Sessions: Focusing on the ocean ecosystem and the textile industry's role in sustainability.

Recognition: Awards and certificates distributed by senior officials from Hayleys Fabric Group and the Central Environmental Authority.

Conservation of Lagenandra Species in Collaboration with Universities

A joint project between Hayleys Fabric PLC in partnership with the University of Peradeniya, Wayamba University of Sri Lanka, and the Central Environmental Authority, to conserve the endemic Lagenandra species at the Diyathuru Uyana Wetland Park, the initiative involved germinating plants in laboratory conditions and creating suitable habitats for their restoration. Following its successful conclusion, the project was vested with the relevant community stakeholders for continued conservation.

Collaborative Tree Planting

Another joint initiative between Hayleys Fabric PLC and the Group's Tier 1 customer - VS&Co, the project was conducted on 30th April 2024 at Diyathuru Uyana wetland park under the theme "Planting Hope, Protecting Diversity." Over 100 native trees were planted, with plans to double the number in the coming months.

Focus for the Future		
Key Priorities	Short Term	Medium - Long Term
Emissions	Reduce Scope 1 and 2 emissions by 42% and Scope 3 emissions by 25% by FY2030 (base year: FY2021)	Achieve a 95% reduction in Scope 1 and 2 emissions and a 90% reduction in Scope 3 emissions by FY2050 (Net Zero Target)
Waste	Conduct fully waste mapping for all waste streams. Invest in a dedicated waste collection yard in compliance with regulatory requirements, to facilitate effective waste segregation and handling	Ensure that all waste management partners comply with global and national regulatory requirements while enhancing their compliance standards. Focus on inhouse schedule waste destruction method
Water	100% reuse the cooling water in South Asia Textiles. Identify water wasting points, unknown leakages to save further freshwater intake.	Switching to effluent water recycling and enhance the rainwater capacity. Reduction in water intensity by 30% in 2030
Biodiversity	Promoting biodiversity improvement projects such as mangrove restoration, biodiversity park, tree planting	Long term ecological restoration and ecosystem conservation programs with external parties such as Biodiversity Sri Lanka to make positive impact on biodiversity.

NATURAL CAPITAL

University Collaboration Projects: A Pathway to Academic Synergy

Restoration of Threatened Lagenandra Species



Hayleys Fabric PLC, in collaboration with the University of Peradeniya, Wayamba University, and the Central Environmental Authority, successfully completed a biodiversity conservation project to restore the endangered endemic Lagenandra species in Kaluthara district. The project has now been officially handed over to the community to ensure its long-term sustainability.



Collaboration with University of Jayewardenepura



Hayleys Fabric PLC, in collaboration with University of Jayewardenepura, successfully completed a project on Screening and Quantification of Antibiotic Residues, Antibiotic-resistant Bacteria, and Antibiotic Resistance genes in the surface waters of the Kelani River Basin, Sri Lanka.



Evolve – The Art of Transformation



Hayleys Fabric PLC, in collaboration with the University of Moratuwa, successfully conducted a waste upcycling project to upcycle both Hazardous and Non-hazardous waste into ecofriendly construction materials.



Empowering Innovation through Stakeholder Engagement, Community Collaboration, and Education

Collaborative tree planting activity at Diyathuru Uyana wetland area (Brand Partnership)



"Planting Hope, Protecting Diversity" came to life as Hayleys Fabric PLC and Victoria's Secret & Co. united to green the Diyathuru Uyana wetland park, sowing over 100 rare saplings and a long-term vision for environmental restoration.



Participation in the WLI Asia-Oceania Conference 2024



At the first-ever WLI Asia-Oceania Conference, Hayleys Fabric PLC was honored as a pioneering facilitator in global wetland advocacy, championing education, conservation, and the transformative impact of its own Diyathuru Uyana wetland park.



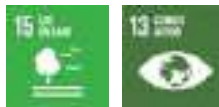
Post-Flood Well Purification for Community Resilience



In response to the July 2024 floods, Hayleys Fabric PLC restored over 100 flood-affected wells and empowered communities with flood safety education, reaffirming its commitment to resilience and public well-being.



Tree Planting Initiative at South Asia Textiles Limited



On World Environment Day 2024, South Asia Textiles Limited planted over 150 native and endangered trees at its Thuru Arana forest.



Thirasara Ru 2024 Art Exhibition and Award Ceremony



“Thirasara Ru 2024” brought together creativity and sustainability, as employees and their children expressed powerful environmental themes through art inspired by the SDGs, reinforcing our commitment to education and innovation.



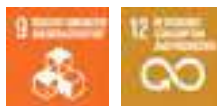
Strengthening Community Bonds Through Environmental Awareness Sessions



Building our communities through participatory environmental initiative.



Hayleys Fabric PLC Hosts Nike Learning Community Visit



Hayleys Fabric PLC welcomed over 100 local and international delegates from the Nike Learning Community, offering a firsthand look at its integrated approach to sustainability, compliance, and operational excellence. The visit highlighted the Company's leadership in best practices, especially in energy and water efficiency, and active engagement in biodiversity conservation also, earning widespread recognition for its commitment to responsible innovation.



NATURAL CAPITAL



A
GROUNDBREAKING
INITIATIVE
BY HAYLEYS FABRIC GROUP



The CSR strategy of the Hayleys Fabric Group for ESG, which includes Hayleys Fabric PLC and South Asia Textiles Limited, is diversified into five pillars

Our ocean, Our planet

Beach cleanup at Koggala Beach: Successfully collected 500kg+ of waste and co-processed with INSEE Ecocycle.

Planting over 1,000 mangroves in Thalathuduwa Island.



Environment Pioneers Development

Collaboration with Central Environment Authority – Sri Lanka, Environmental Pioneers, and School Teachers.





The Fibres of **Fortitude**

**VOLUNTARY
DISCLOSURES**

UNITED NATIONS GLOBAL COMPACT - HIGHLIGHTS

The Ten Principles of the UN Global Compact	Disclosure References
HUMAN RIGHTS	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	<p>We are committed to maintaining operations in compliance with local regulations and international best practices on human right across prevention of child labour, forced and compulsory labour, non-discrimination, Freedom of association/collective bargaining, health and safety, fair wages and zero tolerance against any form of harassment.</p> <p>Our efforts are governed by Board approved policies and practices.</p> <p>The voluntary adoption and benchmarking of our practices to industry-specific global certifications including SEDEX, SLCP, ISO 45001:2018 Occupational Health and Safety Management and Higg INDEX - Facility Social & Labor Module is an endorsement of our commitment.</p> <p>Further, we strive to ensure the safeguarding of human rights across our supply chains. Raw material suppliers are screened for environmental and social compliance prior to onboarding, to ensure ethical and sustainable business practices.</p> <p>Refer: Corporate Governance – page 184, Human Capital - page 130, Supplier screening, onboarding and engagement, Social and Relationship Capital - page 144.</p>
Principle2: Make sure that they are not complicit in human rights abuses.	<p>A robust risk management framework including assurance and annual assessments by third party auditors of accreditations for social compliance, serves to verify our operations.</p> <p>Refer: Risks and Opportunities - page 74</p>
LABOUR	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	<p>Hayleys Fabric Group believes in freedom of association. We maintain very strong relationships with the three trade unions representing 18% of our employees at Hayleys Fabric PLC.</p> <p>Refer - Respecting the Freedom of Association - Human Capital Page 130</p>
Principle 4: The elimination of all forms of forced and compulsory labour;	We maintain operations in compliance with local regulations opposing child labour and all forms of forced and compulsory labour.
Principle 5: The effective abolition of child labour; and	<p>A Supplier due diligence questionnaire completed as part of the supplier screening process, ensures illegal forms of employment are eradicated from the Group's supply chain.</p> <p>Refer Respecting Human Rights - Corporate Governance - page 184, A Preferred Employer - Human Capital - page 130, Supplier screening, onboarding and engagement - Social and Relationship Capital - page 144</p>
Principle 6: The elimination of discrimination in respect of employment and occupation.	<p>Hayleys Fabric PLC is an equal opportunity employer, and does not discriminate against gender, marital status, religion, race, or disability.</p> <p>Refer Embracing Diversity, Equity and Inclusion As A Differentiator – Human Capital page 130</p>
ENVIRONMENT	
Principle 7: Businesses should support a precautionary approach to environmental challenges;	We are conscious of our significant environmental footprint as a textile manufacturer. We remain firm in our commitment to support environmental sustainability.
Principle 8: Undertake initiatives to promote greater environmental responsibility; and	Hayleys Fabric Group has committed to both near-term and net-zero greenhouse gas (GHG) emission reduction targets in alignment with the Science Based Targets initiative (SBTi)
Principle 9: Encourage the development and diffusion of environmentally friendly technologies.	Refer Natural Capital – page 152
ANTI-CORRUPTION	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	<p>Hayleys Fabric Group upholds zero tolerance to corruption and bribery.</p> <p>Refer Anti-Bribery and Corruption (ABC) - Corporate Governance – page 184</p>

GRI CONTENT INDEX

STATEMENT OF USE

Hayleys Fabric PLC has reported in accordance with the GRI Standards for the period 1st April 2024 to 31st March 2025.

GRI 1 used

GRI 1: Foundation 2021

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
GENERAL DISCLOSURES						
GRI 2: General Disclosures 2021	2-1 Organizational details	12-13, 235				
	2-2 Entities included in the organization's sustainability reporting	7				
	2-3 Reporting period, frequency and contact point	7, 9				
	2-4 Restatements of information	9				
	2-5 External assurance	8, 9, 179-182				
	2-6 Activities, value chain and other business relationships	11-14, 48-49, 147-148				
	2-7 Employees	133				Region wise classification, not presented
	2-8 Workers who are not employees	143				
	2-9 Governance structure and composition	16-20, 86, 87-88, 184-185, 187, 197-198, 223-224				
	2-10 Nomination and selection of the highest governance body	189, 211-212				
	2-11 Chair of the highest governance body	192				
	2-12 Role of the highest governance body in overseeing the management of impacts	74-79, 86, 87-88, 197-198, 223-224				
	2-13 Delegation of responsibility for managing impacts	74-79, 86, 87-88, 197-198, 223-224				
	2-14 Role of the highest governance body in sustainability reporting	8, 56, 86, 197-198				
	2-15 Conflicts of interest	188, 210,				
	2-16 Communication of critical concerns	8				No critical concerns reported in FY 2024/25.
	2-17 Collective knowledge of the highest governance body	190				
	2-18 Evaluation of the performance of the highest governance body	194				
	2-19 Remuneration policies	189-190, 209				
	2-20 Process to determine remuneration	189-190, 209				

GRI CONTENT INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
	2-21 Annual total compensation ratio	-	2-21	Confidentiality constraints	Not disclosed due to confidentiality concerns.	
	2-22 Statement on sustainable development strategy	38-41				
	2-23 Policy commitments	8, 86, 194-199				
	2-24 Embedding policy commitments	8, 86, 194-199				
	2-25 Processes to remediate negative impacts	140-141, 147, 196				
	2-26 Mechanisms for seeking advice and raising concerns	140-141, 147, 196				
	2-27 Compliance with laws and regulations	194-195				No such instances of non compliance reported in FY 2024/25.
	2-28 Membership associations	15, 128				
	2-29 Approach to stakeholder engagement	50-55				
	2-30 Collective bargaining agreements	135				
MATERIAL TOPICS						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	56				
	3-2 List of material topics	57-65				
ECONOMIC PERFORMANCE						
GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	35				
	201-2 Financial implications and other risks and opportunities due to climate change	90-102				
	201-3 Defined benefit plan obligations and other retirement plans	246				
	201-4 Financial assistance received from government	-				No such assistance received.
MARKET PRESENCE						
GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	138				Remuneration offered is above minimum wage, with no gender bias.
	202-2 Proportion of senior management hired from the local community	-				All senior managers are hired from local communities

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
INDIRECT ECONOMIC IMPACTS						
GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	120-121				
	203-2 Significant indirect economic impacts	34				
PROCUREMENT PRACTICES						
GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	34, 147				
ANTI-CORRUPTION						
GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	74-75, 148, 196				
	205-2 Communication and training about anti-corruption policies and procedures	196				
	205-3 Confirmed incidents of corruption and actions taken	-				Zero incidents reported in FY 2024/25.
TAX						
GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 207: Tax 2019	207-1 Approach to tax	113-114, 248-249				
	207-2 Tax governance, control, and risk management	113-114, 248-249				
	207-3 Stakeholder engagement and management of concerns related to tax	54				
	207-4 Country-by-country reporting	-	207-4	Not Applicable	We have only local operations	
MATERIALS						
GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 301: Materials 2016	301-1 Materials used by weight or volume	32, 155-156				
	301-2 Recycled input materials used	32, 155-156				
	301-3 Reclaimed products and their packaging materials	-				No such incidents reported in FY 2024/25.
ENERGY						
GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	32, 156-158				

GRI CONTENT INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
	302-2 Energy consumption outside of the organization	-	302-2	Information unavailable	The Group does not compute this information, at present.	
	302-3 Energy intensity	32, 156-158				
	302-4 Reduction of energy consumption	32, 156-158				
	302-5 Reductions in energy requirements of products and services	-	302-5	Information unavailable	The Group does not track this information, at present.	

WATER AND EFFLUENTS

GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	159-161				
	303-2 Management of water discharge-related impacts	159-161				
	303-3 Water withdrawal	32, 159-161				
	303-4 Water discharge	32, 159-161				
	303-5 Water consumption	32, 159-161				

BIODIVERSITY

GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	162-163				
	304-2 Significant impacts of activities, products and services on biodiversity	162-163				
	304-3 Habitats protected or restored	162-164				
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	162-163				

EMISSIONS

GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	32, 158-159				
	305-2 Energy indirect (Scope 2) GHG emissions	32, 158-159				
	305-3 Other indirect (Scope 3) GHG emissions	32, 158-159				
	305-4 GHG emissions intensity	32				
	305-5 Reduction of GHG emissions	32, 158-159				
	305-6 Emissions of ozone-depleting substances (ODS)	-	305-6	Information unavailable	The Group does not track this information, at present.	
	305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	-	305-7	Information unavailable	The Group does not track this information, at present.	

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
WASTE						
GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	161-162				
	306-2 Management of significant waste-related impacts	161-162				
	306-3 Waste generated	161-162				
	306-4 Waste diverted from disposal	161-162				
	306-5 Waste directed to disposal	161-162				
SUPPLIER ENVIRONMENTAL ASSESSMENT						
GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	32, 147-149				
	308-2 Negative environmental impacts in the supply chain and actions taken	-				No such instances reported in FY 2024/25.
EMPLOYMENT						
GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	135-137				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	138-139				
	401-3 Parental leave	139				
LABOR/MANAGEMENT RELATIONS						
GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	141				
OCCUPATIONAL HEALTH AND SAFETY						
GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	141-142				
	403-2 Hazard identification, risk assessment, and incident investigation	141-142				
	403-3 Occupational health services	141-142				
	403-4 Worker participation, consultation, and communication on occupational health and safety	141-142				
	403-5 Worker training on occupational health and safety	141-142				
	403-6 Promotion of worker health	141-142				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	141-142				

GRI CONTENT INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
	403-8 Workers covered by an occupational health and safety management system	141-142				
	403-9 Work-related injuries	142				
	403-10 Work-related ill health	142				

TRAINING AND EDUCATION

GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	140				
	404-2 Programs for upgrading employee skills and transition assistance programs	140				
	404-3 Percentage of employees receiving regular performance and career development reviews	32, 139				

DIVERSITY AND EQUAL OPPORTUNITY

GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	133, 187				
	405-2 Ratio of basic salary and remuneration of women to men	134				There is no gender bias in remuneration offered.

NON-DISCRIMINATION

GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	134				No such incidents reported in FY 2024/25

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	135				No such incidents reported in FY 2024/25

CHILD LABOR

GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	32, 135				

FORCED OR COMPULSORY LABOR

GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	32, 135				

LOCAL COMMUNITIES

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	149-151, 163-166				
	413-2 Operations with significant actual and potential negative impacts on local communities	-				No such instances reported in FY 2024/25

SUPPLIER SOCIAL ASSESSMENT

GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	32, 147-149				
	414-2 Negative social impacts in the supply chain and actions taken	-				No such instances reported in FY 2024/25

CUSTOMER HEALTH AND SAFETY

GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	146				Samples of finished fabrics are regularly tested by independent third parties for harmful substances.
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	146				No such instances reported in FY 2024/25

MARKETING AND LABELLING

GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	146				
	417-2 Incidents of non-compliance concerning product and service information and labelling	146				No such instances reported in FY 2024/25
	417-3 Incidents of non-compliance concerning marketing communications	146				No such instances reported in FY 2024/25

CUSTOMER PRIVACY

GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	147				No such instances reported in FY 2024/25

TOPIC BOUNDARY

GRI Material Topic	Management Approach GRI 3-3	Internal Stakeholders The Company	External Stakeholders					
			Brand Owners & Apparel Manufacturers	Investors	Employees	Suppliers	Regulators	Community
Economic Performance (201)	74-75, 110-117	✓	✓	✓	✓	✓		✓
Market Presence (202)	144-151	✓	✓	✓		✓		
Indirect Economic Impacts (203)	118-123	✓	✓	✓	✓	✓		✓
Procurement Practices (204)	144-151	✓	✓	✓		✓		
Anti-corruption(205)	144-151	✓		✓	✓		✓	
Tax (207)	110-117	✓		✓	✓		✓	
Materials (301)	152-166	✓	✓				✓	
Energy (302)	152-166	✓					✓	✓
Water and Effluents (303)	152-166	✓	✓				✓	✓
Biodiversity (304)	152-166	✓	✓				✓	
Emissions (305)	152-166	✓	✓				✓	✓
Waste (306)	152-166	✓	✓				✓	✓
Supplier Environmental Assessment (308) and Supplier Social Assessment (414)	144-151	✓	✓			✓		
Employment (401)	130-143	✓			✓		✓	✓
Labour Management Relations (402)	130-143	✓	✓		✓	✓	✓	
Occupational Health and Safety (403)	130-143	✓	✓		✓		✓	✓
Training and Education (404)	130-143	✓			✓			
Diversity and Equal Opportunity (405)	130-143	✓	✓		✓		✓	✓
Non-Discrimination (406)	130-143	✓	✓		✓		✓	
Freedom of Association and Collective Bargaining (407)	130-143	✓	✓		✓		✓	
Child Labour (408) and Forced or Compulsory Labour (409)	144-151	✓	✓			✓	✓	
Local Communities (413)	144-151	✓		✓				✓
Customer Health and Safety (416) and Marketing and Labelling (417)	144-151	✓	✓					
Customer Privacy (418)	144-151	✓	✓					

SUSTAINABILITY ACCOUNTING STANDARD (SASB) - APPAREL, ACCESSORIES & FOOTWEAR STANDARD (VERSION 2023-12)

Table 1. Sustainability Disclosure Topics & Accounting Metrics

Topic	Accounting Metric	Category	Unit of Measure	Code	Data	Disclosure Reference
Management of Chemicals in Product	Discussion of processes to maintain compliance with restricted substances regulations	Discussion & Analysis	N/A	CG-AA-250a.1	Hayleys Fabric PLC follows the ZDHC MRSL Level 1 guidelines and maintains a Restricted Substances List (RSL) based on both customer and regulatory requirements. Compliance is ensured through rigorous material testing, supplier audits, and verification processes aligned with the ZDHC framework.	81, 128, 146, 147, 156, 161
	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in product	Discussion & Analysis	N/A	CG-AA-250a.2	Our chemical management approach combines both hazard-based and risk-based methods for assessing chemical toxicity and potential exposure throughout the product lifecycle. We implement strict operational controls and work closely with suppliers to mitigate risks through training, audits, and compliance with ZDHC guidelines	15, 58-59, 81, 128, 146, 147, 156, 161
Environmental Impacts in the Supply Chain	Percentage of Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits and/or contractual agreements	Quantitative	Percentage (%)	CG-AA-430a.1	In FY 2024/25, 92% reported compliance to the ZDHC and other wastewater requirements. [Refer below note]	81
	Percentage of Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment	Quantitative	Percentage (%)	CG-AA-430a.2	In FY 2024/25, 75% reported compliance to Higg FEM and other local requirement. [Refer below note]	154
Labor Conditions in the Supply Chain	Percentage of Tier 1 suppliers and (2) supplier facilities beyond Tier 1 that have been audited to a labor code of conduct	Quantitative	Percentage (%)	CG-AA-430b.1	In FY 2024/25, 79% of supplier facilities were assessed to a labour code of conduct, of which 56% have been audited for SMETA, or SLCP assessments by SEDEX / SLCP approved verifiers. [Refer below note]	132, 148
	2. Percentage of total audits conducted by a third-party auditor					
	Priority non-conformance rate and associated corrective action rate for suppliers' labor code of conduct audits	Quantitative	Rate (%)	CG-AA-430b.2	No major non-compliances recorded	32, 132, 135, 142
	Description of the greatest (1) labor and (2) environmental, health, and safety risks in the supply chain	Discussion and Analysis	N/A	CG-AA-430b.3	Key labour risks in our supply chain include excessive working hours, unfair compensation practices, and lack of freedom of association. We proactively address these through regular audits, supplier engagement, and strict adherence to our social compliance standards.	142

SUSTAINABILITY ACCOUNTING STANDARD (SASB)

- APPAREL, ACCESSORIES & FOOTWEAR

STANDARD

Topic	Accounting Metric	Category	Unit of Measure	Code	Data	Disclosure Reference															
Raw Materials Sourcing	1. List of priority raw materials; for each priority raw material: 2. Environmental and/or social factor(s) most likely to threaten sourcing, 3. Discussion on business risks and/or opportunities associated with environmental and/or social factors, and 4. Management strategy for addressing business risks and opportunities	Discussion and Analysis	n/a	CG-AA-440a.3	Cotton sourcing is vulnerable to water stress in key growing regions, posing risks of supply disruption and price volatility. We mitigate this through diversified sourcing, investing in sustainable cotton, and monitoring dye costs and environmental regulations to ensure business continuity and compliance. Additionally, we recognize the environmental impact of polyester and are working to reduce reliance on virgin polyester by exploring recycled alternatives. Similarly, our chemical sourcing follows industry best practices, prioritising certified suppliers and formulations that meet global safety and environmental standards.	155, 156, 147-149															
	1. Amount of priority raw materials purchased, by material, and 2. Amount of each priority raw material that is certified to a third-party environmental and/or social standard, by standard	Quantitative	Percentage (%) by weight	CG-AA-440a.4	<table><tr><th>Priority Raw Material</th><th>Cotton</th><th>Polyester</th><th>Chemicals and Dyes</th></tr><tr><td>Amount Purchased (MT)</td><td>8,021</td><td>10,609</td><td>13,385</td></tr><tr><td>Certification Standard</td><td>BCI, GOTS, OCS, GRS, CMIA and OEKO-TEX 100 certified sources only</td><td>Global Recycled Standard (GRS)</td><td>ZDHC level 1, Bluesign or GOTS certified</td></tr><tr><td>Amount Certified (MT)</td><td>3,302</td><td>1,948</td><td>13,385</td></tr></table> <p>We prioritise sourcing of recycle polyester,OCS, GOTS & BCI-certified cotton to align with sustainability goals and customer requirements, supporting water-efficient farming and improved farmer welfare. Our targets include increasing certified cotton usage annually, reducing environmental impact while enhancing supply chain resilience</p> <p>[Refer below note]</p>	Priority Raw Material	Cotton	Polyester	Chemicals and Dyes	Amount Purchased (MT)	8,021	10,609	13,385	Certification Standard	BCI, GOTS, OCS, GRS, CMIA and OEKO-TEX 100 certified sources only	Global Recycled Standard (GRS)	ZDHC level 1, Bluesign or GOTS certified	Amount Certified (MT)	3,302	1,948	13,385
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Amount Certified (MT)	3,302	1,948	13,385																		

Table 2. Activity Metrics

Topic	Accounting Metric	Category	Unit of Measure	Code	Data	Disclosure Reference
Activity metrics	Number of Tier 1 suppliers	Quantitative	Number	CG-AA-000.A	Tier 1 suppliers – 48	147

Note : Hayleys Fabric PLC Group does not consider Tier 2 and beyond supplier in the scope of reporting.

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



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Independent practitioner's assurance report to the Board of Directors of Hayleys Fabric PLC on the Sustainability reporting criteria presented in the Integrated Annual Report FY2024/25

SCOPE

We have been engaged by Hayleys Fabric PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Hayleys Fabric PLC's Economic, Environment, Social and Governance (EESG) indicators (the "Subject Matter") contained in Hayleys Fabric PLC's (the "Entity's") Integrated Annual Report for the year ended 31 March 2025 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

CRITERIA APPLIED BY HAYLEYS FABRIC PLC

In preparing the Subject Matter, Hayleys Fabric PLC applied the following criteria ("Criteria"):

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at <https://www.globalreporting.org>
- The Sustainability Accounting Standards Board (SASB) Standards, publicly available at

<https://sasb.org/standards/> (Apparel, Accessories & Footwear Standard)

Such Criteria were specifically designed for the purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators contained in the Entity's Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

HAYLEYS FABRIC PLC'S RESPONSIBILITIES

Hayleys Fabric PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

ERNST & YOUNG'S RESPONSIBILITIES

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised)), and the terms of reference for this

engagement as agreed with the Hayleys Fabric PLC on 28 March 2025. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical

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



requirements, professional standards and applicable legal and regulatory requirements.

DESCRIPTION OF PROCEDURES PERFORMED

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

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

A limited assurance engagement consists of making enquiries,

primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

OUR PROCEDURES INCLUDED:

- Validated the information presented and checked the calculations performed by the organisation through recalculation.
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- Conducted interviews with relevant organisation's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

EMPHASIS OF MATTER

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

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

CONCLUSION

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of Hayleys Fabric PLC for the year ended 31 March 2025, in order for it to be in accordance with the Criteria.

20th May 2025
Colombo

Partners: D A Hulanapimulla FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. U S S Mahalinga FCA, R K D S P Fernando FCA FCMA FCCA, R E Wijesiriya FCA FCMA, R N de Saenar ACA FCMA, Ms. A A De Silva FCA, R M Sulaiman FCA FCMA, Ms. L K H Raksaka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, R Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Peraniyavilake ACA ACMA LLB (Colombo), D Vasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Rubens FCA FCMA MBA (USJ-SL), G B Gooden ACA, B L D Kuruwathilaka ACA, W S J De Silva BSc (Hons) - MS Mac - C, V Shaktinath B.Com (Spl)

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



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Independent practitioner's assurance report to the Board of Directors of Hayleys Fabric PLC on the Integrated Annual Report 2024/25

SCOPE

We have been engaged by Hayleys Fabric PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Hayleys Fabric PLC's Information on how it's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term (the "Subject Matter") contained in Hayleys Fabric PLC's (the "Entity's") Integrated Annual Report for the year ended 31 March 2025 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

CRITERIA APPLIED BY HAYLEYS FABRIC PLC

In preparing the Subject Matter, Hayleys Fabric PLC applied the Integrated Reporting Framework (<IR> Framework) issued by the International Integrated Reporting Council (IIRC) ("Criteria"):

Such Criteria were specifically designed for the purpose of

assisting in determining whether the capital management, stakeholder engagement, business model, strategy, organizational overview & external environment outlook presented in the Integrated Annual Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

HAYLEYS FABRIC PLC'S RESPONSIBILITIES

Hayleys Fabric PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

ERNST & YOUNG'S RESPONSIBILITIES

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised)), and the terms of reference for this engagement as agreed with the Hayleys Fabric PLC on 28 March 2025. Those standards require

that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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



DESCRIPTION OF PROCEDURES PERFORMED

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

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

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Performed a comparison of the content of the Integrated Annual

Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).

- Checked whether the information contained in the Integrated Annual Report – Financial Capital element information has been properly derived from the audited financial statements.
- Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.
- Obtained an understanding of the relevant internal policies and procedures developed, including those relevant to determining what matters most to the stakeholders, how the organisation creates value, the external environment, strategy, approaches to putting members first, governance and reporting.
- Obtained an understanding of the description of the organisation's strategy and how the organisation creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the

Integrated Report against identified material aspects.

- Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement.

We also performed such other procedures as we considered necessary in the circumstances.

EMPHASIS OF MATTER

Economic, Environment, Social and Intellectual capital management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

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

CONCLUSION

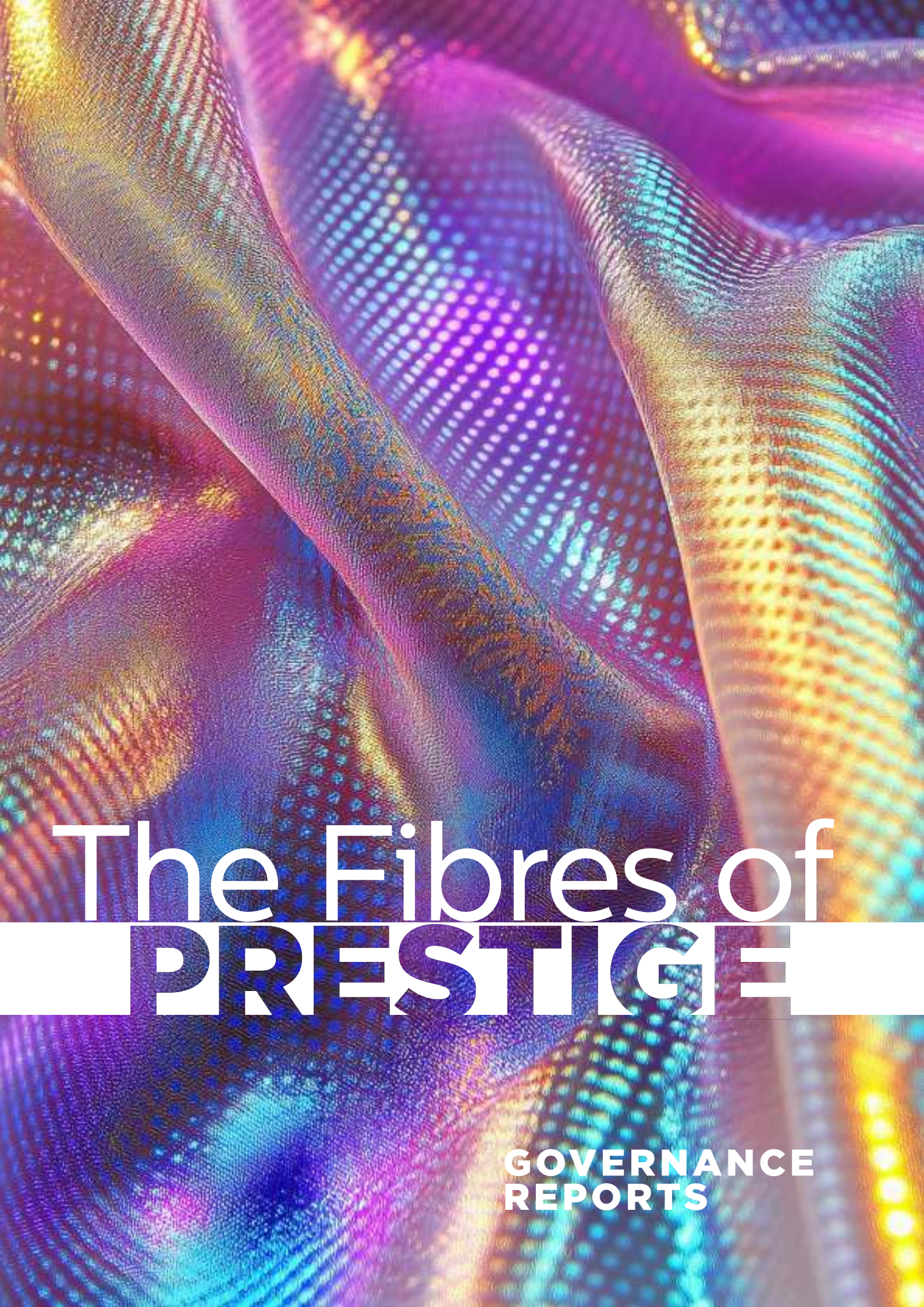
Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information contained in the Integrated Annual Report of Hayleys Fabric PLC for the year ended 31 March 2025, in order for it to be in accordance with the Criteria.

20th May 2025
Colombo

Partners: D. K. A. Anuruddha FCA FCMA LLB (London), A. P. A. Gunatilleke FCA FCMA, Ms. Y. A. De Silva FCA, Ms. G. D. S. Mahipala FCA, R. K. D. S. P. Fernando FCA FCMA FCCA, B. E. Wijesuriya FCA FCMA, B. N. de Silva FCA FCMA, Ms. N. A. De Silva FCA, R. M. Subramaniam FCA FCMA, M. L. K. H. L. Fonseka FCA, Ms. P. V. K. N. Seneviratne FCA, A. A. J. R. Perera FCA ACMA, N. Y. R. L. Fernando ACA, D. N. Gamage ACA ACMA, C. A. Yalagala ACA ACMA, Ms. P. S. Parakkumbura ACA ACMA LLB (Colombo), B. Venustran ACA ACMA, W. D. P. L. Perera ACA.

Principals: T. P. M. Rubens FCA FCCA MBA (US) FSI, G. B. Goudan ACA, D. L. B. Kumudathilaka ACA, W. S. J. De Silva Dip. (Chartered) - MIS Mac - II, V. Shasthineel B.Com (Spl)

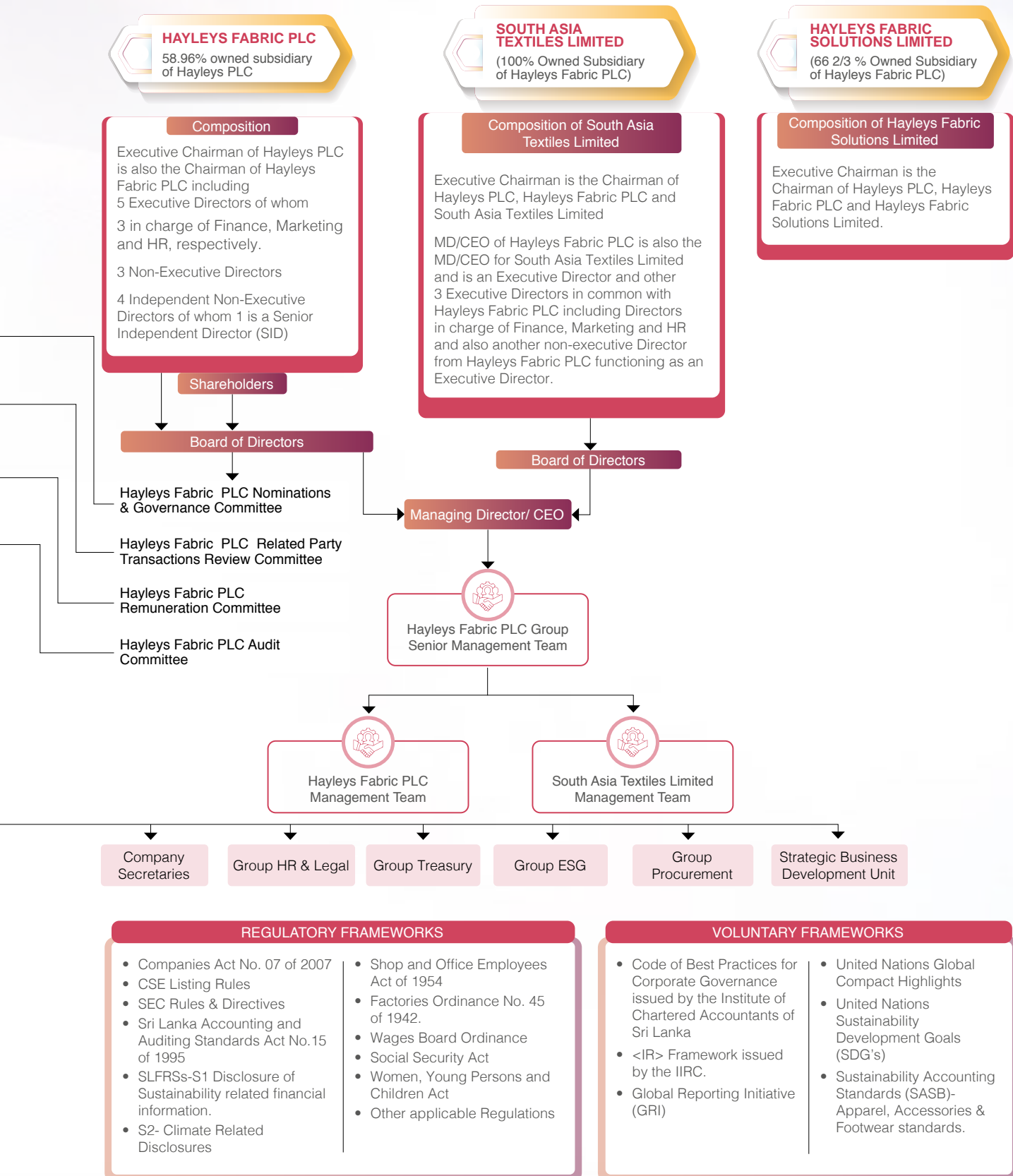
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The Fibres of **PRESTIGE**

**GOVERNANCE
REPORTS**

GOVERNANCE STRUCTURE AND FRAMEWORK



CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS

Role of The Board

The Board of Directors of Hayleys Fabric PLC serves as the highest governing authority, entrusted with the overall management, strategic direction, and corporate governance of the Hayleys Fabric Group, including its fully-owned subsidiary, South Asia Textiles Limited and its subsidiary -Hayleys Fabric Solutions Limited.

As the principal governing body, the Board is responsible for defining

and shaping Hayleys Fabric PLC's vision, mission, and core values, ensuring alignment with stakeholder expectations while fostering resilience and business sustainability. The Board provides strategic leadership by setting the Group's strategic direction, approving policies, and overseeing key initiatives to drive operational excellence.

A critical aspect of the Board's governance framework is the unified leadership structure across the

Hayleys Fabric Group. The members of the Board of South Asia Textiles Limited are drawn from the Hayleys Fabric PLC Board, ensuring a cohesive and consistent approach to governance, risk management, and decision-making. This alignment facilitates synergy between the two entities, enabling standardised governance practices, enhanced operational efficiency, and the seamless execution of strategic objectives across the Group. To that end, certain matters are reserved expressly for Board consideration.

The following schedules of matters are reserved expressly for consideration of the Hayleys Fabric PLC Board

Vision, Mission and Values	<ul style="list-style-type: none"> Periodic review and refinement of the Group's vision, mission, and core values to ensure alignment with evolving strategic priorities and stakeholder expectations
Strategy	<ul style="list-style-type: none"> Approval of the Group's strategic direction, including medium-term and short-term business plans, along with associated budgets. Oversight of strategy execution, with regular performance evaluations against established objectives. Authorisation of major capital projects, investments, acquisitions, mergers, and disposals to support sustainable growth
Risk, Capital and Liquidity Planning	<ul style="list-style-type: none"> Endorsement of the annual capital plan to ensure financial stability and growth. Establishment of the Group's risk appetite, including liquidity risk parameters, to safeguard business resilience
Financial Results and Dividends	<ul style="list-style-type: none"> Approval of interim and final financial statements, ensuring compliance with regulatory and governance standards. Authorisation of dividend declarations and any significant changes in accounting policies or financial practices
Remuneration Structures	<ul style="list-style-type: none"> Approval of executive remuneration frameworks, succession planning, and senior leadership appointments. Determination of Non-Executive Director remuneration structures
Corporate Governance	<ul style="list-style-type: none"> Approval of key regulatory filings and corporate disclosures. Oversight of Board and Sub-Committee performance evaluation processes. Continuous review and enhancement of the Group's Corporate Governance framework
Stakeholder Communications	<ul style="list-style-type: none"> Approval of communications with shareholders and key stakeholders, including the release of annual reports and disclosures
Crisis Management	<ul style="list-style-type: none"> Strategic decision-making in response to extraordinary events, crises, and reputational risks to ensure business continuity and stakeholder confidence

In line with Section 9 of the Listing Rules (CSE) Corporate Governance Rules, a new Policy on Matters Relating to the Board of Directors was approved by the Board to formally institutionalise the systems and processes governing Board functions, responsibilities, composition, selection of Directors, remuneration, Board meetings etc.

BOARD EFFECTIVENESS

Board Composition

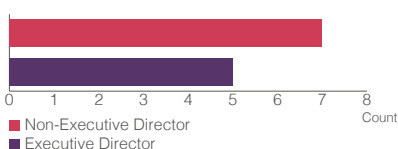
The composition of the Hayleys Fabric Board is governed by the Articles of Association as well as the Listing rules of the Colombo Stock Exchange, which stipulates that, at least 2 or 1/3 of the total number of Directors on the Board whichever is higher should be Non-Executive Directors (NED's), while 2 or 1/3 of Non-Executive Directors, whichever is higher, should be independent.

The Board of Directors of Hayleys Fabric PLC as at 31st March 2025 comprised 12 (twelve) Directors, of which 05 (five) including the Chairman

functioned in an Executive Capacity. Since the Board Chairman serves in an Executive Capacity, the Group has appointed a Senior Independent Director in compliance with the CSE Listing Rules. The remaining 06 Directors consist of 03 (three) Non-Executive Directors and 03 (three) Independent Non-Executive Directors.

Executive Chairman	4 Executive Directors. apart from Chairperson.	1 Senior Independent Director	3 Independent Directors	3 Non-Executive Directors
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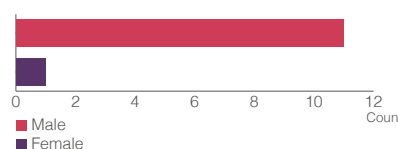
Composition of Directors



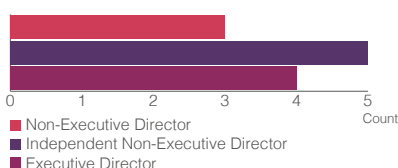
Board Expertise



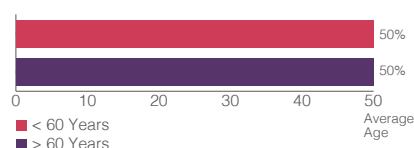
Board Gender Balance



Independency of Board of Directors



Age Diversity of Board of Directors



Duties and Responsibilities of Individual Directors

All Board members are expected to commit the necessary time and effort to fulfil their responsibilities effectively. This includes active participation in Board meetings, where they leverage their expertise, skills, and experience to contribute to informed decision-making. Additionally, all Directors are required to participate in the annual self-assessment process, a key component of the comprehensive Board evaluation framework, ensuring continuous enhancement of governance effectiveness and strategic oversight.

Key Criteria for the Determination of Directors' Independence

- Has not been employed by the Company in the two years preceding the appointment.
- Currently has no direct or indirect material business relationship with the Company and had none in the past two years.
- Does not have close family members who are Directors, the CEO, or Key Management Personnel in the Company.
- Does not hold 10% or more of the Company's voting rights.
- Has not served on the Board for more than nine years from the initial appointment.
- Neither the individual nor close family members hold positions in another company or trust materially connected to the Company through shareholding or business relationships.
- Not a Director of another company where the majority of the Company's Directors are also employed or have significant shareholding.
- Does not have a material business relationship or significant shareholding in another Company where the majority of the Company's Directors are employed or have significant shareholding.

CORPORATE GOVERNANCE

Non-Executive Directors (NEDs) and their Independent

The presence of Non-Executive Directors (NEDs) on the Board is instrumental in fostering a balanced, independent, and highly effective governance framework.

By providing independent oversight, Non-Executive Directors ensure that the Board maintains a holistic, objective, and well-informed approach to decision-making. Their ability to challenge assumptions, scrutinise management strategies, and offer alternative perspectives enhances the robustness of Hayleys Fabric PLC's strategic initiatives and operational execution. Additionally, they serve as a critical safeguard against undue risk exposure, reinforcing the Group's resilience in an evolving business landscape.

Through their active participation in Board discussions, committees, and governance processes, the Non-Executive Directors contribute to greater transparency, accountability, and corporate responsibility. Their role is essential in upholding stakeholder trust, ensuring ethical leadership, and driving Hayleys Fabric PLC's sustainable growth while aligning corporate objectives

with industry best practices and regulatory requirements.

Independent Non-Executive Directors on the Hayleys Fabric PLC Board are required to be free of any business or other association that could materially interfere with their ability to act in the best interests of the Company. The independence of each Director is determined based on the key criteria outlined in the Corporate Governance Principles and Recommendations issued by the CA Sri Lanka.

The Senior Independent Director met Non-Executive Directors and Independent Directors annually to discuss the matters which are important.

The Board remains satisfied that each Non-Executive Director currently serving on the Hayleys Fabric PLC's Board has complied with the required criteria to fulfil their role as an Independent Director through their annual independent declarations.

Conflicts of Interest

All Board Directors are expected to uphold the highest standards of integrity, transparency, and ethical

conduct in all matters concerning the Hayleys Fabric Group. They are required to act in good faith and in the best interests of the Group, by disclosing any actual, potential, or perceived conflicts of interest to the Board. This includes any direct, indirect, beneficial, or non-beneficial interest in a contract, transaction, or proposed agreement involving Hayleys Fabric PLC. Such disclosures must be made in writing to the Related Party Transaction Review Committee (RPTRC), which is responsible for evaluating these matters in accordance with the Related Party Transactions Policy and applicable regulatory requirements.

The RPTRC Chair is responsible for reporting these disclosures to the Board, ensuring that all necessary actions are taken to mitigate potential conflicts.

Directors with a declared interest are required to recuse themselves from discussions and decision-making processes related to the matter, thereby reinforcing the integrity and objectivity of the Board's deliberations.

Directorships in other entities					
Name of Directors	Directorship Status in Hayleys Fabric PLC	No. of Board Seats in Listed Companies		No. of Board Seats in Non-Listed Companies	
		Executive Capacity	Non-Executive Capacity	Executive Capacity	Non-Executive Capacity
Mr. A.M. Pandithage	Executive	12	1	120	-
Mr. E.R.P. Goonetilleke	Executive	-	-	1	1
Mr. I.B.R.R. Bandara	Executive	-	-	1	-
Mr. M.H. Jayasinghe	Executive	-	-	1	-
Mr. K.P.C.K. Pathirana	Executive	-	-	1	-
Mr. S.C. Ganegoda	Non-Executive/Non-Independent	-	10	-	48
Ms. K.A.D.B. Perera	Non-Executive/Non-Independent	-	10	-	7
Mr. H.Somashantha	Non-Executive/Non-Independent	-	2	1	-
Mr. N. Ekanayake	Senior Independent/Non-Executive	-	3	3	2
Mr. M.N.R. Fernando	Independent/Non-Executive	1	2	-	-
Mr. J.A.N.R.Adhihetty	Independent/Non-Executive	-	2	1	4
Mr. T.A.B.Speldewinde	Independent/Non-Executive	-	6	-	3

Appointment / Re-election / Resignation of Directors

The appointment of new Directors to the Board follows a rigorous selection process that focuses on professional expertise, industry experience, integrity, and the candidate's overall reputation within the sector. In making these appointments, the Board also considers the importance of diversity, ensuring a balanced mix of skills, experience, gender, and age, that collectively contribute towards strengthening Board deliberations by incorporating varied perspectives and fostering independent judgment, ultimately enhancing decision-making effectiveness.

In line with regulatory and corporate governance requirements, all new Board appointments are promptly disclosed to the Colombo Stock Exchange (CSE). These disclosures include a brief profile of the appointed Director, highlighting their qualifications, industry experience, directorships in other companies, and any shareholding in Hayleys Fabric PLC. Additionally, a press release is issued to inform shareholders and other stakeholders. The same disclosure process applies to Director resignations, ensuring transparency and accountability in Board composition.

Meanwhile, as stipulated in the Company's Articles of Association, one-third of the Non-Executive

Directors must retire by rotation at each Annual General Meeting (AGM). Directors retiring by rotation are those who have served the longest since their last appointment or reappointment. Directors who retire by rotation, remain eligible for re-election, subject to the criteria outlined in the CSE Listing Rules.

Furthermore, any Director appointed to the Board to fill a casual vacancy must stand for re-election by shareholders at the subsequent AGM, in accordance with the Articles of Association. This process reinforces Hayleys Fabric PLC's commitment to shareholder participation in governance while upholding best practices in Board accountability and transparency.

Board Changes - FY 2024/25

New Appointments	1) Mr. J.A.N.R. Adihetty (appointed w.e.f. 01.10.2024)- Independent Non-Executive Director 2) Mr. T.A.B. Speldewinde (appointed w.e.f. 23.12.2024)- Independent Non-Executive Director
Resignations	Ms. S. Amarasekera, PC (resigned w.e.f. 15.09.2024)- Independent Non-Executive Director Mr. A.A. Mason (resigned w.e.f. 20.12.2024)- Independent Non-Executive Director
Re-classification	Mr. H. Somashantha- Reclassified from Independent Non-Executive Director to Non-Executive Director w.e.f. 23.12.2024).
Re-elections	In terms of Article 29 (1) of the Articles of Association of the Company, Mr. S.C. Ganegoda, Mr. K.P.C.P.K. Pathirana and Ms. K.A.D.B. Perera retire by rotation and being eligible offer themselves for re-election
Re-Appointments	Re-appoint Mr. A.M. Pandithage and Mr. E.R.P. Goonetilleke who are over seventy years and who retire in terms of Section 210 of the Companies Act No. 7 of 2007

Directors' Remuneration

The determination of Remuneration of Board Directors is guided by the Hayleys Fabric Rewards & Remuneration Policy that establishes the basis for ensuring fair and consistent compensation of Executive and Non-Executive Directors, Key Management Personnel (KMP), and employees.

Under the policy, the remuneration structures for Executive Directors comprising a fixed element which is aligned to local market standards

alongside a variable element linked to the achievement of performance targets, anchored to the Hayleys Fabric Group's strategic goals. The same principles extend to the remuneration of Key Management Personnel (KMP), ensuring consistency across the organisation.

The Remuneration Committee (RC) conducts an annual performance evaluation of Executive Directors and KMP. Based on this evaluation, the RC makes recommendations to the Board regarding adjustments to both fixed and variable components

of their remuneration. The Managing Director/CEO is invited to participate in these discussions, particularly concerning the remuneration of the KMP. According to the policy, no special early termination clauses are included in the contracts of Executive Directors that would entitle them to additional compensation. However, such compensation, if any, would be determined by the Board of Directors.

The remuneration of Non-Executive Directors (NEDs) is determined by the Board, with each Non-Executive

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Director receiving a fee for their service on Hayleys Fabric PLC's Board and its sub-committees. The fees are benchmarked against fees paid to other Non-Executive and independent Directors across the Hayleys Group as well as the broader industry. In the case of an early termination of a Non-Executive Director's contract, the only compensation provided is for any accrued fees, in accordance with the terms of their contract

Board Succession Planning

The goal of the Board Succession Planning process is to maintain a balanced and capable Board that supports the Group's values and long-term vision. To that end, Hayleys Fabric PLC follows a structured and proactive approach to Board succession planning, overseen by the Nominations and Governance Committee in close collaboration with the Hayleys Group Management Committee. This process involves regular assessments of Board skills,

experience, and diversity to identify gaps and development areas to ensure a strong internal talent pipeline to ensure the Board remains effective and capable of providing strategic guidance.

Induction and Training for Directors

All newly appointed Directors to the Hayleys Fabric PLC's Board are required to participate in a formal induction process, where they receive an orientation pack containing essential internal and external documentation, providing a comprehensive overview of the organisation. Additionally, new Directors are required to meet with the Board Chair, the Managing Director/CEO, and key members of the management team of Hayleys Fabric PLC and South Asia Textiles Limited. They are also given the opportunity to participate in site visits to gain firsthand insight into Hayleys Fabric PLC's operations.

Beyond induction, Hayleys Fabric PLC is committed to the continuous development of its Directors by ensuring they have access to both internal and external training opportunities to ensure they are well-prepared to provide effective governance and strategic oversight.

Board Meetings

Board meetings are conducted in accordance with a structured annual work plan and a pre-established meeting calendar. The calendar, which outlines all scheduled Board meetings for the upcoming year, is prepared well in advance and shared with all Board members to facilitate their planning and participation. In addition to the scheduled meetings, the Board convenes special meetings as necessary to address urgent matters or critical developments requiring immediate attention.

BOARD MEETING PROCESS		
Before the Meeting	At the Meeting	After the Meeting
<p>The Company Secretarial Division, in consultation with the Chairman and the MD/ CEO, are responsible for setting the agenda for Board meetings. The agenda is carefully structured to ensure adequate time is allocated to address all key matters, including strategy, financial performance, industry developments, risk management, and regulatory compliance in order to facilitate meaningful discussions and informed decision-making.</p> <p>A Board-approved procedure allows any Director to formally request, in writing, the inclusion of additional matters or proposals in the agenda. Once the agenda is finalised, a comprehensive information pack containing the meeting agenda and relevant Board papers is circulated to all Directors at least seven working days before the scheduled meeting.</p>	<p>All Board members are expected to come well prepared and actively participate in all matters outlined under the agenda. The Chairman / Chairperson of each Board committee will be called upon to provide an update on significant matters discussed at their respective Board sub-committee meetings, which are typically scheduled before the Board meeting</p> <p>The MD/CEO will be invited to provide a comprehensive update on the Group's business and operations to date as well as an overview of the context in which these outcomes were achieved, while selected members of the Corporate Management are also invited to make presentations on the items set out under the agenda. The Company Secretaries maintains minutes of every Board meeting.</p>	<p>The Company Secretaries are required to submit the minutes of the meeting to the MD/ CEO for approval prior to being circulated among the Directors and other members of Corporate Management who were present at the particular meeting. Minutes of the meetings are typically circulated within two weeks after the meeting date.</p>

It is mandatory for Directors to attend Board meetings, with all Board members expected to be fully prepared and engage proactively in all Board proceedings.

Board proceedings

Name of the Director	Classification	Board Meeting	Audit Committee Meeting	Nominations & Governance Committee Meeting	Related Party Transactions Review Committee	Remuneration Committee
Mr. A.M. Pandithage	Executive Chairman	4/4	-	-	-	-
Mr. E.R.P. Goonetilleke	Executive Director	4/4	-	-	-	-
Mr. S.C. Ganegoda	Non-Executive Director	4/4	-	2/2	4/4	-
Mr. H. Somashantha	Non-Executive Director	4/4	4/4	-	-	1/1
Mr. I.B.R.R. Bandara	Executive Director	4/4	-	-	-	-
Mr. M.H. Jayasinghe	Executive Director	4/4	-	-	-	-
Mr. K.P.C.P.K.Pathirana	Executive Director	4/4	-	-	-	-
Ms. K.A.D.B. Perera	Non-Executive Director	4/4	-	-	-	-
Mr. N. Ekanayake	Senior Independent Director	4/4	4/4	2/2	4/4	1/1
Mr. M.N.R. Fernando	Independent Non-Executive Director	4/4	4/4	2/2	4/4	1/1
Mr. J.A.N.R. Adhihetty (Appointed on 01st October 2024)	Independent Non-Executive Director	3/3	-	-	-	-
Mr. T.A.B. Speldewinde (Appointed on 23rd December 2024)	Independent Non-Executive Director	2/2	1/2	-	-	-
Ms. S. Amarasekera PC (Resigned on 15th September 2024)	Independent Non-Executive Director	0/1	-	-	-	-
Mr. A.A. Mason (Resigned on 20th December 2024)	Independent Non-Executive Director	2/2	-	-	-	-
Total No. of Meetings held		4	4	2	4	1

Access to Information

In preparation for the meeting, Directors are encouraged to engage with members of the Corporate Management team to seek any necessary information or clarifications to gain a balanced understanding of the topics to be discussed. Directors are also allowed to seek independent professional advice at the Group's expense, as needed.

CORPORATE GOVERNANCE

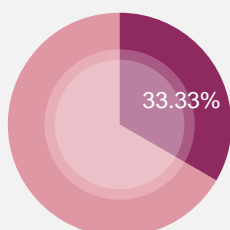
DIVISION OF RESPONSIBILITIES

Although Hayleys Fabric PLC's Chairman functions in an executive capacity, there is a clear distinction between the roles and responsibilities of the Chairman and the Managing Director/CEO. This separation ensures a balanced governance structure, reinforcing the principle that no single individual holds absolute decision-making authority at the leadership level.



Board

% of committee members independent



MEMBERSHIP

Executive Directors	5
Non-Executive	3
Independent	3
Senior Independent	1

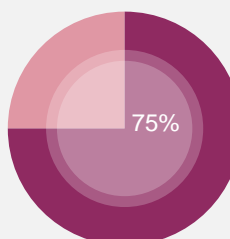
No of meetings in 2024/25: 04

Areas of oversight

- Setting the Company's vision, mission, and value
- Developing and approving the company's strategic plan.
- Monitoring the Company's performance against its strategic plan.
- Overseeing the Company's copérations and ensuring that management is effectively implementing the strategic plan.

Audit Committee (AC)

% of committee members independent



MEMBERSHIP

Non-Executive	1
Independent	2
Senior Independent	1

No of meetings in 2024/25: 04

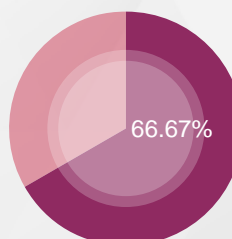
Areas of oversight

- Financial Reporting
- Internal Controls
- Internal Audit
- External Audit

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Remuneration Committee (RC)

% of committee members independent



MEMBERSHIP

Non-Executive	1
Independent	1
Senior Independent	1

No of meetings in 2024/25: 01

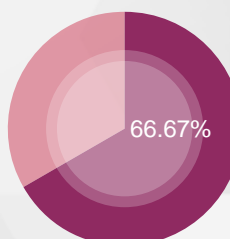
Areas of oversight

- Remuneration policy for Key Management Personnel
- Goals and targets for Key Management Personnel
- Performance evaluation

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Nominations & Governance Committee (NGC)

% of committee members independent



MEMBERSHIP

Non-Executive	1
Independent	1
Senior Independent	1

No of meetings in 2024/25 :02

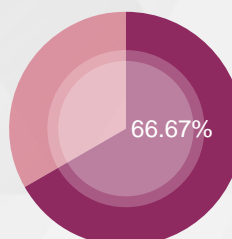
Areas of oversight

- Appointment of Key Management Personnel/ Directors
- Succession Planning
- Effectiveness of the Board and its Committees

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Related Party Transactions Review Committee (RPTRC)

% of committee members independent



MEMBERSHIP

Non-Executive	1
Independent	1
Senior Independent	1

No of meetings in 2024/25: 04

Areas of oversight

- Review of related party transactions

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Board Sub Committees

The Board Sub-Committees have been established to enhance the Board's effectiveness by conducting in-depth reviews of specific matters and providing informed recommendations.

Through regular meetings and detailed assessments, the Board Sub-Committees contribute to maintaining robust governance structures, mitigating risks, and ensuring that Hayleys Fabric PLC Group operates in alignment with its corporate objectives, regulatory requirements, and stakeholder expectations.

In compliance with the provisions of Section 9 of the new CSE Listing Rules on Corporate Governance, Hayleys Fabric PLC instituted all four mandatory Sub Committees under its own Board. Dedicated Terms of Reference (TOR) were also formulated and approved by the Board, setting out the for each of the four Board Sub-Committees.

Board and Board Sub Committee Evaluation

Evaluation of Board and Board Sub Committee performance is conducted annually through a structured self-assessment process, where each Director independently evaluates their effectiveness by completing a confidential questionnaire.

The responses are then compiled and analysed to identify strengths, areas for improvement, and opportunities for governance enhancements. The findings are presented to the Board for discussion, allowing for a transparent review of performance. Based on these insights, action plans are developed to address any identified gaps, reinforcing accountability and alignment with best governance practices.

The annual assessment of the Board and Board Sub Committee performance for the current financial year confirmed that the Hayleys Fabric PLC's Board and its Sub Committees continue to operate effectively in fulfilling its fiduciary responsibilities, maintaining high standards of governance and strategic oversight.

Evaluating the Performance of Executive Directors including the Managing Director / CEO

The Board Chairman conducts an annual evaluation of all Executive Directors, including the Managing Director/CEO to assess their performance against predefined goals and strategic objectives set at the beginning of each financial year. This evaluation ensures alignment with Hayleys Fabric PLC's overall vision and operational priorities.

Following the assessment, the Chairman shares key observations and insights with the Board, facilitating a comprehensive review of the respective Executive Directors' / MD/CEO's effectiveness in leadership, decision-making, and value creation. Based on these findings, the Board provides recommendations to the Human Resources & Remuneration Committee regarding any necessary adjustments to the MD/CEO's compensation, ensuring that remuneration remains fair, performance-driven, and aligned with Hayleys Fabric PLC's long-term objectives.

THE COMPANY SECRETARY

Hayleys Group Services (Private) Limited functions as the Company Secretary of Hayleys Fabric PLC.

The office of the Company Secretaries is integral to the effective functioning of the Board and assisting the Chairman and guiding the Board in discharging their duties

and responsibilities. Directors have unrestricted access to the Company Secretary.

The role of the Company Secretary and their responsibilities have been shown in page 192

Directors have access to the advice and services of this group function as necessary. Appointment and removal Company Secretary is a matter for the Board.

BOARD ACCOUNTABILITY Compliance and Best Practices

The Board is committed to upholding the highest standards of corporate governance and is fully accountable to stakeholders for ensuring compliance with all applicable laws, regulations, codes, and standards. In fulfilling its responsibilities, the Board actively monitors regulatory developments to guarantee timely adherence to all requirements and prioritises the early adoption of new regulations. Furthermore, as part of its dedication to best practices, the Board encourages the voluntary adoption of globally recognised governance standards.

Having taken the necessary steps in the current year, to comply with the relevant provisions outlined in Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE) Corporate Governance Rules, the Board affirms that Hayleys Fabric PLC remains fully compliant with all relevant statutory and regulatory obligations. Additionally, the Board is satisfied that all reasonable measures have been taken to ensure adherence to the voluntary codes the Group has committed to.

The list of compliance with the Listing Requirements Section 9 on Corporate Governance Rules for listed companies issued by the Colombo Stock Exchange (CSE) is shown in Appendix 1 and the

compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2023 in Appendix 11 at the end of this report.

Risk Management and Internal Control

The Board is entrusted with the critical responsibility of ensuring a resilient and effective risk management framework that safeguards the Group's long-term sustainability. In fulfilling this mandate, the Board establishes the overall risk appetite, defines the strategic direction for risk management, and oversees the implementation of a comprehensive risk governance structure. This framework consists of well-defined policies, procedures, and control mechanisms designed to identify, assess, and mitigate risks across all operational and strategic areas of the Company.

To enhance risk oversight and ensure rigorous monitoring, the Board has delegated responsibility for risk-related matters to the Board Audit Committee. Acting under the authority of the Board, the Committee plays a key role in evaluating risk exposures, reviewing the adequacy and effectiveness of internal controls, and ensuring compliance with regulatory and governance requirements. The Audit Committee is also charged with overseeing the Internal Audit division, which is responsible for conducting independent assessments to verify the strength and efficiency of the Group's risk management and internal control systems. The findings of these assessments, along with management responses and proposed corrective actions, are presented to the Board Audit Committee on a quarterly basis, after which they are escalated to the Board for further review and necessary interventions.

For more information - please refer to the Risk Management Report on page 74.

Financial Reporting and Assurance

The Board of Hayleys Fabric Group understands and accepts its responsibility for providing a clear and balanced assessment of the Group's performance, financial position, and future prospects. To support this, the Board has established a robust system of financial controls that meets all mandatory requirements and incorporates best practices, to ensure accurate records are maintained to support timely, reliable, and transparent publication of financial information regarding Hayleys Fabric PLC's financial standing.

In fulfilling these responsibilities, the Board works closely with the Board Audit Committee to review financial performance, oversee the preparation of financial statements, and ensure they are presented in full compliance with relevant accounting standards, regulatory obligations, and industry best practices. The Board also reviews and approves the Group's annual financial statements, interim reports, and other required financial disclosures, ensuring that these documents provide a truthful and fair representation of the Group's financial health and long-term viability.

Additionally, the external auditors, Ernst & Young, have independently reviewed and verified the financial statements in accordance with the Sri Lanka Financial Reporting Standards (LKASs/SLFRSs), as issued by the Institute of Chartered Accountants of Sri Lanka.

Interim financials and the Annual Report are submitted to the CSE within the stipulated timeline and

made available under the investor relations tab on the corporate website - www.hayleysfabric.com

In line with Section 9 of the Listing Rules (CSE) Corporate Governance Rules, a new Policy on Corporate Disclosures was approved by the Board in October-2024 establishing guidelines for the disclosure of material information that could be reasonably expected to influence decisions of investors including but not limited to Financial results and projections, changes in senior management, mergers, acquisitions, or divestitures, legal proceedings and regulatory actions.

For more information - please refer to the following;

- Annual Report of The Board of Directors on the Affairs of the Company (page 213)
- Responsibility Statement of Managing Director/ CEO and Director-Finance /Chief Financial Officer (page 221)
- Board of Directors' Statement on Internal Control (page 219)
- Statement of Directors' Responsibilities for Financial Statements (page 222)
- Report of the Auditors (page 227).

Ethics and Integrity

The Board of Hayleys Fabric Group strives to lead with integrity, by setting a clear tone from the top, ensuring that ethical practices are embedded into every facet of the Group's operations. This commitment is further reinforced by the "Hayleys Way" - the Group's comprehensive Code of Conduct, that serves as a basis for promoting ethical behaviour and guiding decision-making at all levels.

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The “Hayleys Way” outlines the expected standards of conduct for all employees and Directors, providing clear guidelines on acceptable and unacceptable behaviours within the business. This Code of Conduct is designed to instill a strong ethical framework that supports the Hayleys Group’s values and strategic objectives, ensuring that all employees, regardless of their position or role, are aligned with Hayleys Group core principles. Every individual within the organisation is expected to adhere to the ethical guidelines set forth by the “Hayleys Way,” fostering a culture of responsibility, transparency, and accountability. Key covenants of the Hayleys Way include the Anti Bribery and Corruption Policy and the Whistleblowing Policy which are fully align with Company’s/Group’s own policies.

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

Outlines the Group’s stance against bribery, kickbacks and facilitation payments. The Policy also includes clauses relating to giving and accepting gifts by employees in their normal course of work. The Anti-Bribery and Anti-Corruption Policy applies to all Group Directors and employees without exception. Regular training is conducted to reinforce these principles among employees and Directors. Similarly, business partners and third parties who act on behalf of the Group are also encouraged to follow the key principles encapsulated in the Anti-Bribery and Anti-Corruption policy.

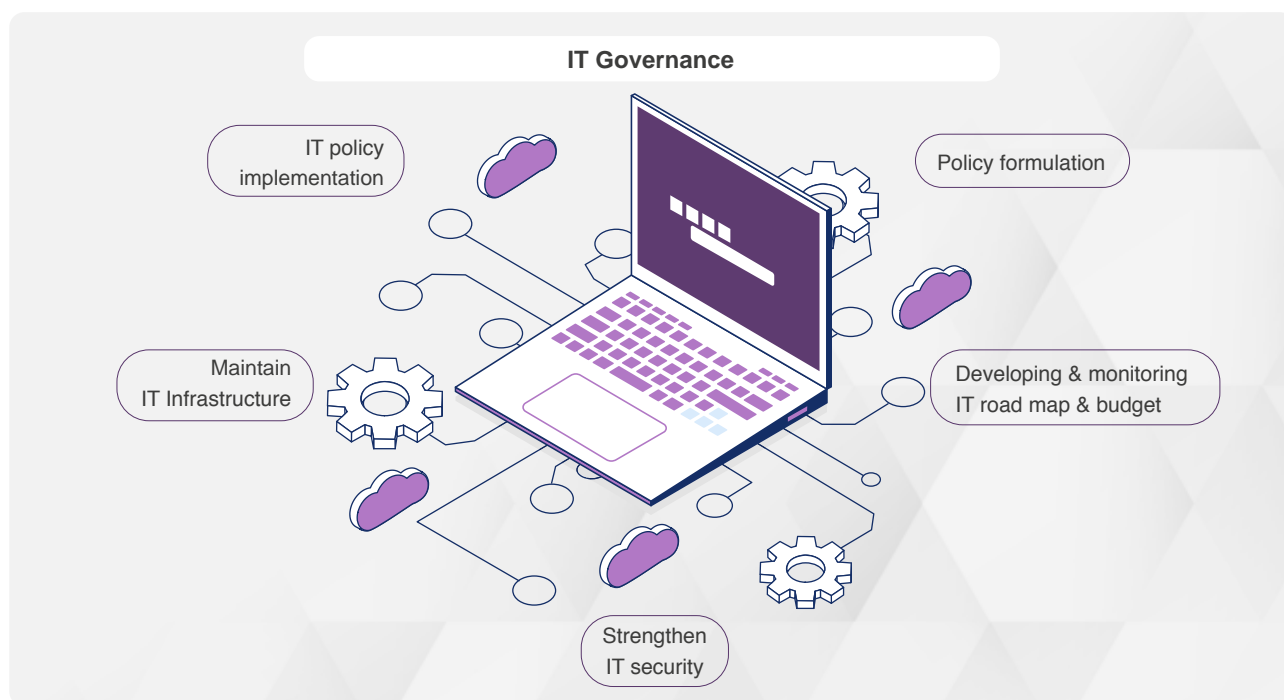


WHISTLEBLOWING POLICY

Creates a channel to anonymously report on possible financial irregularities, inappropriate financial reporting, internal controls, or other issues. All Whistleblower complaints are reviewed by the Hayleys Group Whistleblowing Committee with the Committee taking all reasonable steps to maintain two-way communication with the whistleblower, as much as possible. Employees are made aware of the Whistleblowing process through special awareness sessions conducted regularly. Full details regarding the Whistleblower policy and the modalities of its operation is also made available on the intranet.

IT Governance

- The Board plays a critical role in IT governance across five key domains: policy formulation,
- IT roadmap and budget development,
- IT security enhancement,
- Infrastructure maintenance,
- IT policy implementation.
- To effectively discharge its responsibilities, the Board is supported by the Hayleys Group IT Department, which provides expertise in policy development, strategic IT planning, budget oversight, and information security management including cyber security.
- The Hayleys Group Head of IT serves as both the Chief Information Security Officer (CISO) and the Data Protection Officer for Hayleys Fabric Group, ensuring robust security measures and regulatory compliance. At an operational level, the Hayleys Fabric Group Head of IT is responsible for maintaining IT infrastructure and executing IT policies, ensuring seamless integration of governance frameworks into daily operations.



HR Governance

The Board holds ultimate responsibility for HR governance, ensuring that Hayleys Fabric Group upholds the highest standards in human capital management, regulatory compliance, and ethical employment practices. This includes overseeing the development and implementation of HR policies, workforce planning, talent development, performance management, and employee well-being initiatives.

To ensure effective execution, matters relating to compliance and policy implementation are centrally managed under the stewardship of the Director – HR & Admin, Hayleys Textile Cluster. The Director collaborates closely with HR Managers at each factory, ensuring adherence to all applicable labour laws and regulations while maintaining alignment with the Hayleys Group policy framework on human capital management.

For more information - please refer to the Human Capital Report on page 130.

ESG Governance

The Hayleys Fabric PLC's Board continues to express a deep commitment to Environmental, Social, and Governance (ESG), in alignment with the Hayleys Group's sustainability principles, encapsulated in the Hayleys LifeCode. This approach is further

CORPORATE GOVERNANCE

reinforced by global sustainability frameworks, including the United Nations Sustainable Development Goals (SDGs) and the Science Based Targets initiative (SBTi) designed to meet the Paris Agreement's climate targets.

The Board oversees Hayleys Fabric PLC's ESG strategy and has delegated the target setting exercise to the ESG Steering Committee. Once finalised, these targets are cascaded to the departmental level, where designated representatives oversee their integration into operational processes. Internal Key Performance Indicators (KPIs) are continuously monitored by the Sustainability team, with progress updates presented monthly at the Management Review Meeting and quarterly at the ESG Steering Committee meeting. The ESG Steering Committee is also tasked with evaluating the progress targets at the entity level, followed by quarterly reviews conducted by the Hayleys PLC ESG Committee.

The Board further upholds its commitment to transparency and leadership in ESG reporting by adopting globally recognised sustainability frameworks. These include the Global Reporting Initiative (GRI), the United Nations Global Compact (UNGC), the United Nations Sustainable Development Goals (UN SDGs), and the Sustainability Accounting Standards Board (SASB) – Apparel, Accessories & Footwear Standard. More recently, the Company has demonstrated adoption of the Sri Lanka Financial Reporting Standards (SLFRS) S1 & S2 sustainability reporting standards. To further enhance credibility, Hayleys Fabric PLC obtains independent assurance reports on its ESG disclosures, particularly in accordance with GRI and SASB standards in addition to the independent assurance report taken on Integrated Reporting (IR).

For more information - please refer to the following;

- United Nations Global Compact - highlights (page 168)
- United Nations Sustainable Development Goals - contribution to selected targets (page 80)
- GRI Content Index (page 169)
- Sustainability Accounting Standard (SASB) - Apparel, Accessories & Footwear Standard (page 177)
- Independent Assurance Report GRI and SASB (page 179-182)
- Sustainability Accounting Standards (SLFRS S1 & S2) Disclosures) Page 87

Stakeholder Engagement

The Hayleys Fabric PLC's Board ensures proactive and transparent stakeholder engagement to build trust, strengthen relationships, and align with corporate objectives. Guided by Board-approved policies, a structured engagement framework facilitates meaningful dialogue, incorporates stakeholder feedback into decision-making, and ensures compliance with ethical and regulatory standards.

The Board oversees timely and accurate disclosures and reviews of engagement outcomes to help refine strategies and enhance stakeholder relationships.

For more information - please refer to the Stakeholder Engagement Page 50

Shareholder Relations

The Board is committed to upholding shareholder rights and fostering strong, transparent relationships with investors by ensuring shareholders receive timely, accurate, and comprehensive information regarding the Group's financial performance, strategic direction, and governance practices.

To discharge its responsibility, the Board holds the Annual General Meetings (AGMs), and complies with financial disclosures in line with regulatory and best practices. Shareholders also have access to key information and updates via the Colombo Stock Exchange (CSE), the corporate website, and periodic reports.

Annual General Meeting (AGM)

The Annual General Meeting (AGM) serves as the main platform for the Board to engage with its shareholders and investors to enable them to gain insights into the Group's performance and discuss strategic priorities for the future.

Following the conclusion of each financial year, the Board determines the date for the AGM. In line with Colombo Stock Exchange (CSE) listing requirements, the notice of the AGM, along with the Annual Report, financial statements, and any resolutions to be tabled, is circulated to shareholders at least fifteen (15) working days prior to the meeting. The notice also outlines voting procedures, allowing shareholders sufficient time to review key information and participate meaningfully in the proceedings.

The upcoming AGM for Hayleys Fabric PLC is scheduled on 24th June 2025.

Appendix I - Compliance with the Continuing Listing Requirements Section 9 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys Fabric PLC's Extent of Adoption
9.2.1	Policies	Compliant	The Company has established and continues to maintain the policies on Board and Board Sub Committees, Corporate Governance, Nominations, Remuneration, Internal Code of Business Conduct, Risk Management and Internal Control, Relations with Shareholders and Investors, Environment, Social Governance and Sustainability and Anti Bribery and Whistleblowing policy. (for details, please visit www.hayleysfabric.com)
9.3	Board Committees	Compliant	The Company has established Nominations and Governance Committee, Remuneration Committee, Audit Committee and Related Party Transactions Review Committee.
9.3.3	Chairperson of Board Committees	Compliant	Chairperson of Board Committees is not the Chairperson of the Board.
9.4.1	Meeting Procedures	Compliant	Company maintains records of all resolutions passed at General Meetings.
9.4.2	Communication and Relations with shareholders	Compliant	The Company has a Shareholder Communication and Relations policy and it is published on the corporate website. The contact person is mentioned. The policy includes a process whereby Directors are informed of major issues and concerns of shareholders.
9.5.	Policy on matters relating to the Board of Directors	Compliant	The Company maintains a pPolicy on matters relating to the Board of Directors.
9.6. 2	Chairperson and CEO	Compliant	Chairperson and MD/CEO are not the same person and appropriate announcement has been made.
9.6.3	Senior Independent Director (SID)	Compliant	The Company has appointed a Senior Independent Director since the Chairperson is an Executive Director.
9.6.3. (b)	Senior Independent Director	Compliant	The SID holds a meeting once a year with the Independent Directors without the presence of other Directors to discuss matters and concerns relating to the Company.
9.6.3. (c)	Senior Independent Director	Compliant	The SID holds a meeting once a year with the Non-Executive Directors without the presence of the Chairperson to appraise the Chairperson's performance.
9.6.3. (e)	Senior Independent Director	Compliant	The SID has made a disclosure demonstrating the effectiveness of duties of the SID in page 208.
9.7.1	Fitness of Directors and CEO	Compliant	The Company ensures that the persons recommended by the Nominations and Governance Committee fulfill the assessment criteria set out in the Listing Rules
9.7.4	Fitness of Directors and CEO	Compliant	The Directors and the CEO have provided the declaration confirming that they satisfy the Fit and Proper Assessment Criteria during the financial year and as at the date of such confirmation.

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Appendix I - Compliance with the Continuing Listing Requirements Section 9 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys Fabric PLC's Extent of Adoption
9.8.1	Minimum number of Directors	Compliant	The Board consisted of 12 Directors.
9.8.2	Independent Directors (ID)	Compliant	Four Directors are independent
9.8.3	Independent Directors	Compliant	All NEDs have submitted their confirmations on Independence as per the criteria set by Hayleys Fabric PLC, which is in line with the regulatory requirements.
9.8.5	Disclosure relating to Directors	Compliant	Each Independent Director signed and submitted a declaration regarding his/her independence. The Board assessed the independence declared by the Director.
9.10.2	Disclosure relating to Directors	Compliant	Disclosed the appointments of new Directors to the Colombo Stock Exchange, together with a brief resume of Director, capacity of directorship and if they hold any relevant interest in shares of the Listed Entity. Appointments are reviewed by the Nominations and Governance Committee and recommended to the Board. Please refer pages 18 to 20 for the brief resume of each Director.
9.10.3	Disclosure relating to Directors	Compliant	All changes to Board Committees were immediately informed to the Colombo Stock Exchange.
9.10.4	Disclosure relating to Directors	Compliant	Page 188 of the Annual Report contains the relevant information
9.11.1-3	Nominations and Governance Committee	Compliant	Nominations and Governance Committee Report on page 211.
9.11.4	Composition of the Nominations and Governance Committee	Compliant Compliant	The Nominations and Governance Committee comprises 1 Independent Non-Executive Director, 1 Non-Executive Director and 1 Senior Independent Director. The Chairperson of the Committee is the Senior Independent Director.
9.11.5	Functions of the Nominations and Governance Committee	Compliant	Nominations and Governance Committee Report on pages 211
9.12. 1	Remuneration Committee	Compliant	Remuneration Committee Report on page 209 and Principles B1 to B3 on page 203 of this Corporate Governance Report.
9.12.6	Composition of the Remuneration Committee	Compliant	The Remuneration Committee Comprises 1 Independent Non-Executive Director, 1 Non Executive Director and 1 Senior independent Director. The Chairperson of the Committee is the Senior Independent Director
9.12.7	Functions of Remuneration Committee	Compliant	The Remuneration Committee recommends the remuneration payable to the Executive Directors and the MD/CEO. The remuneration paid to Directors is given in Note 22 to the financial statements on page 271.
9.12.8	Disclosure in the Annual Report relating to Remuneration Committee	Compliant	Remuneration Committee Report on page 209

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys Fabric PLC's Extent of Adoption
9.13.1	Audit and Risk Functions	Compliant	Audit Committee additionally overlooks the Risk Functions.
9.13.2	Audit Committees Terms of Reference	Compliant	Audit Committee adopted a written Terms of Reference which has been periodically reviewed and revised.
9.13.3	Composition of the Audit Committee	Compliant	The Audit Committee comprises 2 Independent Non-Executive Directors, 1 Non-Executive Director and 1 Senior Independent Director from whom 3 members including the Chairperson of the Committee are the members of a recognised professional accounting body
9.13.4	Audit Committee Functions	Compliant	Refer Audit Committee Report on pages 205 to 207
9.13.5	Disclosure in the Annual Report relating to Audit Committee	Compliant	Audit Committee Report on pages 205 to 207
9.14.2	Composition of the Related Party Transactions Review Committee (RPTRC)	Compliant	Related Party Transactions Review Committee Report on Page 210. RPTRC of the Company comprises 1 Independent Non-Executive Director, 1 Non-Executive Director and 1 Senior Independent Director. Chairperson of the Committee is the Senior Independent Director.
9.12.3	Functions of RPTRC	Compliant	Report of the Related Party Transactions Review Committee in page 210.
9.12.4	RPTRC Meetings	Compliant	RPTRC met 04 times during the financial year 2024/25.
9.14.7	Immediate Disclosures	Compliant	Refer Note 26 of the Notes to the Accounts on pages 274 to 275.
9.14.8 (1) & (2)	Disclosure of Non-Recurrent and Recurrent Related Party Transactions	Compliant	Refer Note 26 of the Notes to the Accounts on pages 274 to 275.
9.14.8 (3)	The Report by the Related Party Transactions Review Committee	Compliant	Report of the Related Party Transactions Review Committee on page 210
9.14.8 (4)	An affirmative declaration by the Board of Directors	Compliant	Annual Report of Board of Directors for an affirmative statement of compliance of the Board on pages 213 to 218
9.16	Additional Disclosures	Compliant	Report of the Annual Report of Board of Directors on pages 213 to 218

Appendix II: Compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2023

As requirements of the Code have been discussed in the Corporate Governance Report, we have provided the relevant references to the report.

Code Ref.	Requirement	Complied	Reference within the Annual Report	Page
A	DIRECTORS			
A.1	An effective Board should direct, lead and control the Company			187
A.1.1	Regular Board meetings, provide information to the Board on a structured and regular basis	Yes	Meetings & Minutes	190

CORPORATE GOVERNANCE

Code Ref.	Requirement	Complied	Reference within the Annual Report	Page
A.1.2	Role and Responsibilities of the Board	Yes	The Role of the Board	186
A.1.3	Act in accordance with laws of the Country Independent professional advice	Yes	Compliance The Company Secretary	194
A.1.4	Access to advise and services of the Company Secretary	Yes	Company Secretary	192
A.1.5	Independent judgement	Yes	Directors' Independence	187-188
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	Yes	Directors' Interests and Related Party Transactions	188
A.1.7	Calls for resolutions by at least 1/3rd of Directors	Yes	Appointment/Re-election/Resignation of Directors	202
A.1.8	Board induction and Training	Yes	Induction and Training for Directors	190
A.2	Chairman and CEO	Yes	Division of Responsibilities	192
A.3	Chairman's role in preserving good corporate governance	Yes	Division of Responsibilities	192
A.4	Availability of financial acumen	Yes	Board Composition	187
A.5	Board Balance	Yes	Board Composition	187
A.5.1	NEDS should be majority of the Board as Chairman is an ED. The 2/3rd of NED should be IND.	Yes	Board Composition	187
A.5.2	If the Board includes only 3 NEDs, they should be independent	N/A		
A.5.3	Independence of Directors	Yes	NEDs and their Independence	188
A.5.4	Annual declaration of independence by Directors	Yes	NEDs and their Independence	188
A.5.5	Annual determination of independence of NEDs	Yes	NEDs and their Independence	188
A.5.6	Alternate Directors	N/A		
A.5.7 & A.5.8	Senior Independent Director Report from SID should be provided in the Annual Report	Yes	Board Composition Senior Independent Director's Report	187 208
A.5.9	Annual meeting with NEDs	Yes	Senior Independent Director meets with Independent and Non-Executive Directors	188
A.5.10	Recording of dissent in minutes	Yes	Board meetings	190
A.6	Supply of Information	Yes	Board meeting process	190
A.7	Appointments to the Board and Re-election	Yes	Appointment/Re-election/Resignation of Directors	189
A.7.1	Composition of Nominations and Governance Committee	Yes	Nominations and Governance Committee Report	211-212
A.7.2	Annual Assessment of the Board	Yes	Board and Board sub-committee evaluation.	194
A.7.4	Disclosures on appointment of new Directors	Yes	Appointment/Re-election/Resignation of Directors	189
A.7.5	The Chairman and members of the Nomination Committee should be identified in the Annual Report. A separate section of the Annual Report should describe the work of the Nomination Committee including the process it has used in relation to Board appointments.	Yes	Nominations and Governance Committee Report	211-212

Code Ref.	Requirement	Complied	Reference within the Annual Report	Page
A.7.6	Terms of Reference for Nominations Committee	Yes	Nominations and Governance Committee Report	211-212
A.8	Directors to submit themselves for re-election	Yes	Appointment/Re-election/Resignation of Directors	189
A.9	Appraisal of Board and Sub-Committee Performances	Yes	Board and Board sub-committee evaluation.	194
A.10	Annual Report to disclose specified information regarding Directors	Yes	Board Profiles Meetings & Minutes Directorships in Other Companies Membership in committees	18-20
A.11	Appraisal of the CEO	Yes	Evaluating the performance of Executive Directors including MD/CEO	194

B. DIRECTORS REMUNERATION

B.1	Establish process for developing policy on executive and Director remuneration.	Yes	Directors' Remuneration	189
B.2	Level and Make Up of Remuneration	Yes	Directors' Remuneration	189
B.3	Disclosure of Remuneration	Yes	Note 22 to Financial Statements	271

C RELATIONS WITH SHAREHOLDERS

C.1.	Constructive use of the AGM & Other General Meetings	Yes	Annual General Meeting (AGM)	198
C.2.	Communication with shareholders	Yes	Shareholder Relations	198
C.3	Disclosure of major and material transactions	Yes	During the year, there were no major or material transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of Company.	

D. ACCOUNTABILITY & AUDIT

D. 1	Present a balanced and understandable assessment of the Company's financial position, performance and prospects	Yes	Shareholder Relations	198
D1.1	Balanced Annual Report	Yes	Communication with Shareholders	198
D.1.2	Balanced and understandable communication	Yes	Shareholder Relations	198
D.1.3	CEO/CFO declaration	Yes	Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	221
D.1.4	Declarations by the Directors	Yes	Annual Report of the Board of Directors on the Affairs of the Company	213-218
D.1.5	Statement by the Board on their responsibilities for the preparation and presentation of financial statements, statement by the Auditors about their responsibilities and Report on Risk Management and Internal Control	Yes	Directors' Responsibility for Financial Reporting Directors' Statement on Internal Control Risk Management Auditors Report	222 219 74-79 227-229
D.1.6	Management Discussion & Analysis	Yes	Capital Reports	110-166

CORPORATE GOVERNANCE

Code Ref.	Requirement	Complied	Reference within the Annual Report	Page
D.1.7	Net Assets < 50%	Yes	In the unlikely event of the net assets of the Company falling below 50% of Shareholders' Funds the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken.	
D.1.8	Related Party Transactions	Yes	Conflicts of Interest	188
D.2.	Risk Management Policy for risk management. Define framework to identify, assess, monitor and manage risks with clear delegation of responsibilities. Establish risk committee or extend this responsibility to another committee	Yes	Risk Management and Internal control Report of the Audit Committee Directors' Statement of Internal Control	74-79 205 219
D.3.	Audit Committee	Yes	Audit Committee Report	205
D.5	Related Party Transactions Review Committee	Yes	Related Party Transactions Review Committee Report	210
D.6	Code of Business Conduct and Ethics	Yes	Ethics and Integrity The Whistle Blowing policy of the Company / Anti-Bribery and Anti-Corruption policy	195 196
D.7	Corporate Governance Disclosures	Yes	Corporate Governance Report	184-198
E/F INSTITUTIONAL AND OTHER INVESTORS				
	Institutional and other investors,	Yes	Shareholder Relations	198
G.	Internet of Things & Cybersecurity	Yes	IT Governance	197
H.	Sustainability: ESG Risk and Opportunities	Yes	ESG Governance	197-198

REPORT OF THE AUDIT COMMITTEE

As Chairman of Hayleys Fabric PLC's Audit Committee, I am pleased to present the report of the Audit Committee for the year ended 31st March 2025 which has been prepared by the Committee. The purpose of this report is to describe how the Committee has carried out its responsibilities during the year.

In discharging its duties, the Audit Committee seeks to balance independent oversight of the matters within its remit with providing support and guidance to the management. I can confidently state that the Committee, supported by the members of senior management and the external auditors, has carried out its duties in the year under review, effectively while maintaining a high standard.

PURPOSE OF THE COMMITTEE

The Audit Committee was established to assist the Board in fulfilling its oversight responsibility for the Company's financial reporting system, compliance with legal and regulatory requirements, internal control mechanism, risk management process, internal audit function and review of Independence and performance of External Auditors, with a view to safeguarding the interests of the shareholders and all other stakeholders.

The power and responsibilities of the Audit Committee of Hayleys Fabric PLC are governed by the Audit Committee Charter which is approved and adopted by the Board.

TERMS OF REFERENCE

The Audit Committee has a written terms of reference, dealing with its authority and duties, which is carefully designed to discharge the Committee's purpose, duties and responsibilities of the Committee.

The terms of reference comply with the requirements of Section 7.10 of the Corporate Governance Listing Rules of the Colombo Stock Exchange (CSE).

COMMITTEE STRUCTURE

The Audit Committee of Hayleys Fabric PLC is formally constituted as a sub-committee of the Main Board. The Committee's composition met the requirements of Rule 9.18.6 (a) of the Listing Rules of the Colombo Stock Exchange. The members of the Audit Committee until 31st December 2024 are as follows.

Name	Status	Status of Membership in the Committee	Date of Appointment	Remarks
Mr. H. Somashantha	Independent Non-Executive Director	Chairperson	09th May 2012 as a member and on 22nd March 2015 as a Chairman of the Committee	Chartered Accountant
Mr. M.N.R. Fernando	Independent Non-Executive Director	Member	01.01.2024	
Mr. N. Ekanayake	Senior Independent Director	Member	01.01.2024	Chartered Accountant
To comply with Section 9 of the Listing Rules on Corporate Governance of the Colombo Stock Exchange, w.e.f 23rd December 2024 onwards, the Committee composition was changed as follows				
Mr. N. Ekanayake	Senior Independent Director	Chairperson	23.12.2024	Chartered Accountant
Mr. M.N.R. Fernando	Independent Non-Executive Director	Member	01.01.2024	
Mr. H. Somashantha	Re-classified as Non-Executive Director	Member	23.12.2024 (Date of re-classification)	Re-classified as NED - Chartered Accountant
Mr. T.A.B. Speldewinde	Independent Non-Executive Director	Member	23.12.2024	Chartered Accountant
In addition, below members also participate as follows				
Hayleys Group Services (Pvt) Ltd	Secretary to the Committee			
Mr. A.M. Pandithage	Chairman - Hayleys Fabric PLC			
Mr. E.R.P. Goonetilleke	Managing Director/CEO - Hayleys Fabric PLC			
Mr. S.C Ganegoda	Non-Executive Director - Hayleys Fabric PLC			
Mr. R. Rohitha Bandara	Executive Director - Hayleys Fabric PLC			
Mr. Milinda Hewagama	Group CFO - Hayleys PLC			
Mr. A. Mathangaweera-	Head- Group Management Audit & Systems Review (MA & SRD) - Hayleys PLC			

REPORT OF THE AUDIT COMMITTEE

MEMBERS AND MEETINGS

The Audit Committee comprises individuals with extensive experience in the fields of Accounting & Finance, Corporate Management, and Marketing & Strategic Management.

The Chairman of the Audit Committee is a member of the Institute of Chartered Accountants of Sri Lanka, and the profiles of the members are given on pages 18 to 20 of this report.

DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

- Financial Reporting - Monitor the integrity of financial statements
- Internal Audit
- Risk Management
- Reporting & Assurance
- External Audit
- Compliance



FINANCIAL REPORTING

The Audit Committee has reviewed the quarterly and annual Financial Statements prior to its publication.

The review included;

- Appropriateness and changes in Accounting Policies
- Significant estimates & judgments made by the management.
- Compliance with relevant Accounting Standards (SLFRSs/ LKASs) and applicable regulatory requirements
- Issues arising from the Internal Audit and Independent External Audit
- The Company's ability to continue as a going concern.
- Statements and Reports to be included in the Annual Report.

INTERNAL AUDIT

The Committee monitors the effectiveness of the internal audit function and empowered them to access to information required to conduct their audits.

The internal audit of the Company has been carried out by Hayleys Management Audit and System Review Department (HMA and SRD) and they directly submit their findings to the Audit Committee and relevant reports are available to External Auditors.

The Audit Committee has met the Internal Auditors during the year under review and the following were reviewed.

- Adequacy of the Internal Audit Annual plan & coverage
- The effectiveness of Internal Audit functions
- Follow up actions taken by the Company recommended by the Internal Audit.

RISK MANAGEMENT AND INTERNAL CONTROLS

During the year, the Committee assessed the major business and control risks and the control environment prevalent in the Company and advised the Management on action to be taken in areas where weaknesses were observed. In addition, the Committee reviewed reports on losses resulting from fraud and operational failures and scrutinised the effectiveness of the Company's internal control system already in place and the processes adopted for identifying, evaluating, and managing of all significant risks.

The Audit Committee has also extensively reviewed the climate related risks and opportunities reported in line with the SLFRS S1 & S2.

EXTERNAL AUDIT

The Committee has reviewed the independence and objectivity of the Independent External Auditors, Messrs Ernst & Young Chartered Accountants.

The Audit Committee has met with the External Auditors to review their audit plan and Observations made by them.

The Committee has received a declaration from External Auditors confirming that they do not have any relationship with or interest in the Company or its subsidiaries.

The Committee has reviewed the non-audit services provided by the external auditors to safeguard their independence and objectivity.

At the conclusion of the audit, the External Auditors met with the Audit Committee to discuss any matters of concern found during the audit and also to discuss the matters mentioned in the Management Letter.

Management responses for the concerns raised by the External Auditors were discussed with the Managing Director/CEO and Director-Finance of the Company.

There were no significant issues during the year under review.

The Committee has recommended to the Board that Messrs Ernst & Young be reappointed as the independent External Auditor and that the re-appointment be included in the agenda of the Annual General Meeting.

COMPLIANCE WITH FINANCIAL REPORTING AND STATUTORY REQUIREMENTS

The Director Finance has submitted a report on compliance with mandatory statutory requirements to the audit committee. The Committee reviewed the procedures together with the Report from the MD/CEO regarding the entity's operations and finances established by Management for compliance with the requirements of regulatory bodies and ensured compliance with Corporate Governance disclosure requirements, as set out on page 184.

MEETINGS & ATTENDANCE

The Audit Committee met four (4) times during the year and attendance by the Committee members at each of these meetings are given below.

ATTENDANCE

Directors	Classification	Audit committee meetings dates				
		05th August 2024	04th November 2024	13th February 2025	06th May 2025	Total
Haresh Somashantha	Non-Executive Director	√	√	√	√	4/4
Nandana Ekanayake	Senior Independent Director	√	√	√	√	4/4
Meemange Nanda Rajarathna Fernando	Independent Non-Executive Director	√	√	√	√	4/4
Timothy Allen Brent Speldewinde (Appointed on 23rd December 2024)	Independent Non-Executive Director	NA	NA	√	EX	1/2
Attended: √ Excused: EX Not Applicable: NA						

SUPPORT TO THE COMMITTEE

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

Reviewed the key audit observations made in respect of audits carried out on subsidiary Company.

Reviewed the Audit Committee Charter and the Terms of Reference.

Evaluated the areas to be further strengthened.

affairs of the Company are managed in accordance with accepted policies and the assets are properly accounted for and adequately safeguarded.

The Committee is also satisfied that the Company is able to continue as a going concern.

OTHER MATTERS

The Committee reviewed the potential Cyber Risks of the Company and the steps taken by the Management to address these risks.

Carried out an in-depth review of the insurance policies of the Company.

CONCLUSION

The Audit Committee is satisfied that the effectiveness of the Organisational structure of the Company and the implementation of the Company's Accounting policies and operational controls provide reasonable assurance that the



N. Ekanayake
Chairman-Audit Committee

06th May 2025

SENIOR INDEPENDENT DIRECTOR'S STATEMENT

The Code of Best Practice on Corporate Governance 2023 (The Code) issued by The Institute of Chartered Accountants of Sri Lanka and Rule number 9.6.3 of the Listing Rules of the Colombo Stock Exchange recommend that a Senior Independent Director (SID) be appointed in the event of the Chairperson and CEO is the same person or the Chairman is not an Independent Director. At Hayleys Fabric PLC, although the Chairman and CEO are not the same and also the Chairman is an Executive Director (ED).

The presence of a Senior Independent Director (SID) provides a workable mechanism to review the role played by the Chairman. While the role of the Chairman entails providing leadership in observing best practices of Corporate Governance, my role as the SID calls for a review of the effectiveness of the Board. The role of the SID also provides emphasis to transparency on matters relating to governance.

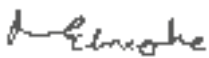
Hayleys Fabric PLC is committed to principles of good governance and always strives to live by the Best Practices of good Corporate Governance. The conformance culture of the Company is strongly embraced by the Board of Directors. The Company follows a policy of strict compliance with mandatory requirements while embracing voluntary adherence, in order to enhance stakeholder acceptance and making a positive impact on value creation.

As the Senior Independent Director of the Hayleys Fabric PLC, I am consulted by the Chairman on governance issues, if there are any. Further, I make myself available to any Director or any employee to have any confidential discussion on the affairs of the Company, should the need arise.

During the financial year meetings were held with the Non-Executive Directors without the presence of the Executive Directors.

At these meetings, the performance of the Chairman and the Executive Directors were appraised.

Discussions were held with the Independent Directors on matters relating to the Company and the operation of the Board. The outcome was shared with the Chairman suggestions were implemented.



N. Ekanayake
Senior Independent Director

06th May 2025

REPORT OF THE REMUNERATION COMMITTEE

The Company has established the Remuneration Committee in line with Rule 9.12 of the Listing Rules of the Colombo Stock Exchange. The Committee is currently composed of Senior Independent Non-Executive Director (SID) who is the Chairman of the Committee. The members of the Committee have wide experience and knowledge of finance, business and industry. The Committee acts as a sub-Committee to the Remuneration Committee of the Parent Company, Hayleys PLC.

The Members of the Remuneration Committee and their attendance are as below

Directors	Classification	Date and No. of Meetings held /Attendance	
		04th November 2024	Total
N Ekanayake	Senior Independent Director (Chairperson)	√	1/1
M N R Fernando	Independent Non-Executive Director	√	1/1
H Somashantha	Non-Executive Director	√	1/1

Attended: √ Excused: EX Not Applicable: NA

INDEPENDENCE OF THE COMMITTEE

The members of the Remuneration Committee are completely free from any business, Operational, personal or other relationships that may interfere with the exercise of their independent, unbiased judgment.

KEY OBJECTIVE

The Committee advises the Board to maintain and establish formal and transparent procedures on the policy to be followed on executive remuneration packages for individual Directors and senior management of the Company and its Subsidiary.

RESPONSIBILITIES

The Remuneration Committee is responsible to the Board for;

- Determining the policy of the remuneration package of the Directors.
- Review performance of the Managing Director, Executive Directors as well as the individual and collective performance of Directors.
- Deciding on overall individual packages, including compensation on termination of employment

REMUNERATION POLICY

The remuneration policy is designed to reward, motivate and retain the Group's executive team, with market competitive remuneration and benefits, to support the continued success of the business and creation of shareholder value. Accordingly, salaries and other benefits are reviewed periodically, taking into account the performance of the individual and industry standards.

The remuneration packages which are linked to individual performances are aligned with the Company's/Group's short-term and long-term strategy.

The Committee makes every effort to maintain remuneration levels that are sufficient to attract and retain Executive Directors.

All Non-Executive Directors except Directors who are employed by the Parent company, Hayleys PLC receive a fee for serving on the Board and serving on sub-committees. They do not receive any performance related incentive payments. The Company/Group does not have an employee share ownership

plan for members of the Board, who are considered as Key Management Personnel (KMP).

DIRECTORS' EMOLUMENTS

The aggregate remuneration of both Executive and Non-Executive Directors has been disclosed in Note 22 to the financial statements.



N. Ekanayake
Chairman - Remuneration Committee

06th May 2025

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

In terms of the Section 9 of the Listing Rules of the Colombo Stock Exchange and the code of Best Practice issued by the CA Sri Lanka 2023, the Related Party Transactions Review Committee appointed by and responsible to the Board.

COMPOSITION OF THE COMMITTEE

The Committee comprises the following members.

Name of the Director	Status	Status of Membership in the Committee	Date of Appointment
Mr. N. Ekanayake	Senior Independent Director	Chairperson	15th May 2024
Mr. M.N.R. Fernando	Independent Non-Executive Director	Member	15th May 2024
Mr. S.C. Ganegoda	Non-Executive Director	Member	15th May 2024

MEETINGS & ATTENDANCE

Number of Meetings held in 2024/25, and respective attendances were as below.

Directors	Status	Dates of Meetings				
		05th August 2024	04th November 2024	13th February 2025	06th May 2025	Total
Mr. N. Ekanayake	Senior Independent Director	√	√	√	√	4/4
Mr. M.N.R. Fernando	Independent Non-Executive Director	√	√	√	√	4/4
Mr. S.C. Ganegoda	Non-Executive Director	√	√	√	√	4/4
Attended: √ Excused: EX Not Applicable: NA						

THE DUTIES OF THE COMMITTEE

- To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction
- Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the entity are transacted on normal commercial

terms and at arms length not prejudicial to the interests of the entity and its minority shareholders.

- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

TASK OF THE COMMITTEE


The Committee re-viewed the related party transactions and their

compliances of Hayleys Fabric PLC and its subsidiaries. The Committee ensures that the minutes of all meetings are properly documented and communicated to the Board.

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

DECLARATION

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors on page 218 of this Annual Report.



N. Ekanayake
Chairman - Related Party Transactions Review Committee

06th May 2025

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

COMMITTEE MEMBERS

Following are the members of the Company's Nominations and Governance Committee established on 15th May 2024.

Name of the Director	Nature of Directorship	Date of Appointment to the Committee
Mr. N. Ekanayake – Chairman	Senior Independent Director	15th May 2024
Mr. M.N.R. Fernando	Independent Non- Executive Director	15th May 2024
Mr. S.C. Ganegoda	Non- Executive Director	15th May 2024

The Members of the Nominations and Governance Committee and their attendance are as below

Directors	Status	Dates and No. of Meetings		
		04th November 2024	06th May 2025	Total
Mr. N. Ekanayake – Chairman	Senior Independent Director	√	√	2/2
Mr. M.N.R. Fernando	Independent Non- Executive Director	√	√	2/2
Mr. S.C. Ganegoda	Non- Executive Director	√	√	2/2
Attended: √ Excused: EX Not Applicable: NA				

DUTIES OF THE NOMINATIONS AND GOVERNANCE COMMITTEE

- The Nominations and Governance Committee evaluates and recommends the appointment of Directors to the Board and Committees considering the required skills, experience and qualifications necessary.
- Consider and recommend (or not recommend) the re-election of current Directors taking into account the combined knowledge, experience, performance and contribution made by the Director to meet the strategic demands of the Company and the discharge of the Boards overall responsibilities and the number of directorships held by the Director in other listed and unlisted companies and other principle commitments
- Establish and maintain a formal and transparent procedure to evaluate, select and appoint/re-appoint Directors of the Company.
- Establish and maintain a set of criteria for selection of Directors such as academic/ professional qualifications, skills, experience

and key attributes required for eligibility taking into consideration the nature of the business of the Company and industry specific requirements.

- Establish and maintain a suitable process for the periodic evaluation of the performance of Board Directors and the CEO of the Company to ensure their responsibilities are satisfactorily discharged
- 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 succession plans for Board of Directors and Key Management Personnel.
- Review and recommend the overall corporate governance framework of the Company taking into account the Listing Rules and other applicable regulatory requirements and industry best practices. Review and update the corporate

governance policies/ framework in line with regulatory and legal developments relating to same.

- Receive reports from the Management on compliance of the corporate governance framework of the Company including the Company's compliance with provisions of the SEC Act, Listing Rules of the Colombo Stock Exchange and other applicable laws and reasons for any deviations or non-compliances

DISCLOSURE OF ACTIVITIES

The Board carried out an evaluation of the performance of the Board as a whole and the effectiveness of the Committees. The collective outcome was discussed at the meeting held on 06th May 2025. Any major issues relating to the Company are updated to the Independent Directors by the Chairman or Managing Director. Special Board meetings are called if the need arises to discuss an important or critical matter with the Board. No such meetings were needed during the financial year under review.

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

Newly-appointed Directors are given an induction to the Company prior to their first Board meeting. The orientation programme includes inviting the Directors to the manufacturing facilities to gain an understanding of the operations of the Company and its subsidiaries. Requirements as per the Listing Rules and applicable rules and regulations are informed to the new Directors. Existing Directors are regularly updated with corporate governance requirements, Listing Rules and other applicable laws.

Non-Executive Directors have submitted declarations regarding their independence / non independence.

The fitness and propriety of the Directors were examined.

RE-APPOINTMENTS / RE-ELECTIONS

One Third (1/3) of the Directors except the Managing Director, retire by rotation in terms of the Articles of Association and being eligible submit themselves for re-election at the AGM.

Accordingly, the Committee has recommended re-electing Mr. S.C. Ganegoda, Mr. K.P.C.P.K. Pathirana and Ms. K.A.D.B. Perera to the Board at the Annual General Meeting to be held on 24th June 2025, based on their performance and the contribution made to achieve the objectives of the Board.

Directors, Mr. J.A.N.R. Adhihetty and Mr. T.A.B. Speldewinde who were appointed to the Board on 01.10.2024 and 23.12.2024 respectively, will come up for re-election by the shareholders at the Annual General Meeting. Their profiles in pages 18-20.

Due to the invaluable contribution made to the Board as a result of their many years of experience, industry knowledge and business acumen, the Committee has recommended to re-appoint Mr. A.M. Pandithage and Mr. E.R.P. Goonetilleke who are over seventy years and who retire in terms of Section 210 of the Companies Act No. 7 of 2007.

None of the Directors who are being proposed for re-election/re-appointment or their family members, have any relationship with the Directors of the Company or shareholders having more than 10% of the shares of the Company.

The 4 Independent Non-Executive Directors of the Company meet the criteria for determining independence as per Rule 9.8.3 of the Listing Rules of the Colombo Stock Exchange (CSE).

The Corporate Governance requirements stipulated under the Listing Rules of the Colombo Stock Exchange are met by the Company and details are given in pages 184 to 204.



N. Ekanayake
Chairman
Nominations and Governance Committee

06th May 2025

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors of Hayley's Fabric PLC are pleased to present its Annual Report on state of affairs of the Company to the shareholders for the financial year ended 31st March 2025, together with the audited financial statements of the Company and the Auditor's Report on those financial statements, prepared in accordance with the requirements of the Companies Act No 7 of 2007 and Listing Rules of the Colombo Stock Exchange (CSE). The Report also includes all other relevant information required by the Companies Act No. 7 of 2007 and its amendments, the Listing Rules of the Colombo Stock

Exchange (CSE), including the new Corporate Governance Rules issued by the CSE in 2023 as well as other Good Governance practices.

The financial statements, together with the Reviews and other Reports which form part of the Annual Report were approved by the Board of Directors on 06th May 2025 and the required number of copies submitted to the Colombo Stock Exchange within the statutory deadlines.

Hayleys Fabric PLC is a public limited liability Company incorporated in Sri Lanka in 1993

under the previous Companies Act No 17 of 1982 and re-registered as required under the provisions of the Companies Act No 7 of 2007. The re-registration number of the Company is PQ 37.

The issued shares of the Company were listed on the Main Board of the Colombo Stock Exchange in Sri Lanka in April 2003.

The registered office of the Company is located at 400, Deans Road, Colombo-10.

Section 168 of the Companies Act No. 07 of 2007, requires the following information to be published in the Annual Report prepared for the year under review.

MANDATORY PROVISIONS - FULLY COMPLIANT

Reference	Requirement	Complied	Reference (within the Report)	Page
Section 168 (1) (a)	The nature of the business of the Company	Yes	About Us	11 to 15
Section 168 (1) (b)	Financial statements for the accounting period completed and signed in accordance with section 152	Yes	The Financial Statements of the Company for the year ended 31st March 2025	230 to 279 Signed on page 230
Section 168 (1) (c)	Auditor's report on the financial statements of the Company	Yes	Independent Auditors' Report.	227
Section 168 (1) (d)	Any change in accounting policies made during the accounting period	Yes	Note 4.4 to the Financial Statements - Changes in Accounting Policies	250
Section 168 (1) (e)	Particulars of entries in the interests register made during the accounting period	Yes	Directors' Interest in Contracts with the Company	275
			Details of the Directors' shareholdings. - Investor Information	287
			Neither the shares were purchased, and nor the shares were disposed during the year by Director of Hayleys Fabric PLC.	
Section 168 (1) (f)	Remuneration and other benefits of Directors during the accounting period	Yes	Note 22 to the Financial Statements - Profit Before Tax	271
Section 168 (1) (g)	Total amount of donations made by the Company during the accounting period.	Yes	Note 22 to the Financial Statements - Profit Before Tax	271

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Reference	Requirement	Complied	Reference (within the Report)	Page
Section 168 (1) (h)	Names of the persons holding office as Directors of the Company as at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company during the accounting period	Yes	<p>Board Profiles</p> <p>Ms. S. Amarasekera, PC - Independent Non-Executive Director resigned from the Board w.e.f. 15.09.2024 and Mr. A.A. Mason - Independent Non-Executive Director resigned from the Board w.e.f. 20.12.2024.</p> <p>Mr. H. Somashantha - Reclassified from Independent Non-Executive Director to Non-Executive Director w.e.f. 23.12.2024.</p> <p>Mr. J.A.N.R. Adhihetty was appointed to the Board on 01.10.2024 as an Independent Non-Executive Director and Mr. T.A.B. Speldewinde was appointed to the Board on 23.12.2024 as an Independent Non-Executive Director.</p> <p>In terms of Article 27(2) of the Articles of Association, shareholders will be requested to re-elect them at the forthcoming Annual General Meeting.</p> <p>Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007 of the intention to propose an ordinary resolution for the re-appointments of Mr. A.M. Pandithage and Mr. E.R.P. Goonetilleke notwithstanding the age limit of seventy years stipulated by Section 210 of the Companies Act.</p>	18-20
Section 168 (1) (i)	Amounts payable by the Company to the Person or firm holding office as auditor of the Company as audit fees and as a separate item, fees payable by the Company for other services provided by that person or firm	Yes	Note 22 to the Financial Statements - Profit Before Tax	271
Section 168 (1) (j)	Particulars of any relationship (other than that of auditor) which the auditor has with or any interests which the auditor has in, the Company or any of its subsidiaries	Yes	<p>The Company's auditors during the period under review were Messrs. Ernst & Young, Chartered Accountants.</p> <p>The Auditors do not have any relationship or interest with the Company other than that of an Auditor.</p> <p>A resolution for the re-appointment of Messes Ernst & Young-Chartered Accountants as Auditors of the Company for the year 2025/26 will be proposed at the Annual General Meeting.</p>	227 288
Section 168 (1) (k)	Signed on behalf of the Board by two Directors and the Company Secretary	Yes	Annual Report of the Board of Directors	218

Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) requires the following information to be published in the Annual Report prepared for the year under review.

MANDATORY PROVISIONS - FULLY COMPLIANT

Reference	Requirement	Complied	Reference (within the Report)	Page
(i)	Names of persons who were Directors of the Entity	Yes	Board Profiles	18-20
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Yes	About Us	11-15
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Yes	Investor Information	287
(iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the listed entity complies with the Minimum Public Holding requirement	Yes		287
(v)	A statement of each Director's holding in shares of the Entity at the beginning and end of each financial year	Yes		287
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Yes	Risk Management	74
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Yes	Human Capital	130
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Yes	Note 6.8 - Property, Plant and Equipment to the Financial Statements	256
(ix)	Number of shares representing the Entity's stated capital	Yes	Investor Information	286
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Yes		286
(xi)	Financial ratios and market price information	Yes		30
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Yes	Note 6 - Property, Plant and Equipment to the Financial Statements	252
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	N/A		
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	N/A		
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 the Listing Rules	Yes	Corporate Governance Report	199
(xvi)	Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower	Yes	Note 26 - Related Party Transactions, to the Financial Statements	274

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

In addition to the above, the following information is disclosed. Details are provided within notes to the Annual report, which form an integral part of the Annual Report of the Board of Directors.

Disclosure	Note Reference	Page
Principal Activities	About us	11
Purpose, Vision, Mission and Values	The Company is committed to upholding high standards of business conduct and ethics in the workplace at all times, paramount in retaining the trust of stakeholders. All employees abide by the Company's Code of Conduct and Ethics in achieving the purpose, vision and mission.	10
Review of business performance	Chairman's Message Managing Director's Review Capitals Management Reports	38 42 110-166
Financial Statements	Measures taken to manage risks are given in the Risk Management Report The financial statements of the Company/Group have been prepared in accordance with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of Companies Act No 7 of 2007. These Statements have been duly approved by the Directors and certified by the Director-Finance	74 230
Directors' Responsibility for Financial Reporting	The Statement of Directors' Responsibility for Financial Reporting	222
Auditors' Report	Independent Auditors' Report	227
Significant Accounting Policies	Notes 3 to the financial statements - Significant Accounting Policies	235
Going Concern	Note 5.1 to the financial statements – Going Concern	250
Revenue	Note 18 to the financial statements – Revenue from contracts with customers	269
Financial Results and Appropriations	Statement of Profit or Loss and other Comprehensive Income Statement of Changes in Equity	231 232
Taxation	Note 23 to the financial statements - Taxation	271-272
Corporate Donations	Note 22 to the financial statements - Profit Before Tax	271
Stated Capital and Reserves	Statement of Changes in Equity	232
Property, Plant and Equipment	Notes 6 to the financial statements - Property, Plant and Equipment	252
Intangible assets	Notes 8 to the financial statements – Intangible Assets	257
Capital Expenditure	The total capital expenditure on acquisition of property, property, plant and equipment of the Group amounted to USD 6,374,390 /- and no additions were made to Intangible assets. Details are given in Note 6 and 8 to the financial statements. Capital expenditure approved and contracted for, and not contracted for, as at reporting date are given in Note 27 to the financial statements - Commitments and Contingencies.	255 275
Market Value of Freehold Properties	Note 6 to the financial statements - Property, Plant and Equipment.	252
Contingent Liabilities and Commitments	Note 27 to the financial statements - Commitments and Contingencies	275
Events after the Reporting Date	Note 29- to the financial statements - Events After the Reporting Period	276
Risk Management	Disclosure of the different types of risks the Company activities were exposed to are given in Note 30- to the financial statements. The Company's risk management process is described on pages 74 to 79, of the Annual Report. The Group's Climate related risks and opportunities have been shown in SLFRS S1 & S2 disclosures Pages 87 to 104	276
Statutory Payments	The Directors, to the best of their knowledge, are satisfied that all statutory payments in relation to the Government and the employees have been made up to date.	222

Disclosure	Note Reference	Page
Internal Control	The Board is responsible for formulating and implementing sound internal control systems to safeguard shareholder interests and the assets of the Company. Directors' Statement on Internal Control	219
Corporate Governance	Corporate Governance Report The Company has complied with the Listing Rules of the Colombo Stock Exchange (CSE) and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka (CASL) as described on pages 199 to 204.	184
Environmental Protection	To the best of knowledge of the Board, the Company has not engaged in any activity that is harmful or hazardous to the environment and has complied with the relevant environmental laws and regulations.	222
	Specific measures taken to protect the environment are found in the Natural Capital Report.	152
Compliance	To the best of their knowledge, the Board believes that the Company has not engaged in any activity which contravenes laws and regulations. There have been no irregularities involving management or employees that could have any material financial or other effect.	222
Stated Capital	Note 13 to the financial statements – Stated Capital	261
Share Information and Shareholdings	Investor information	286
Register of Directors and Secretaries	As required under Section 223 (1) of the Companies Act No 7 of 2007, the Company maintains a Register of Directors and Secretaries which contains the name, surname, former name (if any), residential address, business, occupation, dates of appointment and dates of resignation (if applicable) of each Director and the Secretary.	
Board of Directors	Board Profiles	18-20
	Board Composition - Corporate Governance Report	187
Board Committees	Board Sub-Committees - Corporate Governance Report	194
Board and Committee meeting attendance	Meetings & Minutes - Corporate Governance Report	190
Directors' shareholdings	Investor Information	287
Directors' interest in transactions	The Directors of the Company have made the general disclosure provided in Section 192 (2) of the Companies Act No.7 of 2007. Note No.26 to the financial statements dealing with related party disclosures includes details of their interest in contracts.	274
Directors' Remuneration	Notes 22 to the financial statements - Directors' fees and Emoluments.	271
Human Resources	Human Capital Report	130
Insurance and Indemnity	The Parent Company, Hayleys PLC has obtained a Directors' and Officers' liability insurance from a reputed Insurance Company in Sri Lanka providing worldwide cover to indemnify all past, present and future Directors and Officers of the Company.	
Material Foreseeable Risk Factors (As per Rule No. 7.6 (VI) of the Listing Rules of the Colombo Stock Exchange)	Risk Management Review	74
	Climate related risks and opportunities under SLFRS S1 & S2	87-104
Material Issues Pertaining to Employees and Industrial Relations Pertaining to the Company (As per Rule No. 7.6 (VII) of the Listing Rules of the Colombo Stock Exchange)	No material issues occurred during the year	
Operational Excellence	Performance Highlights	30-33

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

RELATED PARTY TRANSACTIONS

The Board of Directors of Hayleys Fabric PLC confirms that related party transactions have been reviewed by the Related Party Transactions Review Committee of Hayleys PLC, the Parent Company of Hayleys Fabric PLC in compliance with Section 09 of the CSE Listing Rules. Related party disclosures as required by the Sri Lanka Accounting Standard – LKAS 24 (Related Party Disclosures) are detailed in Note 26 to the Financial Statements.

None of the Directors or their close family members have any material business relationship with other Directors of the Company/Group.

DIVIDEND

Following dividends were paid during the financial year 2024/25

1st Interim dividend - 2024/25 - Rs. 0.40 per share paid on 19/07/2024

2nd Interim dividend - 2024/25 - Rs. 0.85 per share paid on 22/10/2024

3rd Interim dividend - 2024/25 - Rs. 0.25 per share paid on 23/01/2025

4th Interim dividend - 2024/25 - Rs. 0.35 per share paid on 23/04/2025

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Hayleys Fabric PLC will be held at the Chas P. Hayley Lounge of Hayleys PLC, No. 400, Deans Road, Colombo 10 on Tuesday, 24th June 2025 at 9.00 a.m. The Notice of Annual General Meeting appears on page 288.

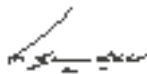
ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledges the contents of this Annual Report.

For and on behalf of the Board of Directors.



A.M. Pandithage
Chairman



E.R.P. Goonetilleke
Managing Director/CEO



Hayleys Group Services (Private) Limited
Secretaries Colombo

06th May 2025

BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROL

Section D1.4 of the 'Code of Best Practice on Corporate Governance 2023 (The Code)' issued by the Institute of Chartered Accountants of Sri Lanka recommends that the Board of Directors presents a Statement on Internal Controls, in the Annual Report.

RESPONSIBILITY

The Board of Directors ("Board") has the overall responsibility of maintaining a sound system of internal controls and for periodically reviewing its effectiveness and integrity, in order to ensure that the Company's risks are within the acceptable risk profile. Accordingly, the Board can provide reasonable assurance against misstatement of management and financial information and records. The Board has established an organisation structure, which clearly defines lines of accountability and delegated authority.

The Board has instituted an ongoing process for identifying, evaluating and mitigating significant risks faced by the Group, this process entails enhancing the internal control system as and when there are changes to the business environment and regulatory guidelines.

BOARD COMMITTEE

The Board has delegated specific responsibilities to the following four subcommittees:

- Audit Committee
- Nominations and Governance Committee
- Remuneration Committee
- Related Party Transactions Review Committee

These Committees are chaired by Independent Non-Executive Directors and have the authority to examine particular issues and report back to the Board with their recommendations.

The Board is confident that the internal controls are adequate to provide reasonable assurance regarding the reliability of financial reporting which are in accordance with acceptable accounting principles and the applicable regulatory requirements.

INTERNAL AUDIT

Group's Internal Audit function is performed by Hayleys Management Audit and System Review Department (HMA and SRD) which is an independent function report directly to Audit Committee that provides assurance on the efficiency and effectiveness of the Internal Control System of the Group and more details are available in Audit Committee Report on pages 205-207.

REVIEW ADEQUACY AND EFFECTIVENESS

The Board and the Audit Committee, have taken steps to ensure adequacy and effectiveness of the internal controls of both financial and operational processes, remedial steps are taken where necessary.

The Board and the Audit Committee concluded that an effective system of risk management and internal controls are in place to safeguard the shareholders' investment and the Group's assets.

POLICIES, PROCEDURES AND BUDGETS

Group has set the policies and procedures to ensure the compliance with internal controls and relevant laws and regulations are set out in operations manuals, which are updated from time to time.

The annual Company and the Group budget are approved by the Board and the performance is assessed against the approved budgets and explanations are provided for significant variances periodically to the respective Boards.

CODE OF BUSINESS CONDUCT AND ETHICS

The Company code of ethics, which includes a strong set of corporate values and conduct, is circulated to Directors and all employees. The Board ensures that Directors and all employees strictly comply with the Company code of ethics in exercising their duties, communications, role modelling and in any other circumstances, so as to uphold the Group's image. Strict disciplinary actions are initiated for any violation of the Company code of ethics.

INSURANCE AND PHYSICAL SAFEGUARDS

Adequate insurance and physical safeguards on major assets are in place to ensure Group assets are sufficiently covered to minimise material loss against any mishap.

RISK MANAGEMENT

An overview of the Group's risk management framework is set out on pages 74-79.

Group's Climate related risks and opportunities have been given on pages 87-104.

BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROL

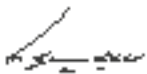
CYBER SECURITY

The Group uses several well reputed software systems for entire operations and thus increasing the Group's reliance on technology. In this era, securing and protecting the Group's information assets becomes a key priority. The Board and Hayleys Group level have taken necessary precautions to minimise the risk of a security breach. During the year under review, necessary steps have been rolled out to curtail the exposure to cyber-attacks by reducing the threat surface and any potentially exploitable vulnerabilities.

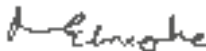
CONFIRMATION

The Board of Directors of Hayleys Fabric PLC ('Group') confirm that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs), requirements of the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and any other regulatory requirements. The Company and Consolidated Financial Statements for the year ended 31st March 2025 have been audited by Messrs. Ernst & Young, Chartered Accountants,

By order of the Board



E.R.P. Goonetilleke
Managing Director/CEO



N. Ekanayake
Chairman-Audit Committee



R. Rohitha Bandara
Director - Finance & ESG

Colombo
06th May 2025

RESPONSIBILITY STATEMENT OF MANAGING DIRECTOR/CEO AND DIRECTOR-FINANCE / CHIEF FINANCIAL OFFICER

The Section D 1.3 of the 'Code of Best Practice on Corporate Governance 2023' (The Code) issued by the Institute of Chartered Accountants of Sri Lanka recommends that the Board should, before it approves the financial statements for the financial year, obtain a declaration in their opinion on financial statements and system of risk management and internal control from its Chief Executive Officer and Chief Financial Officer.

We confirm that the Financial Statements of Hayleys Fabric PLC and the Group are prepared in compliance with the following requirements.

- Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- Companies Act No.07 of 2007
- Listing Rules of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka

The accounting policies used in preparation of the Financial Statements of the Company and the Group are appropriate and applied consistently.

All applicable Sri Lanka Accounting Standards have been duly applied.

The significant accounting policies and estimates involved a high degree of judgment and complexity have been informed discussed with the Audit Committee.

The Board of Directors and the Management of the Company accept the responsibility for the integrity and objectivity of Financial Statements.

The estimates and judgments relating to the Financial Statements were made in a prudent and reasonable basis, in order to reflect true and fair picture and the form and substance of transactions and reasonably present the Company and its Subsidiary's state of affairs.

Group has established proper system of internal controls and accounting systems in order to safeguard assets, preventing and detecting frauds and other irregularities, which is reviewed and updated on an ongoing basis.

The Internal Auditors, Hayleys Management Audit and System Review Department (HMA and SRD) have conducted periodic audits to provide reasonable assurance that the established policies, internal controls and procedures of the Company and its Subsidiary were consistently followed.


The Financial Statements of the Company and its Subsidiary were audited by Messrs.' Ernst & Young-Chartered Accountants, the Independent External Auditors.

The Audit Committee of the Company meets periodically with Internal Auditors and where necessary with External Auditors to review the manner in which these Auditors are performing their responsibilities. In addition, internal control and financial reporting issues are also discussed.

In order to ensure the independence of the Internal and External Auditors they have been given full and free access to the members of the Audit Committee to discuss any matters they think important.

CONCLUSION

We confirm that we have discharged our responsibilities on maintaining proper financial records and preparing financial statements in accordance with LKASs/SLFRSs and complied with all applicable laws and regulations and guidelines. To the best of our knowledge, we also confirm that the system of risk management and internal control were operating effectively during the year.



E. R. P. Goonetilleke
Managing Director/CEO



R. Rohitha Bandara
Director – Finance & ESG

06th May 2025

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

Section D.1.5 of the 'Code of Best Practice on Corporate Governance 2023' (The Code) issued by the Institute of Chartered Accountants of Sri Lanka recommends that the Board of Directors presents a Responsibility Statement on the preparation and presentation of Financial Statements in the Annual Report together with a statement by the Auditors about their reporting responsibilities.

The responsibilities of the Directors in relation to the Financial Statements of the Company and the Group are set out in this statement. The responsibility of the Auditors, in relation to the Financial Statements is set out in the Report of the Auditors on pages from 227 to 229 as required by the Companies Act No.7 of 2007.

The Directors are responsible under Sections 150 (1), 151, 152 (1) and 153 (1) & (2) of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss of the Company and the Group for the financial year.

THE FINANCIAL STATEMENTS COMPRISE OF:

- Income statement and statement of comprehensive income of the Company and the Group, which present a true and fair view of the profit and loss of the Company and the Group for the financial year.
- A statement of financial position, which presents a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year.
- Statement of Changes in Equity and Cash Flow for the year then ended and Accounting Policies and Notes thereto for the Company and the Group.

The Directors confirm that the Financial Statements and other statutory reports of the Company/Group for the year ended 31st March 2025 incorporated in this report have been prepared in accordance with the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken appropriate steps to ensure that the Company/Group maintains adequate and accurate records which reflect the true financial position of Hayleys Fabric PLC (Group). The Directors have taken appropriate and reasonable steps to safeguard the assets of the Company and the Group. The Directors have instituted appropriate systems of internal control in order to minimise and detect fraud, errors and other irregularities. The Directors in maintaining a sound system of internal control and in protecting the assets of the Company/Group, have further adopted risk management strategies to identify and evaluate the risks which the Company could be exposed to and its impact to the Company and its subsidiary.

The Directors, having reviewed the financial budget and cash flows for the year to 31st March 2026 and the bank facilities, consider that the Group has adequate resources to continue in operation, and have continued to adopt the going concern basis in preparing these Financial Statements.

The Financial Statements of the Company and the Group are prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs); and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected.

The Board of Directors confirm that the Statements of Financial Position as at 31st March 2025 and the Comprehensive Income Statements for the Company

and the Group for the financial year ended 31st March 2025 reflect a true and fair view.

The Directors have provided the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary for the performance of their duties. The responsibility of the Independent Auditors in relation to the Financial Statements is set out in the Independent Auditors Report.

As required by Section 56 (2) and Section 57 of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, and have obtained a certificate from the auditors, prior to declaring all dividends.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its Subsidiary as at the reporting date have been paid or where relevant provided for, except as specified in Note 27 to the Financial Statements covering contingent liabilities.

The Directors further confirm that to the best of their knowledge, the Company and its Subsidiary have not engaged in any activity that is harmful or hazardous to the environment and has complied with the relevant environmental laws and regulations.

By Order of the Board,



Hayleys Group Services (Pvt) Ltd
Secretaries

Colombo
06th May 2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) STEERING COMMITTEE REPORT

I am pleased to present the first Report of the Hayleys Fabric ESG Steering Committee Report in 2024/25 Annual Report. The ESG Steering Committee was established on 25th November 2024 to support the strategic integration of ESG and strengthen the Board's oversight of environmental and social issues given the growing significance of ESG matters and it is imperative to lead the business into a sustainable future.

The ESG Steering Committee set up in South Asia Textiles Limited (A fully owned subsidiary of Hayleys Fabric PLC) serves as a Sub-Committee to the main Committee established at Hayleys Fabric PLC.

COMPOSITION OF THE COMMITTEE

The ESG Steering Committee consists of the following members

Name of the Member	Designation
Mr. E.R.P. Goonetilleke	Managing Director/CEO-Chairperson
Mr. Rohitha Bandara	Executive Director-Finance & ESG
Mr. Malith Jayasinghe	Executive Director-Marketing
Mr. Prasanna Pathirana	Executive Director- HR & Admin
Mr. Lakmal Diyawaththege	DGM-Sustainability

In addition to the above, all Heads of Departments are the members of the ESG Steering Committee.

The Committee is governed by its Terms of reference (TOR)

Attendance to the Meetings

Name of the Member	No. of meetings held	Attendance
Mr. E.R.P. Goonetilleke	2	2/2
Mr. Rohitha Bandara	2	2/2
Mr. Malith Jayasinghe	2	2/2
Mr. Prasanna Pathirana	2	2/2
Mr. Lakmal Diyawaththege	2	2/2

Authorities/Responsibilities

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

- Receive updates at least quarterly or as and when required, on ESG matters including progress against targets, key KPIs and strategy implementation.
- Review, approve and make recommendations in respect of sustainability and ESG factors in the Company's corporate reporting and external communications.
- Review emerging trends and issues in the ESG areas and assess potential impact on the Fabric Group.
- Ensure synchronisation of all ESG aspirations and initiatives to the Hayleys Fabric Group Corporate Purpose.

Main activities in 2024/25

- Review of sustainability-related risks and opportunities (SRROs) and Climate Related Risks and Opportunities (CRROs)
- Monitoring of quarterly non-financial performance metrics
- Review and approve key sustainability-related initiatives proposed by the Sustainability Team
- Full adoption of SLFRS S1 & S2

KEY ACHIEVEMENTS IN 2024/25

- Obtained the verification of near term and net-zero GHG targets by the Science-Based-Targets initiative (SBTi)
- GHG Emissions reductions in line with the planned trajectory
- UNGC and Lanka Responsible Care Council membership obtained for South Asia Textiles Limited

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") STEERING COMMITTEE REPORT

Awards and Recognitions obtained during the year

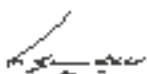
Award	Description
CMA Excellence in Integrated Reporting Awards - 2024	Ranked among the 10 best integrated reports
CMA Excellence in Integrated Reporting Awards - 2024	Best Integrated Report - Sector Award for Textile and Apparel Sector
International Business Magazine Awards - Dubai - 2024	Excellence in Sustainable Textile Manufacturing Sri Lanka 2024
CA Sri Lanka TAGS Awards 2024	Silver Winner - Manufacturing Sector (Group Turnover Above LKR 20 billion)
CA Sri Lanka TAGS Awards 2024	Certificate of Recognition - Corporate Governance Disclosure (Non-financial Services)
CA Sri Lanka TAGS Awards 2024	Certificate of Recognition - Integrated Reporting
CA Sri Lanka TAGS Awards 2024	Certificate of Recognition - Sustainability Reporting
Responsible Care Members Day & Awards 2024	Excellence in EHS Practices
Presidential Export Awards	Best Exporter in Knitted Fabric Sector-ESG Category
ACCA Sustainability Reporting Awards 2024	Joint Runners-up in Manufacturing Category

Looking Ahead

2025/26 Focus Areas

- Develop GHG reduction roadmap aligned to the business plan
- Formulate ESG roadmap aligned with the revised targets of the Hayleys Lifecode 2nd Edition
- Strategic sustainability interventions in line with the Group-wide priority areas including optimising resources and regenerating nature
- Cross-functional collaboration
- Ensuring readiness for emerging local and global sustainability-related regulations
- Improve the efficiency of Energy and Water
- IREC purchase for energy off-setting
- Further strengthening of SLFRS S1& S2 disclosures

In addition to the above, the process is in place to update the knowledge of the Board on ESG related activities and KPIs at quarterly meetings.



E.R.P. Goonetilleke

Managing Director/CEO

Chairperson-ESG Steering Committee-Hayleys Fabric PLC

06th May 2025



The Fibres of **PROGRESS**

**FINANCIAL
INFORMATION**

FINANCIAL CALENDAR 2024/25

INTERIM FINANCIAL STATEMENTS - SUBMISSION TO THE COLOMBO STOCK EXCHANGE (CSE)

Three months ended 30th June 2024	5th August 2024
Six months ended 30th September 2024	4th November 2024
Nine months ended 31st December 2024	13th February 2025
Twelve months ended 31st March 2025	6th May 2025

Authorisation for issue of Audited Financial Statements for 2024-25	6th May 2025
Publication of Annual Report for the financial year 2024-25	30th May 2025
33rd Annual General Meeting to be held on	24th June 2025

DIVIDENDS

1st Interim dividend - 2024/25	19th July 2024
2nd Interim dividend – 2024/25	22nd October 2024
3rd Interim dividend – 2024/25	23rd January 2025
4th Interim dividend – 2024/25	23rd April 2025

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
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TO THE SHAREHOLDERS OF HAYLEYS FABRIC PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hayleys Fabric PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as of 31 March 2025, 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 material accounting policy information.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as of 31 March 2025, 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 for Professional Accountants 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>Carrying value of inventories</p> <p>As at 31 March 2025, the carrying value of inventory amounted to USD 30,985,795 net of provision of USD 4,083,399 for slow moving inventory as disclosed in Notes 10, 5.5 and 3.9 to the financial statements.</p> <p>We considered the carrying value of inventories as a key audit matter due to:</p> <ul style="list-style-type: none"> the materiality of the reported inventory balance which represented 26% of the Group's total assets as of the reporting date; and Judgements applied by the management on identifying specific provision for slow-moving Inventories, as well as net realisability of inventory. 	<p>Our procedures included the following key procedures:</p> <ul style="list-style-type: none"> observed physical inventory counts and reconciled the count results to the inventory listings compiled by management to support amounts reported. understood the process followed by the management for identifying inventories requiring write-down to net realizable value (NRV) such as second-grade items and for determining general and specific provision for slow-moving inventories. tested whether inventories were stated at the lower of cost and net realizable value, by comparing cost with subsequent selling prices. assessed the reasonableness of management judgements applied in identifying inventories requiring write-down to net realizable value (NRV) and for determining the provision for slow moving inventories. Our procedures included testing inventory ageing reports and production quality reports and assessing the reasonableness of judgments applied in relation to expectation of customer orders and usability of inventories. <p>We also evaluated the adequacy of the disclosures in Notes 3.9, 5.5 and 10 to the financial statements.</p>

INDEPENDENT AUDITOR'S REPORT



Key audit matter	How our audit addressed the key audit matter
<p>Impairment Assessment of Goodwill from South Asia Textiles Limited</p> <p>Goodwill reported by the Group as at 31 March 2025 amounted to USD 10,440,277 and is related to the investment made by the Group in South Asia Textiles Limited which has been considered as a single cash generating unit (CGU) by the Group.</p> <p>Goodwill is tested annually for impairment based on its recoverable amount. Where the carrying value of a CGU exceeds the recoverable value of the specific CGU then an impairment loss is recognized. The recoverable amount is estimated using value in use (VIU) computations prepared by management based on discounted future cash-flows.</p> <p>Assessment of impairment of this CGU with goodwill was a key audit matter due to:</p> <ul style="list-style-type: none"> The significance of the reported balance; and The degree of assumptions, judgements and estimates associated with deriving the estimated future cashflows used for value-in-use calculations and estimated cash flows, long term growth rates and discount rate including the potential impact of the current economic conditions. 	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> obtained an understanding of how management has forecast its discounted future cash flows. Our procedures included understanding how management has considered the potential impact of the economic conditions in the country in forecasting the cash flows. tested the calculations of the discounted future cash flows and tested the data used by management to relevant underlying accounting records, to evaluate their completeness and accuracy. based on the best available information up to the date of our report, we assessed the reasonableness of significant judgments, estimates and assumptions used by the Company, in particular those relating to the discount rate and terminal growth rate of the estimated future cashflows. <p>We assessed the adequacy of the disclosures made in notes 3.10, 5.2 and 9.1 in the financial statements.</p>

OTHER INFORMATION INCLUDED IN THE 2025 ANNUAL REPORT

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are

required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is responsible for assessing the 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,

INDEPENDENT AUDITOR'S REPORT



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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 relevant ethical requirements regarding independence, and to communicate with them all

relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 3755.

06 May 2025
Colombo

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

STATEMENT OF FINANCIAL POSITION

As at 31 March		GROUP		COMPANY	
		2025 USD	2024 USD	2025 USD	2024 USD
Note					
ASSETS					
Non-Current Assets					
Property, plant and equipment	6	46,424,814	44,488,643	25,238,860	25,688,983
Right of use assets	7	861,080	803,356	202,201	185,467
Intangible assets	8	454,953	590,390	24,819	50,861
Investment in subsidiaries	9	-	-	18,281,412	18,281,412
Goodwill	9	10,440,277	10,440,277	-	-
		58,181,124	56,322,666	43,747,292	44,206,723
Current Assets					
Inventories	10	30,985,795	30,414,018	18,116,410	17,718,826
Trade receivables	11.1	16,892,397	15,947,003	10,434,105	10,919,659
Other receivables	11.2	482,011	624,062	447,076	855,416
Advances and prepayments	11.3	1,705,688	1,916,558	1,122,885	961,368
Cash and cash equivalents	12.1	10,504,956	11,043,085	7,101,596	7,457,780
		60,570,847	59,944,726	37,222,072	37,913,049
Total Assets		118,751,971	116,267,392	80,969,364	82,119,772
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated capital	13	17,561,761	17,561,761	17,561,761	17,561,761
Revaluation reserve		935,795	514,795	935,795	514,795
Retained earnings		19,248,746	14,732,650	14,449,272	11,220,486
Total equity attributable to equity holders of the company		37,746,302	32,809,206	32,946,828	29,297,042
Non-controlling interest		109	175	-	-
Total Equity		37,746,411	32,809,381	32,946,828	29,297,042
Non-Current Liabilities					
Interest bearing loans and borrowings	14	10,497,306	17,083,235	6,652,031	11,327,297
Deferred tax liabilities	23.2	8,513,913	8,956,513	6,474,530	6,369,311
Retirement benefit obligations	15	4,338,896	3,865,580	3,648,979	3,236,663
		23,350,115	29,905,328	16,775,540	20,933,271
Current Liabilities					
Trade and other payables	16	23,843,973	25,287,841	14,341,422	14,435,372
Interest bearing loans and borrowings	14	28,890,629	21,300,948	13,522,643	13,342,334
Amounts due to Hayleys PLC		370,437	265,701	351,956	253,194
Other non financial liabilities	17	4,550,406	6,698,193	3,030,975	3,858,559
		57,655,445	53,552,683	31,246,996	31,889,459
Total Equity and Liabilities		118,751,971	116,267,392	80,969,364	82,119,772

These financial statements are in compliance with the requirements of the Companies Act No : 07 of 2007.

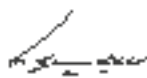


Ruwan Rohitha Bandara
Director- Finance & ESG

The Board of Directors is responsible for these financial statements. Signed for and on behalf of the Board by,



A.M.Pandithage
Chairman



E.R.P.Goonetilleke
Managing Director/CEO

Colombo
06th May 2025

The accounting policies and notes on pages 235 through 279 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As at 31 March	Note	GROUP		COMPANY	
		2025 USD	2024 USD	2025 USD	2024 USD
Revenue from contracts with customers	18	146,036,437	155,326,820	96,238,891	96,180,153
Cost of sales		(120,146,150)	(126,149,696)	(77,395,608)	(75,300,598)
Gross Profit		25,890,287	29,177,124	18,843,283	20,879,555
Other operating income	19	916,151	721,762	1,028,431	569,992
Administrative expenses		(11,799,162)	(11,385,069)	(8,077,012)	(7,870,724)
Distribution expenses		(953,080)	(580,088)	(742,103)	(466,610)
Other expenses	20	(30,846)	(69,469)	(30,846)	(55,373)
Net financing expense	21	(3,710,318)	(6,116,637)	(2,016,108)	(3,505,414)
Profit before tax		10,313,032	11,747,623	9,005,645	9,551,426
Income tax expense	23	(3,276,821)	(3,883,088)	(3,249,964)	(2,942,134)
Profit for the year		7,036,211	7,864,535	5,755,681	6,609,292
Profit for the period attributable to:					
Owners of the parent		7,036,277	7,864,360	5,755,681	6,609,292
Non-controlling interest		(66)	175	-	-
Profit for the year		7,036,211	7,864,535	5,755,681	6,609,292
Other Comprehensive Income that will not be reclassified to profit or loss					
- Surplus on revaluation of land	6.8	601,428	-	601,428	-
- Tax effect on revaluation of land	23.2	(180,428)	-	(180,428)	-
- Actuarial gain/(loss) on defined benefit plans	15	11,669	(55,591)	2,077	(54,911)
- Tax effect on actuarial gain/(loss) on defined benefit plans	23.2	(3,501)	16,677	(623)	16,473
Total Comprehensive Income, Net of Tax		7,465,379	7,825,621	6,178,135	6,570,854
Basic / Diluted Earnings per Share - USD	24	0.017	0.019	0.014	0.016
Dividend per share - USD	25			0.006	0.008

The accounting policies and notes on pages 235 through 279 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Group	Stated capital	Revaluation reserve	Retained earnings	Shareholders funds	Non Controlling Interest	Total Equity
For the year ended 31st March 2025	USD	USD	USD	USD	USD	USD
Balance as at 1st April 2024	17,561,761	514,795	14,732,650	32,809,206	175	32,809,381
Profit for the year	-	-	7,036,277	7,036,277	(66)	7,036,211
Other comprehensive income						
Surplus on revaluation of land	-	601,428	-	601,428	-	601,428
Tax effect on surplus on revaluation of land	-	(180,428)	-	(180,428)	-	(180,428)
Actuarial gain on defined benefit plans	-	-	11,669	11,669	-	11,669
Tax effect on actuarial gain on defined benefit plans	-	-	(3,501)	(3,501)	-	(3,501)
Total other comprehensive income	-	421,000	8,168	429,168	-	429,168
Total comprehensive income	-	421,000	7,044,445	7,465,445	(66)	7,465,379
Transactions with owners, recorded directly in equity						
Write-back of unclaimed dividends	-	-	1,006	1,006	-	1,006
Dividends to equity holders	-	-	(2,529,355)	(2,529,355)	-	(2,529,355)
Total contributions by and distributions to owners	-	-	(2,529,355)	(2,529,355)	-	(2,529,355)
Balance as at 31st March 2025	17,561,761	935,795	19,248,746	37,746,302	109	37,746,411
For the year ended 31st March 2024						
Balance as at 1st April 2023	17,561,761	514,795	10,222,123	28,298,679	-	28,298,679
Profit for the year	-	-	7,864,360	7,864,360	175	7,864,535
Other comprehensive income						
Actuarial loss on defined benefit plans	-	-	(55,591)	(55,591)	-	(55,591)
Tax effect on actuarial loss on defined benefit plans	-	-	16,677	16,677	-	16,677
Total other comprehensive income	-	-	(38,914)	(38,914)	-	(38,914)
Total comprehensive income	-	-	7,825,446	7,825,446	175	7,825,621
Transactions with owners, recorded directly in equity						
Dividends to equity holders	-	-	(3,313,929)	(3,313,929)	-	(3,313,929)
Total contributions by and distributions to owners	-	-	(3,313,929)	(3,313,929)	-	(3,313,929)
Deficit of acquisition of subsidiary	-	-	(990)	(990)	-	(990)
Balance as at 31st March 2024	17,561,761	514,795	14,732,650	32,809,206	175	32,809,381

The accounting policies and notes on pages 235 through 279 form an integral part of these financial statements.

Company	Stated capital	Revaluation reserve	Retained earnings	Total
For the year ended 31st March 2025	USD	USD	USD	USD
Balance as at 1st April 2024	17,561,761	514,795	11,220,486	29,297,042
Profit for the year	-	-	5,755,681	5,755,681
Other comprehensive income				
Surplus on revaluation of land	-	601,428	-	601,428
Tax effect on Surplus on revaluation of land	-	(180,428)	-	(180,428)
Actuarial gain on defined benefit plans	-	-	2,077	2,077
Tax effect on actuarial gain on defined benefit plans	-	-	(623)	(623)
Total other comprehensive income	-	421,000	1,454	422,454
Total comprehensive income	-	421,000	5,757,135	6,178,135
Write-back of unclaimed Dividends	-	-	1,006	1,006
Dividends to equity holders	-	-	(2,529,355)	(2,529,355)
Balance as at 31st March 2025	17,561,761	935,795	14,449,272	32,946,828
For the year ended 31st March 2024				
Balance as at 1st April 2023	17,561,761	514,795	7,963,561	26,040,117
Profit for the year	-	-	6,609,292	6,609,292
Other comprehensive income				
Effect on change in tax rate on revaluation of land	-	-	-	-
Actuarial loss on defined benefit plans	-	-	(54,911)	(54,911)
Tax effect on actuarial loss on defined benefit plans	-	-	16,473	16,473
Total other comprehensive income	-	-	(38,438)	(38,438)
Total comprehensive income	-	-	6,570,854	6,570,854
Dividends to equity holders	-	-	(3,313,929)	(3,313,929)
Balance as at 31st March 2024	17,561,761	514,795	11,220,486	29,297,042

The accounting policies and notes on pages 235 through 279 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31st March	Note	GROUP		COMPANY	
		2025 USD	2024 USD	2025 USD	2024 USD
Cash flows from / (used in) operating activities					
Profit before income tax expense		10,313,032	11,747,623	9,005,645	9,551,426
Adjustments for					
Depreciation on property, plant and equipment	6	4,260,851	4,078,340	2,466,355	2,439,105
Depreciation on lease hold land	7	29,050	28,276	7,301	7,066
Amortisation of intangible assets	8	135,437	140,222	26,042	33,213
Provision for retirement benefit obligations	15	748,938	819,058	605,740	666,749
Net unrealised loss on translation of foreign currency		352,582	2,066,838	235,952	1,452,012
Finance costs		2,653,078	3,829,815	1,375,337	1,931,679
(Profit)/loss on disposal of property, plant and equipment	19-20	(18,572)	3,917	(18,238)	(6,927)
Loss on impairment of idle property, plant and equipment	20	30,846	55,373	30,846	55,373
Creditors write back	19	(269,753)	(2,324)	(269,753)	(1,606)
Impairment charge/(reversal) for bad and doubtful debts	11.1.3	36,447	(74,430)	-	(2,903)
Impairment charge/(reversal) for slow moving inventories	10	239,004	591,280	(390,640)	268,993
Operating profit before working capital changes		18,510,940	23,283,988	13,074,586	16,394,180
(Increase)/decrease in trade and other receivables		(106,122)	3,015,481	1,640,482	1,423,406
(Increase)/decrease in advances and prepayments		210,870	(395,558)	(161,517)	(208,501)
(Increase)/decrease in inventories		(810,781)	5,711,898	(6,944)	1,969,488
Decrease in trade and other payables and other non financial liabilities		(3,558,916)	(3,549,879)	(240,678)	(2,422,389)
Cash generated from operations		14,245,991	28,065,930	14,305,929	17,156,184
Retirement benefit obligations net paid	15	(323,020)	(316,667)	(240,816)	(266,758)
Interest paid		(3,268,617)	(4,497,065)	(1,826,221)	(2,439,181)
Income tax paid		(4,047,618)	(4,261,155)	(3,806,473)	(3,583,872)
Net cash flows from operating activities		6,606,736	18,991,043	8,432,420	10,866,373
Cash flows from / (used in) investing activities					
Purchase and construction of property, plant and equipment		(6,031,642)	(3,825,123)	(2,168,867)	(1,579,052)
Proceeds from disposal of property, plant and equipment		19,600	10,438	19,600	7,071
Purchase of intangible assets	8	-	(21,743)	-	-
Interest received		631,679	683,750	459,229	515,841
Net cash flows used in investing activities		(5,380,363)	(3,152,678)	(1,690,038)	(1,056,140)
Cash flows from /(used in) financing activities					
Proceeds from new term loans	14.3	2,173,751	10,185,039	564,095	6,392,839
Repayment of term loans	14.3	(9,530,558)	(6,747,208)	(6,239,164)	(4,762,598)
Payment of lease obligations		(39,707)	(35,938)	(11,035)	(10,025)
Net movement of import & short term loans		7,954,658	(8,477,920)	1,328,538	(1,644,243)
Dividends paid to equity holders		(2,384,745)	(2,973,739)	(2,384,745)	(2,973,739)
Net cash flows used in financing activities		(1,826,601)	(8,049,766)	(6,742,311)	(2,997,766)
Net increase/ (decrease) in cash and cash equivalents		(600,228)	7,788,599	71	6,812,467
Cash and cash equivalents at the beginning of the year	12	9,022,646	1,234,047	7,098,749	286,282
Cash and cash equivalents at the end of the year	12	8,422,418	9,022,646	7,098,820	7,098,749

The accounting policies and notes on pages 235 through 279 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting Entity

Hayleys Fabric PLC is a Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The address of the Company's registered office is situated in 400, Deans Road, Colombo 10 and the principal place of business is at Narthupana Estate, Neboda.

1.2 Consolidated Financial Statements

The Financial Statements for the year ended 31 March 2025 comprise "the Company" referring to Hayleys Fabric PLC as the holding Company and the "Group" referring to companies that have been consolidated therein.

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

Both Company and its Subsidiary's (South Asia Textiles Limited) principal activities are manufacturing and sale of Knitted fabric for the export market. The other subsidiary "Hayleys Fabric Solutions (Pvt) Ltd is currently a non-operating Company. The Hayleys Fabric PLC is the parent of the Group and Hayleys PLC is the ultimate parent.

1.4 Approval of Financial Statements

The Consolidated Financial Statements of Hayleys Fabric PLC and its subsidiaries (collectively, the Group) for the year ended 31 March 2025 were authorised for issue by the Directors on 06th May 2025.

1.5 Responsibility for Financial Statements

The responsibility of the Directors in relation to the Financial Statements is set out in the Statement of

Directors' Responsibility Report in the Annual Report.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

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

2.2 Basis of Measurement

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

- Lands which are recognised as property plant and equipment which are measured at cost on initial recognition and subsequently carried at fair value.
- Financial instruments reflected as fair value through profit or loss which are measured at fair value.

Where appropriate, the specific policies are explained in the succeeding notes. No adjustments have been made for inflationary factors in the Consolidated Financial Statements.

2.3 Functional and Presentation Currency

The Financial Statements are presented in the United State Dollars (USDs), which is the Company's and its Subsidiary's functional currency which would better reflect the economic substance of underlying events and circumstances relevant to both entities.

2.4 Materiality and Aggregation

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

2.5 Comparative information

Comparative information, including quantitative, narrative and descriptive information as relevant, is disclosed in respect of the previous period in the Financial Statements.

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

2.6 Offsetting

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of Consolidation

The Consolidated Financial Statements encompass the Company, its subsidiary (together referred to as the "Group").

3.1.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

Profit or Loss and each component of 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, and non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The Consolidated Financial Statements of the Group for the year ended 31 March 2025 comprise of the Company and its Subsidiaries and the details are as below;

Company name	Year of acquisition	Ownership %
South Asia Textiles Limited	2021/22	100%
Hayleys Fabric Solutions Ltd	2023/24	66 2/3%

The Consolidated Financial Statements incorporating Subsidiary in the Group are using uniform accounting policies for like transactions and in similar circumstances are applied consistently.

3.2 Business Combination and Goodwill

Business combinations are accounted for using the acquisition

method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any noncontrolling 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.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contributes to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent

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

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

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

of whether other assets or liabilities of the acquiree are assigned those units.

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

3.3 Foreign Currency

3.3.1 Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the 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 measurement fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on the

change in fair value of the item (i.e., translation differences on items of which fair value gain or loss is recognised in OCI or Profit or Loss are also recognised in OCI or Profit or Loss, respectively).

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

3.3.2 Current versus non-current classification

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

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

All other assets are classified as noncurrent.

NOTES TO THE FINANCIAL STATEMENTS

A liability is current when:

- It is expected to be settled in a normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.4 Fair Value Measurement

The Group measures financial instruments such as investments which are designated as fair value through Other Comprehensive Income (OCI), financial assets at fair value through Profit or Loss and derivatives; non-financial assets such as owner-occupied land and investment properties, at fair value at each reporting date.

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

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions

that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

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

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

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

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

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

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

For assets and liabilities that are recognised in the Financial Statements at fair value on a recurring basis, the Group

determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

- Disclosures for valuation methods, significant estimates and assumptions - Note 6.8.
- Quantitative disclosures of fair value measurement hierarchy - Note 6.8.
- Property (land) under revaluation model - Note 6.8.
- Financial instruments (including those carried at amortised cost) - Note 14.

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 purposes 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 benefits associated with the assets will flow to the Group and the cost of the asset can be reliably measured.

3.5.2 Basis of measurement

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

3.5.3 Owned assets

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

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

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

Any revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the Statement of Profit or Loss, the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets

an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

3.5.4 Subsequent costs

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

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

3.5.5 Derecognition

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

3.5.6 Depreciation

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

Description	Period
Buildings	40- 50 years
Land Development	10 years
Computers & Equipment	3-6 2/3 Years
Plant & machinery	15 – 20 years
Factory, Bungalow, Safety & Medical Equipment	6 2/3 years

Description	Period
Motor vehicles	04 years
Furniture, Fittings & Office Equipment	05-08 years
Tools & Equipment and Electrical Installation	5 years
Wastewater, purification, and River Embankment	15years
Solar Power Project	20 years

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

3.5.7 Leases

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

3.5.7.1 Group as a lessee

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

3.5.7.1.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease

NOTES TO THE FINANCIAL STATEMENTS

payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Description	Period
Land	30 - 35 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment as more fully described in Note 3.10 Impairment of non-financial assets.

3.5.7.1.2 Lease liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing

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

The Group's lease liabilities are included in Interest-bearing loans and borrowings in Note 14 to the Financial Statements.

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

The Group applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.5.7.2 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Statement of Profit or Loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are

added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.6 Intangible Assets

3.6.1 Basis of recognition

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

3.6.2 Basis of measurement

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

3.6.3 Useful economic lives and amortisation

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with finite useful lives are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of

consumption of future economic benefits embodied in the asset is considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

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

3.6.4 Derecognition of intangible assets

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

3.6.5 Subsequent expenditure

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

3.6.6 Amortisation

Amortisation of intangible assets with a finite life is recognised in

Profit or Loss on a straight-line basis over the estimated useful lives of intangible assets, from the date on which they are available for use. The estimated useful lives are as follows:

Description	Period
ERP Systems & Software	4-8 years

3.7 Financial instruments

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

3.7.1 Financial assets

3.7.1.1 Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on

the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

3.7.1.1.1 Assessment whether contractual cash flows is solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

NOTES TO THE FINANCIAL STATEMENTS

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows.
- Terms that may adjust the contractual coupon rate, including variable-rate features.
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3.7.1.2 Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories.

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

Financial assets at amortised cost (debt instruments)

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

The Group's financial assets at amortised cost include 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.

Financial assets designated at fair value through OCI (equity instruments)

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

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

This category includes listed and non-listed equity instruments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through Profit or Loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the Statement of Profit or Loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through Profit or Loss. Embedded derivatives are measured at fair value with changes in fair value recognised in Profit or Loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through Profit or Loss category.

3.7.1.3 De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily de-recognised (i.e: removed from the Group's Consolidated Financial Position) when:

The rights to receive cash flows from the asset have expired, or

The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either.

(a) the Group has transferred substantially all the risks and rewards of the asset, or

(b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

3.7.1.4 Impairment 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).

3.7.1.4.1 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.

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.

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- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market or security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of assets.

Write-offs

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

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 Group 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 Group's procedures for recovery of amounts due.

3.7.2 Financial liabilities

3.7.2.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

3.7.2.2 Subsequent measurement

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

Financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss so designated at the initial date of recognition, and only if the criteria of SLFRS 9 are satisfied. The Group has not designated any financial liability at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

3.7.2.3 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or

the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

3.7.3 Offsetting of financial instruments

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

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.8 Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

Such techniques may include:

Using recent arm's length market transactions.

Reference to the current fair value of another instrument that is substantially the same.

A discounted cash flow analysis or other valuation models.

3.9 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

All inventory items, except manufactured inventories and work-in-progress are measured at weighted average directly attributable cost.

Manufactured inventories and work-in-progress are measured at a 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.

3.10 Impairment of Non-Financial Assets

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

impaired and is written down to its recoverable amount.

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

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

Impairment losses of continuing operations are recognised in the Statement of Profit or Loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to Other Comprehensive Income. For such properties, the impairment is recognised in Other Comprehensive Income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If

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such an 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 a reversal is recognised in the Statement of Profit or Loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.11 Cash and Cash Equivalents

Cash in hand and at bank and short-term deposits in the Statement of Financial Position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are

subject to an insignificant risk of changes in value.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts and short-term borrowings as they are considered an integral part of the Group's cash management.

3.12 Employee Benefits

3.12.1 Defined contribution plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

3.12.2 Defined benefit plans

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit

obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 15.3. Any changes in these assumptions will impact on the carrying amount of defined benefit obligations. Actuarial gains or losses are recognised in full in the Other Comprehensive Income.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefits. However, for entities of the Group operating in Sri Lanka, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded. The settlement of the liability is based on legal liability method or the following basis as applied by the respective entities.

Length of each service (Years) No. of month's salary for completed year of service.

Length of each service (Years)	No. of months
Up to 20	1½
20 up to 25	¾
25 up to 30	1
30 up to 35	1 ¼
Over 35	1 ½

3.12.3 Short-term benefits

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

3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result

of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.14 Contingent Liabilities Recognised in a Business Combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

3.15 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.16 Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when

control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

3.16.1 Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

3.16.1.1 Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

3.16.1.2 Significant financing component

The Group receives short-term advances from its customers. Using the practical expedient for short term advances in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing

component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. Where long-term advances are received from customers, the transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

3.16.2 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

3.16.3 Contract liabilities

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

3.16.4 Assets and liabilities arising from rights of return

3.16.4.1 Right of return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured

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at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

3.16.4.2 Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from customers' right of return. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

3.17 Other Income

3.17.1 Dividends

Dividend income is recognised in Profit or Loss on the date the entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

3.17.2 Gains and losses

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and are recognised net within "other income" in Profit or Loss.

3.17.3 Other income

Other income is recognised on an accrual basis.

3.18 Expenses

Expenses are recognised in the Profit or Loss on the basis of a direct association between the cost incurred and the earnings

of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year. For the purpose of presentation of the Statement of Profit or Loss, the function of expenses method is adopted.

Repairs and renewals are charged to Profit or Loss in the year in which the expenditure is incurred.

3.18.1 Borrowing costs

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

3.19 Finance income

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in the Statement of Profit or Loss. Interest income is recognised as it accrues in the Statement of Profit or Loss.

3.20 Finance Cost

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in the Statement of Profit or Loss.

3.21 Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the

Statement of Profit or Loss except to the extent that it relates to a business combination, or items recognised directly in Equity or in Other Comprehensive Income.

3.21.1 Current tax

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

Current tax relating to items recognised directly in Other Comprehensive Income is recognised in Other Comprehensive Income and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.21.2 Deferred tax

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

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

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

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

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside the Statement of Profit or Loss is recognised outside the Statement of Profit or Loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed.

The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in the Statement of Profit or Loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and

assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.21.3 Sales tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

3.21.4 Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of manufacturing, supply of services or whole/ retail sales, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No. 25 of 2022, at the rate of 2.5%, with effect from 1st October 2022 and subsequent amendments thereto.

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.

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4.2 Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.3 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the “indirect method”.

Interest paid is classified as financing cash flow. Grants received, which are related to purchase and construction of property, plant & equipment are classified as investing cash flows.

Dividend and interest income are classified as cash flows from investing activities. Dividends paid are classified as financing cash flows. Dividends received by Hayleys Fabric PLC, which is an investment Company, are classified as operating cash flows and are not disclosed separately in the Company Cash Flow Statement.

4.4 Changes in Accounting Policies and Disclosures

4.4.1 New and amended standards and Interpretations

No significant impact resulted to the financial statements of the Group due to changes in Accounting Standards and disclosures during the year.

4.5 Standards Issued but not yet Effective

The new and amended standards and interpretations that are issued,

but not yet effective, up to the date of the 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.

4.5.1 Lack of exchangeability – Amendments to LKAS 21

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information. The amendments are not expected to have a material impact on the Group financial statement.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Financial Statements in conformity with SLFRS/LKAS’s requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Judgements and estimates are based on historical experience and other factors, including

expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

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

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

5.1 Going concern

The Directors have made an assessment of the Group’s ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The assessment includes the existing and anticipated effects from the present macro-economic conditions, the circumstances of the external environment, or are inconsistent with historical trends. Management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern and the management do not intend either to liquidate or to cease operations of the Group. Therefore, the Financial Statements continue to be prepared on the going concern basis.

5.2 Measurement of the recoverable amount of cash-generating units containing goodwill

The Group tests annually whether goodwill requires impairment, in

accordance with the accounting policy stated in Note 3.10. The basis of determining the recoverable amounts of cash generating units and key assumptions used are given in Note 9.1 to the Financial Statements.

5.3 Measurement of the employee benefit obligations

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

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

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

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates. Further details about employee benefit obligation are provided in Note 15 to the Financial Statements.

5.4 Revaluation of property, plant and equipment

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 engaged a valuation specialist to assess fair values as at 31 March 2025. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 6.8 to the Financial Statements.

5.5 Valuation of inventories

The Group has applied judgment in the determination of impairment in relation to inventories that are slow moving or obsolete. The Group's impairment assessment in relation to such inventories take into account factors such as the use of significant judgement over identifying inventories requiring write down to NRV, including consideration of product life cycles, nature of inventories, future inventory demand and quality/grading assessments, and the existence of significant estimates applied in the determination of NRV, considering expected sales prices and allowance policies based on historical sales.

6. PROPERTY, PLANT & EQUIPMENT

6.1 Group

	As at 01.04.2024	Revaluation	Additions/ transfers	Disposals/ transfers	As at 31.03.2025
Gross carrying amounts	USD	USD	USD	USD	USD
At valuation					
Freehold land	2,066,940	601,428	-	-	2,668,368
At cost					
Buildings	13,457,974	-	249,870	-	13,707,844
Land development	409,113	-	-	-	409,113
Water treatment plant	4,038,227	-	37,778	-	4,076,005
Plant and machinery	55,172,272	-	4,281,109	(1,369,188)	58,084,193
Motor vehicles	220,962	-	-	(875)	220,087
Furniture and fittings	2,498,467	-	92,359	(3,348)	2,587,477
Office equipment	334,936	-	73,882	-	408,818
Computers	1,781,545	-	153,662	(1,869)	1,933,337
Factory equipment	6,372,715	-	353,061	(31,568)	6,694,208
Safety and medical equipment	207,722	-	3,074	-	210,795
Bungalow equipment	6,619	-	-	-	6,619
Solar power plant	2,742,002	-	77,164	-	2,819,166
Total value of depreciable assets	89,309,493	601,428	5,321,959	(1,406,849)	93,826,031
In the course of construction					
Work in progress	389,752	-	4,978,847	(3,926,416)	1,442,183
Total gross carrying amount	89,699,245	601,428	10,300,806	(5,333,266)	95,268,214

	As at 01.04.2024	Impairment	Charge for the year	Disposals/ transfers	As at 31.03.2025
Accumulated depreciation and impairment	USD	USD	USD	USD	USD
At Cost					
Buildings	3,994,018	-	387,334	-	4,381,352
Land development	159,657	-	29,893	-	189,550
Water treatment plant	2,793,150	-	134,947	-	2,928,097
Plant and machinery	29,505,255	30,846	2,559,329	(621,769)	31,473,661
Motor vehicles	220,962	-	-	(875)	220,087
Furniture and fittings	1,836,336	-	247,543	(3,348)	2,080,531
Office equipment	262,009	-	25,959	-	287,967
Computers	1,120,057	-	299,264	(1,339)	1,417,982
Factory equipment	4,758,058	-	420,307	(31,568)	5,146,797
Safety and medical equipment	170,690	-	15,961	-	186,651
Bungalow equipment	6,619	-	-	-	6,619
Solar power plant	383,791	-	140,315	-	524,106
Total depreciation	45,210,602	30,846	4,260,851	(658,899)	48,843,400

Net book values As at 31st March	2025 USD	2024 USD
At valuation		
Freehold land	2,668,368	2,066,940
At cost		
Buildings	9,326,492	9,463,956
Land development	219,563	249,456
Water treatment plant	1,147,908	1,245,077
Plant and machinery	26,610,532	25,667,017
Furniture and fittings	506,946	662,131
Office equipment	120,851	72,927
Computers	515,355	661,488
Factory equipment	1,547,412	1,614,656
Safety and medical equipment	24,144	37,032
Solar power plant	2,295,060	2,358,211
	44,982,631	44,098,891
In the course of construction		
Work in progress	1,442,183	389,752
Total carrying amount of property, plant and equipment	46,424,814	44,488,643

6.2 Company

	As at 01.04.2024 USD	Revaluation USD	Additions/ transfers USD	Disposals/ transfers USD	As at 31.03.2025 USD
Gross carrying amounts					
At valuation					
Freehold land	2,066,940	601,428	-	-	2,668,368
At cost					
Buildings	8,123,917	-	-	-	8,123,917
Water treatment plant	2,307,083	-	37,778	-	2,344,861
Plant and machinery	36,061,524	-	1,410,461	(1,369,188)	36,102,797
Furniture and fittings	2,300,542	-	72,653	(3,270)	2,369,925
Office equipment	176,966	-	5,754	-	182,720
Computers	782,748	-	72,743	(1,869)	853,622
Factory equipment	4,824,109	-	263,350	(31,568)	5,055,891
Safety and medical equipment	207,721	-	3,074	-	210,795
Bungalow equipment	6,619	-	-	-	6,619
Solar power plant	2,742,002	-	77,164	-	2,819,166
Total value of depreciable assets	59,600,171	601,428	1,942,977	(1,405,895)	60,738,681
In the course of construction					
Work in progress	379,221	-	1,851,838	(1,601,216)	629,843
Total gross carrying amount	59,979,392	601,428	3,794,815	(3,007,111)	61,368,524

NOTES TO THE FINANCIAL STATEMENTS

Accumulated depreciation and impairment	As at 01.04.2024 USD	Impairment USD	Charge for the year USD	Disposals/ transfer USD	As at 31.03.2025 USD
At cost					
Buildings	3,506,861	-	212,892	-	3,719,753
Water treatment plant	1,893,827	-	54,113	-	1,947,940
Plant and machinery	22,459,515	30,846	1,369,619	(621,769)	23,238,211
Furniture and fittings	1,681,804	-	231,532	(3,270)	1,910,066
Office equipment	133,078	-	9,783	-	142,861
Computers	434,353	-	94,078	(1,339)	527,092
Factory equipment	3,619,871	-	338,062	(31,568)	3,926,365
Safety and medical equipment	170,690	-	15,961	-	186,651
Bungalow equipment	6,619	-	-	-	6,619
Solar power plant	383,791	-	140,315	-	524,106
Total depreciation	34,290,409	30,846	2,466,355	(657,946)	36,129,664

Net book values As at 31st March	2025 USD	2024 USD
Freehold land	2,668,368	2,066,940
At cost		
Buildings	4,404,164	4,617,056
Water treatment plant	396,921	413,256
Plant and machinery	12,864,586	13,602,009
Furniture and fittings	459,859	618,738
Office equipment	39,860	43,889
Computers	326,529	348,395
Factory equipment	1,129,526	1,204,238
Safety and medical equipment	24,144	37,031
Solar power plant	2,295,060	2,358,211
	24,609,017	25,309,762
In the course of construction		
Work in progress	629,843	379,221
Total carrying amount of property, plant and equipment	25,238,860	25,688,983

6.3 Carrying value

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
At cost	43,756,446	42,421,703	22,570,492	23,622,043
At valuation	2,668,368	2,066,940	2,668,368	2,066,940
	46,424,814	44,488,643	25,238,860	25,688,983

- 6.4 Group Property, plant & equipment includes buildings on lease hold land. The carrying amount of these assets are;

As at 31st March	Cost USD	Accumulated depreciation USD	Carrying value 2025 USD	Carrying value 2024 USD
Buildings	6,221,782	764,511	5,457,271	5,407,571
Total	6,221,782	764,511	5,457,271	5,407,571

- 6.5.1 During the financial year, the Group acquired property, plant & equipment to the aggregate value of USD 6,374,390 (2024- USD 3,976,730). Cash payments amounting to USD 6,031,642 (2024- USD 3,825,123) were made during the year for the purchase of property, plant and equipment.
- 6.5.2 During the financial year, the Company acquired property, plant & equipment to the aggregate value of USD 2,193,599 (2024- USD 1,645,146). Cash payments amounting to USD 2,168,867 (2024- USD 1,579,052) were made during the year for the purchase of property, plant and equipment.
- 6.5.3 There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2024/25. (2023/24 – Nil).
- 6.6 The cost of fully depreciated property plant and equipment which are still in use at the reporting date is as follows.

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Land development	111,440	111,440	-	-
Plant and machinery	14,077,186	9,545,001	11,560,252	7,348,521
Water treatment plant	1,794,696	1,752,226	1,224,823	1,224,823
Motor vehicles	220,087	220,962	-	-
Furniture and fittings	910,546	898,889	782,664	778,086
Office equipment	231,228	224,666	119,136	118,517
Computers hardware	829,081	553,228	203,031	187,337
Factory equipment	3,759,102	3,559,965	2,822,113	2,678,123
Safety and medical equipment	125,832	101,604	125,832	101,604
Bungalow equipment	6,619	6,619	6,619	6,619
	22,065,817	16,974,600	16,844,470	12,443,630

- 6.7 The number of permanent buildings of the Group in each location and their addresses and status are given as below.

Company Name	No. of Permanent Buildings	Address	Location Status
Hayleys Fabric PLC	31	Narthupana Estate, Neboda	Principle place of business
Hayleys Fabric PLC - Knitting Plant II	5	Wagawatta, BOI Industrial Zone- Horana	Knitting plant facility
South Asia Textiles Limited	68	No.70, Felix Dias Bandaranayake Mawatha, Pugoda	Principle place of business
South Asia Textiles Limited	2	Kumarimulla River Embankment Project-Pugoda	Place of Water intake

NOTES TO THE FINANCIAL STATEMENTS

- 6.8 The Group re-valued its free hold Lands once every three years and the fair value of Land is based on valuation performed by Mr. P.B. Kalugalgedera, an accredited independent Chartered valuer on 31 March 2025.

The fair value measurement of Land has been carried out and categorised as Level 3 fair value based on the input of the valuation technique used as per SLFRS-13 "Fair Value Measurement" under re-current basis.

Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Accordingly, the Company recognised a revaluation gain of USD 601,428 as of 31st March 2025 and the estimated market prices of Land are given below.

Land Extent			Location	Value per perch- LKR	Value per perch- USD	Total market Value - LKR	Total market Value - USD
Acres	Rood	Perch					
41	1	14	Anguruwatota	110,000	366	727,560,900	2,420,523
20	2	31	Anguruwatota- Rubber Land	22,500	75	74,497,500	247,845
62	0	5	Total			802,058,400	2,668,368

6.8.1 Unobservable Inputs used in Measuring Fair Value.

The table below sets out information about significant unobservable inputs used in measuring fair value of land as of 31 March 2025.

Category	District	Valuation Technique	Significant Unobservable Input	Range of Estimate (Weighted Average) for Unobservable Input-LKR	Fair Value Measurement Sensitivity to Unobservable Input
Free hold Lands	Kalutara	Open Market Basis	Land rate -per perch	100,000 to 125,000	Significant increases / (decreases) in estimated price per perch in isolation would result in a significantly higher / (lower) fair value.

- 6.8.2 If Land was measured using the cost model, the carrying amount would be USD 1,331,519 (2024- USD 1,331,519).

7 RIGHT OF USE ASSETS

7.1 Group

	As at 01.04.2024 USD	Remeasurement/ (charge) for the year USD	As at 31.03.2025 USD
Gross carrying value	874,391	86,774	961,165
Depreciation	(71,035)	(29,050)	(100,085)
Net carrying value	803,356	57,724	861,080

7.2 Company

	As at 01.04.2024 USD	Remeasurement/ (charge) for the year USD	As at 31.03.2025 USD
Gross carrying value	211,311	24,035	235,346
Depreciation	(25,844)	(7,301)	(33,145)
Net carrying value	185,467	16,734	202,201

8 INTANGIBLE ASSETS - SOFTWARE

8.1 Group

	As at 01.04.2024	Additions/ (Amortisation) during the year	(Disposal)/ (Amortisation) Reversal during the year	As at 31.03.2025
	USD	USD	USD	USD
Gross carrying value	2,318,180	-	-	2,318,180
Amortisation	(1,727,790)	(135,437)	-	(1,863,227)
Net carrying value	590,390	(135,437)	-	454,953

8.2 Company

	As at 01.04.2024	Additions/ (Amortisation) during the year	(Disposal)/ (Amortisation) Reversal during the year	As at 31.03.2025
	USD	USD	USD	USD
Gross carrying value	1,442,420	-	-	1,442,420
Amortisation	(1,391,559)	(26,042)	-	(1,417,601)
Net carrying value	50,861	(26,042)	-	24,819

9 INVESTMENT IN SUBSIDIARIES

Unquoted Investments	Initial Date of Acquisition	% Holding	No. of Shares	Value USD
South Asia Textiles Ltd	22nd April 2021	100%	357,361,456	18,281,412
Hayleys Fabric Solutions Ltd	01st January 2024	66.6%	4	Nil

9.1 IMPAIRMENT TEST OF GOODWILL

The group performed its annual impairment test on Goodwill derived from the acquisition of South Asia Textiles Limited (CGU) as at 31 March 2025. The recoverable amount of the CGU has been determined considering its value in use (VIU). The key assumptions used in the determination of VIU are provided below;

Gross Margins

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions. Gross margins used for the cash flow projections are in the range of 15.5% - 16%.

Discount rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium. The pre-tax discount rate applied to cash flow projections is 7%.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Growth Rate

The Management has estimated 5% average annual revenue growth rate within the five-year period. Further 3% terminal growth rate in the cash flow beyond the five-year period is estimated.

No impairment was recognised consequent to the impairment test carried out.

NOTES TO THE FINANCIAL STATEMENTS

10 INVENTORIES

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Raw materials	13,024,888	12,149,640	7,437,203	7,166,485
Less : Impairment for slow moving items	(1,967,936)	(2,053,557)	(1,018,405)	(1,427,018)
	11,056,952	10,096,083	6,418,798	5,739,467
Work-in-progress	11,436,421	10,754,477	6,935,494	5,811,713
Less : Impairment for slow moving items	(658,313)	(648,015)	(175,515)	(295,773)
	10,778,108	10,106,462	6,759,979	5,515,940
Finished goods (10.1)	5,065,807	6,187,853	2,563,818	4,042,866
Less : Impairment for slow moving items	(923,418)	(634,327)	(594,589)	(469,989)
	4,142,389	5,553,526	1,969,229	3,572,877
Stock consumables	5,542,078	5,166,444	3,451,731	3,360,237
Less : Impairment for slow moving items	(533,732)	(508,497)	(483,327)	(469,695)
	5,008,346	4,657,947	2,968,404	2,890,542
	30,985,795	30,414,018	18,116,410	17,718,826

10.1 Group - Second grade finished goods amounting to USD 280,370 (2024- USD 167,778) are carried at net realisable value.

Company - Second grade finished goods amounting to USD 80,068 (2024- USD 78,438) are carried at net realisable value.

11 TRADE AND OTHER RECEIVABLES

11.1 Trade receivables

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Receivable from Subsidiary - South Asia Textiles Ltd. (Sale of Raw Materials)	-	-	629,788	922,467
Other related parties (11.1.1)	-	112	-	112
Other Trade Receivables	17,074,193	16,095,053	9,854,396	10,049,971
	17,074,193	16,095,165	10,484,184	10,972,550
Less : Impairment loss recognised (11.1.3)	(181,796)	(148,162)	(50,079)	(52,891)
	16,892,397	15,947,003	10,434,105	10,919,659

11.1.1 Receivable from Other related parties

Name of the Company	Relationship	Nature of Transaction	GROUP		COMPANY	
			2025 USD	2024 USD	2025 USD	2024 USD
D P L Universal Gloves Ltd	Fellow Subsidiary	Sale of fabric	-	112	-	112
			-	112	-	112

11.1.2 The aged analysis of trade receivables is as follows:

Group

	Neither past due nor impaired	Past due but not impaired					Total
		0 - 60 days	61-120 days	121-180 days	181-365 days	> 365 days	
Related parties	-	-	-	-	-	-	-
Other Trade Receivables	13,403,555	1,980,116	1,368,616	94,609	91,002	136,295	17,074,193
Total as at 31/03/2025	13,403,555	1,980,116	1,368,616	94,609	91,002	136,295	17,074,193
Related party	-	-	112	-	-	-	112
Other Trade Receivables	11,091,265	4,122,193	321,784	418,215	37,792	103,804	16,095,053
Total as at 31/03/2024	11,091,265	4,122,193	321,896	418,215	37,792	103,804	16,095,165

Company

	Neither past due nor impaired	Past due but not impaired					Total
		0 - 60 days	61-120 days	121-180 days	181-365 days	> 365 days	
Related parties	106,765	205,008	318,015	-	-	-	629,788
Other Trade Receivables	8,357,218	991,736	452,674	2,689	-	50,079	9,854,396
Total as at 31/03/2025	8,463,983	1,196,744	770,689	2,689	-	50,079	10,484,184
Related parties	26,710	157,134	531,459	156,353	50,923	-	922,579
Other Trade Receivables	7,268,018	2,665,803	63,025	25,695	-	27,430	10,049,971
Total as at 31/03/2024	7,294,728	2,822,937	594,484	182,048	50,923	27,430	10,972,550

See note 30 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

11.1.3 The impairment recognised in relation to Trade Receivables of the Group has been based on a collective impairment model and is as follows:

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Balance as at the beginning of the year	148,162	222,592	52,891	55,794
Impairment charge/(reversal) during the year	36,447	(74,430)	-	(2,903)
Write off of previously recognised impairment loss	(2,813)	-	(2,813)	-
Balance as at the end of the year	181,796	148,162	50,079	52,891

NOTES TO THE FINANCIAL STATEMENTS

11.2 Other receivable

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Income tax receivable	139,775	137,590	-	-
VAT recoverable	24,172	59,203	-	-
Claim receivable	37,598	72,909	-	1,193
WHT recoverable	39,314	39,346	8,790	10,790
Staff loans & advances	160,748	168,078	107,044	112,376
Interest receivable	19,408	58,485	16,414	42,606
Deposits	60,996	48,163	59,460	48,163
Dividend & other receivable from subsidiaries	-	-	255,368	600,000
Receivable from CEB	-	40,288	-	40,288
	482,011	624,062	447,076	855,416

11.2.1 Total Trade and Other receivables

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Trade receivables (11.1)	16,892,397	15,947,003	10,434,105	10,919,659
Other receivable (11.2)	482,011	624,062	447,076	855,416
Total Trade and Other receivables	17,374,408	16,571,065	10,881,181	11,775,075

11.2.2 Currency-wise Analysis of Trade and Other Receivables

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
United States Dollars	16,822,802	16,004,149	10,619,879	11,576,804
Sri Lankan Rupees	551,606	566,916	261,302	198,271
	17,374,408	16,571,065	10,881,181	11,775,075

11.3 Advances and prepayments

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Advances paid to related parties - (11.3.1)	-	106	-	-
Advances paid to other suppliers	988,218	1,331,810	740,485	591,594
Other prepayments	717,470	584,642	382,400	369,774
	1,705,688	1,916,558	1,122,885	961,368

11.3.1 Advances paid to related parties

			GROUP		COMPANY	
			2025 USD	2024 USD	2025 USD	2024 USD
Singer Sri Lanka PLC	Fellow Subsidiary	Purchase of electrical equipment	-	106	-	-
			-	106	-	-

12 CASH AND CASH EQUIVALENTS IN STATEMENT OF CASH FLOW

12.1 Favourable Cash and Cash Equivalent Balances

Components of Cash and Cash Equivalents	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Cash and Bank Balances	4,266,970	5,307,593	2,948,315	2,731,872
Short term deposits	6,237,986	5,735,492	4,153,281	4,725,908
	10,504,956	11,043,085	7,101,596	7,457,780

12.2 Unfavourable Cash and Cash Equivalent Balances

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Bank Overdraft (Note 14)	(2,082,538)	(2,020,439)	(2,776)	(359,031)
	(2,082,538)	(2,020,439)	(2,776)	(359,031)
Total cash and cash equivalent balance for the purpose of Statement of Cash Flow	8,422,418	9,022,646	7,098,820	7,098,749

13. STATED CAPITAL

	COMPANY		COMPANY	
	2025 Number	2025 USD	2024 Number	2024 USD
Ordinary shares (Fully Paid)	415,481,776	17,561,761	415,481,776	17,561,761

13.1 Other Capital Reserves & Retained Earnings

13.1.1 Revaluation Reserve

The Revaluation Reserve is maintained to record any surplus on revaluation of the Company's land, net of the tax effect of such re-valuation.

13.1.2 Retained Earnings

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Balance as at the beginning of the year	14,732,650	10,222,123	11,220,486	7,963,561
Total comprehensive income	7,044,445	7,825,446	5,757,135	6,570,854
Net dividends to equity holders	(2,528,349)	(3,313,929)	(2,528,349)	(3,313,929)
Deficit of acquisition of subsidiary	-	(990)	-	-
Balance as at the end of the year	19,248,746	14,732,650	14,449,272	11,220,486

NOTES TO THE FINANCIAL STATEMENTS

14. INTEREST BEARING LOANS AND BORROWINGS

14.1 Group

	2025			2024		
	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total
	USD	USD	USD	USD	USD	USD
Term loans (Note 14.3)	8,667,352	10,299,244	18,966,596	9,089,960	16,940,576	26,030,536
Lease Obligations relating to right of use assets (Note 14.7)	21,403	198,062	219,465	25,871	142,659	168,530
Short term loans	4,750,000	-	4,750,000	1,000,000	-	1,000,000
Import loans	13,369,336	-	13,369,336	9,164,678	-	9,164,678
Bank overdraft (12.2)	2,082,538	-	2,082,538	2,020,439	-	2,020,439
	28,890,629	10,497,306	39,387,935	21,300,948	17,083,235	38,384,183

14.2 Company

	2025			2024		
	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total
	USD	USD	USD	USD	USD	USD
Term loans (Note 14.3)	5,303,893	6,520,933	11,824,826	6,096,094	11,217,318	17,313,412
Lease Obligations relating to right of use assets (Note 14.7)	4,529	131,098	135,627	4,302	109,979	114,281
Short term loans	3,750,000	-	3,750,000	1,000,000	-	1,000,000
Import loans	4,461,445	-	4,461,445	5,882,907	-	5,882,907
Bank overdraft (12.2)	2,776	-	2,776	359,031	-	359,031
	13,522,643	6,652,031	20,174,674	13,342,334	11,327,297	24,669,631

14.3 Term loans

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Balance at the beginning of the year	26,030,536	20,806,461	17,313,412	14,462,554
New loans obtained	2,173,751	10,185,039	564,095	6,392,839
Effects of movement in exchange rate	292,867	1,786,244	186,483	1,220,617
Repayments	(9,530,558)	(6,747,208)	(6,239,164)	(4,762,598)
Balance at the end of the year	18,966,596	26,030,536	11,824,826	17,313,412

14.3.1 Currency wise Analysis of Long Term Borrowings

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
United States Dollars	4,027,485	5,831,527	2,239,389	3,718,680
Sri Lankan Rupees	14,939,111	20,199,009	9,585,437	13,594,732
	18,966,596	26,030,536	11,824,826	17,313,412

14.4 Maturity Analysis for Interest -bearing loans and borrowings Group

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	USD	USD	USD	USD	USD	USD
Total Interest bearing borrowings- As at 31.03.2025	2,279,188	13,548,265	13,063,176	10,355,176	142,130	39,387,935
Total Interest bearing borrowings- As at 31.03.2024	2,900,991	11,270,515	7,129,442	16,971,889	111,346	38,384,183

Company

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	USD	USD	USD	USD	USD	USD
Total Interest bearing borrowings- As at 31.03.2025	199,425	6,696,446	6,626,771	6,532,011	120,021	20,174,674
Total Interest bearing borrowings- As at 31.03.2024	1,085,083	7,450,362	4,806,889	11,226,245	101,052	24,669,631

14.5 Long term loans - Hayleys Fabric PLC

Lender	Rate of interest (p.a.)	2025 USD	2024 USD	Repayment	Security
Sampath Bank PLC	3 Months SOFR + 4.05 % (Floor rate 8%)	152,950	526,880	48 monthly in equal installments of USD 54,335	Mortgage over machinery & Building
Sampath Bank PLC	3 Months SOFR +4.05 % (Floor rate 8%)	900,000	1,500,000	60 monthly in equal installments with 3 months grace period & Equal installments of USD 50,000	Mortgage over Solar Equipments
Standard Chartered Bank PLC	3 Months SOFR + 2.90%	211,114	1,055,570	48 monthly in equal installments after a grace period of 1 year & Equal installments of USD 70,371	Mortgage over machinery
Bank of Ceylon	3 Months SOFR +3.5 % (Floor rate 6%)	650,450	636,230	48 monthly in equal installments after a grace period of 3 months & Equal installments of USD 25,000	Mortgage over machinery
Nations Trust Bank	3 Month SOFR +1.65%	324,875	-	60 monthly in equal installments with 6 months grace period & Equal installments of USD 6,016	Mortgage over machinery
Bank of Ceylon	5.5% Fixed rate	-	222,892	36 monthly in equal installments of LKR 9,722,222	None
DFCC Bank	7.75 % Fixed rate	2,988,580	4,052,688	72 monthly in equal installments after a grace period of 6 months & Equal installments of LKR 28,258,331	Negative pledge over all immovable asset of Hayleys Fabric PLC & over the shares of South Asia Textiles Ltd
Sampath Bank PLC	AWPLR +0.5% for first 5 years and AWPLR +1.0% for next 2 years	2,971,921	3,676,350	84 monthly in equal installments of LKR 19,100,000	Negative pledge over Shares of South Asia Textiles Ltd owned by Hayleys Fabric
Bank Of China	AWPLR	3,624,936	5,642,802	12 Quarterly in equal installments of LKR 158,333,333	None
		11,824,826	17,313,412		

NOTES TO THE FINANCIAL STATEMENTS

14.6 Long term loans - South Asia Textiles Ltd

Lender	Rate of interest (p.a.)	2025 USD	2024 USD	Repayment	Security
People's Bank	3 Month SOFR+ 3.5% p.a. (Floor rate 10.75%)	-	131,847	23 equal monthly installments of USD 26,800 and a final installment of USD 24,647, commencing from 02/09/2022	None
Pan Asia Banking Corporation PLC	7% Fixed	545,500	1,043,500	35 equal monthly installments of USD 41,500 and a final installment of USD 47,500, commencing from 31.05.2023	None
Hatton National Bank	03Month SOFR +4.75% (Weekly review)	187,500	937,500	24 month equal Installments of USD 62,500 each, commencing from 27/07/2023	None
Bank Of Ceylon	6 Month SOFR+ 3.5% p.a. (Floor rate 7.5%)	577,321	-	18 equal monthly installments of USD 41,667 and a final installment of USD 35,650, commencing from 25/11/2024	None
Commercial Bank PLC	3 Month SOFR+1.5% (Floor rate 5% / Cap rate 7.5%)	477,775	-	22 equal monthly installments of USD 22,225 and a final installment of USD 11,050, commencing from 20/03/2025.	None
Seylan Bank PLC TL - 01	01 Month AWPLR+1%	750,534	1,094,199	Amalgamated existing 10 loans to LKR 261,761,425, thus 27 equal monthly installments of LKR 9,632,000 each and a final installment of LKR 1,697,426 should be paid commencing from 04/12/2025.	Mortgage over machinery
Seylan Bank PLC TL - 02	01 Month AWPLR+1%	4,332,821	5,510,078	Amalgamated existing 15 loans to LKR 1,438,830,250, thus 39 equal monthly installments of LKR 36,157,000 each and a final installment of LKR 28,707,249 commencing from 04/12/2025.	Mortgage over machinery
Seylan Bank PLC TL - 03	01 Month AWPLR+0.65%	270,319	-	42 equal monthly installments of LKR 2,083,333 each and a final installment of LKR 2,083,333 commencing from 04/12/2025.	Mortgage over machinery
		7,141,770	8,717,124		

14.7 Lease Obligations

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Balance at the beginning of the year	168,530	182,872	114,281	115,967
Lease asset remeasurement	86,775	-	24,036	-
Interest expense	16,136	16,500	8,345	8,339
Repayments	(52,630)	(35,938)	(11,035)	(10,025)
Effect of movements in exchange rates	654	5,096	-	-
Balance at the end of the year	219,465	168,530	135,627	114,281

Hayleys Fabric PLC, Knitting plant II - A right to operate lease agreement with Board of Investment of Sri Lanka (BOI) is for the period of 30 years commencing from 10th July 2020 for two acre BOI land at the "Wagawatta" Industrial zone.

South Asia Textiles Ltd- A right to operate lease agreement with Board of Investment of Sri Lanka (BOI) is for the period of 50 years commencing from 02nd March 2004 for fifty five acres 1 rood 27.8 perches BOI land at Pugoda.

14.7.1 Currency wise analysis of lease obligations

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
United States Dollars	135,627	114,281	135,627	114,281
Sri Lankan Rupees	83,838	54,249	-	-
	219,465	168,530	135,627	114,281

14.7.2 Maturity Profile for Lease obligations on an undiscounted basis

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Within the next 12 months	39,375	38,934	11,035	11,035
Between 1 to 5 years	110,291	133,893	44,139	44,139
Between 5 to 10 years	71,769	71,511	55,174	55,174
More than 10 years	219,746	233,118	160,004	171,038
	441,181	477,456	270,352	281,386

15. RETIREMENT BENEFIT OBLIGATIONS

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Retirement Benefit Obligation - Gratuity				
At beginning of the year	3,865,580	3,032,099	3,236,663	2,550,367
Effects of movement in exchange rate	59,067	275,499	49,469	231,394
Benefits paid by the plan	(328,606)	(316,667)	(246,402)	(266,758)
Transfer	5,586	-	5,586	-
Current service cost	294,520	248,978	223,546	187,318
Interest cost	454,418	570,080	382,194	479,431
Actuarial (gain)/ loss recognised directly in Other Comprehensive Income	(11,669)	55,591	(2,077)	54,911
At end of the year	4,338,896	3,865,580	3,648,979	3,236,663

15.1 Expenses recognised in the Statement of Profit or Loss

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Current service cost	294,520	248,978	223,546	187,318
Interest cost	454,418	570,080	382,194	479,431
	748,938	819,058	605,740	666,749

15.2 Legal Liability as at 31st March

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Legal Liability as at 31st March	3,403,154	2,819,248	2,620,283	2,186,757

NOTES TO THE FINANCIAL STATEMENTS

- 15.3** The Gratuity liability of the Company & the Group as at 31st March 2025 is based on an actuarial valuation carried out by Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries.

The following key assumptions were made in the valuation.

	GROUP		COMPANY	
	2025	2024	2025	2024
Rate of discount	11.0%	12%	11.0%	12%
Salary increase	10.0%	11.0%	10.0%	11.0%
Retirement age	60 Years	60 Years	60 Years	60 Years
Weighted average remaining working life	7.2 - 7.4 Years	7.4 - 8.5 Years	7.2 Years	8.5 Years

Assumptions regarding mortality are based on a 1967/70 Mortality Table, issued by The Institute of Actuaries, London.

- 15.4** A quantitative sensitivity analysis for significant assumptions as at 31st March 2025 is as follows:

Group

A one percentage point change in salary escalation rate/ discount rate	Salary increment rate		Discount rate	
	1% increase	1% decrease	1% increase	1% decrease
	USD	USD	USD	USD
As at 31st March 2025	389,708	(348,592)	(325,620)	369,500
As at 31st March 2024	354,194	(316,433)	(296,207)	336,447

Company

A one percentage point change in salary escalation rate/ discount rate	Salary increment rate		Discount rate	
	1% increase	1% decrease	1% increase	1% decrease
	USD	USD	USD	USD
As at 31st March 2025	326,453	(292,804)	(273,385)	309,352
As at 31st March 2024	297,257	(266,218)	(249,166)	282,278

- 15.5** Maturity Profile

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Within the next 12 months	255,870	225,402	187,670	162,944
Between 1 to 5 years	1,330,985	1,127,172	1,096,441	910,377
Between 5 to 10 years	1,354,602	1,180,542	1,209,493	1,047,888
More than 10 years	1,397,439	1,332,464	1,155,375	1,115,454
	4,338,896	3,865,580	3,648,979	3,236,663

16. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Trade Payables				
Payable from Subsidiary- South Asia Textile Ltd. (Purchase of Raw Materials)	-	-	8,444	102,170
- Other Related Parties (16.3)	294,963	255,025	102,779	165,176
- Other Trade payables	20,757,693	22,578,367	12,852,792	12,415,918
Other Payables	2,791,317	2,454,449	1,377,407	1,752,108
	23,843,973	25,287,841	14,341,422	14,435,372

16.1 Maturity Profile for Trade and Other Payables

Group

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	USD	USD	USD	USD	USD	USD
31.03.2025 Related party	54,515	223,864	16,584	-	-	294,963
Trade and Other Payables	4,273,143	16,895,240	2,144,702	211,422	24,503	23,549,010
Total	4,327,658	17,119,104	2,161,286	211,422	24,503	23,843,973
31.03.2024 Related party	103,451	130,460	19,974	1,140	-	255,025
Trade and Other Payables	5,067,416	16,750,323	2,897,046	169,876	148,156	25,032,816
Total	5,170,867	16,880,783	2,917,020	171,016	148,156	25,287,841

Company

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	USD	USD	USD	USD	USD	USD
31.03.2025 Related party	54,513	56,014	696	-	-	111,223
Trade and Other Payables	3,540,347	9,785,945	748,532	130,872	24,503	14,230,199
Total	3,594,860	9,841,959	749,228	130,872	24,503	14,341,422
31.03.2024 Related party	103,452	154,046	6,027	1,140	-	264,665
Trade and Other Payables	4,800,784	8,641,441	445,976	134,351	148,156	14,170,707
Total	4,904,236	8,795,487	452,002	135,491	148,156	14,435,372

16.2 Currency wise Analysis of trade & other payables

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
United States Dollars	20,333,872	22,214,065	12,218,259	12,031,573
Sri Lankan Rupees	3,162,911	2,907,126	1,827,585	2,266,562
Euro	347,190	166,461	295,578	137,048
Others	-	189	-	189
	23,843,973	25,287,841	14,341,422	14,435,372

NOTES TO THE FINANCIAL STATEMENTS

16.3 Payable to other related parties

Name of the Company	Relationship	Nature of Transaction	GROUP		COMPANY	
			2025 USD	2024 USD	2025 USD	2024 USD
Puritas (Pvt) Ltd	Fellow Subsidiary	Purchase of oxypura products	-	222	-	-
Hayleys Agriculture Holdings Limited	Fellow Subsidiary	Dividend payable	6,873	4,833	6,873	4,833
The Kingsbury Hotel PLC	Fellow Subsidiary	Entertainment facility	561	4,787	561	4,787
Hayleys Travels (Pvt) Ltd	Fellow Subsidiary	Reservations, ticketing and other travel related services	4,714	10,149	2,402	1,885
Clarion Shipping (Pvt) Ltd	Fellow Subsidiary	Logistic service	2,799	4,897	2,799	4,897
Hayleys Aventura (Pvt) Ltd	Fellow Subsidiary	Purchase spare parts and obtained technical support	52,205	17,943	5,410	7,696
Hayleys Advantis Ltd	Fellow Subsidiary	Dividend Payable	9,970	7,186	9,970	7,186
Energynet (Pvt) Ltd	Fellow Subsidiary	Service charge of electrical equipments	7,339	6,240	172	200
Fentons Smart Facilities (Pvt) Ltd	Fellow Subsidiary	Purchase of electrical equipment and related services	760	-	-	-
Logiwiz Limited	Fellow Subsidiary	Logistic service	22,389	25,154	17,979	23,431
Advantis Projects & Engineering (Pvt) Ltd	Fellow Subsidiary	Purchase of engineering, construction services and safety shoes	8,388	324	5,868	324
Expelogix (Pvt) Ltd	Fellow Subsidiary	Logistic service	2,607	3,277	2,607	3,277
Mabroc Tea Pvt Ltd	Fellow Subsidiary	Purchasing Tea Leaves Packets & Tea Bag	-	47	-	47
Hayleys Business Solutions Int.(Pvt) Ltd	Fellow Subsidiary	Payroll charges	5,734	4,881	3,496	2,957
Mountain Hawk (Pvt) Ltd	Fellow Subsidiary	Purchase of freight services	492	-	-	-
Royal Ceramics Lanka PLC	Affiliated	Purchase of Tiles & Ceramic Items	567	-	567	-
Delmege Forsyth & Co.Ltd	Affiliated	Purchase of Office Equipments & Floor Carpets	2,668	-	2,668	2,681
Fentons Ltd	Fellow Subsidiary	Purchases of solar energy items and fire extinguishers	119,513	74,890	696	48,460
Advantis Express (Pvt) Ltd	Fellow Subsidiary	Purchase of courier services	1,199	-	1,199	-
Singer Sri Lanka PLC	Fellow Subsidiary	Purchases of electrical items	18,815	68,725	12,145	31,093
Advantis Freight (Pvt) Ltd	Fellow Subsidiary	Logistic service	27,367	21,423	27,367	21,423
IML Delivery Systems (Pvt) Ltd	Fellow Subsidiary	Logistic service	3	47	-	-
			294,963	255,025	102,779	165,176

17 OTHER CURRENT NON FINANCIAL LIABILITIES

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Accrued Expenditure	2,962,808	4,821,504	2,036,244	2,987,861
Advances Received	1,587,598	1,876,689	994,731	870,698
	4,550,406	6,698,193	3,030,975	3,858,559

17.1 No advance payments from related parties have been included under advance Received.

18 REVENUE FROM CONTRACTS WITH CUSTOMERS

18.1 Disaggregated revenue contracts

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Sales of Fabric	146,036,437	155,326,820	95,703,827	95,240,086
Sale of Raw Materials	-	-	535,064	940,067
	146,036,437	155,326,820	96,238,891	96,180,153

18.2 Geographical Sales

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Direct exports	32,930,903	40,803,162	20,611,789	23,704,885
Indirect exports	111,894,728	113,461,658	74,268,728	70,594,612
Local sales	1,210,806	1,062,000	683,571	601,860
Intra-group sales	-	-	674,803	1,278,796
	146,036,437	155,326,820	96,238,891	96,180,153

18.3 In relation to indirect exports and sundry sales, the performance obligation is satisfied upon delivery of the goods.

In relation to direct exports, the performance obligation is satisfied upon shipment of the goods considering the terms under which the shipment has been carried out.

18.4 Payments for all revenue from contracts with customers is generally due within 30 to 45 days from delivery.

18.5 Contract assets from advances received, which are reflected in Note 17 are as follows.

Group - USD 1,587,598 (2024- USD 1,876,689)

Company - USD 994,731 (2024- USD 870,698)

NOTES TO THE FINANCIAL STATEMENTS

19 OTHER OPERATING INCOME

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Profit on disposal of property, plant and equipment	18,572	10,179	18,238	6,926
Income from solar power generation	311,849	387,084	311,849	387,084
Creditors write back	269,753	2,324	269,753	1,606
Sundry Income	315,977	322,175	173,591	174,376
Dividend income	-	-	255,000	-
	916,151	721,762	1,028,431	569,992

20 OTHER EXPENSES

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Loss on disposal of property, plant and equipment	-	14,096	-	-
Impairment of idle property, plant and equipment	30,846	55,373	30,846	55,373
	30,846	69,469	30,846	55,373

21 NET FINANCING COST

21.1 Finance income

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Interest income	(631,679)	(683,750)	(459,229)	(515,841)
	(631,679)	(683,750)	(459,229)	(515,841)

21.2 Finance cost

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Interest on short term borrowings	1,165,478	1,335,855	552,600	712,114
Interest on long term loans	2,103,139	3,161,210	1,273,621	1,727,067
Finance charges payable under finance Lease	16,140	16,500	8,345	8,339
Loss on translation of foreign currency	1,057,240	2,286,822	640,771	1,573,735
Finance cost	4,341,997	6,800,387	2,475,337	4,021,255
Net finance cost	3,710,318	6,116,637	2,016,108	3,505,414

22 PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following:

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Staff cost (Note 22.1)	13,997,887	13,165,363	9,381,090	8,948,655
Directors' fees	24,202	19,903	24,202	19,903
Directors' emoluments	820,223	835,784	820,223	835,784
Depreciation of property, plant and equipment	4,289,901	4,106,616	2,473,656	2,446,171
Impairment of idle property, plant and equipment	30,846	55,373	30,846	55,373
Amortisation of intangible assets	135,437	140,222	26,042	33,213
Legal fees	34,804	16,212	33,569	13,507
Audit fees	20,584	17,999	12,853	11,463
Non-audit professional services	16,065	7,477	13,849	6,537
Donations	7,700	20,287	2,090	17,109
Impairment charge/(reversal) for slow moving inventories	225,374	308,357	(404,270)	268,993
Impairment Charge/(reversal) for receivables	36,447	(74,430)	-	(2,903)
Research & Development	139,811	162,167	69,665	24,944

22.1 Staff cost

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Salaries and other personnel cost	12,067,747	11,370,345	8,014,636	7,660,904
Defined contribution plan cost- EPF and ETF	1,181,202	975,960	760,714	621,002
Defined benefit plan cost- Retiring gratuity	748,938	819,058	605,740	666,749
	13,997,887	13,165,363	9,381,090	8,948,655

23. INCOME TAX

The major components of income tax expense for the years ended 31st March are as follows:

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Income tax on current year profit (Note 23.1)	3,845,022	4,390,470	3,286,330	3,943,395
Under provision in respect of previous year	13,328	45,694	39,466	45,674
Reversal of deferred tax (Note 23.2)	(626,529)	(553,076)	(75,832)	(1,046,935)
Tax on dividend Income	45,000	-	-	-
Income tax expense reported in the statement of profit or loss	3,276,821	3,883,088	3,249,964	2,942,134

NOTES TO THE FINANCIAL STATEMENTS

23.1 Reconciliation of Current Tax Expenses and product of Accounting Profit

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Profit before tax	10,313,032	11,747,623	9,005,645	9,551,426
Intra-group adjustments	273,384	18,173	-	-
Disallowable expenses	10,612,122	10,653,962	4,153,626	4,833,971
Disallowable unrealised exchange gain	1,253,070	1,891,796	840,369	1,180,521
Exempted Income	(7,095)	(1,227)	-	-
Tax deductible expenses	(9,627,773)	(9,254,434)	(3,045,206)	(2,420,068)
Tax loss set-off/Qualifying Payments	-	(420,994)	-	(1,200)
Taxable income	12,816,740	14,634,899	10,954,434	13,144,650
Income tax @ 30%	3,845,022	4,390,470	3,286,330	3,943,395
Tax expense	3,845,022	4,390,470	3,286,330	3,943,395

In terms of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto, The Company and It's subsidiaries were liable to income tax during the year of assessment 2024/25 at the rate of 30% (2023/24-30%).

23.2 Deferred Tax Assets, Liabilities are attributable to the following as at the year end

Group

	Statement of Financial Position		Statement of Profit or Loss and Other Comprehensive Income	
	2025 USD	2024 USD	2025 USD	2024 USD
Deferred Tax Liabilities				
Capital allowances for tax purposes	8,987,656	8,837,093	150,562	(421,858)
Tax on re-valuation of land	401,055	220,626	180,429	-
Tax on unrealised exchange gain	2,161,642	2,516,963	(355,321)	(8,580)
	11,550,353	11,574,682	(24,330)	(430,438)
Deferred Tax Assets				
Tax effect of tax loss carried forward	-	-	-	125,780
Defined benefit plans	1,301,669	1,159,674	(141,995)	(250,044)
Impairment for slow moving inventories	1,590,647	1,252,008	(338,639)	(177,384)
Impairment for doubtful debts	144,123	206,487	62,364	162,333
	3,036,439	2,618,169	(418,270)	(139,315)
Net Deferred Tax Liability	8,513,913	8,956,513		
Deferred Income tax reversal to Profit or Loss			(626,529)	(553,076)
Deferred Income tax charge to Other Comprehensive Income- Land revaluation			180,428	-
Deferred Income tax charge/ (reversal) to Other Comprehensive Income- Defined benefit plan			3,501	(16,677)
Reversal to Statement of Profit or Loss and Other Comprehensive Income			(442,600)	(569,753)

Company

	Statement of Financial Position		Statement of Profit or Loss and Other Comprehensive Income	
	2025 USD	2024 USD	2025 USD	2024 USD
Deferred Tax Liabilities				
Capital allowances for tax purposes	5,406,272	5,633,025	(226,753)	(305,571)
Tax on re-valuation of land	401,055	220,626	180,429	-
Tax on unrealised exchange gain	2,313,475	2,160,361	153,115	(472,121)
	8,120,802	8,014,012	106,790	(777,692)
Deferred Tax Assets				
Defined benefit plans	1,094,694	970,999	(123,695)	(205,889)
Impairment for slow moving inventories	536,553	657,834	121,281	(80,698)
Impairment for doubtful debts	15,024	15,868	844	870
	1,646,271	1,644,701	(1,570)	(285,717)
Net Deferred Tax Liability	6,474,530	6,369,311		
Deferred Income tax reversal to Profit or Loss			(75,832)	(1,046,935)
Deferred Income tax charge to Other Comprehensive Income- Land revaluation			180,428	-
Deferred Income tax charge/ (reversal) to Other Comprehensive Income - Defined benefit plan			623	(16,473)
Charge/(Reversal) to Statement of Profit or Loss and Other Comprehensive Income			105,220	(1,063,408)

24 EARNINGS PER SHARE

BASIC / DILUTED EARNINGS PER SHARE

Basic Earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the earnings per share computations.

24.1 Basic/diluted earning per share calculated as follows.

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Profit attributable to equity holders of the Parent	7,036,211	7,864,535	5,755,681	6,609,292
Weighted average number of ordinary shares of the parent	415,481,776	415,481,776	415,481,776	415,481,776
Basic/diluted earnings per share	0.017	0.019	0.014	0.016

25 DIVIDENDS

	COMPANY	
	2025 USD	2024 USD
Final Dividend paid in 2024 for the year ended 31.03.2023 - (Rs 0.10 per share)	-	131,203
Interim - Rs-1.85 per share in 2025/ (Rs 2.50 per share in 2024)	2,529,355	3,182,726
	2,529,355	3,313,929
Dividend per share	0.006	0.008

NOTES TO THE FINANCIAL STATEMENTS

26. RELATED PARTY DISCLOSURES

26.1 Transactions with the Parent

Hayleys PLC provides support to finance, export shipping, secretarial, data processing, personnel and administration functions.

Name of the Company	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Hayleys PLC	1,458,908	1,177,444	1,265,689	1,014,435

26.2 Transactions with the subsidiary

Sale of fabric, raw materials & commission Dyeing & finishing

Name of the Company	COMPANY			
	2025 USD		2024 USD	
	Sale of fabric	Purchase of goods or service	Sale of fabric	Purchase of goods or service
South Asia Textiles Limited	1,764,120	3,136,730	1,454,172	1,476,196

26.3 Transactions with the other related parties

All the companies listed below are fellow subsidiaries, except for Martin Bauer Hayleys (Pvt) Ltd, which is an associate company of Hayleys PLC. Further, all the transactions occurred with the related parties are recurrent in nature.

	GROUP				COMPANY			
	2025 USD		2024 USD		2025 USD		2024 USD	
	Sale of goods or Service	Purchase of goods or service	Sale of goods or Service	Purchase of goods or service	Sale of goods or Service	Purchase of goods or service	Sale of goods or Service	Purchase of goods or service
Puritas (Pvt) Ltd	-	3,900	-	2,610	-	3,458	-	-
Hayleys Agriculture Holding Ltd	-	2,844	-	338	-	2,844	-	338
Hayleys Consumer Products Ltd	-	554	-	1,090	-	554	-	1,090
The Kingsbury Hotel PLC	-	29,680	-	42,218	-	29,680	-	42,218
Hayleys Travels (Pvt) Ltd	-	178,352	1,819	191,553	-	151,821	1,819	145,770
Hayleys Aventura (Pvt) Ltd	-	167,565	-	103,183	-	54,293	-	69,011
D P L Premier Gloves Limited	2,210	-	385	-	2,210	-	385	-
Advantis Freight (Pvt) Ltd	-	144,828	-	87,147	-	144,828	-	87,147
Logiwiz Limited	-	266,380	-	209,014	-	230,882	-	165,459
Advantis Projects & Engineering (Pvt) Ltd	-	25,180	-	1,071	-	22,046	-	1,071
Expelogix (Pvt) Ltd	-	32,202	-	33,858	-	32,202	-	33,858
Hayleys Business Solutions Int. (Pvt) Ltd	-	65,214	-	52,276	-	38,375	-	30,396
Fentons Ltd.	-	1,009,181	-	184,926	-	334,168	-	116,907
Fentons Smart Facilities (Pvt) Ltd	-	760	-	-	-	-	-	-
Mountain Hawk (Pvt) Ltd	-	4,874	-	4,650	-	-	-	-
Energynet (Pvt) Ltd	-	22,809	-	99,283	-	11,525	-	70,836
Mabroc Teas (Pvt) Ltd	-	13,007	-	14,797	-	147	-	713
Clarion Shipping (Pvt) Ltd	-	46,647	-	9,625	-	46,647	-	9,625
Hayleys Lifesciences (Pvt) Ltd	-	-	-	55	-	-	-	-
Singer Sri Lanka PLC	-	187,895	-	121,172	-	78,399	-	51,152
Hayleys Advantis Ltd	-	-	-	175	-	-	-	175
Advantis Express (Pvt) Ltd	-	11,965	-	7,823	-	10,600	-	2,125
Kandyan Resorts (Pvt) Ltd	-	2,297	-	778	-	2,297	-	778
Culture Club Resorts (Pvt) Ltd	-	2,732	-	1,096	-	2,732	-	1,096
D P L Universal Gloves Ltd	-	-	113	-	-	-	113	-
Haymat Limited	-	109	-	-	-	109	-	-
Alumex Ltd	-	52	-	-	-	52	-	-
IML Delivery Systems (Pvt) Ltd	-	156	-	732	-	-	-	-
Kelani Valley Plantations Plc	-	631	-	-	-	631	-	-
Martin Bauer Hayleys (Pvt) Ltd	-	-	-	14,312	-	-	-	14,312

26.4 Transactions with the related Companies

- a) Ms. Brindhiini Perera who is a Director of the Company has a significant influence on the operations of below entities. The Group and the Company have carried out transactions in the ordinary course of business with these Companies during the year.

Further, all the transactions occurred with other related parties are recurrent in nature.

Name of the Company	Nature of Transaction	GROUP		COMPANY	
		2025 USD	2024 USD	2025 USD	2024 USD
Royal Ceramics Lanka PLC	Purchase of tiles	5,342	12,204	4,933	12,204
Delmege Forsyth & Co.(Pvt) Ltd	Purchase of office furniture	4,015	21,896	3,935	16,451
Pan Asia Banking Corporation PLC	Trade facility	5,000,000	5,000,000	4,000,000	4,000,000
	Overdraft facility	1,500,000	1,500,000	1,000,000	1,000,000
	Term Loan facility	1,500,000	1,500,000	-	-
	Trade Outstanding amount	578,906	1,555,877	535,488	1,103,245
	Overdraft Outstanding amount	494,261	499,498	-	-
	Term Loan Outstanding amount	545,500	1,043,500	-	-
	Interest & charges paid	162,473	242,204	63,714	86,348

- b) Transactions with all related parties have been carried out under relevant commercial terms and conditions. All transactions are settled in cash in the short term and are non-interest bearing.
- c) Amounts due from /to related parties are reflected in these Financial Statements within notes 11 &16 and directly in the Statement of Financial Position.

26.5 Transactions with Key Management Personnel

Key management personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors of the Company (including executive and non executive Directors) have been designated as KMP of the entity while their immediate family members have also been identified as related parties.

An immediate family member is defined as spouse or dependent. A dependent is defined as anyone who depends on the respective Director for more than 50% of his/ her financial needs.

- a) Loans to Key Management Personnel
No loans have been provided to the Directors of the Group & the Company.

- b) Compensation of Key Management Personnel

	GROUP		COMPANY	
	2025 USD	2024 USD	2025 USD	2024 USD
Short term employment benefits	820,223	835,784	820,223	835,784

The amounts disclosed above are the amounts recognised as an expense during the reporting period related to key management personnel.

27. COMMITMENTS AND CONTINGENCIES

- 27.1 The amount of capital expenditure approved by the Directors but not contracted for the Group was USD 2,338,880 and the Company was USD 2,069,688. (Group in 2024- USD 2,596,130 and the Company in 2024 - USD 2,280,448)

- 27.2 The contingent liabilities for both the Company and the Group as of 31 March 2025 were Nil. (2024 - Nil).

NOTES TO THE FINANCIAL STATEMENTS

28. ASSETS PLEDGED

The following assets have been pledged as security for borrowings and liabilities.

28.1 Hayleys Fabric PLC

Nature of Assets	Nature of Liabilities	Carrying Amount Pledged		Included under
		2025 USD	2024 USD	
Plant & Machinery, Water Treatment Plant	Primary Mortgage for Loans and Borrowings	13,261,507	14,015,265	Property, Plant & Equipment
Land & Buildings	Primary / Concurrent mortgage for Loans and Borrowings	7,072,532	6,683,996	Property, Plant & Equipment
Inventories	Primary / Concurrent mortgage for Loans and Borrowings	18,116,410	17,718,826	Inventories
Trade Receivables	Primary / Concurrent mortgage for Loans and Borrowings	10,434,106	10,919,659	Trade Receivables

28.2 South Asia Textiles Limited

Nature of Assets	Nature of Liabilities	Carrying Amount Pledged		Included under
		2025 USD	2024 USD	
Plant & Machinery	Primary mortgage for term loans	4,868,825	5,269,817	Property, plant & equipment

29. EVENTS AFTER THE REPORTING PERIOD

In April 2025, new trade measures from Trump-administration announced tariffs on imports from around 90 countries to the United States of America. As a result of this trade measure, a 44% tariff on imports from Sri Lanka to the US was proposed and subsequently reduce to 10% on a temporally basis for 90 days. Sri Lanka has appealed to U.S. authorities to reconsider imposition, and as the date of authorisation of these financial statements, Sri Lanka is actively engaging with U.S. authorities to negotiate a deferral or reduction of the 44% tariff on Sri Lanka exports to the U.S.

Since this tariff is expected to severely impact exports from Sri Lanka to the U.S., and therefore, business and asset pricing, this would be a non-adjusting event that would require disclosure under Events after the Reporting Period.

No other circumstances have arisen since the Statement of Financial Position date, which would require adjustments/disclosures to the Financial Statements.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's financial assets included trade receivables, other receivables and cash and cash equivalent that arrive directly from its operations.

The Company is exposed to Market risk, Interest rate risk, Foreign currency risk and Liquidity risk. The Company continuously evaluates the mentioned risks and appropriate actions are being taken with assistance from Group Treasury Department to minimise the adverse impact arising from such risks.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise two types of risk: interest rate risk and foreign currency risk. Financial instruments affected by the said risks in the Group includes loans and borrowings.

The sensitivity analysis in the following sections relate to the position as at 31 March in 2025 and 2024. The following assumptions have been made in calculating the sensitivity analysis:

The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2025 and 2024.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

The Group manages its interest rate risk by constantly monitoring the interest rates and negotiating them with the banks through assistance from the Parent Company's Treasury. Group's strategy is to keep the borrowing rates at AWPLR for LKR borrowings and USD borrowings at 3 Months SOFR+ 1.5 % or less. Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings outstanding as of the reporting date is as follows:

Hayleys Fabric PLC

2025		2024	
Increase/Decrease in basis points	Effect on profit before tax -USD	Increase/Decrease in basis points	Effect on profit before tax -USD
75	(149,771)	88.00	(216,087)
-75	149,771	-88.00	216,087

South Asia Textiles Limited

2025		2024	
Increase/Decrease in basis points	Effect on profit before tax -USD	Increase/Decrease in basis points	Effect on profit before tax -USD
73	(139,645)	103.00	(140,910)
-73	139,645	-103.00	140,910

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when local expense is denominated in a different currency from the Group's presentation currency).

The Group manages its foreign currency risk by closely monitoring the rates with the assistance of the Parent Company's Treasury. Transactions are entered in to on carefully chosen dates to maximise the positive impact on exchange variance while caution is practiced to negate and minimise any negative effect.

The Group does not hedge its exposure to fluctuations on the translation in to USD of its LKR denominated expenses. However, care is taken to reduce such liability thus nullifying any impact on exchange variance. No currency hedge is applied against other major currencies such as EURO or GBP due to their triviality.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in LKR and EURO exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

The movement in the post-tax effect is a result of a change in the monetary assets and liabilities denominated in other currencies such as LKR and Euro, where the functional currency is US dollars.

NOTES TO THE FINANCIAL STATEMENTS

Hayleys Fabric PLC

	2025		2024	
	Change in LKR Rate	Effect on profit before tax -USD	Change in LKR Rate	Effect on profit before tax -USD
Change in LKR Exchange Rate against USD	3%	303,888	3%	365,384
	-3%	(322,685)	-3%	(387,985)

	2025		2024	
	Change in EURO Rate	Effect on profit before tax -USD	Change in EURO Rate	Effect on profit before tax -USD
Change in Euro Exchange Rate against USD	3%	8,609	3%	3,992
	-3%	(9,141)	-3%	(4,239)

South Asia Textiles Limited

	2025		2024	
	Change in LKR Rate	Effect on profit before tax -USD	Change in LKR Rate	Effect on profit before tax -USD
Change in LKR Exchange Rate against USD	3%	229,848	3%	237,372
	-3%	(244,066)	-3%	(252,054)

	2025		2024	
	Change in EURO Rate	Effect on profit before tax -USD	Change in EURO Rate	Effect on profit before tax -USD
Change in Euro Exchange Rate against USD	3%	1,385	3%	932
	-3%	(1,471)	-3%	(989)

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables)

Trade receivables

Customer credit risk is managed by customer wise and is subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit.

An impairment analysis is performed at each reporting date on an individual basis for all major clients.

The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets reported in these financial statements.

The Company does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are well reputed; cash rich and operate in largely independent markets.

The possible delay in getting past due receivables from the customers and request for extended credit periods as a result of current economic crisis are being managed through negotiations with customers on settlements and invoicing /Letter of Credit discounting arrangements with Banks.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. However, currently the Group does not hold any cash deposits or any other financial instrument other than those disclosed and is not affected by any credit risk emanating from such balances.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Group's policy is that the gearing is managed to a sustainable level. Group forecasts its financial commitments and collections on a weekly basis and any gap is bridged with an alternate fund sourcing in consultation with the Parent Company Treasury and financial institutions.

Approximately 73% of the Group's debt will mature in less than one year at 31 March 2025 (2024: 55%) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The maturity profile of the Group's financial liabilities based on contractual undiscounted payments are provided in Notes 14.1 and 16.1 to the financial statements.

Capital management

The Group's Capital is made up of both debt and equity capital which have been disclosed in Notes 14.1 and 13 respectively.

Fair value of financial instruments

Financial assets of the Group include cash and cash equivalents, trade receivables and other receivables, whilst financial liabilities include trade and other payables and interest bearing loans and borrowings.

The management assessed that cash and cash equivalents, trade receivables, other receivables and trade and other payables approximate their carrying amounts largely due to the short term maturities of these instruments. The management also assessed that long term variable rate borrowings approximate their carrying amounts largely due to the market based interest rates charged.

STATEMENT OF FINANCIAL POSITION

TRANSLATED INTO LKR

	GROUP		COMPANY	
	2025 LKR 000'	2024 LKR 000'	2025 LKR 000'	2024 LKR 000'
Non-Current Assets				
Property, plant and equipment	13,954,371	13,583,717	7,586,297	7,843,618
Right of use assets	258,823	245,289	60,777	56,629
Intangible assets	136,750	180,264	7,460	15,529
Investment in Subsidiaries	-	-	5,495,027	5,581,864
Goodwill	3,138,138	3,187,730	-	-
	17,488,082	17,197,000	13,149,561	13,497,640
Current Assets				
Inventories	9,313,710	9,286,312	5,445,431	5,410,089
Trade receivables	5,077,516	4,869,098	3,136,283	3,334,099
Other receivables	144,883	190,545	134,382	261,184
Advances and prepayments	512,696	585,183	337,517	293,535
Cash and cash equivalents	3,157,580	3,371,785	2,134,598	2,277,084
	18,206,385	18,302,923	11,188,211	11,575,991
Total Assets	35,694,467	35,499,923	24,337,772	25,073,631
EQUITY AND LIABILITIES				
Capital and Reserves				
Stated capital	1,968,193	1,968,193	1,968,193	1,968,193
Revaluation reserve	281,281	157,182	281,281	157,182
Retained earnings	4,913,483	3,548,809	3,762,101	2,786,427
Exchange fluctuation reserve	4,182,826	4,343,450	3,891,582	4,033,464
Total Equity attributable to equity holders of the company	11,345,783	10,017,634	9,903,157	8,945,266
Non-controlling interest	33	54	-	-
Total Equity	11,345,816	10,017,688	9,903,157	8,945,266
Non-Current Liabilities				
Interest bearing loans and borrowings	3,155,280	5,216,024	1,999,468	3,458,564
Deferred tax liabilities	2,559,112	2,734,692	1,946,114	1,944,742
Retirement benefit obligations	1,304,185	1,180,278	1,096,810	988,250
	7,018,577	9,130,994	5,042,392	6,391,556
Current Liabilities				
Trade and other payables	7,167,022	7,721,137	4,310,745	4,407,552
Interest bearing loans and borrowings	8,683,945	6,503,818	4,064,637	4,073,815
Amounts due to Hayleys PLC	111,346	81,127	105,791	77,308
Other current non financial liabilities	1,367,761	2,045,159	911,050	1,178,134
	17,330,074	16,351,241	9,392,223	9,736,809
Total Equity and Liabilities	35,694,467	35,499,923	24,337,772	25,073,631

The financial statements prepared and presented in US Dollars reflect the economic substance of underlying events and circumstances of the enterprise. The supplementary information in SL Rupees is presented for convenience purposes only. The statements presented in Sri Lankan Rupees (LKR) are not a full set of financial statements and are not purported to comply with Sri Lanka Accounting Standards. They represent selected information taken from the US Dollar financial statements, translated into LKR generally using the principles set out in Sri Lanka Accounting Standard (LKAS) 21 for the translation of financial statements to a presentation currency from a measurement currency. Revenue and costs are converted using the average exchange rate for the period. Assets and liabilities are converted using the exchange rate at the end of the year. The revenue reserves incorporates the profit for the period reflected in the income statements.

In accordance with advice received from the Urgent Issue Task Force of the Institute of Chartered Accountants of Sri Lanka, Stated Capital is represented at it's original LKR value.

Followings exchange rates were used to convert the financials into LKR

	31.03.2025 USD	31.03.2024 USD
Statement of Profit or Loss and Other Comprehensive Income	302.18	323.53
Statement of Financial Position	300.58	305.33

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME TRANSLATED INTO LKR

	GROUP		COMPANY	
	2025 LKR 000'	2024 LKR 000'	2025 LKR 000'	2024 LKR 000'
Revenue from contracts with customers	44,129,291	50,252,886	29,081,468	31,117,165
Cost of sales	(36,305,764)	(40,813,211)	(23,387,405)	(24,362,003)
Gross Profit	7,823,527	9,439,675	5,694,063	6,755,162
Other operating income	276,843	233,512	310,772	184,410
Administrative expenses	(3,565,471)	(3,683,412)	(2,440,712)	(2,546,415)
Distribution expenses	(288,002)	(187,676)	(224,249)	(150,962)
Other expenses	(9,321)	(22,475)	(9,321)	(17,915)
Net financing expense	(1,121,184)	(1,978,915)	(609,228)	(1,134,107)
Profit before tax	3,116,392	3,800,709	2,721,325	3,090,173
Income tax expense	(990,190)	(1,256,296)	(982,074)	(951,869)
Profit for the year	2,126,202	2,544,413	1,739,251	2,138,304
Profit for the period attributable to:				
Owners of the parent	2,126,222	2,544,356	1,739,251	2,138,304
Non-controlling interest	(20)	57	-	-
Profit for the year	2,126,202	2,544,413	1,739,251	2,138,304
Other Comprehensive Income that will not be reclassified to profit or loss				
- Surplus on revaluation of land	181,740	-	181,740	-
- Income tax effect on revaluation of land	(54,522)	-	(54,522)	-
- Actuarial Gain/(loss) on defined benefit plans	3,526	(17,985)	627	(17,766)
- Income tax effect on Actuarial Gain/(loss) on defined benefit plans	(1,058)	5,396	(188)	5,330
Total Comprehensive Income, Net of Tax	2,255,888	2,531,824	1,866,908	2,125,868
Basic / Diluted Earnings per Share	5.12	6.12	4.19	5.15

TEN YEAR SUMMARY

	10-year compound growth %	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Results		USD		USD	USD	USD	USD	USD	USD	USD	USD
Net turnover	10	146,036,437	155,326,820	166,631,461	150,218,687	77,280,698	67,115,723	69,940,639	57,686,803	55,537,401	59,924,103
Profit after tax	16	7,036,211	7,864,535	1,133,052	12,777,497	3,852,439	1,270,611	1,058,335	(679,516)	490,267	1,845,409
Funds Employed											
Stated capital	-	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761
Reserves	(253)	20,184,541	15,247,445	10,736,918	12,895,167	3,364,121	844,285	297,464	(524,791)	23,706	(434,262)
Shareholders' fund	9	37,746,302	32,809,206	28,298,679	30,456,928	20,925,882	18,406,046	17,859,225	17,036,970	17,585,467	17,127,499
Borrowings (both short & long term)	10	39,387,935	38,384,183	42,958,647	43,145,665	16,568,472	16,771,624	15,184,841	16,706,671	19,686,731	16,818,660
		77,134,238	71,193,389	71,257,326	73,602,593	37,494,354	35,177,670	33,044,066	33,743,641	37,272,198	33,946,159
Assets Employed											
Non current assets	11	58,181,124	56,322,666	56,640,757	55,894,734	28,981,604	25,527,027	24,883,748	25,167,948	24,833,016	23,096,764
Current assets	13	60,570,847	59,944,726	62,308,752	66,147,887	28,963,558	23,410,426	22,725,793	20,921,177	21,942,322	19,649,659
Current liabilities net of borrowings	20	(28,764,815)	(32,251,735)	(35,133,818)	(41,293,693)	(15,351,068)	(8,854,818)	(10,263,029)	(8,952,285)	(6,112,839)	(5,575,020)
Provisions	17	(12,852,808)	(12,822,093)	(12,558,365)	(7,146,335)	(5,099,740)	(4,904,965)	(4,302,446)	(3,393,199)	(3,390,301)	(3,225,244)
Capital Employed	10	77,134,347	71,193,564	71,257,325	73,602,593	37,494,354	35,177,670	33,044,066	33,743,641	37,272,198	33,946,159
Cash Flow											
Net cash inflow from operating activities		6,606,737	18,991,043	1,335,906	7,199,560	9,166,017	2,205,200	2,927,550	4,235,513	1,916,117	2,606,119
Net cash outflow from investing activities		(5,380,363)	(3,152,678)	(4,915,232)	(26,771,810)	(4,907,261)	(2,863,628)	(1,466,816)	(2,375,774)	(4,521,131)	(2,734,731)
Net cash inflow/(outflow) from financing activities		(1,826,601)	(8,049,766)	(3,553,803)	24,740,288	(693,664)	847,907	(1,767,129)	(2,572,428)	2,939,367	(2,420,540)
Increase / (decrease) in cash & cash equivalents		(600,228)	7,788,599	(7,133,129)	5,168,038	3,565,092	189,479	(306,395)	(712,690)	334,353	(2,549,151)
Key Indicators											
Earnings/(Loss) per share (basic) USD		0.017	0.019	0.003	0.031	0.009	0.003	0.005	(0.003)	0.002	0.009
Net assets per share USD		0.091	0.079	0.068	0.073	0.050	0.089	0.086	0.082	0.085	0.082
Dividend per share Rs.		1.85	2.60	2.50	1.20	0.60	0.30	-	-	-	-
Gearing %		51	54	60	59	44	48	46	50	53	50
Turnover to capital employed (times)		1.89	2.18	2.34	2.04	2.06	1.91	2.12	1.71	1.49	1.77

GLOSSARY OF FINANCIAL TERMINOLOGY

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

ACCRUAL BASIS

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

ACTUARIAL GAIN/LOSS ON DEFINED BENEFIT PLAN

Gain or loss arising from the difference between estimates and actual experience in an entity's defined benefit plan.

AMORTISED COST

Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayment plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or uncollectability.

ASSETS TURNOVER

Revenue divided by average total assets.

BORROWINGS

Bank loans and overdrafts.

CAPITAL EMPLOYED

Shareholders' funds plus debt.

CASH EQUIVALENTS

Liquid investments with original maturities of three months or less.

CONTINGENT LIABILITIES

Conditions or situations at the date of Statement of Financial Position, the financial effect of which are to be determined by future events which may or may not occur.

CURRENT RATIO

Current Assets divided by Current Liabilities.

DEBT/EQUITY RATIO

Debt as a percentage of Shareholders' funds.

DEFERRED TAXATION

Sum set aside for income tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

DIRECT EMPLOYMENT

The workers employed by the Company.

DISCOUNT RATE

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

DILUTED EARNINGS PER SHARE

Profit attributable to equity holders divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised and outstanding unexpired warrants.

EARNINGS PER SHARE (EPS)

Profit attributable to equity holders divided by the weighted average number of ordinary shares in issue during the period.

EBIT

Earnings before interest and tax (Includes other operating income).

EBITDA

Earnings before interest, tax, depreciation and amortisation.

EFFECTIVE RATE OF TAXATION

Income tax including Deferred tax over Profit before tax.

ENERGY INTENSITY

Total energy consumed by the Company divided by in GJ divided by the Production in MT

EQUITY

Shareholders' funds

FAIR VALUE

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FINANCIAL INSTRUMENT

A financial instrument is any contract that gives rise to both a financial assets in one entity and a financial liability or equity instrument in another entity.

INTEREST COVER

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

MARKET CAPITALISATION

Number of Shares in issue at the end of the period multiplied by the share price at the end of the period.

MARKET VALUE ADDED

Market capitalisation minus shareholders' funds.

NET ASSETS

Total assets minus long term and current liabilities.

NET ASSETS PER SHARE

Net assets at the year- end divided by the number of Ordinary shares in issue

NET PROFIT RATIO

Profit after tax attributable to equity holders of the Company divided by total revenue.

NET WORKING CAPITAL

Current assets minus current liabilities.

GLOSSARY OF FINANCIAL TERMINOLOGY

ORGANIC WASTAGE

Bio-degradable waste.

PRICE EARNINGS RATIO

Market price of share as at the year-end divided by Earnings Per Share.

PUBLIC HOLDING

Percentage of shares held by the public calculated as per the Colombo Stock Exchange Listing Rules as at the date of the Report.

QUICK ASSET RATIO

Current Assets other than inventory divided by Current liabilities.

RETURN ON ASSETS (ROA)

Profit after tax divided by average total assets.

RETURN ON CAPITAL EMPLOYED (ROCE)

Earnings before interest and tax as a percentage of average shareholders' funds plus total debt.

RETURN ON EQUITY (ROE)

Profit after tax as a percentage of Average shareholders' funds.

RECYCLE

The process of converting waste into reusable materials.

RISK MANAGEMENT

The identification, analysis, assessment, control and avoidance, minimisation or elimination of unacceptable risk.

SHAREHOLDERS' FUNDS

Total of issued and fully paid share capital and both capital and Revenue Reserves.

STEWARDSHIP

The role of supervising or taking care of the organisation.

TOTAL ASSETS

Non- current assets plus current assets.

TOTAL DEBT

Long term loans plus short term loans and overdrafts.

QUARTERLY ANALYSIS

	Quarter 1 30.06.2024 USD '000	Quarter 2 30.09.2024 USD '000	Quarter 3 31.12.2024 USD '000	Quarter 4 31.03.2025 USD '000
Revenue	42,208	42,585	30,486	30,758
Profit before tax	3,802	3,372	932	2,207
Tax expense	(1,224)	(1,207)	(106)	(740)
Profit after tax	2,578	2,165	826	1,467
Non current assets	56,949	57,826	57,847	58,181
Current assets	67,360	65,716	56,736	60,571
Non current Liabilities	28,056	26,254	24,729	23,350
Current Liabilities	61,401	61,432	53,520	57,655

	Quarter 1 30.06.2024	Quarter 2 30.09.2024	Quarter 3 31.12.2024	Quarter 4 31.03.2025
Market value of share				
Basic/diluted earnings per share (LKR)	1.90	1.59	0.57	1.06
Last traded price (LKR)	46.70	52.50	54.80	46.30
Highest price recorded for the three months ending (LKR)	48.30	53.80	57.30	57.50
Lowest price recorded for the three months ending (LKR)	40.00	44.00	48.50	45.00
Float-Adjusted Market capitalisation (LKR Mn.)	7,123	8,027	8,409	6,880
Share trading information				
Number of transactions	7,744	5,081	9,094	7,447
Number of shares traded	39,759,786	24,671,958	40,002,477	22,566,499
Value of shares traded (LKR)	1,705,486,411	1,175,335,112	2,087,360,183	1,192,738,252

INVESTOR INFORMATION

No. of Shareholders as at 31st March 2025 - 5,937 (as at 31st March 2024 - 6,093)

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	3,555	971,572	0.234	8	3,496	0.001	3,563	975,068	0.235
1,001- 10,000	1,657	6,456,461	1.554	13	51,800	0.012	1,670	6,508,261	1.566
10,001- 100,000	536	16,720,091	4.025	9	275,324	0.066	545	16,995,415	4.091
100,001 - 1,000,000	127	42,464,256	10.220	3	1,528,728	0.368	130	43,992,984	10.588
Over 1,000,000	28	335,095,187	80.652	1	11,914,861	2.868	29	347,010,048	83.520
	5,903	401,707,567	96.685	34	13,774,209	3.315	5,937	415,481,776	100.000

Categories of shareholders	Residents			Non-Residents			Total		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
Individuals	5,646	72,868,336	17.538	33	1,859,348	0.447	5,679	74,727,684	17.985
Institutions	257	328,839,231	79.147	1	11,914,861	2.868	258	340,754,092	82.015
	5,903	401,707,567	96.685	34	13,774,209	3.315	5,937	415,481,776	100.000

Market Value

The market value of an ordinary share of Hayleys Fabric PLC. was :

	31.03.2025 (LKR)	31.03.2024 (LKR)
Highest	57.50 (on 03rd January 2025)	49.70 (on 11th Sep. 2023)
Lowest	40.00 (on 15th April 2024)	22.30 (on 09th June 2023)
Closing price	45.00 (on 28th March 2025)	41.10 (on 28th March 2024)

Share Trading from 01st April to 31st March

	2025	2024
No. of transactions	29,366	37,338
No. of shares traded	127,000,720	139,581,505
Value of shares traded (LKR)	6,160,919,958	5,536,055,359

NON-VOTING SHARES

There were no non-voting shares as at 31st March 2025

LISTED DEBENTURES

There were no listed debentures as at 31st March 2025

HAYLEYS FABRIC PLC

FIRST TWENTY SHAREHOLDERS

		No. of Shares as at 31.03.2025	%	No. of Shares as at 31.03.2024	%
1	Hayleys PLC No 3 Share Investment Account	244,974,046	58.96	244,974,046	58.96
2	Citibank Newyork S/A Norges Bank Account 2	11,914,861	2.87	11,191,426	2.69
3	Employees Provident Fund	11,081,454	2.67	11,081,454	2.67
4	Hayleys Advantis Limited	10,073,700	2.42	10,073,700	2.42
5	Mr. Shanthikumar Nimal Placidus Palihena & Mrs A.S.Palihena	10,000,000	2.41	10,000,000	2.41
6	Hayleys Agriculture Holdings Limited	6,944,514	1.67	6,944,514	1.67
7	Mr. Kulappuarachchige Don Harindra Perera	6,522,365	1.57	6,522,365	1.57
8	Union Assurance PLC- Universal Life Fund	4,810,509	1.16	3,251,232	0.78
9	Deutsche Bank AG As Trustee for JB Vantage Value Equity Fund	4,065,804	0.98	2,129,316	0.51
10	Mr. Hanif Yusoof	3,582,474	0.86	238,701	0.06
11	Invenco Capital Private Ltd.	3,542,042	0.85	1,781,965	0.43
12	Seylan Bank PLC / J N Lanka Holdings Company (Pvt) Ltd	3,016,782	0.73	-	-
13	J N Lanka Holdings Company (Pvt) Ltd	2,419,288	0.58	-	-
14	Employees Trust Fund Board	2,196,224	0.53	2,639,955	0.64
15	Union Assurance PLC- Traditional Life Participating Fund	2,138,975	0.51	1,449,871	0.35
16	Amana Bank PLC/ HI- Line Trading Pvt Ltd	1,769,950	0.43	4,800,000	1.16
17	Jafferjee Brothers Exports (Private) Limited	1,718,187	0.41	1,483,180	0.36
18	Hatton National Bank PLC A/c No.4 (HNB Retirement Pension Fund)	1,696,934	0.41	1,493,542	0.36
19	Lynear Wealth Management / Mr. Hanif Yusoof	1,606,639	0.39	-	-
20	Essajee Carimjee Insurance Brokers (Pvt) Ltd.	1,600,000	0.39	1,651,560	0.40
	Total	335,674,748	80.79	321,706,827	77.43

DIRECTORS' SHAREHOLDING

Name of the Director	No. of Shares as at 31.03.2025	No. of Shares as at 31.03.2024
Mr. A.M. Pandithage	-	-
Mr. E.R.P. Goonetilleke	-	-
Mr. S.C. Ganegoda	525,000	525,000
Mr. H. Somashantha	40,000	40,000
Mr. I.B.R.R. Bandara	20,000	20,000
Mr. M.H. Jayasinghe	-	-
Mr. K.P.C.P.K. Pathirana	2,000	2,000
Ms. K.A.D.B. Perera	-	-
Mr. N. Ekanayake	-	-
Mr. M.N.R. Fernando	-	-
Mr. J.A.N.R. Adhihetty (appointed on 01.10.2024)	-	-
Mr. T.A.B. Speldewinde (appointed on 23.12.2024)	-	-
Ms. S. Amarasekara, PC (resigned w.e.f. 15.09.2024)	-	-
Mr. A.A. Mason (resigned w.e.f. 20.12.2024)	-	-

Stated Capital

Stated Capital Rs. 1,968,192,915/- comprising 415,481,776 ordinary shares.

	As at 31.03.2025	As at 31.03.2024
The issued number of shares of the company	415,481,776	415,481,776
Registered shareholders	5,937	6,093
The percentage of shares held by public	36.80%	36.78%
No. of shareholders representing Public Holding	5,929	6,084
Float adjusted Market Capitalisation	6,880,245,120	6,280,663,505

As at 31.03.2025, the Company complies with option 3 of the Listing Rules 7.13.1 (i) (a) which requires a minimum Public Holding of 7.5%.

NOTICE OF ANNUAL GENERAL MEETING

HAYLEYS FABRIC PLC
(Company Registration No. PQ 37)

NOTICE IS HEREBY GIVEN THAT THE THIRTY THIRD ANNUAL GENERAL MEETING OF HAYLEYS FABRIC PLC will be held on **Tuesday, 24th June 2025 at 9.00 a.m.** at the Chas P. Hayley Lounge of Hayleys PLC, No. 400, Deans Road, Colombo 10 for the following purposes:

1. To consider and adopt the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2025 with the Report of the Auditors thereon.
2. To re-elect as a Director, Mr. J.A.N.R. Adhihetty who has been appointed to the Board since the last Annual General Meeting, in terms of Article 27(2) of the Articles of Association of the Company.
3. To re-elect as a Director, Mr. T.A.B. Speldewinde who has been appointed to the Board since the last Annual General Meeting, in terms of Article 27(2) of the Articles of Association of the Company.
4. To re-elect as a Director Mr. Mr. S.C. Ganegoda, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
5. To re-elect as a Director Mr. K.P.C.P.K. Pathirana, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
6. To re-elect as a Director Ms. K.A.D.B. Perera, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
7. To propose the following resolution for the re-appointment of Mr. A.M. Pandithage who retires in terms of Section 211 of the Companies Act No. 07 of 2007.

Ordinary Resolution

'That Mr. Abeyakumar Mohan Pandithage, who is over seventy years be and is hereby re-appointed as a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to him'.

8. To propose the following resolution for the re-appointment of Mr. E.R.P. Goonetilleke in terms of Section 211 of the Companies Act No. 07 of 2007.

Ordinary Resolution

'That Mr. Eranga Rohan Peiris Goonetilleke, who is over seventy years be and is hereby re-appointed as a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to him'.

9. To authorise the Directors to determine donations and contributions to charities for the ensuing year.
10. To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2025/26 and to authorise the Directors to determine their remuneration.
11. To consider and if thought fit, to pass the following Special Resolutions to amend the existing articles in the Articles of Association of the Company ;

Special Resolution (1)

IT IS HEREBY RESOLVED THAT Article 27 (1) of the Articles of Association of the Company be deleted in its entirety and be replaced by the following Article;

"27(1) Unless otherwise determined by ordinary resolution of the shareholders of the Company, the number of Directors shall not be less than five (5) and not more than twelve (12)."

Special Resolution (2)

IT IS HEREBY RESOLVED THAT Articles 27(4), 27(5), 27(6), 27(7) and 27 (8) of the Articles of Association of the Company be deleted in their entirety, and be replaced by the following Articles 27 (i) to 27 (vi);

'27 (4) Alternate Directors

- (i) An Alternate Director shall only be appointed under exceptional circumstances by any Director ('appointor'), giving notice in writing left at the office of the Company and approved by the Board to be an Alternate Director of the Company to act in their place during their absence, subject to applicable laws, rules and regulations. Any such appointment shall not exceed a period of one (1) year from the date of appointment.

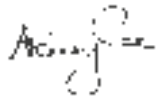
- (ii) If an Alternate Director is appointed for a Non-Executive Director such Alternate should not be an Executive of the Company. Similarly, if an Alternate Director is appointed for an Independent Director, the person so appointed shall meet the criteria for independence under applicable laws, rules and regulations. The Nominations and Governance Committee shall review and determine that the person nominated as the alternate qualifies as an Independent Director before the appointment is made.
- (iii) In the event a Director appoints another Director to be his Alternate Director he shall thereupon be entitled to exercise (in addition to his own right of voting as a Director) such appointor's rights at meetings of the Board. A person shall not act as an Alternate Director for more than one Director.
- (iv) An Alternate Director shall on his giving an address for such notice to be served upon him be entitled to receive notices of all meetings of Directors and to attend and vote as a Director, at any such meeting at which the Director appointing him is not personally present and generally at such meetings to perform all the functions of his appointor as a Director in the absence of such appointor.
- (v) The attendance of any Alternate Director at any meeting including Board Committee meetings shall be counted for the purpose of the quorum.
- (vi) An Alternate Director may be appointed for a specified period (not exceeding one (1) year) or until the happening of a specified event, but he shall ipso facto cease to be an Alternate Director if his appointor ceases for any reason to be a Director."

Special Resolution (3)

IT IS HEREBY RESOLVED THAT the existing Articles 27(9), 27 (10) and 27(11) of the Articles of Association of the Company be renumbered as Article 27(5), 27 (6) and 27(7) respectively.

12. To consider any other business of which due notice has been given.

By Order of the Board,
HAYLEYS FABRIC PLC



HAYLEYS GROUP SERVICES (PRIVATE) LIMITED
Secretaries

Colombo.
20th May 2025

Notes to shareholders:

1. The Annual Report of the Company for 2024/25 is available on the corporate website www.hayleysfabric.com and on the Colombo Stock Exchange website - www.cse.lk.
2. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the office of the Company Secretaries at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the time fixed for the Meeting.
3. A shareholder who requires a printed copy of the Annual Report must submit the duly completed 'Request Form - Annexure A' to the office of the Secretaries.

Contact Person	: Vajira Perera
Contact Number	: +94 11 2627652
Email Address	: vajira.perera@secretarial.hayleys.com
Mailing Address	: Hayleys Group Services (Private) Limited, Secretaries for Hayleys Fabric PLC, No. 400, Deans Road, Colombo 10.

NOTES

FORM OF PROXY

HAYLEYS FABRIC PLC - Company Number: PQ 37

I/We.....
(full name of Shareholder) NIC No./Reg. No. of Shareholder.....
of.....
being Shareholder/Shareholders of Hayleys Fabric PLC hereby appoint:
(1)
(full name of Proxyholder) NIC No. of Proxyholder.....
of
or, failing him/them

(2) (2) ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our Proxy to attend and vote as indicated hereunder for me/us and on my/our behalf at the Thirty Third Annual General Meeting of the Company to be held on Tuesday, 24th June 2025 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	For	Against
1. To adopt the Annual Report of the Directors and the Statement of Accounts for the year ended 31st March 2025 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as a Director Mr. J.A.N.R. Adihetty, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a Director Mr. T.A.B. Speldewinde, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as a Director Mr. S.C. Ganegoda, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect as a Director Mr. K.P.C.P.K. Pathirana, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect as a Director Ms. K.A.D.B. Perera as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint Mr. A.M. Pandithage, in terms of Section 211 of the Companies Act No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
8. To re-appoint Mr. E.R.P. Goonetilleke, in terms of Section 211 of the Companies Act No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
9. To authorise the Directors to determine donations and contributions to charities for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
10. To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2025/26 and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
11. To pass the Special Resolutions to amend the Articles of Association of the Company as set out in the Notice. Special Resolution (1) Special Resolution (2) Special Resolution (3)	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this day of 2025.

.....
Signature of Shareholder

(Instructions are given overleaf)

FORM OF PROXY

Instructions:

1. The completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Private) Limited, at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the start of the meeting. **Delayed Proxy Forms shall not be accepted.**
2. A Shareholder entitled to attend and vote at the Annual General Meeting of the Company, is entitled to appoint a Proxy to attend and vote instead of him/her and the Proxy need not be a Shareholder of the Company.
3. Full name of Shareholder/Proxy holder and their NIC Nos. are mandatory. Your Proxy Form will be rejected if these details are not completed.
4. A Shareholder is not entitled to appoint more than one Proxy to attend on the same occasion.
5. The duly completed Form of Proxy must be dated and signed by the Shareholder.
6. Please indicate with an "X" in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy can vote as he/she thinks fit.
7. In the case of a company/corporation the proxy must be executed in the manner prescribed by its Articles of Association or by a duly authorised Director.
8. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
9. In case of Marginal Trading Accounts (slash accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

CORPORATE INFORMATION

NAME OF COMPANY

Hayleys Fabric PLC

LEGAL FORM

A Quoted Public Company with Limited Liability
(Incorporated in Sri Lanka in 1993)

COMPANY REGISTRATION NUMBER

PQ 37.

STOCK EXCHANGE LISTING

The ordinary shares of the Company are listed on Main Board of Colombo Stock Exchange of Sri Lanka

ACCOUNTING YEAR END

31st March

PRINCIPAL ACTIVITY

Manufacturing of knitted fabric

DIRECTORS

Mr. A.M. Pandithage (Chairman)
Mr. E.R.P. Goonetilleke (Managing Director)
Mr. S.C. Ganegoda
Mr. H. Somashantha
Ms. K.A.D.B. Perera
Mr. N. Ekanayake
Mr. M.N.R. Fernando
Mr. I.B.R.R. Bandara
Mr. M.H. Jayasinghe
Mr. K.P.C.P.K. Pathirana
Ms. S. Amarasekara, PC (resigned w.e.f. 15.09.2024)
Mr. J.A.N.R. Adhihetty (appointed on 01.10.2024)
Mr. T.A.B. Speldewinde (appointed on 23.12.2024)
Mr. A.A. Mason (resigned w.e.f. 20.12.2024)

AUDIT COMMITTEE

Mr. N. Ekanayake (Chairman)
Mr. M.N.R. Fernando
Mr. H. Somashantha
Mr. T.A.B. Speldewinde

NOMINATIONS AND GOVERNANCE COMMITTEE

Mr. N. Ekanayake (Chairman)
Mr. M.N.R. Fernando
Mr. S.C. Ganegoda

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Mr. N. Ekanayake (Chairman)
Mr. M.N.R. Fernando
Mr. S.C. Ganegoda

REMUNERATION COMMITTEE

Mr. N. Ekanayake (Chairman)
Mr. M.N.R. Fernando
Mr. H. Somashantha

SUBSIDIARIES

South Asia Textiles Ltd.
Hayleys Fabric Solutions Ltd.

SECRETARIES

Hayleys Group Services (Pvt) Ltd.
400, Deans Road, Colombo 10.
Telephone: (94-11) 2627650/51/52/53

REGISTERED OFFICE

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Colombo 10.
Telephone: (94-11) 2627000
Website: www.hayleysfabric.com

MAIN OFFICE & FACTORY

Narthupana Estate , Neboda.
Telephone: 94 (34) 2297100, 2242055

BANKERS

Standard Chartered Bank PLC
Hongkong and Shanghai Banking Corporation
Hatton National Bank PLC
Bank of Ceylon
National Development Bank PLC
Sampath Bank PLC
Citibank, N.A.
Seylan Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
DFCC Bank
Union Bank of Colombo PLC
Nations Trust Bank
Bank of China
Commercial Bank of Ceylon PLC

AUDITORS

Ernst & Young
Chartered Accountants,
Rotunda Towers, No 109,
Galle Road, Colombo 03.

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