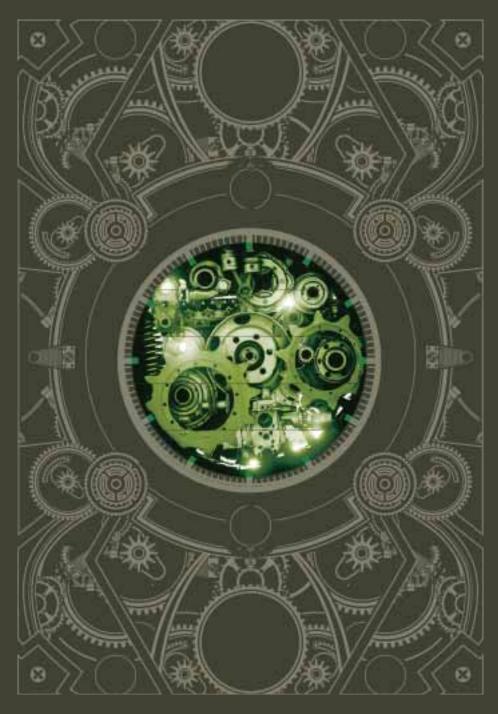
# Timing is Everything





Can you keep still so long That muddy water clears? Or till the time for action Spontaneously appears?

– Tao Te Ching, c.550BC









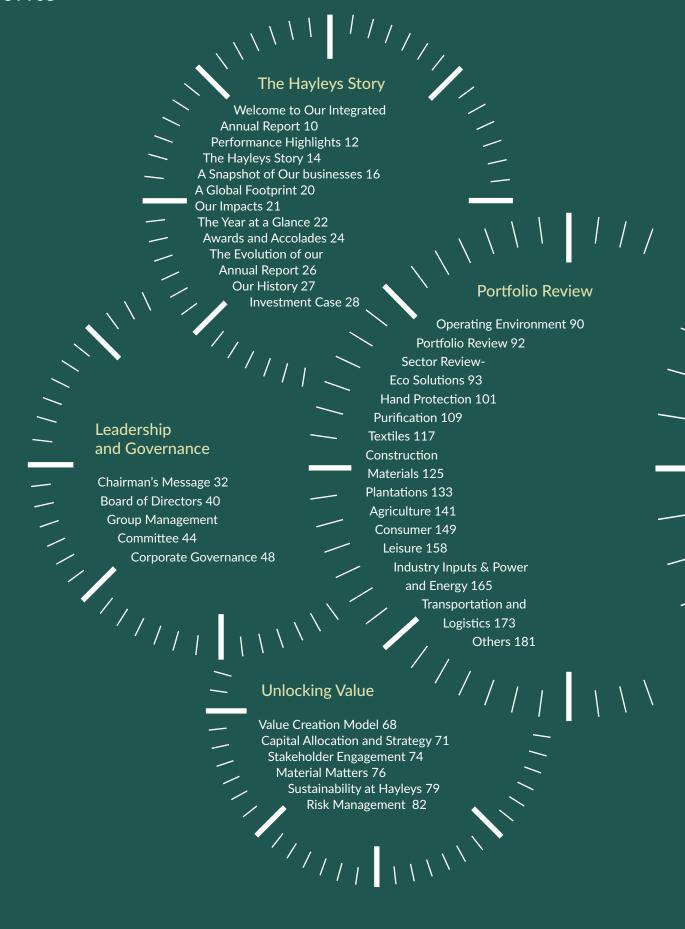
# Action that favours the moment

The great men and women of history are those who understood that 'timing is everything'. Choosing the right moment to act – and just as important, knowing when not to act – are essential determinants of success and failure in love and war, sport and politics and every other arena of human endeavour.

Nowhere is this more true than in the field of business and investment. Only those who understand the value of the perfectly timed action – and execute it flawlessly – achieve greatness.

Appropriately enough, it takes time to learn the value of timing. Hayleys, with 140 years of experience and success, understands it better than most. It is this understanding and knowledge that will see us face the uncertainty of the future – for time itself has taught us that the highest expression of power is not to force our will upon the moment, but to choose the action that favours the moment.

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# Our Vision

To be Sri Lanka's corporate inspiration at all times

# Our Mission

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

# Our Values

Н

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

Α

Accountability - holding ourselves responsible to deliver what we promise.

V

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

Ĺ

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

Ε

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

Y

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

S

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

&

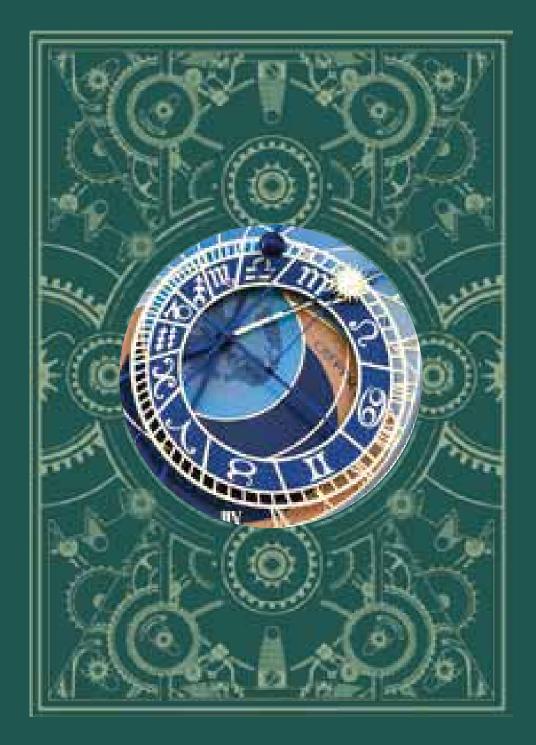
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Innovation - transforming ideas into products and services to create economic, social and environmental value in the pioneering spirit of Hayleys.



# THE HAYLEYS STORY

Welcome to Our Integrated Annual Report 10 | Performance Highlights 12 | The Hayleys Story 14
A Snapshot of Our businesses 16 | A Global Footprint 20 | Our Impacts 21 | The Year at a Glance 22
Awards and Accolades 24 | The Evolution of our Annual Report 26
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# At this point in time

In this section, we present a brief, diagrammatic summary of what makes us what we are. A snapshot of Hayleys at this particular juncture in its long history, highlighting the attributes that have brought us enduring success in one field of enterprise and industry after another.

Also included is a summary of our reporting philosophy and commitments, as well as a selection of the awards and accolades that reassured us, during the year under review, of the esteem of our peers.

# Welcome to Our Integrated Annual Report

| 102-1 | 102-4 | 102-10 | 102-45 | 102-48 | 102-50 | 102-51 | 102-52 | 102-53 | 102-54 | 102-56 |

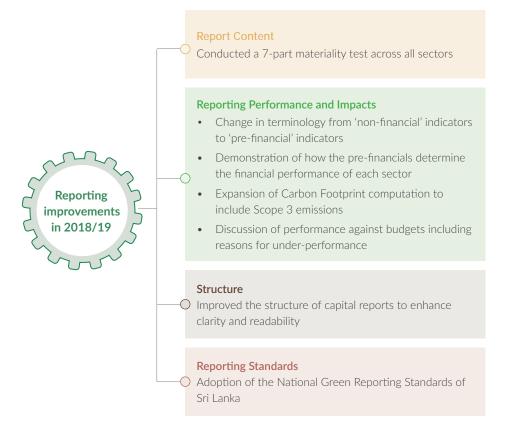
# Timing is Everything

Hayleys PLC's integrated reporting process has continued to evolve and mature since we first embarked on the journey of integrated reporting 7 years ago. Efforts in strengthening our materiality process and the Group-wide implementation of a comprehensive sustainability reporting system have translated to a more relevant and readable Report. This year our Report, themed "Timing is Everything" aims to succinctly and clearly communicate the Group's value creation story with focus on strategy, performance, governance and impacts. While it is our primary publication to shareholders, the Report also includes information that would be of interest to our diverse stakeholder groups.

#### **Reporting Scope and Boundary**

The Report covers the operations of Hayleys PLC and its subsidiaries, based in Sri Lanka and overseas (as discussed in Note 1 of the Financial Statements on page 269) for the period from 1st April 2018 to 31st March 2019. The Group adopts an annual reporting cycle and the most recent previous report for the financial year ending 31 March 2018 is available on www.hayleys.com. A comprehensive materiality test was conducted during the year to determine content to be included in this Report (refer to pages 76 to 78 for further information). Both the financial and non-financial information presented in the narrative report reflects the Group's domestic and international operations, unless specifically mentioned otherwise. Any material restatements of information given in the previous report and the reasons for such restatements are disclosed wherever relevant. Key changes to the Group structure during the year included the following;

- Acquisition of IML Delivery Systems (Pvt) Ltd by the Transportation & Logistics sector.
- Disposal of Hunas Falls Hotels PLC by the Others and Leisure sectors.
- Partial divestment of Hayleys Global Beverages (Pvt) Ltd. by the Others and Plantations sector.



#### **Reporting Changes**

This year, we have widened the scope of our energy and carbon footprint computation to include Scope 3 emissions, thereby taking into consideration employee business air travel. This has resulted in a substantial increase in the Group's overall carbon footprint.

#### **External Assurance**

We adopt a combined assurance model to ensure the credibility and integrity of our reporting. External assurance on the financial reporting has been provided by Messrs. Ernst and Young while financial, compliance and operating controls are assessed by Management Audit and System Review Department, who are engaged in our internal audit function. The Group's Audit Committee also monitors adequacy and effectiveness of the financial reporting and internal control systems. External assurance on the sustainability reporting has been provided by Messrs. Ernst and Young and National Cleaner Production Centre, an authorised auditor for National Green Reporting System.

#### Forward looking statements

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

#### **Reporting Standards**

Reporting Standards

#### **Financial Information**

Sri Lanka Financial Reporting Standards Companies Act No. 7 of 2007 Listing Requirements of the Colombo Stock Exchange

#### **Corporate Governance**

Listing Requirements of the Colombo Stock Exchange Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017)

#### **Narrative Report**

Integrated Reporting Framework of the International Integrated Reporting Council

#### **Sustainability Report**

GRI Standards published by the Global Reporting Initiative: In Accordance (Core) United Nations Global Compact Guidance on ESG Reporting issued by Colombo Stock Exchange National Green Reporting Standards of Sri Lanka United Nations Global Compact CEO's Water mandate

#### Feedback

We understand that Integrated Reporting is an evolving principle, and welcome your feedback, suggestions and other comments on our Annual Report. Our contact details are as follows:

Email : info@cau.hayleys.com Corporate Affairs Unit : Hayleys PLC

#### **Board responsibility**

Hayleys PLC's Board of Directors hold ultimate responsibility for ensuring the integrity of this Report. We hereby confirm that the 2018/19 Report addresses all relevant material matters and fairly represents the Group's integrated performance. The Report is approved and authorised for publication.

Signed on behalf of the Board,



M.Y.A. Perera

Chairman Audit Committee

#### Reporting practice

The Group has long-since demonstrated its commitment to clear, comprehensive and balanced reporting and the structure and content of this year's Annual Report reflects the following reporting practices.

Reporting objective	What we disclose	Where to look	
The organisation's	Organisational overview	The Hayleys Story	
approach to value	Purpose	(Pages 14 to 15)	
creation	Strategy		
Determining	Materiality	Unlocking Value (Pages 68 to 78)	
priorities	Stakeholder engagement		
	Risks and Opportunities		
How we monitor	KPIs and performance against	Operational Review (Pages 92 to 189)	
and manage	strategy	Integrated Performance Review	
performance	Performance and impacts at	(Pages 92 to 187)	
	consolidated and sector level	Corporate Governance	
	Governance	(Pages 48 to 65)	
Reporting the	Employees	Integrated Performance Review	
broader viability of	Value Chain	(Pages 92 to 187)	
the business	The natural environment		
Reporting with	Assurance	Assurance statement on Financial	
transparency		Reporting (Pages 254 to 257)	
		Assurance statement on	
		Sustainability Reporting	
		(Pages 394 to 395)	

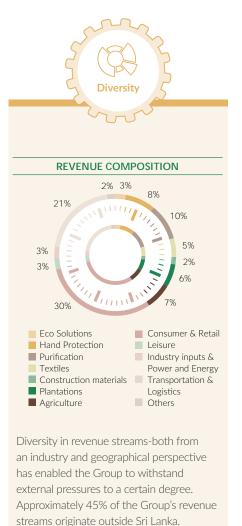
		2019	Change %	2018	201
EARNINGS HIGHLIGHTS AND RATIOS		:	-	<u> </u>	
Revenue	Rs. mn	219,182	34.26	163,249	111,38
Earnings before interest, tax, depreciation &					
amortisation (EBITDA)	Rs. mn	21,016	35.75	15,481	12,85
Results from operating activities	Rs. mn	15,989	40.22	11,403	9,67
Profit before tax	Rs. mn	5,476	(4.98)	5,763	7,02
Profit after tax	Rs. mn	2,750	(15.95)	3,272	5,04
Profit attributable to owners of the parent	Rs. mn	265	(74.08)	1,024	2,78
Dividends	Rs. mn	375	0.00	375	56
Gross profit Margin	%	22.34	1.73	21.96	23.2
Operating Profit Margin	%	7.29	4.29	6.99	8.6
Net Profit Margin	- <del>-</del>	1.25	(37.50)	2.00	4.5
Earnings per share (basic)  Return on Assets (ROA)	Rs.	3.54	(74.07)	13.65	37.1
Return on Assets (ROA) Return on Capital Employed (ROCE)	%	1.19 9.13	(23.72) 22.06	1.56 7.48	3.8 9.4
Interest cover	No. of times	9.13 1.47	(16.95)	1.77	3.0
mierest cover	ino. or times	1.47	(10.93)	1.//	٥.८
FINANCIAL POSITION HIGHLIGHTS AND RATIOS	5	_			
Total Assets	Rs. mn	231,747	10.48	209,767	130,00
Total Debt	Rs. mn	113,284	22.28	92,641	44,74
Equity attributable to equity holders of the parent	Rs. mn	40,242	1.50	39,649	40,86
Gearing	%	64.67	6.43	60.77	43.5
Debt/Equity Debt/Equity	%	183.07	18.19	154.90	77.1
Equity Asset ratio	%	26.70	(6.35)	28.51	44.6
Net assets per share	Rs.	536.56	1.50	528.65	544.8
Current ratio	No. of times	0.99	2.06	0.97	1.2
Quick asset ratio	No. of times	0.64	-	0.64	0.7
No. of Shares in issue	No. mn	75	-	75	7
		<u>L</u>	<u>+</u>	i	
MARKET/ SHAREHOLDER INFORMATION	1				
Market value per share	Rs.	168.00	(16.29)	200.70	265.0
Dividend per share	Rs.	5.00	0.00	5.00	7.5
Company market capitalisation	Rs. mn	12,600	(16.30)	15,053	19,87
Group market capitalisation	Rs. mn	49,295	(22.49)	63,602	49,10
Price earnings ratio	No. of times	47.48	>100	14.70	7.1
Dividend yield ratio	%	2.98	19.68	2.49	2.8
Dividend payout ratio	%	141.30	>100	36.62	20.2
Dividend Cover	No. of times	0.71	(74.00)	2.73	4.9
OTHERS					
Economic Value Generated	Rs. mn	50,759	31.85	38,497	28,54
Economic Value Distributed	Rs. mn	46,234	35.39	34,148	23,53
Government	Rs. mn	7,034	36.36	5,158	2,38
Employees	Rs. mn	25,828	26.40	20,434	15,20
Others	Rs. mn	13,372	56.29	8,556	5,93
Value Added per employee	Rs. mn	1.62	33.74	1.21	1.0
Group employment	Number	31,383	(1.41)	31,832	28,13
Average Revenue per employee	Rs. mn	6.98	36.06	5.13	3.9
Average nevertide per employee  Average operating income per employee	Rs. mn	0.51	41.67	0.36	0.3
Credit Ratings	1/2, 11111	U.J.I	41.0/	0.30	U.J

		2019	Change %	2018	2017
CONSOLIDATED STATEMENT OF SOCIAL PERFORM	/ANCE		_		
EMPLOYEES					
Employees on payroll	No.	31,383	(1.41)	31,832	28,137
Female representation	%	38	(2.56)	39	41
New recruits	No.	3,567	(33.10)	4,748	4,091
Investment in training	Rs. mn	105	10.53	95	72
Training hours	Hours	166,708	(33.48)	250,623	126,602
Average training hours	Hours	5.3	32.91	7.9	4.5
Retention rate	%	91	9.63	83	87
Workplace injuries	No.	1,603	>100	383	450
Lost working days	No.	14,432	>100	1,252	2,544
CUSTOMERS					
Customer reach	No.	9,314,769	22.32	7,614,914	85,000
Customers acquired	No.	1,699,855	>100	419,105	10,935
Revenue generated	Rs. mn	219,181	34.26	163,249	111,838
SUPPLIERS AND BUSINESS PARTNERS					
Total number of suppliers (estimate)	No.	69,938	-	>60,000	19,400
SME suppliers (estimate)	No.	47,516	-	>30,000	13,586
Payments to suppliers	Rs. mn	135,662	>100	60,756	50,395
Proportion of spending on local suppliers	%	45	(25)	60	55
Suppliers supported through development programs	No.	351	-		2,037
COMMUNITY ENGAGEMENT					
Investment in CSR	Rs. mn	>250	-	>350	111
Beneficiaries of CSR	No.	92,000	-	>250,000	38,985
No. of new products developed	No.	197	(43.40)	348	299
No. of products in the pipeline	No.	93	(21.85)	119	304
Investment in R&D	Rs. mn	278	>100	103	51
CONSOLIDATED STATEMENT OF ENVIRONMENTA	L PERFORM <i>A</i>	NCE			
Energy consumption	Mil GJ	3.79	49.21	2.54	2.27
Renewable electricity generation	GJ	145,409	-	-	127,481
Water usage Water usage	Mil m³	4.68	1.52	4.61	3.98
Water recycled	%	24.90	>100	10.2	3
Solid waste	MTs	77,952	>100	22,080	11,101
Effluents discharged	Mil m³	3.71	20.85	3.07	3.14
Carbon footprint	TCO₂e	191,165	64.02	116,547	122,884
Emission intensity	KgCO <sub>2</sub> e/	872	22.13	714	856
	revenue				
CONSOLIDATED STATEMENT OF ECONOMIC PERF	ORMANCE	,		•	
Foreign exchange income earned	Rs. mn	99,498	+31	75,833	
Indirect employment	No.	>20,000	-	>20,000	
Supplier reach	No.	69,938	-	>60,000	
CAPACITY BUILDING					
Construction materials	No.	3,013	95.02	1,545	
Plantations	No.	1,730	(55.44)	3,882	
Consumer & Retail	No.	800	(70.37)	2,700	
Job creation outside the Western Province	No.	1,934	(16.64)	2,320	
Renewable energy generated	MWh	40,391	14.06	35,411	

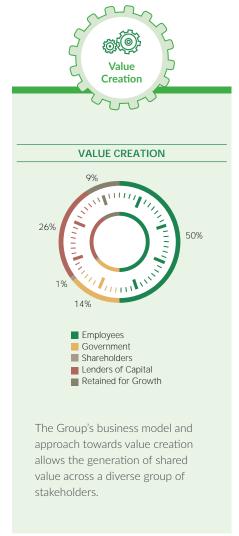
# The Hayleys Story

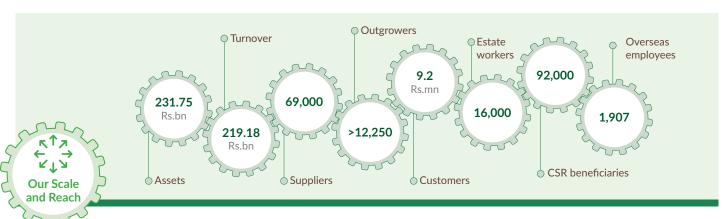
#### Hayleys at a Glance

Hayleys PLC is one of Sri Lanka's most diversified and economically impactful organisations, serving a global customer base of over 9.2 mn in 5 continents through its presence in 12 key industry sectors. Through a illustrious history of over 140 years, the Group has developed dominant

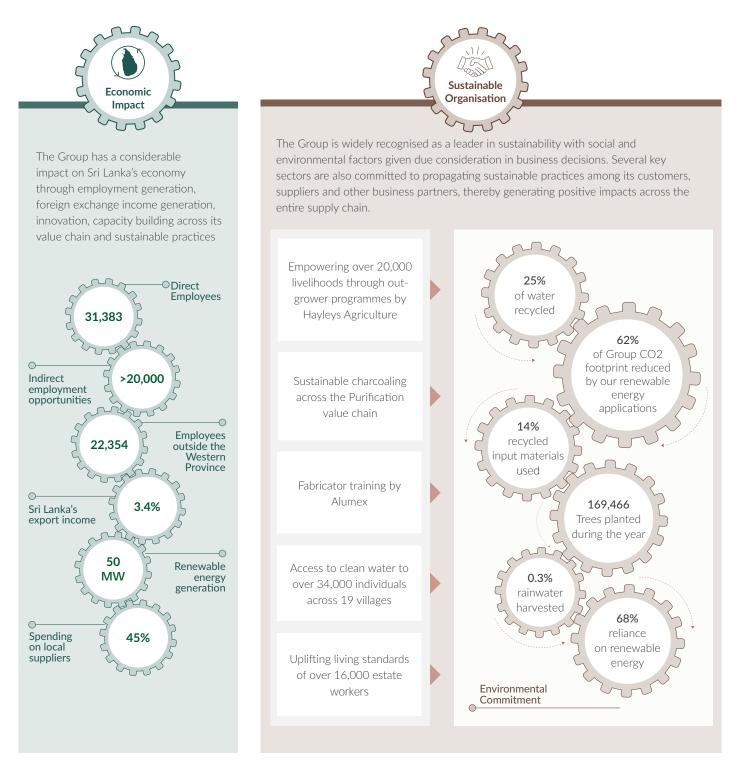








market positions across its businesses driving Sri Lankan industries forward through innovation, capacity building and sustainable practices. Globally reputed for its sustainable approach to value creation the Group has successfully nurtured deep-rooted relationships across value chains and communities and is one of Sri Lanka's most respected corporate entities.



# A Snapshot of Our businesses

102-2

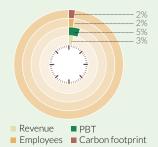




Sri Lanka's leading manufacturer and exporter of value-added coconut fibre products, with a global reputation for innovation and tailor-made solutions.

#### Main products

- Brush-ware
- · Floor coverings
- Industrial fibre





Highlights 2018/19

## +46%

Turnover growth

# Rs.440 mn

Return to profitability with PBIT

Refer to page 93 for further information on the Integrated Performance of the Eco Solutions Sector

Page

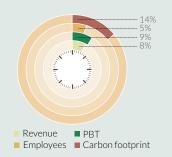




We serve 5% of global demand for household and industrial gloves, with a global reputation for innovation, quality and sustainability.

#### Main products

- Industrial gloves
- Household gloves
- Medical gloves





Highlights 2018/19

#### +8%

Turnover growth

# +88%

Growth in PBIT

Refer to page 101 for further information Page on the Integrated Performance of the Hand Protection Sector





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

#### Main products

- Granular AC
- Powder AC
- · Extruded pellet AC
- Environmental engineering solutions





Highlights 2018/19

# +35%

Turnover growth

# +40%

Growth in PBIT

Refer to page 109 for further information on the Integrated Performance of the Purification Sector

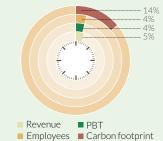




We supply fabric to leading global fashion brands and have the capability to cater to end-to-end customer requirements

#### Main products

- Single Jersey
- Interlock
- Pique
- Rib
- FleecePolar fleece



Highlights 2018/19

+34%

Turnover growth

+227%

Growth in PBIT

Refer to page 117 for further information on the Integrated Performance of the Textiles Sector

117

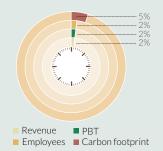




We are Sri Lanka's leading manufacturer of aluminium extrusions, offering a range of products to the residential and industrial segments.

## Main products

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



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Highlights 2018/19

+13%

Turnover growth

-8%

Decline in PBIT

Refer to page 125 for further information on the Integrated Performance of the Construction Materials Sector 125

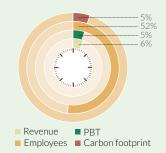




One of Sri Lanka's largest plantation sector contributors, we generate 3.52% and 3.57% of the country's tea and rubber production respectively.

#### Main products

- Tea
- Rubber





+3%

Turnover growth

+6%

Growth in PBIT

Refer to page 133 for further information on the Integrated Performance of the Plantations Sector

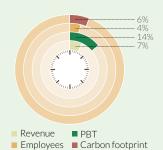




We are an industry pioneer in agricultural innovation and provide a wide range of agriculture related solutions to the retail and export markets.

#### Products/Activities

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





# +7%

Turnover growth

# +49%

Growth in PBIT

Refer to page 141 for further information on the Integrated Performance of the Agriculture Sector Page

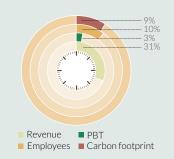




We own and operate Sri Lanka's leading consumer durables player Singer (Sri Lanka) PLC which has dominant market positions in numerous product segments. We also represent the globally renowned brand Proctor and Gamble.

#### Products

- Consumer products
- Consumer durables



Highlights 2018/19

# +87%

Turnover growth

## +102%

#### Growth in PBIT

\*Following full year consolidation of Singer (Sri Lanka) PLC

Refer to page 149 for further information Page on the Integrated Performance of the Consumer & Retail Sector





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

#### Activities

- Resort and city hotel operations
- Inbound tours





Highlights 2018/19

# +12%

Turnover growth

# +91%

Growth in PBIT

Refer to page 158 for further information on the Integrated Performance of the Leisure Sector

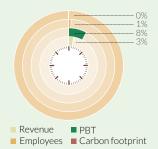




We supply close to 2% of the country's total renewable energy with an installed capacity of 50 MW of hydro, solar and wind power plants.

#### Products/Activities

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





## +11%

Turnover growth

## -26%

Decline in PBIT

Refer to page 165 for further information on the Integrated Performance of the Industry Inputs, Power & Energy Sector 165

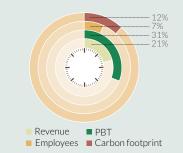




Sri Lanka's leading player in the transportation and logistics industry, we provide the entire gamut of transportation related services

#### Products/Activities

- International freight management
- Integrated logistics
- Marine services
- · Terminals and engineering



Highlights 2018/19

# +27%

Turnover growth

## +21%

Growth in PBIT

Refer to page 173 for further information on the Integrated Performance of the Transportation and Logistics Sector 173





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

#### Products/Activities

- · Business process outsourcing
- Aviation services, travel and tour services
- Aluminium framed glazed architectural systems
- Interior design
- · Mechanical, electrical and plumbing
- Solar





# -1%

Decline in turnover

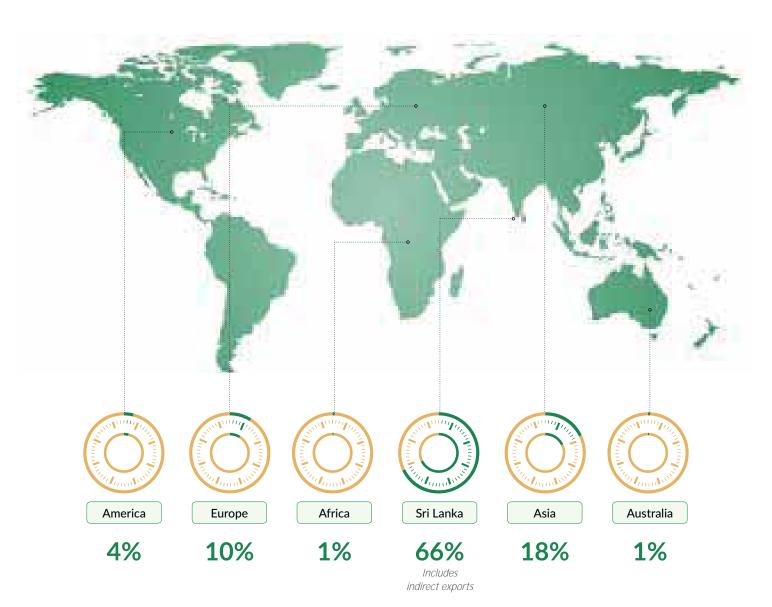
## -25%

Decline in PBIT

Refer to page 181 for further information on the Integrated Performance of the Others Sector

With our products sold to over 9.2 mn customers across 5 regions in the world, Hayleys PLC has a truly global footprint through its key sectors of Hand Protection, Purification, Agriculture and Transportation.





# Our Impacts

The Group is one of Sri Lanka's most economically and socially impactful organisations, with deep rooted relationships across industries and value chains. We cater to over 9.2 mn customers, empowering over 69,000 suppliers and over 20,000 out-growers while supporting over 92,000 individuals through our CSR activities.

#### **Economic**

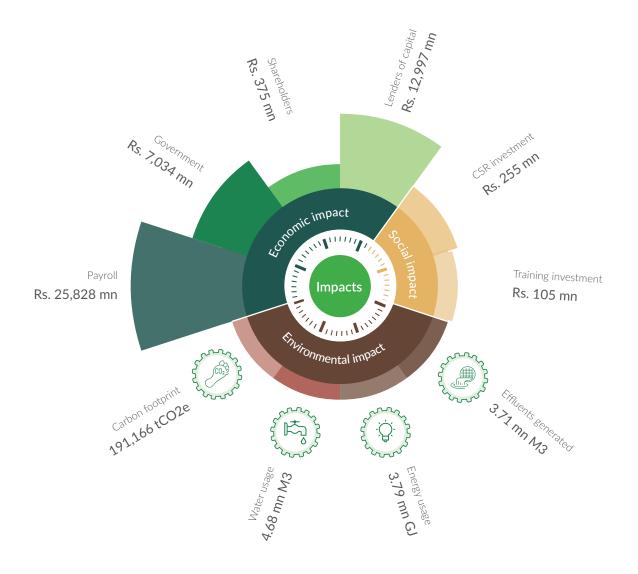
- Shareholder returns
- Direct and indirect employment generation
- · Tax contributions
- · Inclusive growth
- · Wealth distribution
- Foreign exchange generation
- Innovation

#### Social

- Good labour practices and working conditions
- Promoting diversity and equality
- Education and skill development
- Better living conditions
- · Social inclusion

#### **Environmental**

- · Generation of renewable energy
- · Discharge of emissions
- Sustainable production and consumption
- · Preserving bio-diversity
- Waste and effluent generation



# The Year at a Glance

## Milestones of 2018/19

# Alumex commissions Sri Lanka's first fully automated Aluminium Extrusion plant

In 2018/19, Alumex commissioned the country's first fully automated, front-loading aluminium extrusion plant and South Asia's first vertical powder coating facility with patented SAT Travisan CUBE Technology. The plant will bring in an additional 1,000 MT of aluminium extrusions and powder coating per month, thereby making Alumex the largest aluminium extruder in Sri Lanka. The state-of-the-art plant includes numerous environmentally friendly features such as the elimination of powder waste in the powder spraying process, eco friendly non-chrome chemicals and reduction in waste-water.

#### Advantis unveils Sri Lanka's largest distribution hub

The Group's Transportation Sector unveiled Sri Lanka's largest distribution hub- Advantis 3PL Logistics City during the year. Designed to cater to diverse industry verticals, the state-of-the-art facility adds 335,000 sqft of space to the Sector's warehousing capacity. The facility has enabled the consolidation of the Sector's operations to a single location and is equipped with best in class technology and product management systems. The facility is also expected to uplift Sri Lanka's logistics industry, allowing it to capitalise on the Asia's trade and commerce boom.

#### Hayleys Agriculture ventures overseas

Hayleys Agriculture marked a key milestone during the year under review, winning a contract to provide landscaping solutions to the Velana International Airport in Maldives. This success is expected to pave way for further regional opportunities for the Sector, as it pursues expansion of its footprint outside Sri Lanka

#### Hayleys Global Beverages partners Martin Bauer of Germany

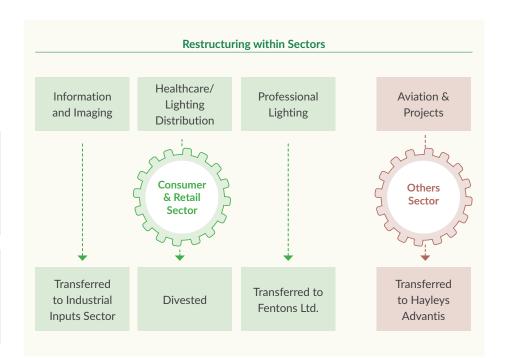
The Group's tea extracts arm, Hayleys Global Beverages, entered a joint venture partnership with Martine Bauer of Germany- a leading supplier of botanical products across the world. As the demand for tea and herbal ingredients increase, the union is expected to present numerous opportunities for growth as HGB leverages on the distribution networks, technical knowledge and market insights of our JV partner.

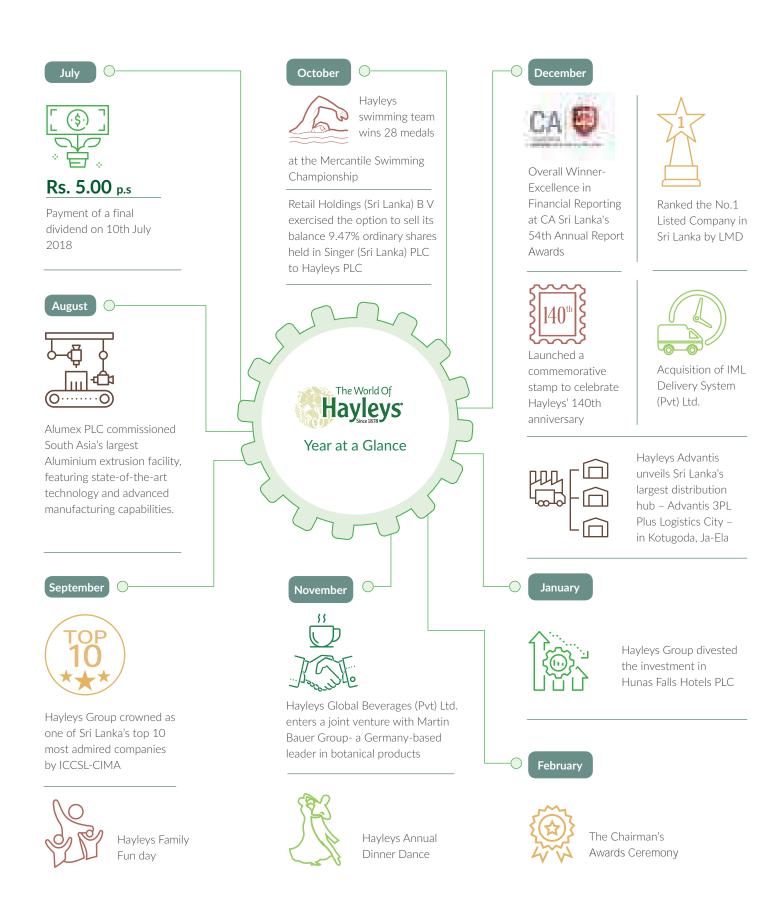
## Portfolio Rationalisation

Ongoing efforts to rationalise the Group's business portfolio in order to drive the optimal deployment of resources led to the following divestments and restructures during the year under review;

Disposal of the collective 66.2% shareholding held in Hunas Falls Hotels PLC by Carbotels (Pvt) Ltd and Amaya Leisure PLC, thereby generating a capital gain of Rs. 445 mn during the year.

Divestment of 51% holding in Hayleys Global Beverages by the Others and Plantations Sectors, thereby forming a joint venture with Martin Bauer





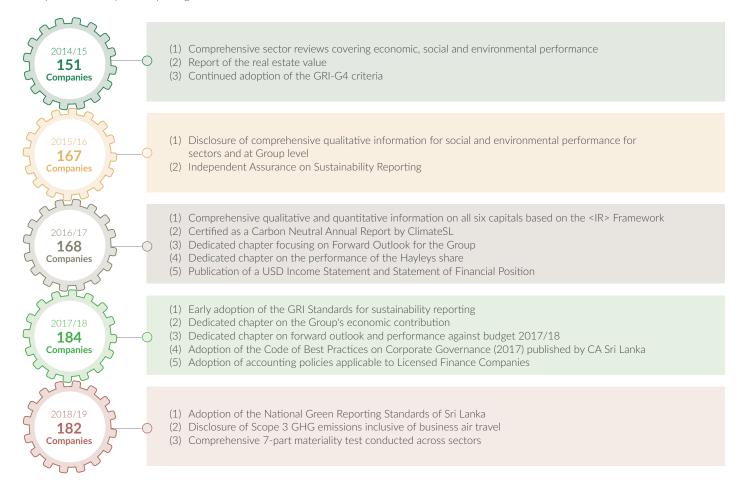
# Awards and Accolades

Sector Name	Company Name	Awards Name		
	Hayleys Advantis Ltd	National Logistics and Transport Excellence Awards 2018-Gold		
<u> </u>	Mountain Hawk Express Pvt Ltd	Ranked among the Top 25 Companies to work for in Sri Lanka		
	ADV 3PL Plus	Ranked among the Top 25 Companies to work for in Sri Lanka		
Transportation & Logistics	NYK Line Lanka (Pvt) Ltd	Best Shipping Agent Customer Service : Colombo - Europe trade, Colombo-IntraAsia trade, Colombo-Indian sub-continent		
		Best Shipping Agent Customer Service : Overall Import Trade		
	Hayleys Advantis Group	Gold Award at the CILT Sri Lanka National Logistics and Transport Excellence Awards – 2018		
	Talawakelle Tea Estates PLC	Winner - Award for best Advance in Performance Management		
Plantations		The Golden Globe Awards 2018- for Excellence in HR Leadership at Malaysia		
		Winner-Great HR Practices 2018		
		Asia Sustainability Reporting Awards-2017		
		Asia's Best Integrated Report (Highly commended)		
		National Business Excellence Awards 2018		
		Overall Winner-Gold Award(marketing the first time a Plantation Company emerged overall winner)		
		Extra Large Category-Gold Award		
		Agriculture and Plantation Sector-Gold Award		
		Excellence in capacity building-Gold Award		
		Excellence in Performance Management-Gold Award		
	Kelani Valley Plantations PLC	National Business Excellence Awards 2018- (National Chamber of Commerce)		
		Excellence in Performance Management- Gold		
		Japan External Trade Organisation and Chamber of Young Lankan Entrepreneur - Sri Lanka Corporate Health and Productivity Awards 2018- Special Award on Health and well-being		
		(First Plantation company to win this prestigious award to recognise the extraordinary efforts made to improve employee health and well-being)		
		Global HR Excellence Awards 2018/19 organised by World HRD Congress		
		Best HR Organisation to work for-Winner		

Sector Name	Company Name	Awards Name		
	Amaya Kuda Rah	"Villa Resort of the Year" at the Travel and Hospitality Awards		
		Maldives' Leading Boutique Resort - World Travel Awards 2018		
ŶĽ	The Kingsbury PLC - The Grill	Distinguished Restaurant Award 2018-Rocheston Accreditation, New York		
Leisure	The Kingsbury PLC - The Harbour Court	Distinguished Restaurant Award 2018-Rocheston Accreditation, New York		
	The Kingsbury PLC - Yue Chuan	Distinguished Restaurant Award 2018-Rocheston Accreditation, New York		
	Singer (Sri Lanka) PLC	Top 25 Best Workplaces in Sri Lanka for 5 consecutive years - Hall of Fame Award		
		Peoples Brand of the Year		
Consumer & Retail		Durable Brand of the Year		
		Top 25 Best Workplaces to Work - 2018		
Hand Protection	Dipped Products PLC	Merit Award in the National Level Manufacturing Sector – Extra Large category at the Ceylon National Chamber of Industries [CNCI] Achievers Awards – 2018		
		26th Annual NCE- Export Awards 2018-in Recognition of Export Performance in Year 2017-Bronze Award		
	Haycarb PLC/ Puritas (Pvt) Ltd.	lan Dias Abeysinghe Memorial CSR - JASTECA (Japan-Sri Lanka Technical and Cultural Association)- Gold Award		
U	Haycarb PLC/ Puritas (Pvt) Ltd.	Special Award for Puritas Sath Diyawara - JASTECA		
Purification	Haycarb PLC	26th Annual National Chamber Exporters Export Award - 2018 - Coconut Based Products Sector- Extra Large Category - Silver Award		
	Hayleys Fibre PLC	NCE Awards-Coconut and Coconut Product sector, Extra Large category : Bronze award		
Eco Solutions	Rileys (Pvt) Ltd.	NCE Awards: Coconut and Coconut product sector, Large category : Silver Award		
	Alumex PLC	South Asian Federation of Accountants (SAFA):		
		Best Presented Annual Report Awards 2017, Winner of the Manufacturing Sector		
Construction Materials		Awarded by the South Asian Federation of Accountants (SAFA) - An apex body of SAARC		

# The Evolution of our Annual Report

As the Hayleys Group has continued to grow both organically and through acquisitions, entering new industries and markets, the information required by its stakeholders has also grown in complexity. In responding to this challenge, we have tried to strike a balance between presenting complete and relevant information in depth while maintaining the simplicity and readability of the Report. This evolution has been aligned to global developments and best practices in corporate reporting.



The Group marked a major milestone in its corporate reporting journey, as our 2018/19 Integrated Annual Report "The Story Continues" was adjudged the Overall Winner for Excellence in Corporate Reporting at the CA Sri Lanka Annual Reporting Awards 2018. The Group clinched a total of 12 awards, including Gold awards in 7 Sectors.

Overall Awards	Hayleys PLC: Gold Award for Overall Excellence in Reporting		
	Hayleys PLC: Gold Award for Management Commentary		
Sector Gold Awards-7	Hayleys PLC: Diversified Holdings (Groups above 10 subsidiaries)		
	Dipped Products PLC: Manufacturing Companies (Turnover above Rs. 5 bn)		
	Talawakelle Tea Estates PLC: Plantation Companies		
	Alumex PLC: Manufacturing Companies (Turnover up to Rs. 5 bn)		
	Singer (Sri Lanka) PLC: Trading Companies		
	Singer Finance (Lanka) PLC: Finance Companies and Leasing Companies (Total assets up to Rs. 20 bn)		
	Hayleys Advantis Ltd.: Service Organisations		
Sector Silver Awards-2	Hayleys Fabric PLC: Manufacturing Companies (Turnover above Rs. 5 bn)		
	Kelani Valley Plantations PLC		
Sector Bronze Awards-1	Regnis Lanka PLC: Manufacturing Companies (Turnover up to Rs. 5 bn)		

# Our History

The 1st 50 years (1878-1928)



The 2<sup>nd</sup> 50 years (1928-1978)



The last 40 years (1978-2018)



#### 1878

Charles Pickering Hayley forms Chas P. Hayley & Co in Galle

## 1909

Hayley & Kenny, a partnership opens in Colombo

## 1913

Hayley & Kenny purchases Thurburn stores- 400, Deans Road premises



1936

Hayleys & Kenny becomes a private limited liability company

## 1952

George G. Hayley and executive employees of the two companies form Hayleys

# 1954

Hayleys Ltd. becomes a public company

# 1958

Shipping agency department formed (forerunner of Advantis)

# 1968

Haychem Ltd. formed to formulate agrochemicals

## 1973

Haycarb Ltd. formed to pioneer the manufacture and export of activated carbon

# 1976

Dipped Products Ltd. is incorporated to manufacture rubber gloves



1983

First overseas venture, Sorbtech Inc (now Haycarb USA) formed in the USA

## 1991

Venture into hoteliering through Carbotels Ltd. and enters Plantations

# 1994

First overseas manufacturing facility opens in Thailand

# 2010

Hayleys acquires first city hotel Ceylon Continental Hotel (The Kingsbury)

#### 2011

Hayleys enters the aluminium extrusions industry by acquiring Alumex Group

## 2012

Acquires majority stake in Amaya Hotels and Spas

#### 2017

Acquires Kuda Rah Island Resort in Maldives

## 2018

Acquires majority stake in Singer (Sri Lanka) PLC

Hayleys Advantis Ltd. acquires Sri Lanka Shipping Company Ltd.

## 2019

Hayleys Advantis Ltd. acquires IML Delivery System (Pvt) Ltd.

Revenue Highlights **1969** Rs. 37.9 mn

**1979**Rs. 298 mn

**1989** Rs. 1.70 bn

**1999** Rs. 8.47 bn

2009

**2019** Rs. 219.18 bn

Rs. 32.44 bn F

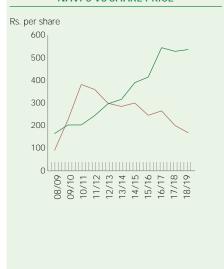
# **Investment Case**

The Hayleys share price declined by 16% during the year under review and is currently trading at a significant discount to its net asset value which has continued to record consistent growth in line with the Group's strategic expansion plans. Given its price to net-book-value of 0.3 times, the share presents significant upside potential over the medium to long-term. Our investment case is presented below;



Consistent asset growth supported by capacity expansions and inorganic growth across our sectors have resulted in the consistent increase of the net asset value. Over the past 10 years, the Group's NAVPS has increased at a CAGR of 10.2%, reaching Rs. 536.56 by end March 2019. Following the decline in the share price, the share is now trading at a 69% discount to the NAVPS, presenting much upside potential.

#### NAVPS VS SHARE PRICE





Several of the Group's sectors hold dominant market positions in their respective industries, having nurtured strong brand reputations and long-term customer relationships which have sharpened their competitive edge.

Market leader in the Transportation and Logistics sector

World's largest manufacturer of coconut-shell based activated carbon

5% global market share in household and industrial gloves

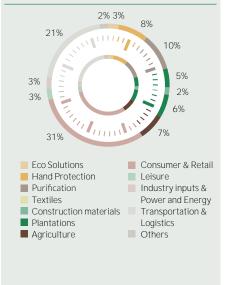
Undisputed market leader in Sri Lanka's consumer durables market

Generates 3.52% and 3.57% of the country's tea and rubber production



With presence across 12 industry sectors, the Group is one of the most diversified in Sri Lanka. Diversity in revenue sourcesboth from an industry and geographical perspective, has enabled the Group to effectively diversify its risk exposure, balancing off the weak performance of certain sectors with the strong performance of others.

#### **DIVERSITY IN REVENUE PROFILE**





413.49

Acres of land in 18 districts in Sri Lanka.

90.12

Acres in 3 overseas locations.



The Group's business sectors are led by industry veterans with established track records for strengthening market positions and driving profitable growth. This leadership team is supported by a young and dynamic second level who have been a key force in driving the Group's strategic aspirations.



Following the acquisition of retail giant Singer, the Group has obtained access to an extensive distribution network of 442 customer contact points across the island.

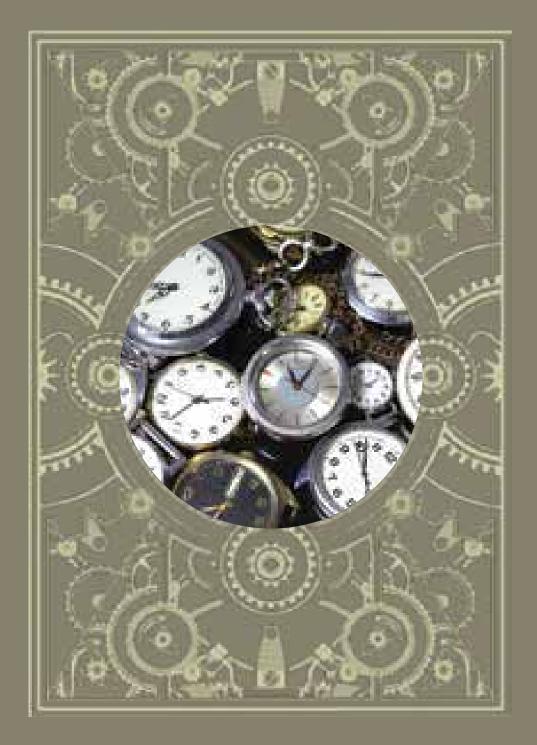


The Group has strengthened its presence in sectors which are positioned for strong expansion, both on a global and national scale. The factors driving the growth of our key industries are listed below;

- Purification: More stringent environmental regulations for water and air purification are expected to drive demand for our products
- Transportation & Logistics: Sri Lanka's strategic positioning on shipping routes and the anticipated transformation to a marine hub
- Construction Materials: Boom in the high-rise and apartment market together with increasing substitution of aluminium profiles in residences
- Consumer & Retail: Rising disposable incomes, electrification and consumer sophistication
- Agriculture: Increasing concerns on food security across the world and increasing preferences for healthy, organic, agriculture-based food

# LEADERSHIP AND GOVERNANCE

Chairman's Message 32 | Board of Directors 40 | Group Management Committee 44 Corporate Governance 48

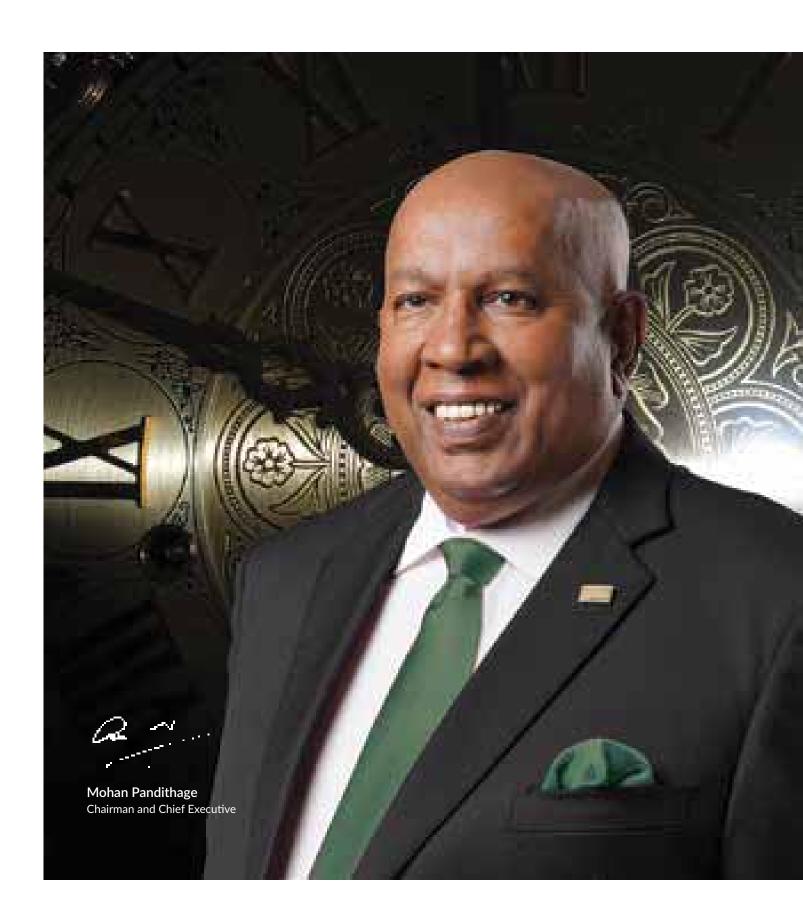


# Managing our time

Knowing when to make your move is a talent, not a skill. Experience can hone and refine it, but mastery over time has always been the province of particular, special individuals. Finding these individuals and giving them the authority and space to do what they do best is Hayleys' proven strategy for success.

But talented, inspirational leadership needs a frame in which to operate, and this can only be provided by sturdy corporate institutions that have evolved over time towards the goal of optimising performance while remaining legal, decent, truthful and transparent.

# Chairman's Message





GG Our economic impact to the country is significant as we account for 3.4% of the country's exports and earned over US\$ 404 mn in foreign exchange through exports and tourism in the reporting year. Being a global company, we have our own presence in 15 countries across 16 business sectors 99

Dear Shareholder,

Hayleys PLC is inextricably interwoven into the fabric of our economy, growing in relevance over 140+ years as we engage communities in producing goods for export, playing a key role as a catalyst for the country's socioeconomic progress. We are as relevant to the rural farmer as to the multinational corporation who are our business partners and our unique strength has been our ability to link the two, driving economic growth. Our economic impact to the country is significant as we account for 3.4% of the country's exports and earned over US\$ 404 mn in foreign exchange through exports and tourism in the reporting year. Being a global company, with our own presence in 15 countries across 16 business sectors grouped into 12 verticals, employing over 31,000 people, a fundamental principle has endured - shared value. As I review the growing uncertainty both globally and locally and all the efforts of multilateral organisations to drive sustainable development, this principle stands out as the most relevant to socioeconomic progress.

It is my privilege to welcome you to the 68th Annual General Meeting of Hayleys PLC and present the Annual Integrated Report for the financial year ending 31st March 2019 setting out our performance in the 141st year of operations – and how we shared the value created.

140+

Years of operations

US\$ 404 mn

Income earned in foreign exchange

3.4%

Accounts for country's exports

31,383

**Employees** 

34%

Turnover growth

10%

Asset growth

# Chairman's Message

#### **Easter Terror Attacks**

It is with deep sympathy that I condole with the families of all the innocent victims of this senseless destruction and our hearts go out to all those affected. Our city hotel, The Kingsbury, was one of the affected hotels in the Easter Sunday attack. Our condolences go to all the deceased and we wish speedy recovery to the injured. In the aftermath of the tragic events, our team was focused on caring for the hotel guests and affected staff members round the clock using all available resources to ensure their safety and well-being.

The Kingsbury resumed operations by 23rd April as the Hayleys Group worked together as a team using the extensive resources and expertise of the Group to get back on track at the earliest possible time. We have strengthened security measures to ensure the safety of our guests and staff who have higher levels of awareness with the realisation that Sri Lanka, along with other countries, is not immune to acts of terror.

It is now time to look forward to the work that needs to be done to restore confidence and normalcy. The Leisure sector is rallying together to work with the Government to rebuild this vital sector and we are heartened by the efforts made in this regard which include regular communications with diplomatic missions to work towards establishing conditions conducive for travel for their citizens. Proposed moratoriums on loans and VAT concessions are expected to ease the challenging period ahead for the industry. The sector is likely to face an extremely challenging period until we are able to woo the tourists back to the country which is our priority. We are working to reduce the period of stress drawing learnings from other countries which have had similar experiences such as Bali, Egypt, Turkey, Kenya and London and the US and are hopeful that we can bounce back very quickly, aided by the country's long-standing reputation. Meanwhile, we will also adopt lean cost structures across the sector

The Consumer & Retails sector is also likely to experience challenging times ahead due

to declines in disposable income as people engaged in the tourism sector are likely to see their income decrease. Other sectors experienced disruptions to work in the immediate aftermath and are expected to return to normalcy soon.

It is time for the country to move forward to restore normalcy and we are encouraged by the resilience and forbearance of our people who have resumed work and picked up their daily routines.

#### **Creating Value**

Hayleys PLC delivered a commendable top line growth of 34% to record the highest turnover in its history of Rs. 219 bn equal to USD 1.3 bn reflecting the Group's enhanced revenue generating capacity. Revenue growth was broad based with all sectors contributing positively despite moderating economic growth in our domestic and export markets. It is noteworthy that revenue growth excluding Singer (Sri Lanka) PLC, which is being consolidated for an entire year this financial year, was 19% which is still commendable.

Gross profit increased by 37% to Rs. 48.9 bn, reflecting improved margins as many sectors moved up the value spectrum to higher value added products. Other income was boosted by the sale of Hunas Falls Hotels PLC and the infusion of equity by Martin Bauer as we joined hands with the German botanicals expert to form a joint venture with Hayleys Global Beverages Ltd. Operating Profit recorded a growth of 40% to Rs. 15.9 bn. All sectors contributed to the growth of this key number except for Plantations, Construction Materials. Power & Industry Inputs and Others sector. This was despite an increase of 23% for depreciation which amounted to Rs. 4.9 bn due to investments in the previous year. EBITDA increased by 36% indicating a robust business model and an enhanced cash generating capacity. Net Finance costs increased by 77% to Rs. 10.5 bn due to leveraged investments. Consequently, profit before tax (PBT) of Rs. 5.5 bn reflects a marginal decline of 5% despite healthy growth in revenue and operating profits.

HIGHLIGHTS	
Transportation & Logistics	₾
Revenue Rs. 45.3 bn	<b>②</b> 27%
EBITDA Rs. 4.5 bn	<b>②</b> 26%
PBIT Rs. 3.6 bn	<b>②</b> 21%
PBT Rs. 2.4 bn	<b>①</b> 3%
PAT Rs. 1.4 bn	⊕ 1%
Capex Rs. 2.3 bn	
Total Assets Rs. 36 bn	<b>1</b> 28%
Purification	
Revenue Rs. 20.9 bn	⊕ 35%
EBITDA Rs. 2 bn	⊕ 32%
PBIT Rs. 1.5 bn	<b>40%</b>
PBT Rs. 1.2 bn	<b>34%</b>
PAT Rs. 955 mn	<b>②</b> 26%
Capex Rs. 485 mn	
Total Assets Rs. 18.1 bn	<b>②</b> 25%
Agriculture	
Revenue Rs. 15 bn	<b>①</b> 7%
EBITDA Rs. 1.8 bn	<b>45%</b>
EBIT Rs. 1.7 bn	<b>49%</b>
PBT Rs. 1.1 bn	<b>②</b> 23%
PAT Rs. 866 mn	<b>④</b> 38%
Capex Rs. 217 mn	
Total Assets Rs. 12.5 bn	10%
Hand Protection	
Revenue Rs. 17.1 bn	⊕ 8%
EBITDA Rs. 1.5 bn	<b>@</b> 46%
EBIT Rs. 883 mn	<b>®</b> 88%
PBT Rs. 784 mn	⊕ 82%
PAT Rs. 504 mn	<a> 100</a>
Capex Rs. 148 mn	
Total Assets Rs. 12.5 bn	⊕ 3%

Taxation increased by 9% due to improved performance of profitable companies which attracted higher taxes. Profit after tax (PAT) of Rs. 2.7 bn reflects a decline of 16% which is largely attributable to the increase in net finance costs.

Earnings per Share declined from Rs. 13.65 to Rs. 3.54 due to the increase in finance cost stemming from borrowings by the parent company for strategic acquisitions. EPS is expected to pick up moving forward as we optimise our financial and investment structure during the year.

# **Business Line Review**

The Hayleys Group was mainly focused on exports with earnings mainly in foreign exchange which cushioned the Group to some extent from the moderating growth of the local economy. This changed with the acquisition of Singer which exposes the Group to a broader range of external impacts as its revenues are mainly derived from local consumers. Consequently, the Group's exposure to volatility in the Sri Lankan economy increased as this sector accounts for 31% of the consolidated revenue.

The economic growth softened both globally and locally as political and policy uncertainty impacted business and consumer confidence in many economies. In Sri Lanka, the rupee

Sector ROCE			
	2019	2018	
Eco Solutions	6.5%	(0.3%)	
Hand Protection	9.4%	5.2%	
Purification	11.9%	10.2%	
Textiles	10.4%	3.6%	
Construction Materials	12.1%	14.6%	
Plantations	12.2%	9.5%	
Agriculture	21.2%	20.8%	
Consumer	11.1%	6.8%	
Leisure	7.4%	3.8%	
Industry Inputs, Power	12.1%	17.5%	
& Energy			
Transportation &	14.1%	16.1%	
Logistics			
Others	3.9%	5.5%	
Group	9.1%	7.5%	

depreciation during the period was 12% as the USD strengthened resulting in capital outflows from emerging and developing economies and the country's debt repayments. Interest rates also rose during this period increasing the cost of finance. Increase in Imports at a higher rate than exports during the year resulted in a wider trade deficit. Inflation was curtailed to a midsingle digit as the agriculture sector bounced back easing food related inflationary pressures. The political uncertainty that prevailed over a 52 day period had a significant impact on business sentiments and this is reflected in our performance.

# **Transportation & Logistics**

The Advantis Group which is the Transportation and Logistics sector of the Hayleys Group continues to exceed expectations as they enhance their earnings capacity consistently, becoming the main contributor to the profitability of Hayleys and is considered to be the leading player in total transport & logistics solutions in the country. Advantis Logistics City which opened during the year could be considered as the largest in Sri Lanka and consolidates operations of several smaller warehouses supporting economies of scale. The marine services cluster successfully bid to manage berthing and unberthing of ships in the Colombo Port and have recorded significant improvements in berthing time and efficiency. Additionally, recently acquired businesses from Sri Lanka Shipping Company Ltd has contributed positively to the results of the Group. Overseas expansion to Maldives also did extremely well while newly established overseas companies in Bangladesh, Indonesia and Malaysia are showing strong potential. Revenue increased by 27% as a result of expansion of the operations with operating profit growth of 21% to Rs. 3.6 bn reflecting greater productivity through consolidation of operations across the sector. Accordingly, the Transportation & Logistics sector delivered a profit before tax of Rs. 2.4 bn accounting for 44 % of Group PBT and a PAT of Rs. 1.4 bn amounting to 51% of Group PAT. The sector invested Rs. 2.3 bn in capital

HIGHLIGHTS	
Eco Solutions	<b>6</b> / <sub>7</sub>
Revenue Rs. 6.6 bn	Ŷ 46%
EBITDA Rs. 535 mn	<b>100</b> <
PBIT Rs. 440 mn	<b>100</b> <
PBT Rs. 431 mn	⊕ 100<
PAT Rs. 368 mn	⊕ 100<
Capex Rs. 391 mn	
Total Assets Rs. 8.8 bn	16%
Plantations	*
Revenue Rs. 13 bn	⊕ 3%
EBITDA Rs. 1.2 bn	⊕ 12%
EBIT Rs. 942 mn	⊕ 6%
PBT Rs. 593 bn	⊕ 24%
PAT Rs. 458 bn	<b>û</b> 28%
Capex Rs. 636 mn	
Total Assets Rs. 12.3 bn	⊕ 11%
10ta17 (33Ct3 1(3, 12,0 b))	<b>♥ 11</b> /0
Consumer & Retail	
Consumer & Retail	
Consumer & Retail Revenue Rs. 67.2 bn	<ul><li> 87%</li></ul>
Consumer & Retail Revenue Rs. 67.2 bn EBITDA Rs. 4.7 bn	<ul><li> 87%</li><li> 100</li></ul>
Consumer & Retail Revenue Rs. 67.2 bn EBITDA Rs. 4.7 bn PBIT Rs. 4.1 bn	<ul><li> 87%</li><li> 100</li><li> 100</li></ul>
Consumer & Retail Revenue Rs. 67.2 bn EBITDA Rs. 4.7 bn PBIT Rs. 4.1 bn PBT Rs. 205 mn	<ul><li></li></ul>
Consumer & Retail Revenue Rs. 67.2 bn EBITDA Rs. 4.7 bn PBIT Rs. 4.1 bn PBT Rs. 205 mn PAT (Rs. 69 mn)	<ul><li></li></ul>
Consumer & Retail Revenue Rs. 67.2 bn EBITDA Rs. 4.7 bn PBIT Rs. 4.1 bn PBT Rs. 205 mn PAT (Rs. 69 mn) Capex Rs. 922 mn	<ul><li> 87%</li><li> 100</li><li> 100</li><li> 71%</li><li> 100&gt;</li></ul>
Consumer & Retail Revenue Rs. 67.2 bn  EBITDA Rs. 4.7 bn  PBIT Rs. 4.1 bn  PBT Rs. 205 mn  PAT (Rs. 69 mn)  Capex Rs. 922 mn  Total Assets Rs. 51.9 bn	<ul> <li>③ 87%</li> <li>⑤ 100</li> <li>⑥ 100</li> <li>⑥ 71%</li> <li>⑤ 100&gt;</li> </ul>
Consumer & Retail Revenue Rs. 67.2 bn  EBITDA Rs. 4.7 bn  PBIT Rs. 4.1 bn  PBT Rs. 205 mn  PAT (Rs. 69 mn)  Capex Rs. 922 mn  Total Assets Rs. 51.9 bn  Construction Materials	<ul> <li>③ 87%</li> <li>⑤ 100</li> <li>⑤ 100</li> <li>⑥ 71%</li> <li>⑥ 100&gt;</li> </ul>
Consumer & Retail Revenue Rs. 67.2 bn  EBITDA Rs. 4.7 bn  PBIT Rs. 4.1 bn  PBT Rs. 205 mn  PAT (Rs. 69 mn)  Capex Rs. 922 mn  Total Assets Rs. 51.9 bn  Construction Materials  Revenue Rs. 5 bn	<ul> <li>⊕ 87%</li> <li>⊕ 100</li> <li>⊕ 100</li> <li>⊕ 71%</li> <li>⊕ 100&gt;</li> <li>⊕ 10%</li> <li>⊕ 13%</li> </ul>
Consumer & Retail Revenue Rs. 67.2 bn  EBITDA Rs. 4.7 bn  PBIT Rs. 4.1 bn  PBT Rs. 205 mn  PAT (Rs. 69 mn)  Capex Rs. 922 mn  Total Assets Rs. 51.9 bn  Construction Materials  Revenue Rs. 5 bn  EBITDA Rs. 758 mn	<ul> <li>⊕ 87%</li> <li>⊕ 100</li> <li>⊕ 100</li> <li>⊕ 71%</li> <li>⊕ 100&gt;</li> <li>⊕ 13%</li> <li>⊕ 1%</li> </ul>
Consumer & Retail Revenue Rs. 67.2 bn  EBITDA Rs. 4.7 bn  PBIT Rs. 4.1 bn  PBT Rs. 205 mn  PAT (Rs. 69 mn)  Capex Rs. 922 mn  Total Assets Rs. 51.9 bn  Construction Materials  Revenue Rs. 5 bn  EBITDA Rs. 758 mn  PBIT Rs. 594 mn	<ul> <li>⊕ 87%</li> <li>⊕ 100</li> <li>⊕ 100</li> <li>⊕ 100&gt;</li> <li>⊕ 10%</li> <li>⊕ 13%</li> <li>⊕ 1%</li> <li>⊕ 8%</li> </ul>
Consumer & Retail Revenue Rs. 67.2 bn  EBITDA Rs. 4.7 bn  PBIT Rs. 4.1 bn  PBT Rs. 205 mn  PAT (Rs. 69 mn)  Capex Rs. 922 mn  Total Assets Rs. 51.9 bn  Construction Materials  Revenue Rs. 5 bn  EBITDA Rs. 758 mn  PBIT Rs. 594 mn  PBT Rs. 177 mn	① 87% ① 100< ① 100< ② 71% ② 100> ① 10% ② 10% ② 10% ② 13% ② 1% ③ 8% ③ 66%

# Chairman's Message

expenditure during the year which includes its investment in the Advantis Logistics City enhancing its capacity to create greater value to its stakeholders.

#### Purification

Purification turned in a year of strong growth as we moved to higher value added products supported by steady demand from application markets, driving turnover growth of 35% to Rs. 20.9 bn. Innovation played a key role in improving margins of the sector which included new water carbons, super capacitor carbons and new impregnation regimes while the development of a range of coconut shell based and wood-based MCA carbons hold the promise of becoming an industry benchmark. Revenue growth and margins were also supported by price increases to reflect increased costs of raw material which continued its trend during the reporting year as well. The earthquake in Palu, Indonesia affected our operations there during the year and we were thankful that our people were safe. Encouragingly, we have reopened the factory now and it is operational reflecting the resilience of the people. We commence the new year with full order books and a pipeline of innovations and encouraging responses from new markets.

# Agriculture

The Agriculture sector forms a direct link between the rural communities and multinationals as we provide world class solutions for crops while purchasing produce and exporting finished products, forming a business model that is strengthened by the number of relationships in the value chain. This sector enlarged its horizons by successfully winning the contract to landscape the Velena International Airport in the Maldives and expanding its operations in Bangladesh beyond agri inputs to drive growth. Operating Profit growth of 49% to Rs. 1.7 bn was driven through product innovation using indigenous produce for export of the food range and growth of the agri equipment sector with an innovative product range which caters to a younger farming demographic. Launch of the Hayleys Agricultural Training School provides a platform for sharing industry insights gained through its networks, principals and years of being a dominant player in the country's agricultural sector. This sector's commitment to supporting rural livelihoods was reinforced with the public private partnership project for Agri Modernisation with the Ministry of Agriculture funded by the World Bank which facilitated training of over 500 war affected farmers on modern agriculture with guaranteed buy back agreements and financial support. We are excited by its innovative pipeline of projects which seeks to support rural livelihoods using modern technology paving the way for improved food security.

# **Hand Protection**

Hand Protection delivered a commendable performance recording a PBT growth of 82% supported by improved margins. Substantial growth in the customer base and a regional focus to penetrate new markets in the Middle East, Africa and China supported top line growth. Our marketing operations based in Genova, Italy performed well while Thailand operations did not deliver the expected results and profit improvement plans are being implemented. Bottom line growth was largely attributable to our continued focus on driving productivity and cost efficiencies as well as declining latex prices. The sector diversified its supplier base to mitigate supply issues through its First Light programme which empowers rural farmers and through stronger relationships with its regional suppliers. Its environmental sustainability initiatives reached a key milestone as the sector achieved 100% conversion of thermal boilers to bio-mass reducing dependency on fossil fuels with a positive impact on its carbon footprint.

# **Eco Solutions**

Eco Solutions achieved a paradigm shift in turning around its operations to deliver profit growth by a multiple of 13.75 to Rs. 431 mn on top line growth of 46%. The oldest of our sectors has been rejuvenated by substantial growth in customer base, increased production volumes and a wider

HIGHLIGHTS	
Power, Energy & Industrial	Inputs (்)
Revenue Rs. 5.9 bn	<b>①</b> 11%
EBITDA Rs. 1.3	<b>3</b> 19%
PBIT Rs. 994 mn	⊕ 26%
PBT Rs. 632 mn	<b>3</b> 43%
PAT Rs. 684 mn	<b>3</b> 43%
Capex Rs. 46 mn	
Total Assets Rs. 10.8 bn	⊕ 8%
Textiles	
Revenue Rs. 11.9 bn	⊕ 34%
EBITDA Rs. 823 mn	<b>377%</b>
PBIT Rs. 465 mn	<b>100</b> <
PBT Rs. 313 mn	<b>100</b> <
PAT Rs. 179 mn	<b>100</b> <
Capex Rs. 560 mn	
Total Assets Rs. 7 bn	<b>② 21%</b>
Leisure	
Revenue Rs. 6.4 bn	<b>12%</b>
EBITDA Rs. 1.3 bn	⊕ 38%
PBIT Rs. 655 mn	<b>1</b> 91%
PBT Rs. 229mn	<b>100</b> <
PAT Rs. 118 mn	<b>100</b> <
Capex Rs. 1.6 bn	
Total Assets Rs. 11 bn	⊕ 1%
Others	<b>(\$)</b>
Revenue Rs. 4.9 bn	<b>3</b> 1%
EBITDA Rs. 1.9	⊕ 22%
PBIT Rs. 1.8 bn	⊕ 25%
PBT Rs. 61 mn	⊕ 96%
PAT(Rs. 12 mn)	<b>(</b> ) 1%
Capex Rs. 118 mn	

product portfolio with a clear strategy of growing margins by moving to higher value added products driven by restructuring of the management . This is the comeback story of Hayleys this year, highlighting the value of smart and agile strategy. Innovation was key to the delivery of strategic goals and a number of new products were launched during the year and there is a pipeline of new products for launch in the coming year as well. Review of the supply chain to unlock value and a focus on production efficiencies also supported bottom line growth.

# **Plantations**

The Plantations sector delivered a commendable performance due to tea contributing satisfactorily despite declining rubber prices, adverse weather patterns, and prolonged effects of the glyphosate ban. Turnover increased marginally by 3% although profit before tax declined by 19% to Rs. 389 mn (excluding capital gain of Rs. 204 mn) due to impacts from bi-annual wage negotiations and increased cost of production. Turnover growth was supported by the companies' track records of producing premium teas which continued to command high prices. Crop diversification is an area of strategic focus with cinnamon, coconut and other export crops being cultivated to drive long-term value creation. Hayleys Global Beverages, the Group's tea extracts business formed a joint venture with Martin Bauer as explained above to facilitate realising the potential of this investment. Martin Bauer brings extensive experience with tea and tea extracts to the venture, enhancing the technical capability and the networks into global markets. The joint venture was named Martin Bauer Hayleys Global Beverages. The Groups tea exports arm, Mabroc performed creditably despite unstable tea prices.

# Consumer & Retail

Turnover growth of 87% to Rs. 67.2 bn reflects the first full year consolidation of Singer's performance. Singer, the number one retail brand in Sri Lanka continues to be the market leader in consumer durables with lead positions in many categories. Its portfolio of international brands expanded

during the year reflecting its appeal and value proposition to brand owners. Top line growth was supported by volume growth in washing machines and smart phones as we sought to increase penetration in these segments. Profitability was affected by several factors such as declines in several high-margin products, currency depreciation, fiscal measures and impact of new Sri Lanka Financial Reporting Standards (SLFRS's) implemented during the year. We have redefined the strategic direction of Singer in order to drive efficiencies in procurement, customer relations, supply chain, product improvement and development. The restructuring of the Hayleys Consumer division with the transfer of several business lines had a negative impact on the profitability of the sector.

# **Construction Materials**

The Construction Materials sector's growth was restricted to 13% given the overall decline of the country's construction sector. Revenue growth was supported by performance of the LUMIN range and expansion of customer contact points during the year. Profitability of the sector was impacted by intense competition due to over capacity in the sector and increase in raw material prices. The leveraged investment of Rs. 2 bn in a state-of-the-art plant increased the finance cost. Alumex maintains its position as an industry leader in innovation which is supported by a strong pipeline of projects and continued expansion of the portfolio into new applications. Alumex is the only manufacturer in South Asia to obtain the prestigious European Qualicoat and Qualanod certifications for powder coating and anodising, widely considered to be the gold standard in aluminium which enhances its competitive positioning moving forward.

# Power, Energy & Industrial Inputs

Performance of the Power, Energy & Industrial Inputs sector was impacted by eroded margins due to the sharp depreciation of the rupee, lower wind factors and necessary maintenance of a mast at the Nirmalapura Plant. This sector has an installed renewable energy capacity

of 50 MW comprising wind, solar and hydro power plants including Sri Lanka's largest solar farm. Solar and hydro plants performed well as there was sufficient water and sunshine. The Industrial Inputs sector acquired a new agency for lifts, accessories and forklifts expanding our portfolio. Demand for small capacity generators during the year supported top line growth of this sector as we maintained our market leadership in the segment. However, the Industrial raw materials cluster was impacted by the subdued performance of the construction sector necessitating write offs on receivables. Moving forward, we continue to seek opportunities for geographical expansion, consultancy and maintenance services for hydro power plants and expanding our Industrial Inputs product portfolio.

# **Textiles**

I am pleased to report that the strategy implemented to turnaround Hayleys Fabrics has delivered positive results as we recorded 34% turnover growth, which led to a tripling of operating profit. Focus on innovation and expanding its own portfolio of branded high value fabrics supported its return to profitability together with a razor sharp focus on driving production efficiencies. The in-house team of designers are innovating fabrics that are fashion forward to capture the interest of global fashion brand owners and this bold strategy was pursued over the past two years to switch tracks to producing our own fabrics for customers. This has enabled us to enhance speed to market and drive significant efficiencies throughout our supply chain and the production process. A strong order pipeline augurs well for the future of this pioneering fabric company in the country.

## Leisure

The Leisure Sector also turned around posting a profit of Rs. 229 mn with performance improving across all properties. During the year, Amaya Kuda Rah and Amaya Beach managed to trim their losses. Revenue growth of 12% was supported by higher occupancy rates boosted by

# Chairman's Message

# To our stakeholders:

I am pleased to confirm that the Hayleys Group reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication.

The Hayleys Group is also committed to implementing the six elements of the Water Mandate through individual and collective efforts and we have communicated our progress in the Natural Capital report on pages 224 to 231 with a description of how it has been implemented.

Sincerely yours,

# Mohan Pandithage

Chairman and Chief Executive

top of the list ratings by prestigious travel publications such as the Lonely Planet and New York Times and other travel influencers. A proactive marketing and sales strategy focused on tour operator relationships and new relationships with channel partners, penetration through B2B and OTA platforms supported higher occupancy. These partnerships enabled diversification of source markets to new markets such as Japan, Korea and China. Our city hotel performance was driven through growth in the corporate segment as well as in banqueting and outdoor catering. The sector was rationalised with the divestment of our equity stake in Hunas Falls PLC which resulted in a capital gain to the bottom line and discontinuing the management operations of Platinum One. Inbound tour operator business also recorded a profit growth of 119%.

# Others

"Others" comprises our BPO operations, Shared Services, Projects and Aviation, Unisyst Engineering PLC, S&T Interiors and Fentons. BPO Operations recorded positive growth through client acquisition, penetration into new markets, and expansion of the portfolio with the introduction of tax and finance solutions while the Shared Services team has rolled out SAP across the Hayleys Group. We also continued to drive process efficiencies and introduce artificial intelligence and robotics which we will roll out to clients as solutions in the future. General Sales Agency operations showed promising growth with increased flight frequencies, strong passenger and cargo growth and increased focus of principals on Sri Lanka as a destination. New airline representations also showed promise although their materialisation deferred due to the Easter Sunday attacks. Profitability of the sector was dampened by the sharp depreciation of the rupee and the challenges faced by S&T due to the contraction of the construction sector. Finance costs of this sector have more than doubled due to leveraged acquisitions.

## Sustainability

Our journey as an early champion of sustainability has been in full alignment with the corporate philosophy and I believe that the adoption of frameworks, standards and principles in this regard have provided structure, discipline and a clear articulation of practices that were readily understood due to an ingrained sustainability mindset. I note with pleasure our focus on reducing emissions and water consumption and commend the sectors that have championed the agenda driven by the dedicated sustainability team at the centre. Our Economic, Social and Environment

Impact Statements are testimony to our commitment to monitoring progress in an objective manner with increased reliance on data to guide decision making and resource allocation as we continue to make our business models even more sustainable.

Our flagship CSR project Puritas Sathdiyawara provides clean drinking water to 19 Chronic Kidney Disease (CKD) affected villages. We have commenced the second phase of this project Going Beyond, addressing the socioeconomic needs of these villages to uplift them through knowledge dissemination and empowerment. Under this programme, 2,500 children were provided with school books, uniforms and other items to facilitate their primary and secondary education. Alumex and Singer have joined hands with the Government to train Advanced Level teachers to teach the proposed vocational syllabus for aluminium fabrication and sewing. This is in addition to the training done by Alumex for the National Apprenticeship and Industrial Training Authority under which approximately 3,030 students are trained in fabrication with materials provided free of charge. Singer has conducted 40 free workshops benefiting over 800 participants. The Plantations sector continues its Home for

Rs. 15.9 bn

**Operating Profit** 

Rs. 5.5 bn

**Profit Before Tax** 

Rs. 2.7 bn

Profit After Tax

Every Plantation Worker initiative to uplift the lives of the estate workers under which 180 houses were built while a further 150 houses were provided with electricity and latrines. Hayleys Agriculture and Dipped Products also support livelihoods of farmers with guaranteed price schemes, financial and technical support to uplift the lives of thousands around the country.

# Outlook

While the forecast for global and local growth reflects a moderating trend, we also observe opportunities in the changing dynamics of world trade. The shift in growth to regional markets and a growing number of bilateral trade agreements points to opportunities for growth in markets located closer to the country with the ability to leverage speed to market models and historical relationships. Escalating trade tensions between USA and China also point to growth opportunities in advanced economies as global brands look to diversify supplier bases. While gearing up for a challenging business landscape in the year that has commenced, we are committed to seeking and seizing opportunities that are a right fit for the Group. We will also review our supply chain to minimize potential shocks and broad base sources of key inputs where possible while upholding commitments to the more vulnerable partners in our supply chains. Our focus on driving production efficiencies will continue with the roll out of initiatives such as Total Productive Maintenance (TPM), use of technology and a well embedded sustainability framework.

# **Setting the Tone**

Managing the vast business interests of the Hayleys Group requires sound corporate governance with appropriate structures and clear policies that serve to guide management in the conduct of operations. Our governance framework has evolved over a century and is one of our key strengths. It is further strengthened by the number of public listed companies and holding companies which have adopted

governance frameworks that are harmonised with the parent company. These companies also have their own audit committees to ensure that sufficient attention is given to the internal controls, risk management and financial reporting processes of each sector. Specialist functions at Group level for Finance, Audit and Management Systems Review, Legal, Corporate Secretarial Services, Human Resources, Sustainability and Strategy support the subsidiaries and facilitate harmonisation of cultures and specific processes across the Group. The Hayleys Audit Committee meets the audit committees of the subsidiaries to ensure that there are communication channels established to escalate issues in any subsidiary to the parent company Audit Committee on areas assigned for oversight. Group Management Committee meetings are held twice a month to plan and discuss the matters relating to the operations of the Group . Additionally, I sit on the Boards of all listed companies which facilitates a broad understanding of concerns across the Group.

It is also necessary to dwell on the diversity of skills within the Hayleys Board and its subsidiaries. The Nominations Committee takes careful note of the evolving skill requirements of not just the Hayleys Board but also of the Subsidiary Boards and finds appropriate candidates to fill these vacancies. Consequently, between the Subsidiary Boards and the parent, there is a vast collection of expertise in diverse fields that can be accessed with relative ease. Non-Executive Directors are luminaries in their respective fields and add a different perspective to deliberations.

Governance is an evolving subject and we continue to look to best practices to guide us in our journey with a realisation that embracing new developments strengthen our structures. Many Board members engage with various forums to ensure they are up to date on matters related to governance ensuring that best practices are incorporated in to our governance structures.

#### **Dividends**

Given the results achieved this year while keeping a view on the future, the Board of Directors declared an interim dividend of Rs. 5.00 per share for the year under review.

#### **Directorate**

Mr. Lalin Samarawickrama retired from the Board on 31st March 2019 and I take this opportunity to covey my appreciation for his contribution to Hayleys and wish him success in his future endeavours.

Dr. Mahesha Ranasoma resigned from the Board on 1st July 2018 and please join me in thanking him for his invaluable service and wishing him success.

## **Appreciations**

I wish to extend my sincere appreciation of the visionary guidance provided by our Co-Chairman during the year. I also wish to thank my fellow Board members for their guidance and support in determining the strategic direction of the Group and oversight of performance. The leadership of the Group Management Committee in delivering results is commendable amidst the many challenges faced during the year and I convey my appreciation to the staff who have supported them in executing strategy. I wish to thank our Principals/Customers who have shared our journey and look to their continued engagement. The Board joins me in thanking our shareholders for their continued confidence in the Board as we pursue our vision of shared value.



Mohan Pandithage Chairman and Chief Executive 17th May 2019





# Board of Directors

## 1. Mohan Pandithage

# Chairman & Chief Executive

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

# 2. Dhammika Perera

## Co-Chairman- Non-Executive

Mr. Dhammika Perera is the quintessential strategist and business specialist with interests in a variety of key industries including Manufacturing, Banking & Finance, Leisure, Aluminium extrusion, Packaging, Plantations, Lifestyle, Healthcare, Consumer and Hydro power generation. He has over 30 years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and un-quoted companies. Mr. Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resorts PLC, Vallibel Power Erathna PLC, Greener Water Ltd, Unidil Packaging Ltd, Delmege Ltd. and LB Microfinance Myanmar Company Ltd. He is the Co-Chairman of The Kingsbury

PLC and Singer (Sri Lanka) PLC. Executive Deputy Chairman of LB Finance PLC, Deputy Chairman of Horana Plantations PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC and Dipped Products PLC.

# 3. Sarath Ganegoda

# **Executive Director**

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

# 4. Rajitha Kariyawasan

# **Executive Director**

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

Director of Haycarb PLC and Managing Director of Eco Solutions Sector whilst functioning as a Director of Dipped Products PLC and Hayleys Fibre PLC.

# 5. Dr. Harsha Cabral, PC

# Independent Non-Executive Director

Dr. Cabral is a President's Counsel in Sri Lanka with 31 years' experience in the field of Company Law, Intellectual Property Law, Commercial Law, International Trade Law & Commercial Arbitration. He has been a President's Counsel for 13 years and commands an extensive practice in the Commercial High Courts and the Supreme Court of Sri Lanka. He holds a doctorate in Corporate Law from the University of Canberra, Australia and is a sitting member of the International Chamber of Commerce (ICC) International Court of Arbitration in Paris. Dr. Cabral is a member of the Law Commission of Sri Lanka, a member of the UGC Standing Committee on Legal Matters, UGC Nominee on the Post Graduate Institute of Medicine (PGIM) and a member of the Board of Management of the NSBM Green University, Sri Lanka. As a member of the Advisory Commission on Company Law in Sri Lanka he has contributed heavily to the corporate sector and the legal fraternity and has been one of the architects of the Companies Act No. 7 of 2007, the current Act. Dr. Cabral is also a member of the Intellectual Property Advisory Commission in Sri Lanka. He is a Council member of the Institute for the Development of Commercial Law & Practice (ICLP) and the Course Director for the Diploma in Commercial Arbitration. As a member of the Council of Legal Education in Sri Lanka, as a member the Ministerial Committee appointed to reform Commercial Arbitration in Sri Lanka, as a Founder Board member of the Sri Lanka International Arbitration Centre, as a member of the Senate Aquinas University College, as a member of the Corporate Governance Committee and Related Party Transaction Committee of the Institute of Chartered Accountants of Sri Lanka, as a member of National Science Foundation, and as the current Vice President of BRIPASL (Business Recovery & Insolvency Practitioners Association of Sri Lanka) Dr. Cabral has contributed immensely to the

legal academia and the corporate community of Sri Lanka. Dr. Cabral is the Chairman of the Tokyo Cement Group. Dr. Cabral was the immediate past Chairman of LOLC Finance PLC, one of the largest Finance Companies in Sri Lanka. Dr. Cabral serves as Independent Non-Executive Director of DIMO PLC, Hayleys PLC, Alumex PLC, Tokyo Cement Company (Lanka) PLC, Tokyo Super Cement Company Lanka (Private) Limited, Tokyo Cement Power Lanka (Private) Limited, Tokyo Eastern Cement Company (Private) Limited, Tokyo Super Aggregate (Private) Limited, Tokyo Supermix (Private) Limited, World Export Centre Limited and Sri Lanka Institute of Information Technology (Guarantee) Limited and serves on several Audit Committees. Nomination Committees, Remuneration Committees and Integrated Risk Management Committees, chairing most of them. Dr. Cabral is a visiting lecturer at several universities and a regular speaker at public seminars, author of several books and has presented several papers on Corporate Law, Intellectual Property Law, International Trade Law & Commercial Arbitration here and abroad. In addition to Dr. Cabral's active practice in courts and lecturing, he has been a counsel in many Arbitration and served as Sole-Arbitrator, Co-Arbitrator and Chairman in a large number of Arbitrations, domestic and international.

# 6. Ruwan Waidyaratne

## **Executive Director**

Joined the Hayleys Group in 1985. Having a wide range of expertise in the business of shipping, freight forwarding, logistics and aviation. He has grown through the ranks to become the Managing Director of Hayleys Advantis Limited whilst being appointed as a Director of the Board of Hayleys PLC. Currently he holds overall responsibility for the Transportation and Logistics Sector of the Hayleys Group. He currently serves as the Chairman of the Ceylon Association of Shipping Agents (CASA). He is a former Chairman of the Sri Lanka Logistics and Freight Forwarders' Association (SLFFA) and currently serves as a member of its Advisory Council. He is a Chartered Member of the Chartered Institute of Logistics & Transport of Sri Lanka. He serves as a Director on the Board of Sri Lanka Ports Management

Consultancy Services (Private) Limited. He is a member of the Steering Committee on Ports, Shipping, Aviation and Logistics affiliated to the Ceylon Chamber of Commerce and a member of the National Agenda Committee on Logistics & Transport of the Ceylon Chamber of Commerce. He holds an MBA from the Edith Cowan University of Western Australia and has undergone executive development programmes with the National University of Singapore, Indian School of Business and INSEAD.

#### 7. Hisham Jamaldeen

#### Independent Non-Executive Director

Appointed to the Board in February 2014. He is a finance professional with over 15 years of wide-ranging experience as a commercial property investor and advisor. He is a Fellow of the Association of Certified Chartered Accountants, UK and holds a Degree in Engineering and Business from the University of Warwick, UK. He is the Founder/Managing Director of Steradian Capital Investments (Pvt) Ltd., responsible for Financing, Corporate Structurers, Acquisitions and Development. He serves as a Director of Singer (Sri Lanka) PLC, Regnis (Lanka) PLC, Singer Industries (Ceylon) PLC, Talawakelle Tea Estates PLC and Lanka Realty Investments PLC. He is also Executive Director of numerous real estate companies focusing on commercial property investment and development.

# 8. Aravinda Perera

# **Independent Non-Executive Director**

Appointed to the Board as an Independent Non-Executive Director and as Chairman of Audit Committee in September 2016. He counts over 30 years in the Banking sector and functioned as the Managing Director of Sampath Bank PLC. Presently, he is the Managing Director of Royal Ceramics Lanka PLC. He is the Chairman (Non-Executive) of Singer Finance (Lanka) PLC and also a Director of Pan Asia Banking Corporation PLC, Hayleys Aventura (Pvt) Ltd., Hayleys Advantis Ltd. and Fentons Ltd. He is a Member of the Institute of Engineers (Sri Lanka) (MIESL) and a Chartered Engineer (C.Eng.). He is also a Fellow Member of the Chartered Institute of Management Accountants, UK and a Fellow of the Institute of Bankers-Sri Lanka (FIB).

He also holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Mr. Perera was honoured with the CEO Leadership Achievement Award 2016 by the Asian Banker magazine and was also the recipient of the prestigious Platinum Honour – 2014 Award by the Postgraduate Institute of Management Alumni (PIMA) of Sri Jayewardenepura University. He was also honoured with the Award for Outstanding Contribution to the Banking Industry – 2015 by the Association of Professional Bankers.

#### 9. Noel Joseph

#### Independent Non-Executive Director

Appointed to the Board in March 2017. Possesses over 30 years of experience in various position in engineering and engineering consultancy in Sri Lanka and overseas. Currently serves as the Managing Partner of Cadteam and Proprietor of N J Consultants. Held senior positions at various organisations such as State Engineering Corporation, Heavyfab Ltd., Development Consultants Lanka (Pvt) Ltd., Safari Company Ltd., Saudi Arabia and Baharudden P M S Associates, Brunei. Member of the Institution of Electrical and Electronic Engineers (MIEEE)-USA, The Institution of Lighting Engineers (MILE)-UK, The New York Academy of Science (MNYAS)-USA, The Illumination Engineering Society (MIES)-USA. Incorporated Engineer -UK (IEng) and The Institution of Engineering Technology (MIET)-UK. He serves as a Director of Singer Industries (Ceylon) PLC and Regnis (Lanka) PLC.

# 10. Jayanthi Dharmasena

# **Executive Director**

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





# Group Management Committee

# 1. Mohan Pandithage

Please refer profile in Board of Directors

# 2. Sarath Ganegoda

Please refer profile in Board of Directors

# 3. Rajitha Kariyawasan

Please refer profile in Board of Directors

# 4. Ruwan Waidyaratne

Please refer profile in Board of Directors

#### 5. Javanthi Dharmasena

Please refer profile in Board of Directors

# 6. Johann Wijesinghe

Joined the Hayleys Group in 2008, was appointed to the Group Management Committee in 2011. Currently serves as a Director of Hayleys Travels (Pvt) Ltd., Hayleys Aviation & Projects (Pvt) Ltd., Unisyst Engineering PLC, S&T Interiors (Pvt) Ltd, Amaya Leisure PLC, The Kingsbury PLC and also serves as a Director of SriLankan Airlines Limited and SriLankan Catering Limited. He holds an MBA from the University of Leicester (UK) and is a Member of the Chartered Institute of Marketing (UK). Holds over 30 years' experience in the Aviation industry. Prior to joining Hayleys, held several senior positions at SriLankan Airlines including management positions in Europe, Middle East, the Far East and the Head Office in Colombo and was also a member of the Group Senior Management Team of the Airline. Possesses over 5 years' senior management experience in the Hotel industry.

## 7. Dr. Roshan Rajadurai

Managing Director of Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC and Horana Plantations PLC. Holds a B.Sc. in Plantation Management, MBA from the Post Graduate Institute of Agriculture, University of Peradeniya, a D.Sc. from Wayamba University and a Ph.D from University of Hawaii, USA. Prior to rejoining, served as Director/CEO of Kahawatta Plantations PLC and held Senior Plantation Management positions in Kelani Valley Plantations PLC from 1993 to 2001. He was also the Chairman of the Planters' Association of Ceylon and was/is a member of the Sri Lanka Tea Board, Rubber Research Board, Tea Research Institute, Tea Council of Sri Lanka and the Tea Small Holdings Development Authority of Sri Lanka. He was the Chairman of the Consultative Committee on Estate and Advisory Services, a member of the Experiment and Extension Forum of the Tea Research Institute, a member of the Consultative Committee on Research of the TRI. He is also a member of the Standing Committee on Agriculture, Veterinary and Animal Sciences of the University Grant Commission as well as a member of the Arbitration and Mediation Steering Committee of the Chamber of Commerce.

# 8. Rohan Goonetilleke

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

# 9. Darshi Talpahewa

Joined Hayleys Group in January 2010 and appointed to the Group Management Committee in November 2015. Serves as a Non-Executive Director Singer Finance PLC. Lawyer by profession, with a L.L.B from the University of Colombo and Attorneysat- Law with First Class honours from Sri Lanka Law College. Holds a Master's Degree in Human Resource Management from the University of Northampton. Also holds Master's Degrees in International Relations and in Law, from the University of Colombo. Has had the unique opportunity of working in the Government, Non-Governmental, Private/corporate sectors including the Banking sector and Academia. Has responsibility for Human Resources, Legal Services and Corporate Communications & Sustainability for the Hayleys Group.

#### 10. Pramuk Dediwela

Started his career in January 1989 and has over 30 years of experience in the fields of Marketing and Sales, Material and Logistics, Finance, Production and Administration/ Human Resources under Alumex Group. He was appointed as an Executive Director of the Alumex PLC and its subsidiaries. Alco Industries (Private) Limited in December 2010 and appointed as the Managing Director and also to the Group Management Committee in July 2018. He is a marketer cum financial economist and holds degrees in Master of Financial Economics from University of Colombo and Master of Business Administration from University of Southern Oueensland. He also holds Postgraduate Diploma in Business and Financial Administration (CA Sri Lanka/ Cranfield-UK), Postgraduate Diploma in Marketing from Chartered Institute of Marketing-UK. He is a member of the Advisory committee on Light Engineering sector under the Ministry of Industry and Commerce and holds Memberships of the Chartered Institute of Marketing (UK) and Sri Lanka Economic Association. He is a Council Member of the Foundry Development & Services Institute of Sri Lanka.

# 11. Niran Ranatunga

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

# 12. Choliya De Silva

Appointed to the Group Management Committee in July 2018 and is a senior finance professional possessing over 27 years' experience in Multinational FMCG, Investment Banking and Real Estate sectors. He is former Finance Director of Coca-Cola Beverages Sri Lanka and holds a varied and multi-faceted international working experience in New Zealand, India, Nepal, Ethiopia, South Africa and United Arab Emirates. He is a Governing Council Member of AAT Sri Lanka since 2016, Chairman of Strategic Planning and Plan Implementation committee of AAT Sri Lanka and Chairman of ICT committee of both AAT and CA Sri Lanka. His 27 years of experience include 14 years at Nestle and 9 years at

Coca-Cola. A Fellow Member of CA Sri Lanka, Chartered Institute of Management Accountants, UK and CPA Australia. He also holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura.

# 13. Andrew NG

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

# 14. Hasith Prematillake

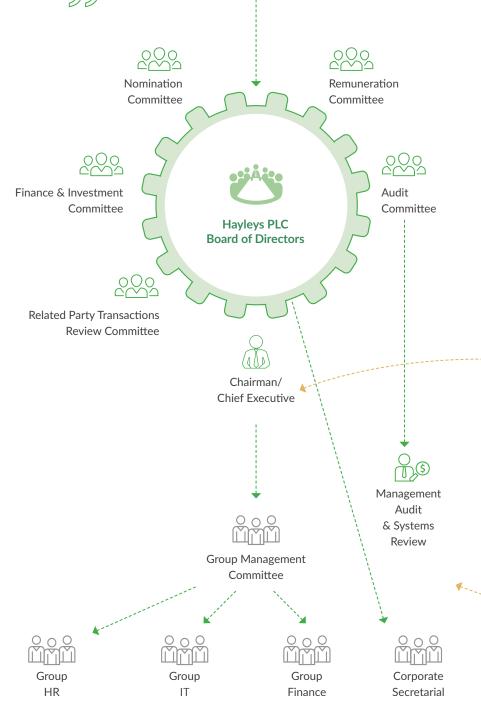
Appointed to the Group Management Committee in October 2018. Previously served as the Country Director/General Manager of Ansell Lanka (Pvt) Ltd. and Chief Executive Officer of Phoenix Industries Ltd. He also held a managerial position at Chevron Lubricants Lanka Ltd. and served at Messrs. Ernst & Young. He holds a Master of Business Administration Degree (Merit pass) from the University of Colombo where he was awarded prestigious Dr. Linus Silva Medal for Best Overall Performance, B.Sc. Engineering degree (Hon's.) from University of Moratuwa, Fellow Member of the Chartered Institute of Management Accountants, Member of the Chartered Institute of Marketing (CIM), Passed Finalist of CA Sri Lanka and a Graduate of the British Computer Society (BCS). He is also a certified Lean Six Sigma Black Belt.

# 15. Mahesh Wijewardene

Appointed to the Group Management Committee and also as an Executive Director and the Chief Executive Officer of Singer (Sri Lanka) PLC and its subsidiary companies with effect from 1st November 2018. He holds a Master's Degree in Business Administration from the University of Southern Queensland and received the Dean's Award for Outstanding Academic Achievement. He also holds a Diploma in General Management from the Open University of Sri Lanka. Has served on Singer (Sri Lanka) PLC board previously as an Alternate Director from 1st June 2006 to 31st October 2018. He serves as a Director of Singer Industries (Ceylon) PLC, Singer Finance (Lanka) PLC, Regnis (Lanka) PLC, Regnis Appliances (Pvt) Limited, Singer Digital Media (Pvt) Limited, Singer Business School (Pvt) Limited, Reality Lanka Limited, Domus Lanka (Pvt) Limited and CSR Lanka (Guarantee) Limited.

GG Sound corporate governance is vital to navigate periods of uncertainty as the Board needs to provide agile leadership to anticipate issues that will be material to the Group's business model and guide strategy. 99

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



Shareholders

# Shareholders **Audit Committee Board** of Directors Chairman Managing Director Internal Audit Management

#### Compliance Framework

# **Regulatory Frameworks**

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

# Voluntary Standards, Codes & Frameworks

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

# Internal Documents & Policies

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

# The Hayleys Way

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

Committee

66 Managing a diverse business portfolio requires a sound corporate governance framework that facilitates effective entrepreneurial leadership and prudent management to deliver long term value to shareholders. Balancing stakeholder interests, accountability, transparency and regulatory compliance underpin corporate governance, facilitating effective discharge of the Board's responsibilities to shareholders. Hayleys' governance structures have evolved over time, keeping pace with regulatory requirements and voluntary codes that reflect current international best practices. The overall policy The Hayleys' Way is a key component of the Group's governance framework, serving as an ethical road map for companies and employees of the entire Hayleys Group articulating our values and how we do business. 99

The Board of Hayleys PLC, appointed by the shareholders, is the highest decision making authority and has overall responsibility for determining the strategic direction of the Group, adopting a sound governance framework and setting in place robust risk management and internal control systems. Being a diverse conglomerate, our operations encompass 182 companies organised in to 12 sectors each of which is headed by a Group Management Committee member who is responsible for delivering agreed strategic goals for their sectors. Hayleys PLC has 14 subsidiaries which are publicly listed companies with different shareholders and our structures facilitate accountability to them as well. The key elements of our governance framework comprise the governance structure and a compliance framework as set out above.

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

# **Board Highlights**

- Acquisition of IML Delivery Systems (Pvt) Ltd.
- Entry of MB Beteligungs GmbH as a Strategic Partner with 51% equity stake of Martin Bauer Hayleys (Pvt) Ltd.
- Disposal of Hunas Falls Hotels PLC
- Review of Quarterly Financial Statements
- Review of KMP remuneration and Group remuneration policy

Code of Best Practice in Corporate Governance 2017		
The Company	Shareholders	
A. Directors	E. Institutional Investors	
B. Directors' Remuneration	F. Other Investors	
C. Relations with Shareholders	G. Internet of Things & Cybersecurity	
D. Accountability & Audit	H. Environment, Society & Governance	

#### A. Directors

#### A1. The Board

Composition of the Board is key to governance and the Board of Hayleys PLC comprises 11 Directors. Five Executive Directors head key sectors of the Group and bring significant insights and networks to drive growth of our businesses. The Non-Executive Directors are eminent professionals and dynamic entrepreneurs who widen the perspectives of the Board with objective views and professional judgements, enriching deliberations. Profiles of the Directors are given on pages 42 to 43



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

Executive Directors	Mr. A.M. Pandithage - Chairman & Chief Executive
	Mr. S.C. Ganegoda
	Mr. H.S.R. Kariyawasan
	Mr. L.T. Samarawickrama (Retired w.e.f 31.03.2019)
	Mr. R. Waidyaratne
	Mrs. J. Dharmasena
Non-Executive, Non-Independent	Mr. K.D.D. Perera – Co-Chairman
Independent Non-Executive Directors	Dr. H. Cabral PC - Senior Independent Director
	Mr. M.H. Jamaldeen
	Mr. M.Y.A. Perera
	Mr. N.L.S. Joseph

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

## Roles and Responsibilities of the Board

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

The Board has appointed 05 board committees to assist in the discharge of its duties as summarised below.

Board Committee	Areas of Oversight	Composition
Audit Committee Report of the Audit Committee is given on page 250	<ul><li>Financial Reporting</li><li>Internal Controls</li><li>Internal Audit</li><li>External Audit</li></ul>	• Independent Non-Executive Directors - 3
Nominations Committee Report of the Nominations Committee is given on page 246	<ul> <li>Appointment of Key Management Personnel</li> <li>Succession Planning</li> <li>Effectiveness of the Board and its Committees</li> <li>Code of Ethics</li> </ul>	<ul> <li>Chairman - 1</li> <li>Independent Non-Executive Directors - 1</li> <li>Non-Executive Directors - 1</li> </ul>

Board Committee	Areas of Oversight	Composition
Remuneration Committee Report of the Remuneration Committee is given on page 247	<ul> <li>Remuneration policy for Group with particular reference to Key Management Personnel</li> <li>Goals and targets for Key Management Personnel</li> <li>Performance evaluation</li> <li>HR Policy</li> <li>Organisation structure</li> </ul>	<ul> <li>Independent Non-Executive Directors -3</li> <li>Non-Executive Directors - 1</li> </ul>
Related Party Transaction Review Committee Report of the RPTRC is given on page 249	<ul><li>Related party transaction policy</li><li>Disclosure of related party transactions</li></ul>	Independent Non-Executive     Directors - 2     Executive Director -1
Finance Investment Committee	<ul><li>Finance and investment functions</li><li>Integration Planning</li><li>Investor relations</li></ul>	<ul> <li>Non-Executive Directors - 1</li> <li>Executive Directors - 3</li> <li>Group Chief Financial Officer.</li> </ul>

The Board held 13 meetings of which 12 were monthly meetings and one was devoted to strategy which was held on for four days. Attendance of Directors at Board and Sub-Committee meetings are summarised below.

Directors	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee	Related Party Transaction Review Committee	Finance & Investment Committee
Mr. A.M. Pandithage	13/13	-	-	2/2	-	2/2
Mr. K.D.D. Perera	7/13	-	2/2	2/2	-	2/2
Mr. S.C. Ganegoda	12/13	-	-	-	2/4	2/2
Mr. H.S.R. Kariyawasan	13/13	-	-	-	-	2/2
Dr. H. Cabral PC	9/13	4/5	2/2	2/2	4/4	_
Dr. K.I.M. Ranasoma (Resigned w.e.f 01.07.2018)	3/3	-	-	-	-	0/2
Mr. L.T. Samarawickrama (Retired w.e.f 31.03.2019)	11/13	-	_	-	-	-
Mr. M.H. Jamaldeen	12/13	3/5	2/2	-	-	-
Mr. R. Waidyaratne	12/13	-	-	-	-	-
Mr. M.Y.A. Perera	11/13	5/5	2/2	-	4/4	-
Mr. N.S.L Joseph	12/13	-	-	-	-	-
Mrs. J. Dharmasena	13/13	-	-	-	-	-
Total No. of Meetings	13	05	02	02	04	02

Board functions are supported by robust information technology enabling Board members to access their Board papers via secure connections and participate in meetings even remotely. Each Board member spent a minimum of 71 hours on matters related to the Board whilst members of the Audit Committee spent a further 13 hours on matters delegated to the committee.

# Summary Of Roles & Responsibilities

#### Role of Chairman

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

# **Role of Senior Independent Director**

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

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

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

# A2. Chairman and CEO

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

# A3. The Chairman's Role

The Chairman is responsible for the efficient conduct of Board meetings and ensures effective participation of both Executive and Non-Executive Directors. It is also the responsibility of the Chairman to ensure

that views of Directors on issues under consideration are ascertained; and that the Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders. The Chairman maintains close contact with all Directors and, where necessary, holds meetings with Non-Executive Directors without Executive Directors being present.

#### A4. Financial Acumen

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

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

# A5. Board Balance

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

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

 Dr. H. Cabral PC, is an Independent Non-Executive Director of Alumex PLC.

- Mr. M.Y.A. Perera is a Non-Executive Chairman of Singer Finance (Lanka) PLC.
- Mr. N.L.S. Joseph is an Independent Non-Executive Director of Regnis (Lanka) PLC and Singer Industries (Ceylon) PLC
- Mr. M. H Jamaldeen is an Independent Non-Executive Director of Haycarb PLC, Talawakelle Tea Estates PLC, Singer (Sri Lanka) PLC, Regnis (Lanka) PLC and Singer Industries (Ceylon) PLC.
- Ms. I. Jamaldeen, an Independent Non-Executive Director of The Kingsbury PLC, a subsidiary of Hayleys PLC, is the spouse of Mr. M. H. Jamaldeen

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

Accordingly the following Directors are deemed to be independent:

- Dr. H.C. Cabral, PC
- Mr. M.H. Jamaldeen
- Mr. M.Y.A. Perera
- Mr. N.L.S. Joseph

Board balance is further strengthened by the presence of a Senior Independent Director whose role has been discussed above. Additionally, the Chairman meets with Non-Executive Directors only, without the Executive Directors being present as necessary. Board minutes record concerns of the Board as a whole or those of individual Directors regarding matters placed for their approval/guidance/action.

The role of the Senior Independent Director is to be expanded to meet the requirements of the new code to mandate two meetings per year with only Non-Executive Directors and at least one with Executive Directors to

discuss governance matters and communicate same to Chairman. It will also require the Senior Independent Director to be present at all meetings with majority, significant and minority shareholders and be made aware of their concerns by the Company Secretary.

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

# A6. Supply of Relevant Information

The Chairman ensures that all Directors are properly briefed on issues arising at Board Meetings by requiring management to provide comprehensive information including both quantitative and qualitative information for the monthly Board Meetings 7 days prior to the Board/Sub-Committee meetings. The Directors have free and open access to Management at all levels to obtain further information or clarify any concerns they may have. As described above, they also have the right to seek independent professional advice at the Company's expense and copies of advice obtained in this manner are circulated to other Directors who request it. Any Director who does not attend a meeting is updated on proceedings prior to the next meeting through:

- Formally documented minutes of discussions.
- By clarifying matters from the Board Secretary.
- Separate discussions at start of meeting regarding matters arising for the previous meeting.
- Archived minutes and Board papers accessible electronically at the convenience of the Directors.

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

# A7. Appointments to the Board

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

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

The Board believes it is appropriate for the Chairman & Chief Executive to chair this committee and that the composition of the committee ensures its balance. The Nomination Committee Report is given on page 246.

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

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

# A8. Re-Election

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

## A9. Appraisal of Board Performance

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

# A10. Disclosure of Information in Respect of Directors

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

• Name, qualifications, expertise, material business interests and brief profiles on pages 42 to 43.

# **Board Evaluation Criteria**

Strategies developed and implemented

Board Image

Compliance with laws and regulations

Quality of participation at meetings

Effectiveness of systems and procedures

- Membership of sub-committees and attendance at Board Meetings and Sub-Committee meetings on page 52.
- Remuneration paid to Directors on page 300.
- Related Party Transactions and other business interests on page 249.
- Names of listed companies in Sri Lanka in which the Director serves as a Director on pages 42 to 43.

# A11. Appraisal of Chief Executive Officer

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



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

# B. Directors' Remuneration

# **B1.** Remuneration Procedures

The Remuneration Committee determines the remuneration of the Chairman/Chief Executive and the Executive Directors and sets guidelines for the remuneration of the Management staff within the Group. Please refer page 247 of the Remuneration Committee Report for the terms of reference for Remuneration Committee.

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

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

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

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

# B2. Level & Make Up of Remuneration

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

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

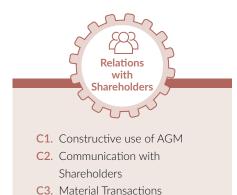
Presently the Group does not have an Executive Share Option Schemes. The

Remuneration Committee follows the provisions set out in Schedule D of the Code as required. No special early termination clauses are included in the contract of employment contract of Executive Directors that would entitle them to extra compensation. However, any such compensation would be determined by the Board of Directors.

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

# **B3.** Disclosure of Remuneration

The Report of the Remuneration Committee is set out on page 247 which includes a statement on Remuneration Policy. Please refer page 300 for the total Directors' Remuneration.



# C. Relations with Shareholders

# C1. Constructive Use of AGM

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

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

A copy of the Annual Report including Financial Statements, notice of the meeting and the Form of Proxy are sent to shareholders 15 working days prior to the date of the AGM as required by the Statute in order to provide the opportunity to all the shareholders to attend the AGM. A summary of the procedures governing voting at General Meeting is circulated to shareholders with every notice of the General Meeting.

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

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

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

## C2. Communication with Shareholders

The shareholder engagement mechanisms, as set out in the Stakeholder Engagement section of the report on pages 74 to 75 include the conduct of the Annual General Meeting, and having a dedicated page of the Hayleys website www.hayleys.com/investor-

relations, which provides the following information:

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

Comments and suggestions can be sent through info@cau.hayleys.com

The Group has an open door policy, which enables shareholders to keep in constant touch, visit and obtain information from the Company Secretaries and engage in dialogue. Please refer "Stakeholder Engagement" provided on pages 74 to 75 for details of the policy and methodology for communication with shareholders. Details of the contact person for inquiries regarding this annual report is disclosed in the inner back cover of the Annual Report.

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

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

# C3. Material Transactions

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



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

# D. Accountability & Audit

#### D1. The Annual Report

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

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

• The Business model – on pages 92 to 187

- Operating environment on page 90.
- Opportunities and threats on pages 82 to 87.
- Risk management on pages 82 to 87.
- Stakeholder relationships on pages 74 to 75.
- The Capitals Report on pages 202 to 232.
- The Annual Report of the Board of Directors on the Affairs of the Company given on pages 236 to 243 cover all areas of this section.
- The Statement of Directors' Responsibilities is given on page 248.
- The Directors' Statement on Internal Controls is given on page 245.
- The "Independent Auditors' Report "on pages 254 to 257 For the Auditor's responsibility.
- The Financial Capital Review, the Value Creation Report on pages 192 to 197 and 68 to 70.

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

# D2. Risk Management & Internal Control

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

The Group's Management Audit & System Review Department (MA & SRD) plays a significant role in assessing the effectiveness and successful implementation of existing controls and strengthening these and establishing new controls where necessary. The MA & SRD's reports are made available to the Chairman & Chief Executive and the Chairman of the Audit Committee. Group's Management Audit & System Review Department (MA & SRD) is responsible for internal audit function.

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

The Board has reviewed the effectiveness of the system of financial controls for the period up to the date of signing the accounts. There is a direct channel between the Head of MA & SRD and the Chairman of the Audit Committee without the interference of any Directors or Executives.

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

# D3. Audit Committee

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

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

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

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

The Terms of Reference of the Audit Committee have been approved by the Board. This addresses the purpose of the Committee, its duties and responsibilities including the scope and functions of the Committee which are summarised in the Audit Committee Report on pages 250 to 251.

Names of the members of the Audit Committee disclosed on page 250 under the Section on the "Audit Committee Report" and the disclosure of the independence of the Auditors is disclosed in page 251 under the section on the "External Audits" in the "Audit Committee Report" on pages 250 to 251 of this Report.

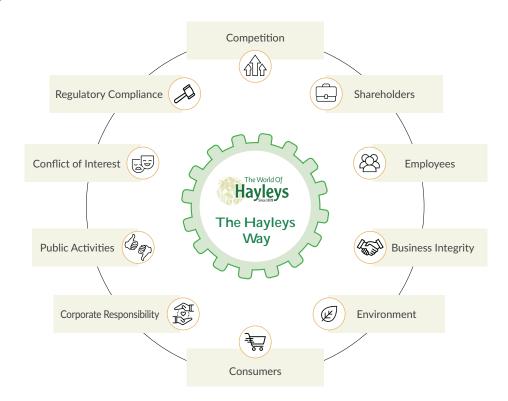
# D4. Related Party Transaction Review Committee

The Related Party Transactions Review Committee of the parent company has oversight responsibility for related party transactions. The Committee composition is given on page 249 and comprises of two Independent Non-Executive Directors and one Executive Director. Additionally, the Chairman of the Committee is an Independent Non-Executive Director appointed by the Board. Its operations comply with the requirements of the CSE Listing Rules and LKAS 24. The committee has a written Terms of Reference and procedures set in place which includes:

- a. A procedure for documenting related parties
- b. Obtaining a statement of related party interest on a quarterly basis, in the event of change in status and prior to entering in to any transaction that comes within the definition of a related party transaction
- c. Provision of a list of related parties to Key Management Personnel related to their areas of responsibility
- d. Process for KPMs to capture and report any related party transaction
- e. A procedure to identify and Directors to report recurrent and non-recurrent related party transactions and obtain Board or shareholder approvals as required by CSE listing Rules
- f. Guideline and procedure to facilitate KMP dealing with recurrent related party transactions

- g. A procedure and definition of disclosures that are required to be made on an annual basis, those requiring immediate disclosure, those requiring shareholder approval and those requiring shareholder approval by special resolution at an extra- ordinary general meeting
- A process to identify related party transactions requiring immediate disclosure as per CSE Listing Rules and to ensure that disclosures are in accordance with the same

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



#### D5. Code of Business Conduct & Ethics

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

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

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

# **D6.** Corporate Governance Disclosures

The Corporate Governance Report set out on pages 48 to 65 (of which this paragraph is part of ) describes the extent to which Hayleys PLC adheres to established principles and practices of good corporate governance.



#### E. Institutional Shareholders

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

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

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



# **F.** Other Investors

Individual investors are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions. They are also encouraged to participate in General Meetings of companies and exercise their voting rights. Information is disseminated to all shareholders as specified in the Stakeholder Engagement section on pages 74 to 75. Any information that the Board considered as price sensitive is disseminated to the shareholders by way of announcements to the CSE and press releases.

Shareholders may bring up concerns they have, either with the Chairman & Chief Executive or the Company Secretaries as appropriate. Discussions are held with Institutional Investors, involving the Chairman, and other Executive Directors where necessary. This process is supported by the Strategic Business Development Unit and the Corporate Affairs Unit. During these meetings, the Directors ensure protection of share price sensitive information that has not been made available to the company's shareholders. The Institutional Investors are encouraged to give due weight to all relevant matters relating to the Board structure and composition.



# G. Internet of Things & Cybersecurity

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

# Group IT Policy

- Group Connectivity
- Access requirements/ Resource utilisation
- Individual Sector Networks/
   System Management
- Backup & Recovery/Software Modification
- IT Equipment & Software & Third party Involvement
- IT Assets & Media disposal and procurement
- Responsibility for Adherence

# Group Information Security Policy

- Protection of information from unauthorised access
- Confirmation of information
- Confidentiality, availability and integrity of information
- Regulatory requirements
- Business continuity plans
- · Information security training
- Reporting breaches of information security
- IT policy embedded in to employee induction programme

# Acceptable IT Use

- Acceptable IT Use
- Password Protection Standards
- Email Usage
- Internet Usage
- Monitoring
- Enforcement

# Guidelines for Corporate Websites

- · Guidelines for web hosting
- Guidelines for secure web development
- Enforcement



# H. Environment, Society and Governance

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

- Strategy & Capital Allocation (pages 71 to 75)
- Portfolio Review (pages 92 to 187)

- Capitals Report (pages 192 to 231)
- Governance and Risk Management (page 82)

# **Environment, Society and Governance (Principle H)**

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

• Strategy & Capital Allocation (pages 71 to 73) • Portfolio Review (pages 92 to 187) • Governance and Risk Management (pages 82 to 87)

# Appendix I: Compliance with the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka The table below summarises the status of compliance with the revised Code, providing details where it has not been explained in the Corpora

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

Code Ref.	Compliance and Implementation	Compliance
A. Directors		
A.1 An effective Board should direct, lead and control the Company	Refer Principle A.1. in Corporate Governance Report and details given below from A.1.1 to A.1.8.	Ø
A.1.1 Regular meetings, structure and process of submitting information	The Board meets on a quarterly basis and attendance at meetings is given on page 52. Board packs are circulated one week prior to the Board meeting and typically include the following information:	
	Financial and operational information including progress on agreed Key Performance Indicators and information on the external operating environment;	
	Financial statements for the relevant quarter and year to date together with comparatives for the corresponding period of the previous financial year and budgets;	
	Forecast performance for the financial year	

Code Ref.	Compliance and Implementation	Compliance
A.1.1 Regular meetings, structure and process of submitting information	A description of key risks including an assessment of their impact and likelihood of occurrence, assessment of the previous quarter, how the risks are managed and those accountable for monitoring or managing risk;	
	Operational and financial compliance statements confirming regulatory compliance and other matters considered necessary in accordance with policies of the Group and Board.	
	These statements include information regarding breaches of internal controls or fraud detected during the period together with any action taken or confirm the absence thereof;	
	Information on human resources and capital expenditure  Share trading of the Company and related party transactions by key management personnel	
	Documents to which the company seal has been affixed to  Resolutions on other matters referred to the Board	
A.1.2 Role & Responsibilities of the Board	The Role and Responsibilities of the Board are inset on page 51 and encompass those set out in the Code.	Ø
A.1.3 Act in Accordance with laws	The Board has set in place a framework of policies as set out on pages 82 to 87, procedures and a risk management framework to ensure compliance with relevant laws, and international best practices with regards to the operations of the Group. Directors have the power to obtain independent professional advice as deemed necessary and these functions are co-ordinated by the Group Legal Department or Group Finance, as and when it is necessary.	
A.1.4 Access to advise and services of Company Secretary	All Directors have access to the advice and services of the Company Secretarial function provided by Hayleys Group Service (Pvt) Ltd. which is responsible for ensuring follow up of Board procedures, compliance with rules and regulations, directions and statutes, keeping and maintaining minutes and relevant records of the Group.	
	Hayleys PLC has obtained insurance cover for the Board, Directors and key management personnel.	
A.1.5 Independent judgement	Directors bring independent judgment to bearing on decisions taken by the Board on issues of strategy, performance, resources and business conduct. Composition of the Board ensures that there is a sufficient balance of power and contribution by all Directors. Many of the Board members are independent professionals who are required to conform to professional codes of conduct which require the exercise of independent judgement in discharge of their duties.	
A.1.6 Dedicate adequate time and effort to matters of the Board and the Company	Dates of regular Board meetings and Board Sub-Committee meetings are scheduled well in advance and the relevant papers are circulated a week prior to the meeting giving sufficient time for review. There is provision to circulate papers closer to the meeting on an exceptional basis.  It is estimated that Non-Executive Directors dedicate not less than 12 days per annum for the affairs of the Group and those Directors who are also on Audit	
A.1.7 Calls for resolutions	Committee dedicate a further 4 days for the affairs of the Group  Any Director can call for a resolution to be presented to the Board if deemed necessary.	

Code Ref.	Compliance and Implementation	Compliance
A.1.8 Board induction and training	Directors recognise the need for continuous training and expansion of their knowledge and skills to effectively discharge their duties and are encouraged to attend sessions of the Sri Lanka Institute of Directors and other corporate forums on relevant matters. As independent professionals, many of the Directors also conform to Continuing Professional Development requirements of their respective professional organisations. Board members are also given insights in to regulatory changes that may impact the industry at Board meetings.	
	Audit Committee members receive updates on regulatory changes relating to matters entrusted to the Committee on a semi-annual basis to ensure that they are updated on regulatory requirements impacting reporting and risk management processes. They are also given insights in to organisation wide initiatives to strengthen internal controls, risk management and financial reporting processes at the same meetings.	
A.2 Chairman & Chief Executive Officer	Refer Principle A.2 in Corporate Governance Report	$\square$
A.3. Chairman's role in preserving good Corporate Governance	Refer Principle A.3 above in Corporate Governance Report.	
A.3.1 Conduct of Board Meetings	<ul> <li>The Chairman ensure the following:</li> <li>a. Development of an appropriate agenda for Board meetings with the Company Secretaries taking in to consideration recommendations of the Directors, Best Practices in Corporate Governance, regulatory and other compliance requirements, and business needs of the company including performance review, resource allocation and risk management</li> <li>b. Sufficiency of information in Board packs and timely availability of the same</li> <li>c. Induction programmes for newly appointed Directors to acquaint them with their duties and responsibilities and Corporate Governance structure of the Group</li> <li>d. Effective participation of Executive and Non-Executive Directors,</li> <li>e. Directors are encouraged to seek additional information necessary to engage in discussion of agenda items and to request inclusion of matters of concern on the agenda</li> <li>f. Sufficient balance of power between Executive and Non-Executive Directors</li> <li>g. Views of directors are obtained and the minutes reflect the deliberations of the Board</li> <li>h. Board's control of the affairs of the company and its obligations to shareholders and stakeholders</li> </ul>	
A.4 Availability of financial acumen	Refer Principle A.4. in Corporate Governance Report.	
A.5 Board Balance A.5.1 Majority of Non-Executive Directors	There are only five Non-Executive Directors and hence, Executive Directors form the majority of the Board. The Board is reviewing this new requirement at present with a view to achieve compliance.	Under review as it is a new requirement
A.5.2 If only 3 NEDs, they should be independent	Of the 5 NEDs, 4 are independent of any material business relationships subject to the disclosure made on pages 53 to 54.	Ø

Code Ref.	Compliance and Implementation	Compliance
A.5.3 Independence of Directors	Independent Directors are independent of management and free of business dealings that may be perceived to materially interfere with the exercise of their unfettered and independent judgement.	Ø
	The Chairman holds a meeting at least once a year with only the NEDs without the presence of the Executive Directors. Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes.	
A.5.4 Annual declaration by Directors  A.5.5 Annual determination of	The Board determines the independence of Directors on an annual basis based on annual declarations submitted by the Directors and other information based on the requirements of the Code as set out in A.5.5.	<b>I</b>
independence		
A.5.6 Alternate Directors	There are no Alternate Directors	$\square$
A.5.7 & A.5.8 Senior Independent Directors	Dr. H. Cabral PC has been appointed as Senior Independent Director as disclosed in A.1. in the Corporate Governance Report. The role is being expanded to cover new requirement of 2 meetings a year with NEDs and 1 meeting with Executive Directors on governance matters and communicating matters discussed to the Chairman.	
A.5.9 Annual In camera meeting with NED	The Chairman holds a meeting with only Non-Executive Directors at least once a year.	V
A.5.10 Recording of dissent in minutes	Directors' concerns on matters which have not been resolved unanimously are recorded in the Board minutes and Directors have the opportunity to review minutes and correct the same at the next Board meeting.	Ø
A.6. Supply of Information	Refer Principle A.6. in Corporate Governance Report.	
A.7. Appointments to the Board & re-election	Refer A.7. of Corporate Governance Report.	
A.8 Directors to submit themselves for re-election	Refer A.8. of Corporate Governance Report.	Ø
A.9 Appraisal of Board & Committee Performance	Refer A.9.of the Corporate Governance Report.	
A.10 Annual Report to disclose specified information regarding directors	Refer A.10 of the Corporate Governance Report.	☑
A.11 Appraisal of the CEO	Refer A.11 of the Corporate Governance Report	Ø
B. Directors' Remuneration		_
B.1. Establish process for developing policy on executive and Director remuneration.	Refer B 1 of the Corporate Governance Report	Ø
B.2. Level & Make Up of Remuneration	Refer B.2 of the Corporate Governance Report	Ø
B.3 Disclosure of Remuneration	Refer B.3 of the Corporate Governance Report	$\square$
C. Relations with Shareholders		
C.1. Constructive use of the AGM & other General Meetings	Please refer C.1 in Corporate Governance Report.	
C.2. Communication with shareholders	Refer C.2 in Corporate Governance Report.	Ø

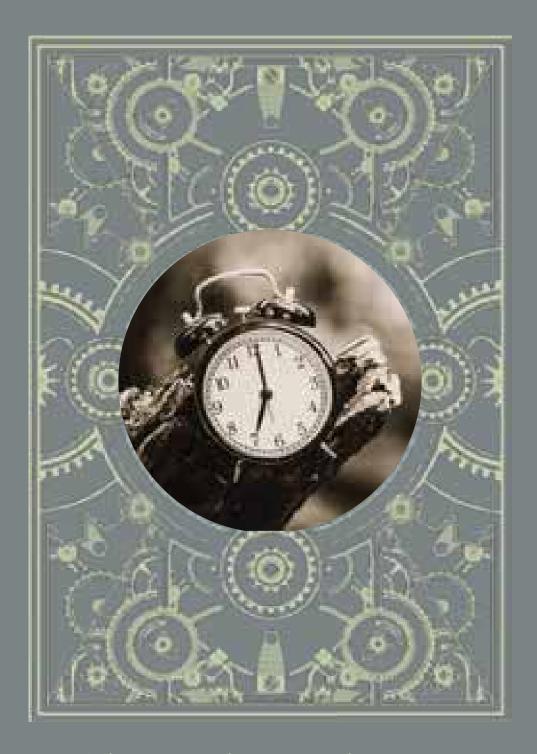
Code Ref.	Compliance and Implementation	Compliance
C.3. Disclosure of major transactions	Please refer Principle C.3. in Corporate Governance Report.	<b>V</b>
D. Accountability & Audit	·	.1
D.1 Accountability & audit	Refer D.1 on corporate Governance Report	$\square$
D.2. Risk Management & Internal Control	Refer D.2 on corporate Governance Report	✓
D.3. Audit Committee	Refer D.3 on the Corporate Governance Report and the Audit Committee Report on pages 250 to 251.	<b>V</b>
D.4 Related Party Transactions Review Committee	Refer D.4 of the Corporate Governance Report and the Reporting of the Committee on page 249.	<b>V</b>
D.5. Code of Ethics	Refer D5 of the Corporate Governance Reporting	$\square$
D.5 Corporate Governance Disclosures	This Corporate Governance Report from pages 48 to 66 complies with the requirement to disclose the extent of compliance with the Code of Best Practices on Corporate Governance as specified in Principle D5.	<b>Ø</b>
E. Institutional Investors		
E.1 Shareholder voting	Institutional Shareholders are encouraged to participate at the AGM and vote on matters set before them.	<b>Ø</b>
E.2 Evaluation of Governance Disclosures	Refer principle E under Corporate Governance.	✓
F. Other Investors	· L	· L
F.1 Investing/ Divesting decisions	Refer principle F under Corporate Governance.	$\square$
F.2 Shareholder voting	Individual Shareholders are encouraged to participate at the AGM and vote on matters set before them.	
G. Internet of Things & Cybersecurity	i	.i
G.1 Identify connectivity and related cyber risks	Refer Principle G under Corporate Governance	Ø
G.2 Appoint a CISO and allocate budget to implement a cybersecurity policy	Refer Principle G under Corporate Governance	$\square$
G.3 Include cybersecurity in Board agenda	Refer Principle G under Corporate Governance	Ø
G.4 Obtain periodic assurance to review effectiveness of cybersecurity risk management	Refer Principle G under Corporate Governance	Partially complied but requires further attention
G.5 Disclosures in Annual Report	Refer Principle G under Corporate Governance	
H. Environment, Society & Governanc	e Reporting	
H .1 ESG Reporting	ESG principles are embedded in our business operations and considered in formulating our business strategy and reported in a holistic manner throughout this report. Information required by the Code is located as follows:	
H 1.2 Environmental factors	Refer Natural Capital Report on pages 224 to 231.	<b>7</b>
H 1.3 Social factors	Refer Social & Relationship Capital Report on pages 210 to 217.	☑
H 1.4 Governance	Refer Corporate Governance on pages 50 to 65.	☑
H 1.5 Board's role on ESG factors	☑	

# Compliance With CSE Continuing Listing Rules

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys' Extent of Adoption	
7.10.1(a)	Non-Executive Directors	Compliant	Five out of eleven Directors are NEDs	
7.10.2(a)	Independent Directors	Compliant	Four of Five Non-Executive Directors were Independent	
7.10.2(b)	Independent Directors	Compliant	All NEDs have submitted their confirmations on Independence as per the criteria set by Hayleys PLC, which is in with the regulatory requirements.	
7.10.3(a)	Disclosure relating to Directors	Compliant	The Board assessed the independence declared by the Directors and determined the Directors who are independent and disclosed same in item on pages 53 to 54	
7.10.3(b)	Disclosure relating to Directors	Compliant	The Board has determined that all Non-Executive Directors except for Mr. K.D.D Perera satisfy the criteria for "independence" set out in the Listing Rules.	
7.10.2(a)	Disclosure relating to Directors	Compliant	Please refer pages 42 to 43 for the brief resume of each Director.	
7.10.3(c) 7.10.3(d)	Disclosure relating to Directors	Compliant	Disclosed the appointments of new Directors to the Colombo Stock Exchange to be disclosed to the public. Brief resumes of the Directors appointed during the year have been provided to the Colombo Stock Exchange.	
7.10.5 (a)	Composition of Remuneration Committee	Compliant	Please refer the Remuneration Committee Report on page 247 and Principles B1 to B3 on pages 55 to 56 of this Corporate Governance Report.	
7.10.5(b)	Functions of Remuneration Committee	Compliant	The remuneration paid to Directors is given in the note 9 to the financial statements on page 300	
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	Compliant		
7.10.6(a)	Composition of Audit Committee	Compliant	Refer Audit Committee Report on pages 250 to 251.	
7.10.0(a)	Audit Committee Functions	Compliant	Refer Addit Committee Report on pages 230 to 231.	
7.10.6(b) 7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	Compliant		
9.2.1& 9.2.3	Related Party Transactions Review Committee	Compliant	The Functions of the Committee are stated in the Report of the Related Party Transaction Review Committee in page 249.	
9.2.2	Composition	Complaint	Please refer the Report of the Related Party Transaction Review Committee in page 249.	
9.2.4	Related Party Transactions Review Committee Meetings	Complaint	Met 04 times during the Financial year 2018/19.	
9.3.1	Immediate Disclosures	Complaint	Please refer Note 38 of the Notes to the Accounts on pages 356 to 359.	
9.3.2(a) & (b)	Disclosure of Non-Recurrent and Recurrent Related Party Transactions	Compliant	Please refer Note 38 of the Notes to the Accounts on pages 356 to 359.	
9.3.2(C)	The Report by the Related Party Transaction Review Committee	Compliant	Please refer the Report of the Related Party Transaction Review Committee on page 249.	
9.3.2(d)	A Declaration by the Board of Directors	Compliant	Please refer the Annual Report of Board of Directors for an affirmative statement of compliance of the Board on pages 236 to 243.	

# **UNLOCKING VALUE**

Value Creation Model 68 | Capital Allocation and Strategy 71 | Stakeholder Engagement 74 Material Matters 76 | Sustainability at Hayleys 79 | Risk Management 82



# The times, they are a-changing

It's all different now. The days when profits alone mattered are long gone. Today's corporates must also provide substantive and positive returns to the human and natural environment, and describe them in their reporting. In an age when public opinion and its effect on consumers and financial markets changes with the wind, we must work harder than ever to determine, not only the current and future profitability of our businesses but also the impact of our journey through time on human communities, the natural environment and public opinion. It is not enough simply to regard this as a formal obligation: today, it is an insurance against chance misfortunes as well as malicious actors.

In this section, we describe what we did in 2018-19 to create maximum value, not only for our shareholders but also for other stakeholders, from customers and business associates to neighbors and fellow members of the communities in which we have established a presence.

# Value Creation Model



**Textiles** 

(Refer page 117)

(Refer page 109)

Agriculture

(Refer page 141)

Consumer & Retail

(Refer page 149)



Transportation & Logistics

(Refer page 173)



**Others** 

(Refer page 181)

**Foundation for Sustainable Growth** 

Stakeholder Engagement (page 74)

# Shareholders (page 192) Revenue: Rs. 219.18 bn Profit after tax: Rs.2.75 bn ROCE: 9.13% Dividends paid: Rs. 375 mn Employees (page 202) Employees: 31,383 Payments to employees: Rs. 25.83 bn Investment in training: Rs. 104.85 mn career development in a Training hours: 166,708 Total revenue: Rs. 219.18 bn negic I Strategic Priorities Customer acquisition: 1.7 mn New products: 197 Growth Suppliers (page 210) Outputs/Outcomes Value created: Rs. 50.76 bn Investment in Driving Value Addition Vision supplier development: Rs. 18.2 mn To be Sri Lanka's corporate inspiration at all times **Business partners (page 210)** Indirect employment: >20,000 Strengthening the Supply Chain Community (page 210) Fulfilment of community Investment in CSR: needs leading to an over Rs. 250 mn Beneficiaries: 92,000 **Environmental Impacts (page 223)** Commitment towards reducing Waste: 77,952MTs the environmental impacts Effluents: 3.71mn m3 of our operations while Carbon footprint: 191,166 tCO2e preserving natural resources

Risk Management (page 82)

Corporate Governance (page 48)

# Capital linkages and trade-offs in 2018/19

The sometimes-conflicting priorities of our stakeholders lead to inevitable trade-offs between our capital inputs. In allocating our capital and resources effectively to our strategic drivers and in creating long-term stakeholder value, we are compelled to make these tough trade-offs and below are the key trade-offs the Group made during the year in review.

Trade-off in 2018/19	Capital(s) affected				
Trade-off between short-term and long-term profitability					
The Group's recent debt-funded acquisitions such as Singer (Sri Lanka) PLC, Sri Lanka Shipping and Fentons have resulted in an escalation of its finance costs, inserting pressure on the Group's profitability. Investments in long-term growth opportunities and capacity expansion at the expense of short-term profitability is an ongoing trade-off and a conscious decision of the Group.	Financial Capital  Manufactured Capital				
Portfolio rationalisation					
During the year the Group was compelled to take some tough decisions in rationalising certain sectors and business lines in view of long-term shareholder return. These decisions are likely to entail certain trade-offs in human capital as well as social and relationship capital.	Financial Capital  Social and Relationship Capital  Human Capital				
Customer retention amidst margin pressure					
The increase in commodity prices and the sharp depreciation of the Sri Lankan Rupee during the year impacted the profitability margins of several sectors during the year. By absorbing a portion of the cost increases the Sectors focused on retaining customers for long-term growth. Although margin pressure adversely impacted the build-up of Financial Capital, this decision is expected to support the nurturing of our Social and Relationship capital leading to future business growth and more sustainable relationships.	Financial Capital  Social and Relationship Capital				
Investments in Research and Development					
Driving innovation is a key priority for the Group and during the year we invested Rs. 278 mn in R&D capabilities; although this is likely to have a short-term impact on our cash flows and costs these innovations are expected to drive market share, customer acquisition and position the sectors for long-term growth.	Financial Capital  Intellectual Capital  Social and Relationship Capital				
Investments in our Human Capital					
The challenging external environment during the year has compelled several sectors to optimise the workforce and up-skilling employees through ongoing investment in training and development. Although these investments have had a short-term impact on Financial capital, by making better use of our employees we have grown our Intellectual Capital.	Financial Capital  Intellectual Capital  Human Capital				

# Capital Allocation and Strategy

The Group's capital allocation decisions are based on the dual objectives of managing the short-term liquidity position whilst investing for business growth over the medium- long-term horizon maintaining a balanced portfolio in terms of risks and rewards.

Accordingly, the Group's mature business sectors such as Transportation and Logistics, , Purification, Construction Materials and Hand Protection support short-term shareholder expectations through consistent earnings growth and driving medium to long term business value contributing to both turnover and profitability; while recent investments such as Singer (Sri Lanka) PLC, Sri Lanka Shipping Company , Luxury Resorts (Pvt) Ltd., Unisyst Engineering PLC and Fentons are expected to drive long-term business value.

As part of the Group's portfolio rationalisation plan to pare its exposure to borrowings, the Group also engaged in several divestments and sector restructuring during the year under review;

# Sources of Capital Shareholders' Funds Debt Cashflow from

operations

### **Allocation of Capital**

Short term priority: Maintaining strong balance sheet and healthy liquidity

- (1) Investments in short-term deposits: Rs. 3.68 bn
- (2) Cash in hand and at bank: Rs. 8.97 bn
- (3) Freehold & Investment property land: Rs. 32.90 bn
- (4) Available banking facilities: Rs. 12.2 bn

### Long term priority: Expansion and portfolio rationalisation

Long term priority: Expansion and portfolio rationalisation

- (1) Divestment of Hunas Falls Hotels PLC generating a capital gain of Rs. 445 mn
- (2) Divestment of 51% of shares held in Hayleys Global Beverages (Pvt) Ltd. to form a joint venture with a global leader in botanical products
- (3) Acquisition of domestic couriering company, IML Delivering Systems (Pvt) Ltd. by the Transportation and logistics Sector
- (4) Capacity expansion in Construction Materials and Eco Solutions sectors

### **Performance Against Strategy**

The Group's overarching long-term strategic pillars remain relatively unchanged, although dynamics in the operating landscape compel us to frequently revisit the strategic drivers and targets set. Strategic priorities are determined by the Board of Directors and cascaded to the Sectors

### Mission: Delivering superior shareholder value by unleashing the full potential

trategic







Growth

To drive sustainable and inclusive growth for all our stakeholders

Digitization

Adapting to the dynamic digital age through technology and social media to create value

**Optimising Returns** 

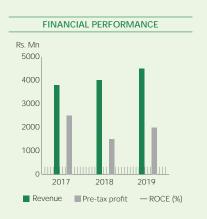
To have a balanced investment portfolio in terms of risk, returns and growth to ensure sustainable profitability and liquidity and medium to long term stability and growth

Strategic Drive in 2018/19

- Organic growth through innovation and capacity expansion
- Offshore expansion to new markets
- Proactive client acquisition in new and existing markets
- Enhance brand equity and digital presence
- · Search engine optimisation
- Create online e-commerce platforms
- Utilisation of Artificial Intelligence to drive process efficiencies
- Maintain diversified portfolio
- Portfolio restructuring
- · Optimising leverage
- Divesting idle assets

Several of the Group's sectors pursued overseas expansion and client acquisition during the year including Agriculture, Hand Protection, Purification and Eco solutions among others.

KPI	Performance
New products launched	197
New customers	Rs. 1.7 mn



We sought to leverage on Al capabilities by introducing technology to facilitate better demand forecasting and logistics management at Singer (Sri Lanka) PLC

Rs. 16.8 mn

Investment in Artificial Intelligence

**6,477**Number of Online Transactions

The Group divested its holding in Hayleys Global Beverages and Hunas Falls PLC during the year. We also restructured the Consumer and Others Sectors to facilitate better deployment of resources.

Sector	ROCE (%)
Sector	ROCL (70)
Eco Solutions	6.48
Hand Protection	9.4
Purification	12.0
Textiles	10.4
Construction Materials	12
Plantations	12
Agriculture	21.2
Consumer & Retail	11
Leisure	7
Industry Inputs, Power and	12
Energy	
Transportation and Logistics	14
Others	4

### ENABLED BY THE GROUP'S FOCUS ON SUSTAINABLE VALUE CREATION

38%

Overall female representation across the Group

24%

reduction in Water Intensity

40,390KWh

of renewable energy generated

Way Forward • Pursue growth opportunities in regional markets

- Full implementation of AI capabilities in the Consumer Sector
- B2B and e-commerce platforms by Hayleys Advantis
- Further portfolio rationalisation and sector restructuring

### of our people and achieving leadership in all our domestic and global businesses.



### Strengthening Supply Chain

To drive sustainable and inclusive growth for all our stakeholders

- Strengthen supply chains across Sri Lanka and overseas
- Broad-base supply sources
- Supplier development initiatives
- Strengthen backward integration



### **Driving Value Addition**

Adapting to the dynamic digital age through technology and social media to create value

- Continuous investment in R&D
- Expanding logistics capabilities
- Develop innovative new products



### Inspired and dedicated team

To have a balanced investment portfolio in terms of risk, returns and growth to ensure sustainable profitability and liquidity and medium to long term stability and growth

- Attract the right talent
- Enhance employee engagement with focus on digital platforms
- Ongoing training and development-local and international exposure
- · Effective performance appraisal

>69,000

Total supplier base

Rs. 135,662 mn

Value injection to suppliers

Rs. 18.2 mn

Investment in supplier development initiatives

197

New products developed

Rs. 278 mn

Investment in R&D

3.4%

Accounts for country's exports

KPI	ROCE (%)
Total employees	31,383
Average training hours/	5.3
employee	
Retention rate	91%
Promotions	598
Female representation (%)	38

### ENABLED BY THE GROUP'S FOCUS ON SUSTAINABLE VALUE CREATION

of water

Rs. 104.8 mn | Training investment

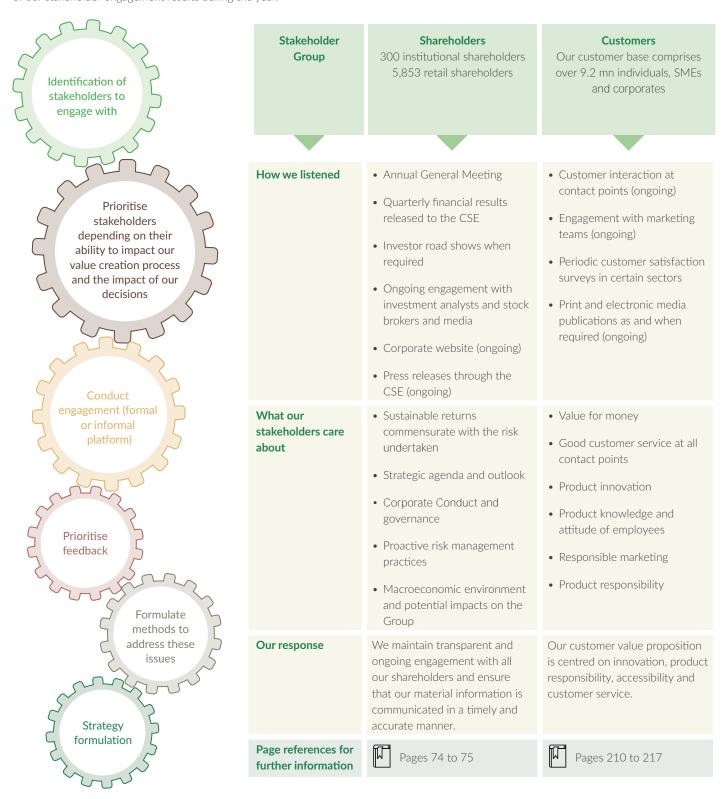
Rs. 255 mn | CSR investment

- Form deeper relationships with new and existing suppliers
- Maintain our long-term commitment on driving shared value creation
- Strengthen employee engagement through digital platforms

# Stakeholder Engagement

102-40 | 102-42 | 102-43 | 102-44 |

The Group's engagement with its universe of diverse stakeholders is facilitated through both formal and informal mechanisms, allowing us to identify and respond to their legitimate concerns. When selecting stakeholders to engage with, we prioritise those who could potentially have the most significant impact on our ability to create value. Our stakeholder engagement process is illustrated below followed by a brief overview of our stakeholder engagement results during the year.



### **Employees**

We are the one of the country's largest employers with a total talent pool of 31,383

### Suppliers and Business Partners

Our business sectors have deep linkages with an extensive network of suppliers and business partners

• Supplier development

initiatives (ongoing)

assessments

communication

• Community engagement

initiatives (ongoing)

· Periodic supplier reviews and

Periodic meetings and written

### Government

We engage with a number of regulators through our diverse business sectors.

### **Communities**

We have formed deep-rooted and sustainable connections with the communities we operate in

- Performance appraisals (annual)
- Periodic satisfaction surveys
- Periodic staff meetings
- Year-round event calendar including work life balance initiatives, sports activities and cultural activities
- Annual award schemes
- CSR programmes (ongoing)

· Secure demand

- Fair and transparent pricing
- Ease of transacting
- Continuity of relationship
- Transfer of technical knowledge

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

· Compliance to all relevant

• Maintain regular and

guidelines

regulations, directions and

transparent communications

• Contribute positively to the

society and environment

- Meetings with beneficiaries of CSR initiatives and capacity building programmes (ongoing)
- Press releases and other publications (ongoing)

• Employment creation within

• CSR initiatives and capacity

• Environmental preservation

building programmes

communities

- Attractive remuneration schemes
- Opportunities for talent and skill development
- Career progression opportunities
- Injury-free, safe working environment
- Freedom of association

Our unique employee value

proposition is focused on

opportunities for career

Work-life balance

The Group has been successful in nurturing sustainable relationships with its suppliers through offering a holistic value proposition that exceeds a mere

The Group maintains a close and transparent working relationship with its regulators, to ensure compliance and obtain clarification on issues if required.

In line with our long-term commitment towards sustainability we strive to create value for the communities we operate in through meaningful

Pages 202 to 209

attractive reward schemes.

progression within the Group,

substantial training exposure and



Pages 210 to 217

financial transaction



Pages 210 to 217



Pages 210 to 217

and proactive projects

### **Determining material issues**

During the year under review, the Group implemented an integrated and holistic process for determining material issues. This process facilitates regular review and updating of the topics in response to changes in the operating environment, stakeholder expectations and Group strategy. We believe this process will facilitate the ongoing review and prioritisation of material topics, supporting better decision making and robust risk management. The process adopted is detailed below;

Following the implementation of this process, we engaged in a comprehensive materiality assessment across all sectors enabling us to clearly and systematically identify the issues that could impact the Group's ability to create value over the short, medium and long-term.



Engaged in a comprehensive review of the Group's business model, structure and strategy to identify potential material issues. Given the diversity of the Group's operations, reviews were conducted at Sector



Preparation of a preliminary list of potential issues for discussion and prioritisation. The GRI framework, Integrated Reporting Framework and the UN Sustainable Development Goals were used as guidance when determining the topics; however, these were customised based on the business model, strategy and stakeholder concerns of the Hayleys Group.



Formulation of an appropriate materiality test for the Group using 7 filters which reflect the Group's strategic aspirations, corporate culture and business model. Separate filters were utilised in ranking factors which could impact the organisation and factors which influence stakeholder decisions as follows;

### Financial impact

Evaluation of the potential impact on financial performance, stability and cashflow generation.

### Opportunity for innovation

Potential for product and process innovation which can lead to a competitive advantage

Impact on the Group's brand image and reputation

Impact on external geopolitical, economic, social, technological and other factors

Relevance to our strategic aspirations

Exposure to risk factors stemming from both the internal and external environments

Impact on stakeholder decisions evaluated through;

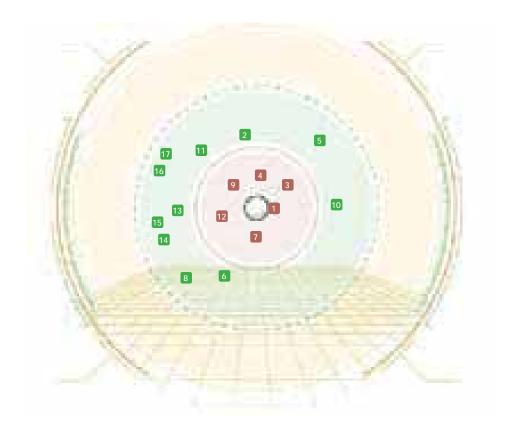
### Stakeholder concerns

Potential impact on the decisions of stakeholders including employees, shareholders, consumers and value chain partners



Prioritisation of issues using a weighted aggregation model; the prioritisation reflects material topics at a Consolidated level as opposed to the individual sectors.

### **Materiality Radar**



Ma	aterial topic	Corresponding GRI principle	Corresponding NGRC indicator	Link to UN SDG	Reference for further information	
(1)	Customer satisfaction				211	
(2)	Product/service quality	GRI 416-Customer health and safety GRI417-Marketing and labelling	SOCL18		211	
(3)	Employment	GRI 401-Employment	SOCL2	8 DECENT WORK AND ECONOMIC GROWTH	202	
		GRI 402-Labour management relations	SOCL5	M		
		GRI 403-Health and safety				
		GRI 407-Freedom of Association and Collective Bargaining				
(4)	Principal relationships				213	
(5)	Training and education	GRI 404-Training and education	SOCL7,SOCL8	4 QUALITY EDUCATION	202	

Ма	iterial topic	Corresponding GRI principle	Corresponding NGRC indicator	Link to UN SDG	Reference for further information
(6)	Operational efficiency				200
(7)	Innovation				219
(8)	Compliance	GRI 307-Environmental compliance	ENVT22	<b>5</b> GENDER	214,225
		GRI 406-Non discrimination		<b>©</b>	
		GRI 419: Socio economic compliance	SOCL12	+	
(9)	Manufacturing capabilities				200
(10)	Raw materials	GRI 301-Raw materials	ENVT1, ENVT2		227
(11	Exposure to commodity prices				Sector reviews (93-187)
(12)	Exposure to exchange rate fluctuations				Sector reviews (93-187)
(13)	Best practices along supply chains	GRI 204:Procurement practices	ECON4,SOCL11		213
(14)	Economic impacts	GRI 201-Economic Performance	ECON1, ECON2	4 10	232
		GRI 203-Indirect economic impacts	ECON6	1 NO POVERTY	
		GRI 413-Local communities		10 REDUCED INFORMATIES	
(15)	Preserving natural	GRI 303-Water	ENVT8	O CITAN WATER	223
	resources	GRI 304-Bio-diversity	ENVT11,ENVT12	6 ALAN WILLEY  12 RESPONDENT  LONGON TON  LONGON TON  LONGON TON  15 UF OLIANO      15 UF OLIANO	
(16)	Effluents and waste	GRI 306-Effluents and waste	ENVT16,ENVT17		230
(17)	Emissions	GRI 302-Energy GRI 305- Emissions	ENVT3, ENVT4, ENVT6, ENVT 7 ENVT13, ENVT14 ENVT3,ENVT4,ENVT6,ENVT 7	7 GLAN TURNY  13 GLIMATE  13 ACTION	231

# Sustainability at Hayleys

GG We are committed to the annual communication of our sustainability performance through international frameworks such as the Global Reporting Initiative, the United Nations Global Compact and the Integrated Reporting Framework. 99

Sustainable value creation is embedded in the Group's organisational culture and business model and the Group has continued to focus on integrating sustainability considerations into its overall business strategy. This commitment is clearly articulated in the Group's Sustainability and Corporate Responsibility Framework which is designed to streamline and combine the effects of the Group's diverse business sectors to encourage strategic sustainable initiatives across Group companies. The Framework embodies 4 key pillars as graphically illustrated below. Sustainability performance is measured, tracked and reported through a set of standardised pre-defined performance indicators with leadership provided by the Group's Corporate Sustainability Team. We are committed to the annual communication of our sustainability performance through international frameworks such as the Global Reporting Initiative, the United Nations Global Compact and the Integrated Reporting Framework. We also intend to subscribe to similar local reporting standards such as National Green Reporting System

### Developments in 2018/19

- More comprehensive data coverage through Sustainability portal
- Increased engagement between the sectors and Group Sustainability
- Computation of Scope 3 carbon emissions
- Adoption of the National Green Reporting Standards

### **Approach and Policy Architecture**



### Sustainability issues

### **Water Scarcity**

Water scarcity in Sri Lanka's dry zone has affected agricultural output as well as the livelihoods of those who depend on agriculture. The zone is home to 1/3rd of Sri Lanka's population and the zone receives less than 1500 mm of water per year

### **Climate Change**

Sri Lanka is increasingly feeling the impacts of climate change with erratic weather patterns, temperature fluctuations and intensified natural disasters.

### Income inequality

Despite a reduction in the overall poverty headcount income inequality has remained unchanged for over 4 decades. The richest 20 per cent enjoy more than half the total household income of the country, while the poorest 20 per cent get only 5 per cent.

### Ageing population

Sri Lanka has a rapidly aging population with 25% of the population expected to be elderly by 2041.

# Our Commitment to the Sustainability Development Goals

The Group supports an island-wide network of over 20,000 out-growers and 69,000 suppliers, fostering economic empowerment and creating livelihoods across the country. The Agriculture sector launched a new cucumber out-grower project in Vaakarai during the year, with 500 participants.

SDG#1

No Poverty

Hayleys Agriculture is committed towards manufacturing and supplying an array of nutritious agriculture-based food products.  $oldsymbol{\oplus}$ The Plantation Sector is making concerted efforts to eliminate malnutrition in estate communities and conducted nutrition related engagements 🕀

SDG#2

Zero Hunger

The Plantation Sector conducted over 600 workshops/campaigns on immunisation, nutrition, antenatal and auxiliary medical services. As a leading glove manufacturer, Dipped Products PLC contributes towards health and hygiene practices across households and industries.

SDG#3

Good Health and Well-being

The Group invested Rs. 105 million in 166,708 training hours to its employees during the year.

SDG#4

Total Investment in CSR activities amounted to Rs. 255 million and 26% is education related CSR activities from the total. Several sectors also engage in capacity building across its value chains

**Quality Education** 

We are an equal opportunity employer and overall female representation amounted to 38% during the year. At Board level, female representation is 9%

SDG#5 Gender **Equality** 

Several of our manufacturing organisations engage in water recycling and during the year 20% of our water extraction was recycled.

SDG#6 Clean water and

**Sanitation** 

Through Sath Diyawara our flagship CSR initiative, we provide access to clean drinking water to over 33,590 people in CKD affected areas

Effluents generated by our operations amounted to 3.7 mn M3

**Affordable** 

With a total installed capacity of 50MW the Group generates around 2.5% of the country's total renewable energy through wind, mini hydro and solar power plants. 🕀 Group's energy consumption from fossil fuel based sources

amounted to 0.7 GJ except electricity The Group provides employment to 31,383 individuals and is

among the country's most preferred employers.

SDG#8

Decent Work and **Economic** Growth





### SDG#9

Industry Innovation and Infrastructure

We handle 18% of the throughput at the Colombo Port Innovation is also harnessed in all our business sectors and during the year we launched a total of 180 new products.

### SDG#10

Reduced Inequalities The Group's total indirect employment amounts to more than 20,000 and we contribute towards rural employment generation and empowerment across our supply chain.

### SDG#11

**Sustainable Cities** and Communities

Total suppliers reached through sustainable supplier development initiatives amounted to 403 with a total investment in development amounting to Rs. 18.2 mn.

### SDG#12

Responsible Consumption and Production The Group's total energy and carbon intensity increased by 12% and 28% respectively during the year due to expansion of the reporting scope. We have also obtained numerous certifications across our sectors to ensure that business is conducted without harming the natural environment. ••

### SDG#13

Responsible Consumption and Production Through the Group's renewable generation, we offset 19% of the Group's carbon footprint.

Group-wide efforts are in place to reduce dependence on fossil fuels and during the year 68% of the Group's energy requirements were fulfilled through renewable energy sources. The Group's total carbon footprint for the year amounted to 191,166 TCO2e an increase of 64% compared to the previous year

### SDG#14

Life Below Water

The Leisure Sector's unique coral replanting programme by Amaya Kuda Rah contributes towards marine conservation

### SDG#15

Life on Land

Sectors which operate in areas of rich diversity (mainly plantations and leisure) have concerted efforts towards preserving the surrounding flora and fauna.

During the year, business sectors collectively planted 169,466 trees 🕂

### SDG#16

Peace, Justice and Strong Institutions

Strong corporate governance practices including a stringent system of policies, measures to prevent anti-corruption and the highest standards of integrity and transparency

### SDG#17

Partnership for the Goals

We are a signatory to the UN Global Compact and are an active partner in achieving these goals

# Risk Management

risk management structures are strengthened by over 20 Audit Committees at Sector and Subsidiary level, which evaluate risk exposures on an ongoing basis 99

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

### Risk Governance

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

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



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

### Approach to Risk Management

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







### Risk Assessment methodology

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



LIKELIHOOD X IMPACT = RISK

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

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

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

Determining Material Aspects for Each Sector Determining Materials Aspects for Group (Refer Page 76)

Identifying risk indicators

Monitoring risk

Mitigating/ Managing Risk

### Principals Risks in 2018/19

Risk Exposure	Potential Impact	Developments in 2018/19	Mitigating Activities	Net Risk Assessment		
and Impact				Impact	Likelihood	
Political and security concerns	Following the acquisition of Singer (Sri Lanka) PLC, the Group's revenue composition has tilted more towards domestic sources. Political instability and security concerns therefore could have a significant impact to key sectors such as Consumer and Leisure.	In the aftermath of the terrorist attacks in April 2019, heightened security concerns have led to a general weakening of consumer sentiments and is likely to result in a moderation of economic growth and subdued consumer spending over the short-term. In addition, reduced tourist arrival will impact the leisure sector	<ul> <li>Pursue overseas growth opportunities</li> <li>Customer segmentation and product differentiation</li> <li>Proactive customer engagement activities</li> <li>Active marketing campaigns</li> </ul>	High	Medium	
Availability and pricing of raw material/ commodities	Our key business sectors are engaged in manufacture and processing activities and a continuous supply of raw materials at a predictable price is vital in ensuring the smooth continuity of operations.	Construction materials and purification sectors were impacted by raw material price increases during the year, stemming from adverse weather conditions and geopolitical tensions. Meanwhile, the Plantation sector was impacted by the decline in commodity prices.  Raw material/ price commodity increase Coconut shell +10% Tea prices -6% Latex prices -9%	Broad base of suppliers for raw materials     Supplier screening to ensure capability     Quality control processes from receiving point to ensure a match with specifications     Monitoring market trends for key inputs at sector level to ensure we receive competitive pricing	High	High	
Exchange rate fluctuations	As a Group with significant interests in manufacturing, we import a range of raw materials for our production process. The sharp depreciation of the Sri Lankan Rupee during the year, resulted in an escalation of import costs in several key sectors including construction materials, hand protection and agriculture.	The Sri Lankan Rupee depreciated by 12% during the year ending 31st March 2019, reflecting the broadbased strengthening of the US Dollar against regional currencies and capital outflows during the last quarter of the year.  12% depreciation of the Sri Lankan Rupee in the twelve month ending March 2019	Ongoing monitoring of macro-economic trends     Forward booking of foreign exchange rates     Natural hedge afforded by the Group's export business	High	High	
Government Policy and macro- economic variables such as interest rates	Monetary and fiscal policy as well as Government approach to foreign relationships have a direct impact on the Group impacting operating margins and profitability. Government policy determines the interest rate and exchange rate trends.	The rising interest rates during most part of the year inserted significant pressure on the Group through higher interest costs.	Rising inflation, interest rates and wages is monitored and strategies were adopted to minimise impact where possible. An example is the re-negotiation of interest rates on loans based on improved financial performance which has reduced finance costs  Joint industry action to promote favourable terms of trade with other countries	High	Medium	

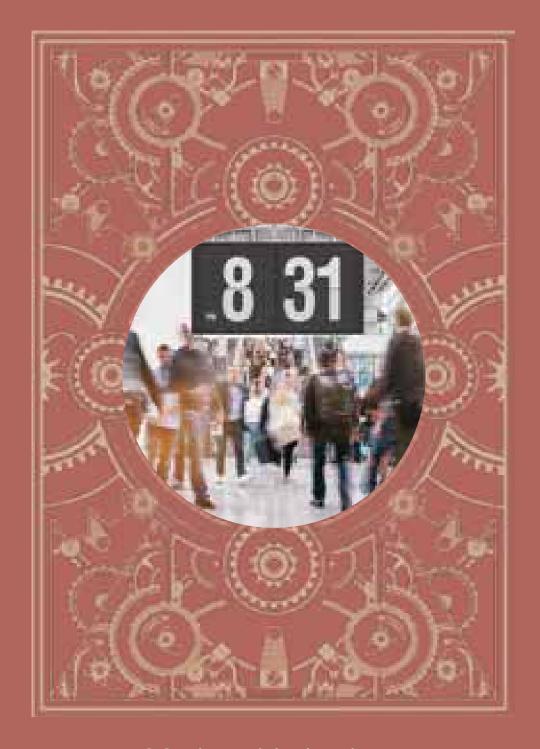
Risk Exposure	Potential Impact	Developments in 2018/19	Mitigating Activities	Net Risk A	Assessment
and Impact				Impact	Likelihood
Labour shortages	As a Group with significant manufacturing interests, difficulties in attracting and retaining employees is a key risk which affects the continuity and profitability of our operations.	Several sectors experienced labour shortages and have thus focused on improving operational and process efficiencies.  Labour force participation rate declined to 51.8% from 52.2% the year before	<ul> <li>Offering a strong value proposition to employees</li> <li>Cordial trade union relationships</li> <li>Introduction of a revenue sharing model in the Plantations sector</li> </ul>	High	Medium
Implications of Climate Change	imate change are being felt more Hand Protection and Purification relationships		High	Medium	
Supply and affordability of Energy	Energy is required at every stage of our manufacturing operations and has a direct impact on our carbon footprint	Heavy rainfall in catchment areas supported increased hydro power generation during the year. However, demand has continued to escalate and following the breakdown of the Norochcholai plant and dry conditions in the first quarter of 2019 led to power shortages across the country. This underscores the importance of increasing NCRE generation.  The Group has made concerted efforts to switch to renewable energy with several sectors installing bio-mass boilers and rooftop solar panels.	<ul> <li>Reviewing energy mix and reducing dependency on non-renewable sources</li> <li>Increased investments in renewable energy sources to supply power to main grid</li> <li>Investing in energy efficient machinery and equipment</li> <li>Continuous monitoring of energy intensity ratio to drive required action</li> <li>(Refer page 224 of the Natural Capital segment for further information)</li> </ul>	High	High
Geopolitical Risk	Approximately 45% of Group's turnover is now derived from exports or indirect exports with a fair amount of exposure to the Middle East, Russia and Ukraine arising from particularly the Plantations sector, geopolitical risk has become a key risk that will impact our top line.	Global economic conditions remained subdued during the year, reflecting trade tensions.	<ul> <li>Diversified export markets</li> <li>Growth aspirations in new markets</li> <li>Increasing penetration to stable markets</li> <li>Monitoring developments in formulating strategy</li> </ul>	Medium	Medium

Risk Exposure	Potential Impact	Developments in 2018/19	Mitigating Activities	Net Risk A	Assessment
and Impact				Impact	Likelihood
Availability of Water	operations are water intensive, particularly Textile, Hand Protection and Plantations. The inability to source a continued supply of water is likely to impact continuity of operations and affect profitability.  In the inability to source a continued supply of water is likely to impact continuity of operations and affect profitability.  In the inability to source a continued supply of water is likely to impact continuity of operations and affect profitability.  In the inability to source a continued supply of water is likely to impact continuity of operations and affect profitability.  In the inability to source a continued supply of water is likely to impact continuity of operations and affect profitability.  In the inability to source a continued supply of water is likely to impact continuity of operations and affect profitability.  In the inability to source a continued supply of water is likely to impact continuity of operations and affect profitability.  In the inability to source a continued supply of water is likely to impact continuity of operations and affect profitability.  In the inability to source a continued supply of water is likely to impact continuity of operations and affect profitability.  In the inability to source a continued supply of water is likely to impact continuity of operations and affect profitability.  In the inability to source a continued supply of water is likely to impact continuity of operations and affect profitability.  In the inability to source a continued supply of water withdrawn from source for cooling and heating purposes.  In the inability to source a continued supply of water withdrawn from source for cooling and heating purposes.  In the inability to source a continued supply of water withdrawn from source for cooling and heating purposes.  In the inability to source a continued supply of water withdrawn from source for cooling and heating purposes.  In the inability to source a continued supply of water withdrawn from source for cooling and heating purposes.  In th		Medium	Low	
Employee Health & Safety	We value our employees and recognise our responsibility to provide a safe working environment. We also understand that specific aspects of our processes may present higher levels of risk to employees' health and safety.	Several sectors strengthened health and safety frameworks with improved hazard reporting and monitoring. The Group's total workplace injuries recorded an increase to 1,603 during the year, mainly due to improved reporting of injuries by all sectors.	Establishment of worker managed health and safety committees to ensure their views are understood and addressed     Establishing safety procedures for all operations that present risks to employees and ensuring implementation of the same     Maintaining and monitoring employee health and safety statistics  (Refer page 202 of the Human	Low	Low
			(Refer page 202 of the Human Capital Report for further information)		
Employee Relations	Employee relations are a key concern as many employees in manufacturing operations are from the vicinity and over 60% are members of politically allied trade unions as Hayleys Group recognises the right to freedom of association	We maintained cordial relationships with trade unions during the year with several sectors signing collective agreements in 2018/19. An industry-wide disruption to work occurred in the Plantations Sector due to wage negotiations.	Grievance policy for employees to discuss areas of concern     Regular structured dialogue with union representatives to identify areas of concern     Balanced HR policies applied in a consistent manner building trust with employees     Communicating how personal goals are aligned with organisation goals through an organisation wide performance management system  (Refer page 202 of the Human Capital Report for further information)	Low	Low

Risk Exposure	Potential Impact	Developments in 2018/19	Mitigating Activities	Net Risk Assessment	
and Impact				Impact	Likelihood
Effluents & Waste	Effluents from our manufacturing processes containing chemicals are discharged only after treatment in compliance with Central Environment Authority licensing requirements to ensure that it does not adversely affect the community and the bio-diversity of the surrounding area.	Manufacturing sectors continuously monitor the quality of effluents discharged and during the year there were no reported instances of non-compliance to CEA guidelines on water quality parameters.	Investing in effluent treatment and solid waste management     Monitoring quality of effluents on an hourly basis to ensure conformity with CEA requirements  (Refer Natural Capital Report on page 224)	Low	Low
Customer Satisfaction	Satisfied customers are During the year, we acquired 1.69 • High levels of customer		High	Medium	
Product Responsibility Product responsibility is critical to our reputation, customer retention and growth		We maintained compliance with all related certifications, and during the year there were no reported instances of non-compliance to any product responsibility related regulations/codes.	<ul> <li>Compliance with regulatory and certification requirements</li> <li>Monitoring of customer complaints</li> <li>Supplier screening for financial, social and environmental criteria</li> <li>Quality control processes</li> <li>(Refer Creating Value for Customers on pages 210 to 217)</li> </ul>	Low	Low
Local Community Relations and Indirect Economic Impacts	We engage with local communities providing employment opportunities and indirect employment which are critical for the socio- economic progress of these communities which create a level of interdependency requiring active management.	The Group maintained meaningful and mutually beneficial community relationships during the year, with total investment in CSR amounting to Rs. 255 mn of which inclusive of donor funds for plantation workers housing projects.	High levels of engagement with employees and community     Robust employee and community value propositions to maintain an appropriate balance     Building pride in the organisation with employees and community     (Refer Human Capital Report and Creating Value for the Community on pages 202 and 217 respectively)	Medium	Low

# **PORTFOLIO REVIEW**

Operating Environment 90 | Portfolio Review 92 | Eco Solutions 93 | Hand Protection 101 |
Purification 109 | Textiles 117 | Construction Materials 125 | Plantations 133 | Agriculture 141 |
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Transportation & Logistics 173 | Others 181



# Moving with the times

What is Hayleys? The answer has varied over the decades, and today no single answer will do. Like the Ancient Greek god Proteus, who could change his appearance at will, Hayleys has changed and grown with the times, skilfully seizing upon opportunities in different enterprise areas to build a conglomerate powerhouse. Presently, it comprises no less than 182 companies: every one different, each uniquely designed for success in its particular field despite the underlying commonality of their culture. In this section, we review the fortunes and achievements of our group businesses in 2018-19.

# Operating Environment

### **Global Economic Growth**

The growth momentum of the global economy softened in 2018, with the growth rate moderating to 3.6% with a notable deceleration during the 2nd half of the year. The slowdown reflected escalating trade tensions between China and the USA, tighter credit policies in China, disruptions to the auto sector in Germany and weaker investor and consumer sentiments in the Euro region. Growth in the USA remained robust at 2.9% supported by strong consumption growth and reducing unemployment. The Euro region lost momentum, expanding by just 1.8% during the year while natural disasters in Japan led to a growth of merely 0.9%. Emerging market and developing economies grew by 4.5% (compared to 4.7% in 2017) as growth in China slowed to 6.6% amidst a regulatory tightening, and efforts to drive a more sustainable growth agenda. The second half of the year also saw diminishing export orders from the USA further impacting growth. Other emerging market economies also recorded slower growth reflecting worsening global financial market sentiments as well as country-specific challenges.

### **Commodity prices**

Moderating global growth and weakening trade added downward pressure on commodity prices towards the end of 2018. Supply factors including a temporary waiver in US sanctions on Iranian oil exports and record-high US crude oil production added to the downward pressure on prices, although some recovery was seen during the first quarter of 2019 due to production cuts by oil-exporting countries. Meanwhile prices of base metals also increased towards the latter part of 2018, resulting from supply disruptions in some major metal markets. Global food prices were depressed during the first part of 2018 reflecting trade tensions, weak emerging market currencies and good growth in the grain harvest, recovering since then supported by better world sugar prices.

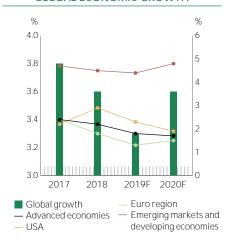
### Global trade

Global trade slowed to 3.8% reflecting US-China trade tensions and weak investment in most advanced and emerging economies. Weak expectations of future activity points to a persistently slow momentum this year.

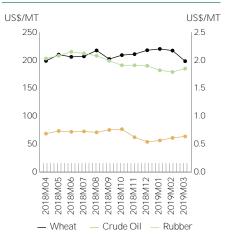
### Outlook

Challenges are expected to persist into 2019 with the International Monetary Fund projecting that 70% of the global economy will record a decline during the year. Growth for 2019 is expected to moderate further to 3.3% given considerable uncertainties in the short-term and the anticipated convergence of the growth of advanced economies to their modest long-term potential. Key downside

### **GLOBAL ECONOMIC GROWTH**



### COMMODITY PRICE MOVEMENTS



risks include a flare up of trade tensions which could impact global supply chains, risks associated with Brexit, potential weakening of financial conditions stemming from large debt burdens in several countries and further slowdown of the Chinese economy.

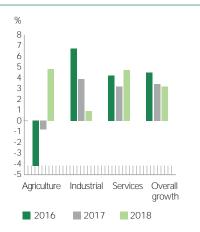
### Sri Lankan economy

Sri Lanka's GDP growth moderated to 3.2% in 2018 (from 3.4% in 2017) reflecting cascading effects of global dynamics as well as internal challenges. The Agriculture sector posted recovery after several years of negative growth, to expand by 4.8% supported by conducive weather conditions. The Agricultural Production Index which measures the output of Agriculture and Fisheries increased by 10.1% during the year with paddy, coconut and other crops increasing in comparison to the previous year. The cultivation of tea and rubber, however weakened during the year due to unfavourable conditions in cultivating regions. The slowdown in overall growth reflects the downturn in the Industries sector which recorded a marginal growth of 0.9% (from 4.1% last year) attributed to the disappointing performance of the construction sub-sector. Growth of the manufacturing sub-sector slowed to 3% from 3.3% in 2017 while the Index of Industrial Production (IIP) expanded marginally by 0.8%. Sub sectors such as food, beverages, apparels and rubber and plastic products recorded growth during the year. The Services sector grew by 4.7% during the year reflecting broad-based expansion of several sub-sectors including financial services and telecommunications.

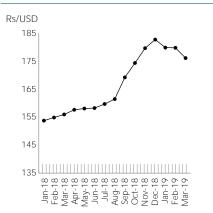
### Monetary policy and interest rates

The Central Bank relaxed the tight monetary policy stance that was adopted in previous years, with the upper bounds being reduced in April 2018. Continued deficits of rupee liquidity in the domestic money market compelled the Central Bank to reducing the Statutory Reserve Ratio (SRR) applicable on all rupee deposits of commercial banks in November 2018, while increasing policy





**EXCHANGE RATE** 



interest rates to neutralise the impact on interest rates. This approach was adopted with the objective of stabilising inflation at mid-single digit levels and anchoring inflation expectations to enable the economy to reach its potential in the medium term. Amid the tight liquidity conditions that prevailed during the year, lending rates of commercial banks remained high during most part of 2018 with AWPR and AWLR gradually increasing during the year.

The Government forecasts growth to reach 5.0% levels by 2023 although the achievement of the growth path would depend on stability in the political landscape, commitment to the structural reforms initiated and higher participation of the private sector. 99

### Exchange rate

The Sri Lankan rupee depreciated sharply against the US dollar during the year, falling by 12% during the year to close the year at Rs. 176.09. The weakening of the Rupee reflected the broad-based appreciation of the US dollar against regional currencies as well as political instability during the 2nd half of the year which led to a capital outflow. The Central Bank largely allowed demand and supply forces to determine the level and direction of the exchange rate of the rupee in the foreign exchange market, intervening only to prevent disorderly adjustments. Meanwhile the first quarter of 2019 saw the Rupee strengthening somewhat, as government efforts to curtail import expenditure came to fruition.

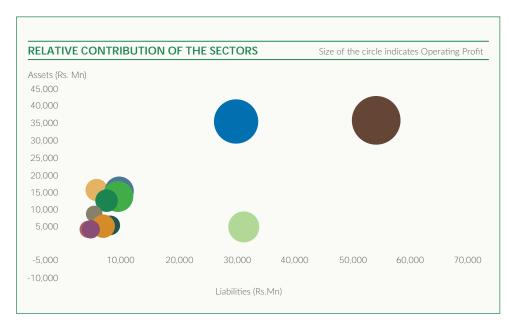
### Outlook

The terrorist attacks in April 2019 have dampened prospects in the short-term, as consumer spending and investor sentiments remain subdued. Upcoming elections may lead to some fiscal slippage during the 2nd half of the year, thereby inserting pressure on government finances. Meanwhile escalating uncertainties in the global geopolitical dynamics could pose considerable risks to Sri Lanka. The Government forecasts growth to reach 5.0% levels by 2023 although the achievement of the growth path would depend on stability in the political landscape, commitment to the structural reforms initiated and higher participation of the private sector.

Trend	Impact on the Group
Fluctuations in commodity prices	The escalation in inputs costs of several sectors resulted in narrower profit margins, as rising costs could not immediately be passed on to customers.
Rising interest rates	Given the increased exposure to borrowings to fund the Group's acquisition led strategy, rising interest rates had a substantial impact on Group profitability through higher interest payments.
Exchange rates	The depreciation of the Sri Lankan Rupee supported the Group's export oriented businesses, although somewhat countered by the escalating costs of raw material and consumer durable imports.
Slowdown in the construction sector	Sectors which manufacture/retail inputs for the construction sector were impacted by the downturn in demand during the year.

# Portfolio Review

The Integrated Performance of the Group's business sectors are set out in the following pages; we have continued the practice of presenting the sector reviews in a manner that best reflects the importance of each of the capitals to the respective sectors. The chart presented below represents the revenue, profitability and asset base of each of the sectors. The grid presented alongside provides a holistic overview of which capitals are relevant to each sector review.





The relative importance of each capital to the Sectors are illustrated below; the narrative on the Sector Reviews are anchored by this matrix with emphasis placed only on the relevant capitals.

		Financial Capital	Manufactured Capital	Intellectual Capital	Human Capital	Social and Relationship Capital	Natural Capital
<i></i>	Eco solutions	•	•	•	•	•	•
1	Hand protection	•	•	•	•	•	•
Ŧ	Purification	•	•	•	•	•	•
	Textiles	•	•	•	•	•	•
	Construction materials	•	•	•	•	•	•
H	Plantations	•	•	•	•	•	•
Ò	Agriculture	•	•	•	•	•	•
Ö	Consumer	•	•	•	•	•	•
Ë	Leisure	•	•	•	•	•	•
	Industry inputs, Power & Energy	•	•	•	•	•	•
Δ	Transportation and Logistics	•	•	•	•	•	•
(j)	Others	•	•	•	•	•	•



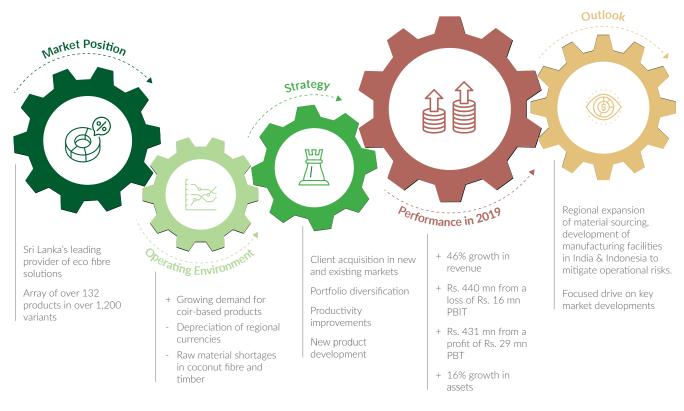
# **Eco Solutions**





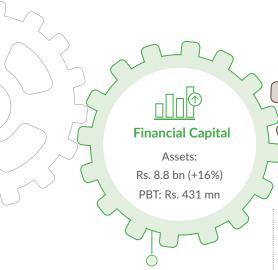
### Overview

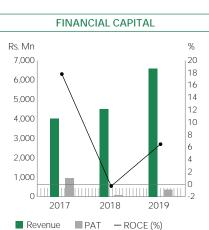
The Eco Solutions sector is one of Sri Lanka's leading manufacturers of value-added coconut fibre products, exporting a wide array of products to over 70 countries across the world. The sector's competitive edge is based on its global reputation for quality, innovation and tailor-made solutions.



# Sector Review Eco Solutions

Capitals Scorecard





	2017	2018	2019
Revenue (Rs. mn)	4,013	4,511	6,593
PAT (Rs. mn)	957	82	368
ROCE (%)	17.80	-0.28	6.48

46% revenue growth driven by customer acquisition, production volumes and product range

Strong turnaround in performance with profitability upheld by ongoing focus on driving productivity improvements and increased contributions from value-added products.



MA	NUFACTL	IRED CAI	PABILITIE	S
Rs. Mn 5,000				Rs. Mn
4,000				500
3,000			•	400
2,000				300
1,000				100
0	2017	2018	2019	
■ PPE	- CAPE	X		

	2017	2018	2019
PPE (Rs. mn)	3,149	3,290	4,103
CAPEX (Rs. mn)	77	71	391

Rs. 391 mn capex in location rationalisation and new manufacturing facilities for mattress and other capital investments.

Driving productivity improvements and enhancing capacity.

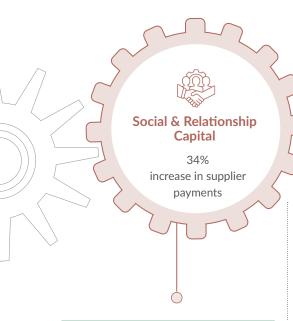


HUMAN CAPITAL				
No. 500	_	Rs. Mn		
400	,	0.8		
300		0.6		
200		0.4		
100		0.2		
2017	2018 2019	□ 0.0		
■ Headcount	Productivity (Rs.mn/en	nplovee)		

	2017	2018	2019
Headcount (No.)	406	457	478
Training hours	3,353	6416	1317
Average training hours	8.25	14.0	2.8

Ongoing investment in developing our employees

Offering opportunities for career progression.



# **Intellectual Capital** 27 new products

**INTELLECTUAL CAPITAL** 

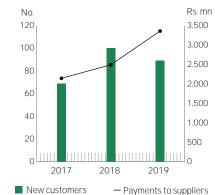
Rs. mn

16





### SOCIAL AND RELATIONSHIP CAPITAL



,	l :					I
_	3,000	25		$\wedge$		5
	2,500	20				4
	2,000	15				3
	1,500					
	1,000	10			\	2
	500	5				1
	0	0			<u> </u>	0
017 2018 2019			2017	2018	2019	
tomers — Payments to sup	opliers	■ Ne	w products	— R&D s	spend	

No.

301

	NATU	JRAL CAP	PITAL	
M <sup>3</sup>			_	tCO2e 10,000
80,000	•			8,000
60,000				6,000
40,000			-	4,000
20,000				2,000
0	2017	2018	2019	0
■ W	/ater usage	— Ca	rbon footprir	nt

	2017	2018	2019
New customers (No.)	69	100	89
Payments to suppliers (Rs. mn)	2,141	2,489	3,355

	2017	2018	2019
R&D spend (Rs. mn)	2.2	5.4	0.08
New products (No.)	26	18	27

	2017	2018	2019
Raw materials (MT)	27,969	34,195	52,232
Energy consumption (GJ)	30,729	61,047	98,516
Carbon footprint (tCO2e)	8,734	4,590	4,036

Aggressive marketing and customer engagement

Led to the breakthrough acquisition of several large customers.

Developed new products such as Industrial rubber mats for a variety of applications

Re-engineering of cost effective brush ware products to maintain market share.

Develop raw cubs

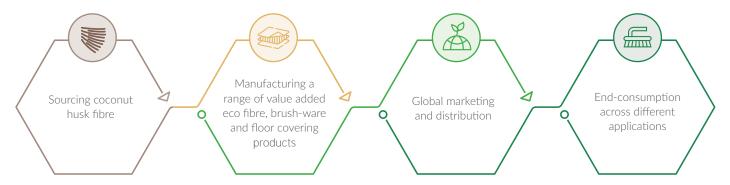
Efforts to reduce dependence on fossil fuels

55% reduction in the consumption of furnace oil

12% reduction in the carbon emission due to switching into renewable sources

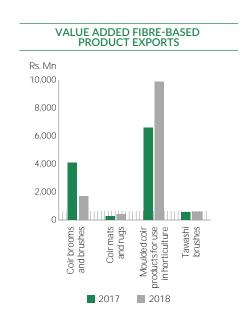
# Sector Review Eco Solutions

### **Our Value Chain**



### **Risks and Opportunities**

Clusters in sector	Operating context
Brushware Revenue contribution: 23% PBT contribution 2%	Internal impacts:  + Innovation driven product portfolio  + Customer acquisition strategy  + Leveraging on group synergies
Eco Fibre Revenue contribution: 57% PBT contribution 83%	External impacts: - Fluctuations in raw material prices - Depreciation of regional currencies
Floor coverings Revenue contribution: 20% PBT contribution 15%	<ul> <li>Challenges in securing a stable supply chain</li> <li>Growth opportunities in the US market</li> <li>Increasing propensity towards hydroponic growing</li> <li>Increasing stringency of environmental regulations</li> <li>Depreciation of Sri Lanka Rupee</li> <li>One belt-one road initiative</li> <li>Intense competition from regional suppliers</li> </ul>



### **Operating Environment**

### -1% Finished fibre exports

Sri Lanka is a leading exporter of coir fibre and coir fibre based products to numerous industries such as agriculture, automobiles, household and industrial applications. The export of finished fibre products were relatively stagnant during the year, reflecting raw material shortages in the first half of the year.

### +7%

## Industry Coconut production in Sri Lanka

Sri Lanka's coconut production increased in 2018, although the longer-term trend has been a declining one, reflecting adverse weather conditions, labour shortages and reductions in cultivated land.

### Volatility in exchange rates

The depreciation of regional currencies against the USD has resulted in products manufactured by these countries being more price competitive

# Positive global demand

Positive outlook led by growing demand for eco-friendly products and more stringent environmental regulations in major export markets.

### **Our Strategy**

The sector's success in 2018/19 was underpinned by its relentless focus on pursuing opportunities in new and existing markets, diversifying its product portfolio through innovation and driving productivity and efficiency improvements. Aggressive marketing efforts and customer engagement initiatives led to client acquisition in major markets such as USA, Europe as well as non-traditional markets such as Peru, Russia, Belarus, Estonia, Hungary & Luxembourg. We also invested in developing new products in order to ensure that we offer a complete and attractive portfolio of products. During the year, the sector also implemented Total Productivity Maintenance (TPM) with the objective of enhancing product quality, optimizing cost, improving health and safety in manufacturing facilities while increasing capacity through streamlining and integrating processes.



The sector is pursuing deeper penetration in the domestic market through the manufacture of a range of mattresses, which will be distributed via Singer Sri Lanka's extensive network of 442 customer contact points.





### **KPIs**

### **New markets**

Client acquisition: 89

Revenue from new markets: Rs. 419 mn

### **Product portfolio**

New products launched: 27

Revenue from new products: Rs. 182 mn

### **Process efficiencies**

Savings generated: Rs. 106 mn Capacity expansion: 35% increase in grow bag production and 40% increase

in rubber production

### **Integrated Performance Review**

The sector delivered an impressive turnaround in 2018/19, achieving recordhigh operating profits supported by substantial growth in customer acquisition, production volumes and product range. Revenue grew by 46% to Rs. 6.6 bn led by deeper penetration of existing markets and entry into new markets. Profitability was also upheld by ongoing focus on driving productivity improvements and increased contributions from value-added products. Accordingly, the sector's PBIT increased to 440 mn from a loss of 16 mn while PAT amounted to Rs. 368 mn.

Widening our product portfolio through the development of new products was a key focus during the year and the launch of 27 new products / variations resulted in a turnover of Rs.182 mn. New products launched during the year included industrial rubber mats for ski mountain resorts, restaurants, industrial warehouses and re-engineering of cost effective brushware solutions to maintain market competitiveness as the sector pursued opportunities in new applications and markets. The sector also has a healthy pipeline of new products with plans in place to launch more product variations in 2019/20. Reputation for superior product

# Sector Review Eco Solutions

# Acquisition of 89 customers in new and existing markets Rs. 106 mn savings generated through productivity initiatives 52% increase in raw material usage and Rs. 3.4 bn (34%) increase in payments to suppliers 61% and 52% increase in energy and water consumption

1,500
1,000
1,000
4,000
2,000
2,000
2015 2016 2017 2018 2019
PBIT — Total assets
PBT — Total liabilities
Finance costs — Revenue

sources. Our environmental commitment also extends to our product offering and we have

SECTOR FINANCIAL PERFORMANCE

Rs. mn

10,000

8,000

Rs. mn

2,500

2.000

quality is a key element of our competitive edge and we continued to comply with a range of international certifications including ISO9001: Quality Management, ISO14001 Environment management system, BRC (British Retail Consortium) Certification for floor coverings, SA8000 and SMETA / SEDEX Social Compliance Initiative among others.

We invested Rs. 391 mn in strengthening our manufacturing and physical infrastructure as well as in setting up a brand new manufacturing facility for PU mattresses during the year. Ongoing efforts are in place to consolidate and optimise certain operations to ensure efficient and timely manufacturing. The sector is also keen to geographically diversify its manufacturing footprint with opportunities being pursued in India and Indonesia; manufacturing has already commenced in India for the floor covering cluster. Meanwhile the implementation of TPM has accrued benefits in terms of optimized cost, productivity and process efficiencies, with an estimated Rs. 106 mn generated via cost savings.

The shortage of raw materials in Sri Lanka and the resultant price fluctuations have rendered it challenging to secure a sustainable supply chain. In order to address this challenge, the sector has sought backward integration and encouraged the

popularisation of fibre extraction across the supply chain. The geographical diversification of our manufacturing footprint will also allow us to limit exposure to the risks related to raw material availability.

The sector's operations are energy intensive, and we have sought to reduce dependence on fossil fuels through increasing our renewable energy sources. The sector has introduced bio-mass boilers at 2 of its manufacturing locations, which is estimated to have led to a 55% reduction in the consumption of furnace oil. Currently, approximately 74% of the sector's energy requirements is fulfilled through bio-mass

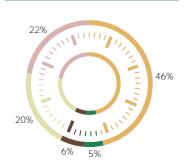
extends to our product offering and we have developed a range of innovative eco solutions which facilitate environmental conservation including horticultural and erosion control products as well as thrive for plastic free cleaning devices to the western markets.





### Stakeholder value creation

### **ECO SOLUTIONS**



EmployeesGovernmentShareholders

Capital as lendersValue retained

### **Employees**

We increased our executive and managerial cadre during the year to support our growth aspirations. 23% of employees in this sector are unionised and we maintained cordial relationships while continuing to invest in employee development and retention.

Payments to employees:

Rs. 505 mn (+32%)
Investment in training:

Rs. 1.2 mn Promotions: 7

### Customer

We broadened our product range to ensure that we offer a complete portfolio across numerous applications.

Portfolio of products: 132

New products: 27

### Suppliers

We continue to work with our suppliers to be in line with requirements of our customers by sharing knowledge and technical assistance where required. Payments to suppliers:

Rs. 3,355 mn (+34%)

### Government

We create value to the Government through tax contributions, generation of direct and indirect employment and generating foreign exchange income.

Foreign exchange income generated: Rs. 6.8 bn
Tax contributions: Rs. 53 mn

### **Sector contribution to SDGs**





### 6. Affordable and Clean Energy

Installation of bio-mass burner at a manufacturing facility in Katana



### 12. Responsible Consumption and Production

We have formed alliances with suppliers to ensure the responsible sourcing of raw materials



### 13. Climate Action

LED lighting solutions

Energy efficient capacitor banks and variable frequency monitors Construction of greenhouse for fibre drying



### 15. Life on Land

Our product range supports erosion control, shoreline protection and riverbank greening

### Sector Review **Eco Solutions**





### **Way Forward**

We will continue to pursue growth opportunities across new applications and markets, focusing on expanding our presence in the USA and non-traditional markets such as Russia and the Middle East. We see strong growth potential in products such as industrial rubber mats, fibre pith for growing media and will continue to drive our research efforts towards developing exciting new products. Geographical diversification of our manufacturing footprint remains high on our priority list as we seek to limit exposure to a relatively vulnerable raw material supply chain in Sri Lanka.



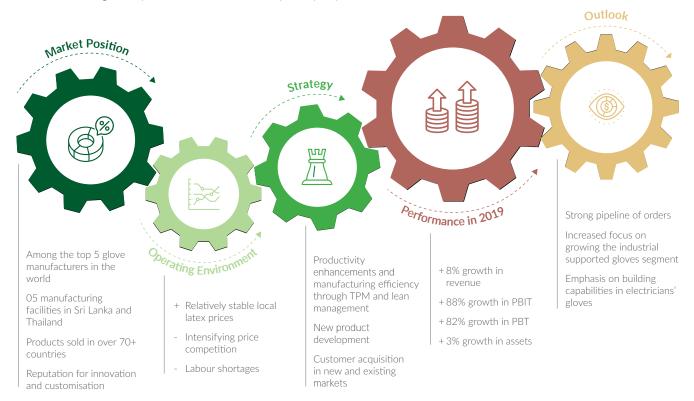
# **Hand Protection**





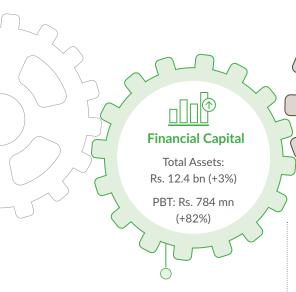
### Overview

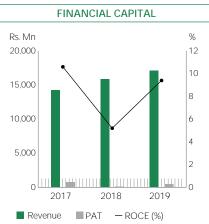
The sector is a global leader in protective hand-wear, serving close to 5% of the global demand for natural and synthetic-latex based household and industrial gloves. The company's ability to identify and effectively respond to evolving customer needs has enabled it to build a global reputation for innovation and superior quality.



### Sector Review **Hand Protection**

### Capitals Scorecard





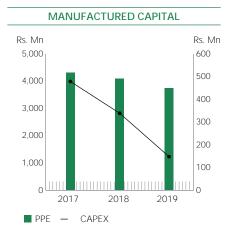
	2017	2018	2019
Revenue (Rs. mn)	14,281	15,852	17,111
PAT (Rs. mn)	802	113	504
ROCE (%)	10.6	5.2	9.4

Achieved revenue growth of 8% supported by client acquisition in new and existing markets

Cost savings generated through TPM amounted to Rs. 170 mn

Profit after tax growth of 347% to Rs. 504 mn





	2017	2018	2019
PPE (Rs. mn)	4,317	4,093	3,758
CAPEX (Rs. mn)	479	348	358

Capital expenditure of Rs. 358 mn in 2018/19.

Enhancing operational excellence through automation, eliminating non-productive processes and resource optimisation

Ongoing investments in sustainable manufacturing methods

05 processes automated during the period.



	HUN	IAN CA	PITAL		
Hours					Rs. Mn
20,000				_	20
15,000					15
10,000					10
5,000					5
0	2017	2018	20	  19	0
■ Tra	ining hours	— Tra	aining spe	nd	

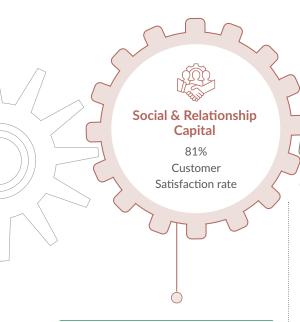
	2017	2018	2019
Net profit/employee			
(Rs. mn)	0.43	0.07	0.33
Average training hours	7.7	10.5	11.7
Female representation (%)	34	36	33

Added 392 new recruits to our team

Emphasis on increasing the composition of permanent employees in our workforce to ensure productivity

Successfully negotiated a collective agreement with 1 trade union

100% of our employees undergo performance appraisal annually.

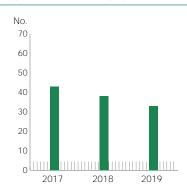


# **Intellectual Capital** Product portfolio: 240+product variants





### SOCIAL AND RELATIONSHIP CAPITAL



Customer acquisition

L,808	2,409	2,287
1.4	4.2	1
1.1	0.6	2.4
	1.4	1.4 4.2 1.1 0.6

INTELLECTUAL CAPITAL



■ New products launched — Investment in R&D

	2017	2018	2019
Products in the			
pipeline (No.)	4	8	4

NATURAL CAPITAL Nο 30,000 100 25,000 80 20,000 60 15,000 40 10,000 20 5,000 2017 2018 2019

	2017	2018	2019
Raw materials (MT)	10,175	11,490	12,145
Energy consumption (GJ mn)	1.29	1.39	1.90
Carbon footprint (tCO2e)	16,401	16,199	26,998

- Renewable energy

Carbon footprint

Acquired 33 new customers through proactive engagement

Maintained customer satisfaction levels through innovative products, attractive pricing and excellent service

Expanded our network of DPL Firstlight farmers by 400 in 2018/19

Introduced 8 new products in both unsupported and supported lines

6 patented products and 2 applied for

Process innovation to minimise waste, reduce the use of chemicals and drive cost optimisation

44% decline in the use of furnace oil and 29% decline in the use of diesel

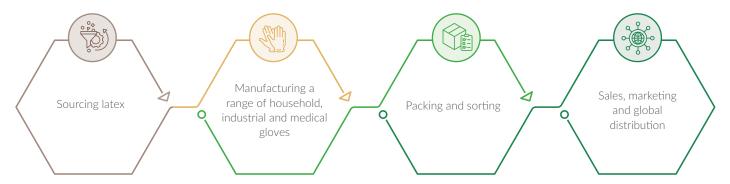
Water recycled and reused of 5% of total consumption

14% decline in carbon intensity kg/per

### Sector Review

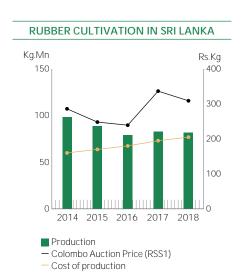
### **Hand Protection**

### **Our Value Chain**



### **Risks and Opportunities**

Clusters in sector	Operating context
Hand protection	Internal impacts:  + Ongoing focus on productivity enhancement  + New products and new markets
	External impacts:  + Stable local latex prices  - Raw material shortages  - Increase in international rubber prices, particularly towards the latter part of the year  - Labour shortages in the factory floor category  - Intense competition between regional players



### **Operating Environment**

### +8%

Growth in disposable glove demand

Global demand for disposable gloves have recorded consistent growth driven by more stringent health and safety regulations and increasing industrialisation.

### Demand for industrial gloves

Rising awreness on workers' safety and stringency in supporting regulations. Increased demand for industrial gloves

### Volatility in exchange rates

The depreciation of regional currencies against the USD reflecting the broad-based appreciation of the greenback, capital outflows from Sri Lanka and political instability towards the latter part of 2018.

### -20%

Reduction in rubber production

Sri Lanka's rubber production is on a declining trend, affected by erratic weather conditions, inadequate replanting, shortage of rubber tappers.

### **Our Strategy**

The sector placed strategic emphasis on expanding its product portfolio, seeking to widen its range of specialised gloves; accordingly, we launched four unsupported and four supported gloves during the year. The sector's R&D efforts are focused towards designing products featuring better grip, chemical resistance, metal detectability and environmentally friendly material. The sector also pursued a volume driven strategy enabling it to acquire new customers offering competitive pricing. Client acquisition also stemmed through proactive engagement in trade fairs and exhibitions. Enhancing our digital presence was a key priority during the year with the corporate website and proactive social media presence resulting in much more client inquiries. Driving efficiency improvement and reducing waste is a strategic operational priority of DPL's TPM implementation which as resulted in significant cost savings whilst improving quality and reduction in customer complaints.

GG Driving efficiency improvements is a key strategic priority and we successfully completed the first year of TPM implementation, which has resulted in cost savings as well as reductions in rejects and customer complaints.99

### **KPIs**

### **New customers**

Customers acquired: 33

### **New Products**

Products launched: 08
Products in the pipeline: 04

### **Efficiency focus**

Cost Savings from TPM: **170 mn** Reduction in customer complaints: **40%** 

### **Integrated Performance Review**

The sector recorded strong performance upheld by commendable volume growth and new customer acquisitions. Revenue grew by 8% to Rs. 17,111 mn and the profitability was supported by a healthy product mix, new product development and ongoing focus on cost efficiencies. At the same time the sector's pre-tax profit has increased by 82% to Rs. 784 mn.

During the year, the sector further strengthened the regionally focused marketing model allowing for better resource utilisation. Proactive engagement at trade fairs and exhibitions as well as a stronger digital presence enabled us to acquire more strategic clientele, while Europe continues to be our largest market, we also pursued penetration in new markets such as Middle East, Africa and China during the year.

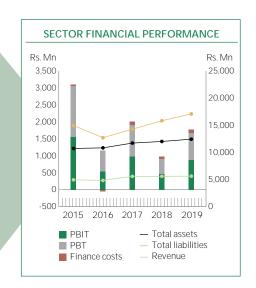
We continued to pursue operational excellence through the implementation of several productivity initiatives including lean manufacturing and TPM. Total savings generated through TPM amounted to Rs.170 mn.

This initiative also resulted in a 40% decline in customer complaints during the year.

### Sector Review

### **Hand Protection**

# **Pre-financials** 08% increase in sales volumes Acquisition of 33 customers in new and existing markets Rs. 170 mn savings generated through productivity initiatives 23.8% increase in raw material usage and Rs. 7 bn (+9.36%) increase in payments to suppliers 3.1% increase and 1% decrease in energy and water consumption



Building talent capabilities across functions was a key priority during the year and we focused on enhancing leadership and technical skills. On average an employee underwent 14 hours of training during the year, compared to 13 hours in 2017/18. We are committed to ensuring an injury and hazard free work environment. During the year we successfully obtained OHSAS 18001, Occupational Health and Safety certification in the Hanwella factory. DPL intense to obtain the same certification for D P L Universal Gloves in 2019/20.

The inadequate supply of local latex and wide price fluctuations continue to impact the predictability of our operations. During the year we planned to further diversify our supplier base. DPL widened it's Firstlight farmer base from 2,600 to 3,000 in 2018/19, injecting considerable amount through Latex purchases which are now priced using the DPL pricing formula. Through Firstlight we have empowered farmers across the country, contributing directly to their socio-economic empowerment. Meanwhile, we also sought to widen relationships with regional suppliers with a view to diversifying our raw material sourcing.

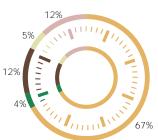
The sector continues to make significant progress in reducing its' environmental footprint through innovative solutions. During the year we achieved a key milestone by converting oil fired boilers to bio-mass thereby reducing furnace oil and diesel consumption by 44% and 29% respectively.

Perf	ormance a	ıgainst bu	ıdget
Revenue	$\boxtimes$	PBT	$\boxtimes$

New products developed	
Product	Features
Keto resistant glove	Improved water resistance.
Interphase Flexi	A nitrile glove featuring extra comfort and dexterity thereby limiting hand fatigue.
Magneto	A nitrile glove Featuring magnetic detectability, particularly targeting the food industry.
Interphase Supergrip	Features a surface texture which improves the grip in oil, wet and dry conditions and is primarily targeted for food applications and pharmaceuticals.
Neoprene unlined glove	High chemical resistant, purely neoprene glove.
Silicone coated supported glove	Features a strong grip suitable for glass applications
Polyurethane glove	Water-based polyurethane glove
Xtra Lite	Micro-Foam nitrile palm coating technology delivers 360 breathability.

### Stakeholder value creation

### HAND PROTECTION



Employees Government ■ Shareholders Capital as lenders

Value retained

**Employees** 

Training was a key focus during the year and we sought to strengthen the leadership and technical skills of our team while providing a conducive and injury free work environment

Payments to employees:

Rs. 2.5 bn (+21%)

Investment in training: Rs. 13 mn Promotions: 21

Our customer value proposition is centred on innovation, tailor-made solutions, ongoing engagement and excellent customer service.

Average satisfaction rate: 81% Decline in complaints: 40%

Suppliers

Our procurement initiatives are designed to generate sustainable value to our supplier base and provide an anchor for boosting economic growth within the communities we operate in.

Payments to suppliers: Rs. 6,970 mn (+9%) Investment in supplier

development: Rs. 1 mn

Industry stakeholders

We create value to the Government through tax contributions, generation of direct and indirect employment and generating foreign exchange income.

Foreign exchange income generated: Rs. 17 bn Tax contributions: Rs. 153 mn Indirect employment (Farmers): 3,000

# Sector contribution to SDGs



# 3. Good Health and Well-being

Our products encourage increased health and hygiene in numerous industries including healthcare, food and beverages.



# 6. Clean Water and Sanitation

5% of water recycled and reused for Operations.



# 10. Reduced Inequalities

Through DPL Firstlight we have empowered and supported over 1,200 rubber smallholder communities



# 12. Responsible Consumption and Production

Responsible disposal of waste with hazardous waste sent to GeoCycle and waste water treated through effluent treatment plants



# 13. Climate Action

100% reliance on bio-mass to fuel our boilers has resulted in a sustained decline in our carbon footprint



# Sector Review **Hand Protection**





# **Way Forward**

The outlook for 2019/20 remains positive, given the company's strong pipeline of orders, opportunities presented by USA and our ongoing focus on customer acquisition and new product development. DPL plans to drive volume growth in the industrial supported gloves segment in which we see strong growth potential. We will also aggressively pursue penetration in the medical and pharmaceutical glove segments. The gradual increase in latex prices will understandably lead to a narrowing profit margins that DPL plans to mitigate through more value-added products and cost savings in supply chain through TPM and lean platforms

The outlook for 2019/20 remains positive given DPL's strong pipeline of orders supported by significant market growth USA, Middle East & Africa coupled with new product introduction in all our key markets.



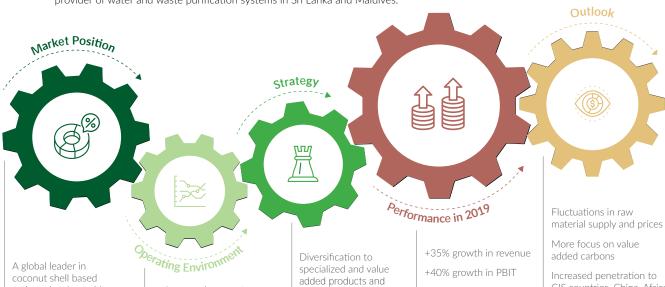
# Purification





# Overview

Haycarb PLC is a global leader in the manufacture of coconut shell-based activated carbons with a unique competitive edge underpinned on innovation, a portfolio of high quality products and sustainable manufacturing methods. The sector is also a leading provider of water and waste purification systems in Sri Lanka and Maldives.



activated carbon with a 16% market share

Leading provider of water and waste purification in Sri Lanka and Maldives

- + Increased coconut harvest in Sri Lanka, Indonesia and India
- + Depreciation of the Sri Lankan Rupee
- + Stabilisation of mining industry
- Slowdown in construction industry

service segments whilst consolidating the existing business

Deeper penetration of the US market

Process efficiencies and productivity initiatives

- +34% growth in PBT
- +25% growth in assets

CIS countries, China, Africa and the Middle East

Puritas to seek new opportunities in Bangladesh and Thailand

# Sector Review

# Purification

Rs. Mn

25,000

20,000

15,000

10.000

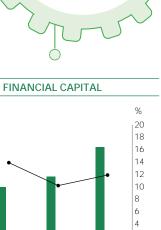
5,000

2017

Revenue

Capitals Scorecard





	2017	2018	2019
Revenue (Rs. mn)	13,353	15,518	20,918
PAT (Rs. mn)	930	760	955
ROCE (%)	13.9	10.2	11.9

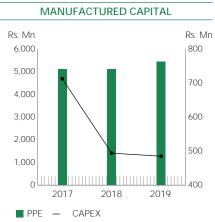
2018

■ PAT - ROCE (%)

Revenue growth of 35% supported by increased contributions from value added products

Ongoing focus on driving efficiencies and cost management





	2017	2018	2019
PPE (Rs. mn)	5,101	5,121	5,450
Capex (Rs. mn)	712	494	485

Cross functional teams launched over 50 initiatives across 7 factories through the lean platform to improve efficiencies and reduce cost.



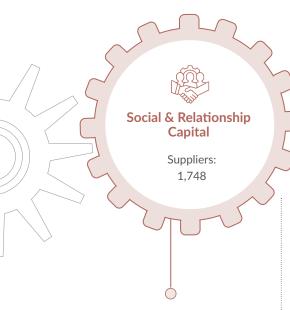
HUMAN CAPITAL			
No. 1,500	l _	Rs. Mn   1.4	
1,200		1.2	
		1.0	
900		0.8	
600		0.6	
		0.4	
300		0.2	
0	2017 2018 20	0.0	
■ H	eadcount — Net profit per en	nployee	

2017	2018	2019
1,321	1,411	1,436
5,835	5,981	10,354
7.8	7.0	7.2
	1,321 5,835	1,321     1,411       5,835     5,981

Added 239 new recruits to our team (including replacements)

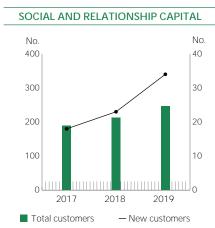
Focus on safety training

Offered 5 promotions during the year





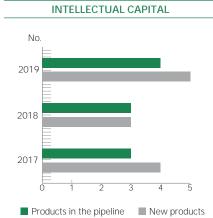




	2017	2018	2019
New customers (No.)	18	23	34
Total customers (No.)	190	213	247
Investment in supplier development (Rs. mn)	24.9	29.1	17.4

Acquisition of new customers in new and existing markets

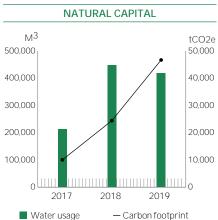
Continued investment in Haritha Angara (green charcoaling pits) and vertical charcoaling kilns



3	5
3	4
	3

Expansion of the value added segment

Development of a range of both coconut shell based and wood based MCA carbons



	2017	2018	2019
Water usage (M³)	213,764	447,186	418,103
Carbon footprint			
(tCO2e)	10,037	24,387	46,652
	•		

Ongoing efforts to promote green charcoaling

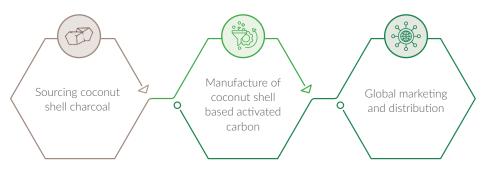
Reduction of oil usage in the pelletized activated carbon plant

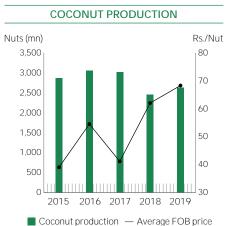
Recovery of charcoal and carbon from waste material.

# Sector Review

# Purification

### **Our Value Chain**





# **Risks and Opportunities**

Clusters in sector	Operating context
Activated Carbon Revenue contribution: 86% Profit contribution: 76%	Internal impacts:  + Focus on product development and process efficiencies  - Attracting and retaining employees for technical and skilled operator positions  + Opportunities in reducing dependence on fossil fuel based energy sources
	External impacts:  - Raw material shortages in Sri Lanka, India and Thailand  - Implications of weather changes  + Good growth in key application markets such as air purification and coal  + Dwindling water resources and increased emphasis on water conservation and purification  + China's increasing environmental consciousness
Environmental Engineering Revenue contribution: 14% Profit contribution: 24%	Internal impacts:  + Strategic collaborations  + Strengthening human resource capabilities  External impacts:  - Slowdown in the construction sector impacted project pipeline  - Political instability in Maldives  + Growth opportunities in regional markets

# **Operating Environment**

# +10% Increase in coconut prices

Sri Lanka's coconut production recovered in 2018 increasing by 7% due to higher rainfall in major cultivating areas. Meanwhile prices also increased reflecting global supply shortages and higher demand.

# Growth in the global mining industry

Resurgence in the global mining industry driven by demand from China, recovery of gold prices and rising production of electric vehicles.

# Volatility in exchange rates

The positive impact of depreciation of LKR against the USD during the year was offset significantly due to high import content. Similarly the strong Thai Baht against USD had a negative impact whilst the depreciation of the Indian Rupee to USD intensified the competetion.

# +9%

Projected CAGR of activated carbon

Growth potential is driven by the increased demand for mercury control applications, increasing stringnecy of environmental regulations and waste water treatment demand.

# **Our Strategy**

During the year, we placed strategic emphasis on product development with the aim of creating a high value-added product portfolio and sharpening our competitive edge. We also sought deeper penetration in the US and European markets, whilst concentrating on non-traditional markets such as CIS countries, China, Africa, South East Asia, South America and the Middle East. Driving process efficiencies and lean manufacturing continues to be a strategic priority and during the year we pursued innovative methods of eliminating the use of oil from the pelletized activated carbon process. Nurturing a secure and sustainable supply chain is critical in ensuring the continuity of our operations and we continued to invest in widening the coverage of our award winning green charcoaling initiative 'Haritha Angara' and the vertical charcoaling project in Thailand.

# **KPIs**

# **Product portfolio**

New products developed: 5

### **Process efficiencies**

Savings generated: Rs. 150 mn

### Sustainability

Green charcoaling pits added: 12 Total green charcoaling pits: 170



The sector's expertise in water purification is a key success factor driving, Puritas Sath Diyawara, the Group's flagship CSR initiative.

# **Integrated Performance Review**

The Purification sector turned in a year of strong growth supported by steady demand from key application markets such as water, air purification and mining and new product development. Revenue grew by 35% to Rs. 21 bn attributed to growth stemming from the value-added product portfolio and upward revision of prices to partly compensate for the escalation in raw material prices during the year. Overhead costs escalated during the year, partly due to the appreciation of currencies against LKR and its impact on our foreign

subsidiaries. Meanwhile, the performance of Environmental Engineering sector was below expectations with profit decline of 25% mainly in view of the subdued construction sector growth in Sri Lanka and shifts in the political landscape in Maldives. Overall however, the sector performed commendably, generating a profit after tax of Rs. 955 mn, an increase of 26% compared to the previous year.

We placed focus on improving the profitability of our product portfolio with strategic emphasis on the value-added products. Innovations during the year included new water carbons, super capacitor carbons and new impregnation regimes among others. A key initiative during the year was the development of a range of coconut shell based and wood-based MCA carbons that could well be an industry benchmark. The sector also has a healthy pipeline of new products with plans in place to launch more innovations in 2019/20.

The Company's efforts to expand its market reach outside traditional markets has borne fruit with satisfactory growth in markets such as North, East and West Africa, South East Asia, China, CIS countries, Europe and South Korea. We also strengthened our marketing efforts to drive increased penetration in the USA.



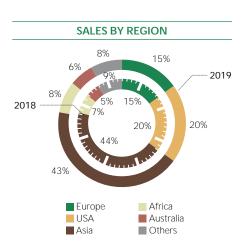
# Sector Review

# Purification

# **Pre-financials** Introduction of 5 new products to the portfolio Acquisition of 34 customers in new and existing markets 72% increase of purchases of coconut shells and coconut charcoal 1% and 7% decrease in energy and water consumption Doubling of carbon footprint although reflecting a wider scope of computation

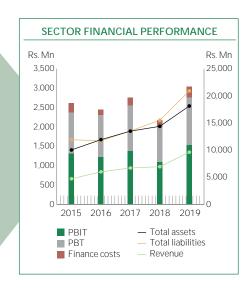
The sector's operating margin improved from 7% to 7.3% during the year as we continued to pursue cost optimisation and lean manufacturing practices. In 2018/19 concerted efforts were driven towards reducing oil usage in our manufacturing processes.

Fluctuations in raw material availability and pricing continues to be one of the sector's key challenges, although timely efforts to regionally diversify our manufacturing locations have enabled us to effectively address this issue to a certain degree. We continued to work closely with our suppliers to promote environmentally-friendly charcoaling, thereby reducing the carbon footprint across our supply chain. During the year we added 12 new 'Haritha Angara pits'



bringing the total to 170 with the capacity to manufacture 3000-3500 MT of charcoal per month.

The sector is the driving force behind the Hayleys' Group's flagship CSR project Puritas Sath Diyawara through which we have provided access to 160,000 litres of purified water per day to over 33,500 people in 19 villages affected by the Chronic Kidney Disease.







### Stakeholder value creation

# PURIFICATION



EmployeesGovernmentShareholders

Capital as lendersValue retained

Employees

Our employee value proposition includes attractive rewards and

our employee value proposition includes attractive rewards and remuneration and opportunities for skill and career development including overseas exposure in a dynamic and conducive work environment.



Payments to employees:

Rs. 1,845 mn (+18%)

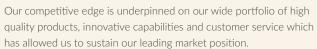
Investment in training:

Rs. 1.15 mn

Promotions: 5

New products: 5

### Customers



Portfolio of products: 265

### Suppliers

We propagate sustainable manufacturing practices across our supply chain through ongoing engagement with suppliers and investing in their development. Payments to suppliers:

Rs. 9,703 mn (+200%)

Investment in supplier development:

Rs. 17 mn (-40%)

# **Communities**

Through Puritas Sath Diyawara we have sought to address a critical issue faced by communities in the Northern and North Western Province of the country- Chronic Kidney Disease

Daily provision of purified water:

160,000 Litres

Total spend on Sath Diyawara:

Rs. 64 mn

### Sector contribution to SDGs





### 3. Good Health and Well-being

Our products are used to remove pollutants from air, water and other products



# 6. Clean Water and Sanitation

 $160,\!000$  litres per day of purified water to 19 villages through Sath Diyawara Optimising carbon washing water discharged treated through effluent treatment



### 8. Decent Work and Economic Growth

10,354 training hours provided to employees



# 13. Climate Action

Green charcoaling pits across the island has reduced the carbon footprint of our supply chain World's first pollution free charcoaling plant - Recogen Sri Lanka.

Vertical charcoaling kilns lead to a reduction in the CO2 footprint across the CSC supply chain in Thailand.

# Sector Review Purification





# **Way Forward**

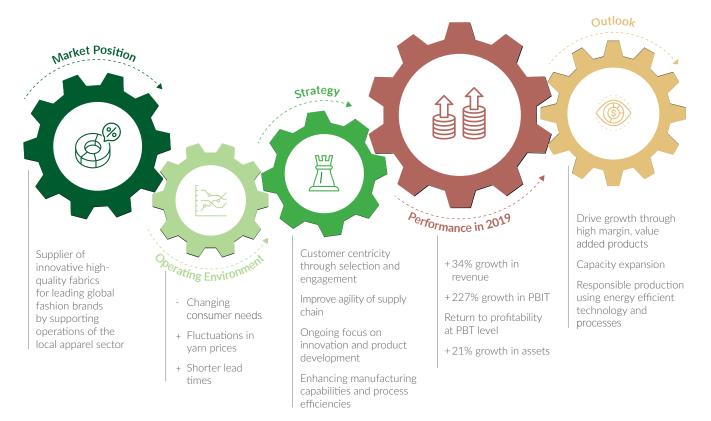
We see significant potential for growth stemming from the USA, Europe and Asia and will continue to drive our product development and marketing efforts towards capitalising on these opportunities. We hope to adopt a two-pronged strategy of diversifying into specialised and value-added product segments while consolidating the existing business offering. The next year is likely to be challenging with possible margin pressure on our standard product portfolio. In effectively addressing this, we hope to achieve cost reductions across the supply chain while enhancing relationships with our supplier network. Meanwhile, the Environmental Engineering arm will pursue opportunities for new projects in the government and private sector in Sri Lanka while seeking ventures in new markets such as Bangladesh and Thailand.





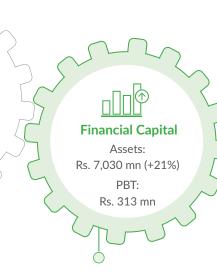
# Overview

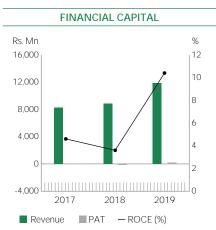
Hayleys Fabric PLC is Sri Lanka's pioneering fabric manufacturer providing high end fabric to global fashion brands. The sector's competitive edge is underpinned on our innovation capability, lean work-flows and strong supply chain relationships.



# Sector Review **Textiles**

# **Capitals Scorecard**



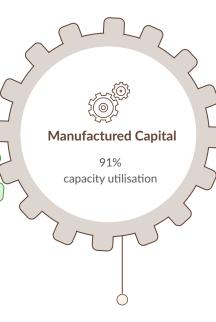


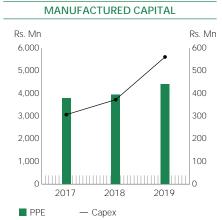
	2017	2018	2019
Revenue (Rs. mn)	8,229	8,856	11,858
PAT (Rs. mn)	73	(104)	179
ROCE (%)	4.6	3.6	10.4

Revenue growth of 34% supported by volume growth of 19% and a richer product mix

GP margin widened during the year reflecting the improved pricing from Inno and reduction in cost of sales per kg sold

Return to profitability with PAT of Rs.179 mn compared to losses of Rs.104 mn in the previous year.





	2017	2018	2019
PPE (Rs. mn)	3,780	3,936	4,414
CAPEX (Rs. mn)	306	372	560

Investments in upgrading printing capabilities, dyeing capabilities, improving quality control and reducing down time.



	HUMAN CAPITAL	
Hours 1,500		Hours 12
1,200		10
900		8
600		6
		4
300		2
0 2	017 2018	2019
Headco	unt — Average traini	ng hours

	2017	2018	2019
Headcount (No.)	1,258	1,229	1,258
Average training			
hours/employee	10.7	6.5	2.4

Nurtured a culture of learning to drive the Company's innovation agenda with 103 employees recognised for their cost saving efforts

Achieved 94% retention rate

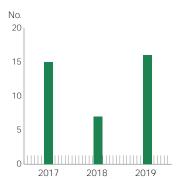
Signed collective agreements with the main trade union



# Intellectual Capital 74 new products

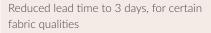


# SOCIAL AND RELATIONSHIP CAPITAL



Customer acquisition

	2017	2018	2019
Supplier payments (Rs. mn)	7,443	7,077	10,375
% on local suppliers	28	30	24%
CSR investment (Rs. mn)	8.7	0.3	4.1



Collaboration with suppliers to develop 120 new products

Rs.4.1 mn CSR investment in caring for the community outside the factory and village



		2018	2019
Products in pipeline			
(No.)	115	35	24
Investment in R&D			•
(Rs. mn)	4.2	2.3	2.8

7 innovations and 74 developments including variants during the year

Rs.78 mn savings through TPM during the year



	2017	2018	2019
Energy usage (GJ)	445,508	412,029	667,449
Carbon footprint (tCO2e)	20,449	22,541	26,575
Water usage (M <sup>3</sup> )	1,838,349	1,851,799	1,823,154

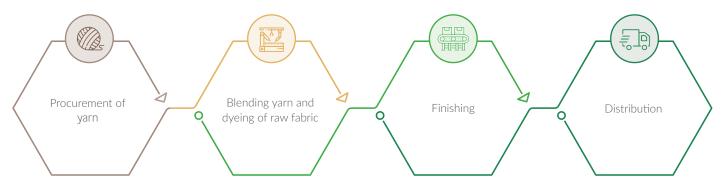
Concerted efforts to increase recycling of water

Energy from renewable sources amounted to 62% of total energy consumption

Reduction in carbon and water intensities

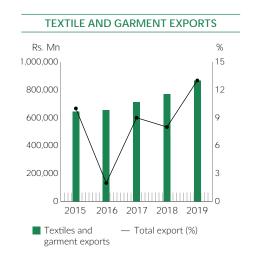
# Sector Review **Textiles**

### Procurement of yarn



# **Risks and Opportunities**

Clusters in sector	Operating context
Textiles	Internal impacts:  + Ongoing focus on innovation  + Enhancing the agility of the supply chain  + Opportunities to drive down environmental footprint
	External impacts:  + Potential for industry innovators  + Trend of near-shoring and on-shoring  - Sri Lanka's over dependence on a few markets  - Shortage of skilled labour  + Opportunities presented by China's shift in focus from apparels to textiles  - Competition from new entrants such as Hungary and Bulgaria



# **Operating Environment**

+4.7%

Global demand for clothing and textiles

Global demand recovered from a negative growth of 1.7% the year before supported by strong growth in emerging markets and Asia pacific, driven by an expanding middle class.

+13%

Apparel export income (in Rs. terms)

The industry comprises approximately 300 apparel manufacturers and 4 large scale fabric mills and contributes 44% to the country's total exports.

Competitive pressures

Regional Apparel manufacturers such as Bangladesh, Vietnam and Cambodia have grown significantly in comparison to Sri Lanka, due to cost competitiveness from scalability and preferential access to major markets.

+11%

Positive long-term outlook

A healthy economic outlook in the US our main market and added benefits from the restoration of US GSP+ since April 2018 is expected to support increased business volumes

# Our Strategy

Innovation continues to be a key pillar of the sector's strategy and during the year we widened the product portfolio of our own "Inno" brand. The sector also invested Rs. 2.8 mn in its R&D efforts and implemented organisation-wide initiatives to stimulate a culture of learning. Customer centricity is core to our value proposition, and we focused on careful selection of customers and deployment of specialised market resources for each category of customers. Agility of supply chains is a key source of competitive edge in this industry and we sought to restructure process flows, enhance efficiencies through the implementation of TPM and improve machine productivity through investments in new technology.

# **Integrated Performance Review**

The sector marked strong turnaround during the year, achieving 34% growth in revenue and generating a pre-tax profit of Rs.313.4 mn, from a loss of Rs.7.5 mn the year before. Performance was upheld by the materialisation of orders for the 'Inno' brand from leading US fashion brands, which allowed for a more favourable product mix thereby supporting profitability margins. Accordingly, the GP margin widened to 12.1% from 10.5% the year before, supported by improved pricing from Inno

and other synthetic fabrics. Ongoing focus on tight cost management and productivity improvements, combined with the positive foreign exchange impact on local payments including energy and labour, offset the higher input costs during the year.

In recent years, we have narrowed our customer engagement to focus on the specialized needs of Tier 1 brand owners enhancing our relationship through greater understanding of their needs.



# KPIs

# **Product development**

No. of new products developed: **74** Inno and Developments as % of total sales: **40**%

# **Customer centricity**

Customer satisfaction: 90%

# Supply chain agility

Reduction in lead time: 3 days

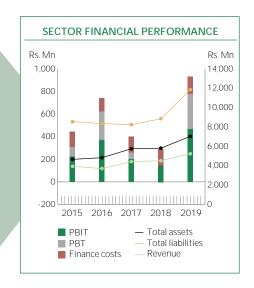
Inventory holding period: decline of 4 days

This has allowed us to cater to their specific requirements in developing a high value and fashion-forward portfolio of fabrics that has gained their interest through confirmed orders, filling capacity.

The sector's strategy of moving up the value chain through its brand "Inno" reaped dividends with Inno accounting for 16% of volume growth during the year. Increased consumer interest following improved economic outlook in the US, gains from US GSP+ programme, deeper collaboration with fashion brands in developing customized products and increase in the number of successful market trials buoyed materialization of Inno orders. In house product developments and innovations contributed 40% to revenue (32% -2017/18). Innovation capabilities are a key element of the sector's brand and the Hayleys Fabric's Innovation Centre is reputed for creating technologically advanced fabrics that cater to evolving consumer preferences. The Company has been recognised as the best innovator in Sri Lanka for the past five quarters by a top apparel brand, attesting to its capabilities.

# Sector Review Textiles

# **Pre-financials** 19% volume growth supported by strong order book Rs 560 mn investment in enhancing manufacturing capabilities Rs. 1.3 bn (+18%) paid to employees Rs. 2.8 mn in new product development 62% increase in energy and 2% reduction in water consumption



# Revenue PBT

The sector's state-of-the-art manufacturing facility is one of the most advanced in South Asia, with the capability of producing a comprehensive range of value-added products and finishes. The sector invested Rs. 560 mn in enhancing its manufactured capital during the year, with investments directed towards a new colour laboratory dispensing machine, additional sample dye machines and an advanced laser engraver for printing. Capacity utilisation levels reached around 91% during the year under review.

The apparel industry has significant environmental impacts, particularly in water consumption and emissions. The sector has continued to focus on reducing its water footprint through concerted efforts directed towards water recycling and at present almost 23% of water used is recycled daily. Meanwhile, the entire requirement of steam for dyeing is generated through the use

of bio mass (saw dust); renewable energy accounted for 62% of the sector's total energy consumption during the year. Many specialized technical experts have been consulted to improve process times and raw material consumption in order to enhance competitiveness and profitability. For the

second consecutive year, the Company also complied with the targets set by the Zero Discharge of Hazardous Chemicals (ZDHC), a global initiative of reputed brands in the global textile and footwear value chain well ahead of the target date in 2020.



### Stakeholder value creation





EmployeesCapital as lenders

Value retained

# **Employees**

In an industry where retention of employees is a key challenge, an above industry retention rate of 94%, is testimony of our high levels of employee engagement.



Payments to employees: Rs. 1.3 bn (+18%)

Investment in training:

Rs. 7.2 mn

Promotions: 54

### Customers

Our customer value proposition is centred on innovation, reliability, speed of delivery, sustainable manufacturing and flexibility



Reduced lead time to 3 days Customer returns: <2%

# Communities

As the main employer within a 15 km radius, we contribute significantly towards the socio-economic progress of the local community employing 68% of our employees from the area



Rs. 4.1 mn (+32%)

Input for cottage industries:

1,038 MT

Indirect employment: 2,000

# **Sector contribution to SDGs**





# 8. Decent Work and Economic Growth

In addition to our direct employees we support livelihoods of over 2,000 indirect employees (service agents, transporters, property owners, local manufacturers/suppliers)



# 13. Climate Action

Multiple initiatives to drive energy efficiency and reduce dependence on fossil fuels Planted over 200 kumbuk trees



# 15. Life on Land

Invited local and foreign textile industry stake holders to a Chemical Suppliers' Awareness Forum organized by Hayleys Fabric PLC, the first of its kind organized by a Sri Lankan fabric mill



### 17. Partnership for Goals

We have joined forces with our brand partners to drive towards our environmental goals

# Sector Review **Textiles**





# **Way Forward**

The development of the Sri Lanka apparel industry to the middle and high-end segment with the capability of conceptualizing, designing and manufacture of lingerie, "athleisure" and sportswear, complemented by the high level of all-round compliance standards, will ensure a sustainable growth of this industry in the country. Meanwhile, the healthy economic outlook in the US- which is our main market and added benefits from the restoration of US GSP+ since April 2018 is expected to support increased business volumes for the sector. Our strategic priorities for 2019/20 will include increasing capacity, strengthening the order pipeline and ongoing investments in widening the Inno product portfolio.

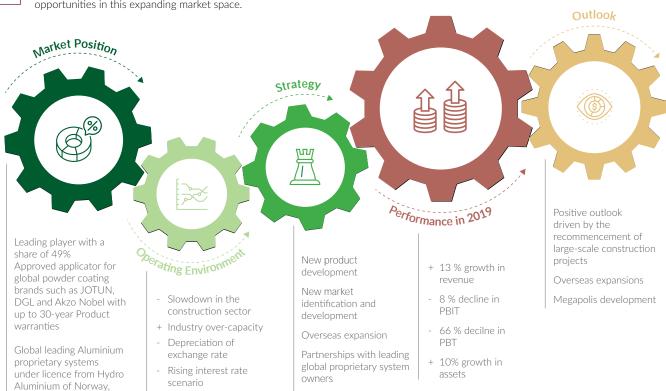


# Overview

AluK of Italy and Altus

Aluminium of NZ

Alumex is Sri Lanka's leading manufacturer of aluminium extrusions, offering a range of innovative products to the residential and industrial segments. Recent investments in state-of-the-art technology and capacity expansions have positioned the sector to capture growth opportunities in this expanding market space.

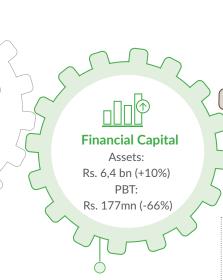


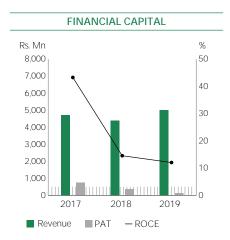
Liquidity shortage in the

construction sector

# Sector Review Construction Materials

# **Capitals Scorecard**





	2017	2018	2019
Revenue (Rs. mn)	4,706	4,400	4,991
PAT (Rs. mn)	753	364	126
ROCE (%)	43.3	14.6	12.1

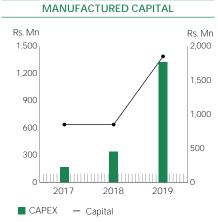
Achieved revenue growth of 13%, led by volume growth of 9% despite a subdued construction sector

Escalation in raw material prices by mid-2018 which affected profitability margins

Net finance cost of Rs. 417 mn affected overall profitability during the year

Profit after tax declined by 65% to Rs. 126 mn





	2017	2018	2019
PPE (Rs. mn)	169	341	1,321
Capacity (MT) per month	850	850	1,850
	k	<b>.</b>	k

Completion of new state-of-the-art factory, the first of its kind in South Asia.

Production capacity nearly tripled during the year

Expansion of the distribution network through the addition of 04 outlets



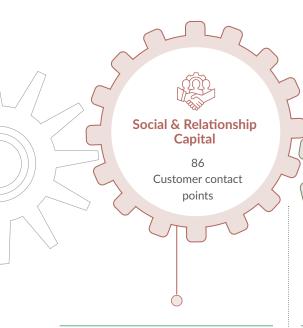
HUMAN CAPITAL					
Hours 10,000					Rs. Mn
8,000				_	7
6,000				•	6
0,000					5
4,000	/				3
2,000					2
0	2017	201	8 8	2019	1
■ Trai	ning hours	- Inv	estment	in trainin	ıg

2017	2018	2019
526	571	587
1.4	0.6	0.2
3.2	15.5	13
	526 1.4	526 571 1.4 0.6

Added 85 new recruits to our team, with 55% hired from communities around our facilities

Maintained cordial union relationships

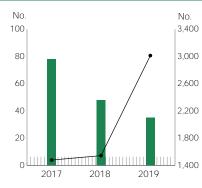
Engaged employees in a conducive and hazard free work environment



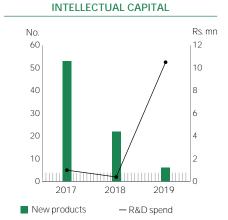




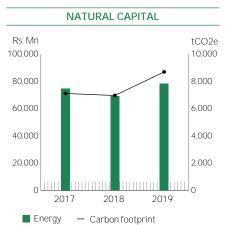
# SOCIAL AND RELATIONSHIP CAPITAL



	2017	2018	2019
No. of suppliers (No.)	621	618	722
Payment to suppliers			
(Rs. mn)	3,596	4,311	4,351
Dealers (No.)	73	82	81
CSR Beneficiaries (No.)	5,485	7,645	3,185



	2017	2018	2019
New products (No.)	53	22	6
Investment in R&D			
(Rs. mn)	1	0.4	10.5



	201/	2018	2019
Aluminium billets			
(MT)	7,083	6,625	7,710
Recycled input			
material (%)	22	31	38
Water usage (M <sup>3</sup> )	126,623	126,477	98,087

Entered into partnership with one proprietary system owner

Added 14 dealers to our distribution network

Training programmes for fabricators, technocrats and government school-teachers

Investments in ongoing CSR projects

Launch of 6 new products during the year, which are performing extremely well

Obtained the prestigious Qualicoat and Qualanod certifications during the year

35 new patents received

R&D investment Rs. 10.5 mn

13% increase in energy usage and 7% increase in carbon footprint (carbon, energy and water intensities drops with increase in production volume)

6% reduction in carbon intensity

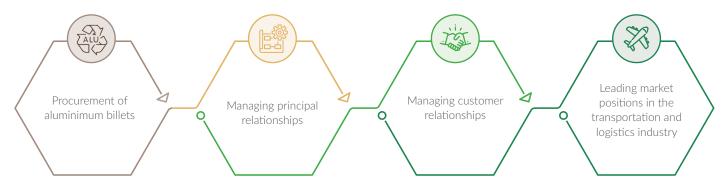
11% of water recycled and re-used

19% water consumption reduction

Increased use of recycled raw materials

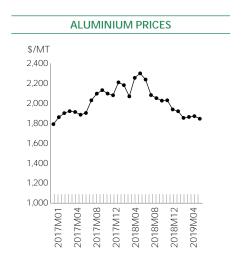
# Sector Review Construction Materials

### **Our Value Chain**



# **Risks and Opportunities**

Clusters in sector	Operating context
Aluminium extrusions	Internal impacts: - Increased debt to fund capacity expansions + Partnerships with global aluminium proprietary system owners
	External impacts: - Rising interest rates - Industry oversupply - Slowdown in the construction industry - Exchange rate depreciation



# **Operating Environment**

-2.1% Construction sector

The Construction sector contracted during the year reflecting a slowdown in large infrastructure projects, weak investor sentiments, liquidity shortages and political instability towards the latter part of the year.

17% Decline in aluminium prices

Global aluminimum prices peaked by mid-2018, before declining by the end of the of year due to the overall slowdown in economic growth. On a y-o-y basis average prices recorded a decline over the previous year.

12%

Depreciation of Rupee during the 12 months to end-March 2019

The Sri Lankan Rupee depreciated by 12% during the 12 months to March 2019, reflecting broad-based appreciation of the US Dollar against regional currencies

Long-term positive outlook

The long-term outlook for aluminium profiles in Sri Lanka remains positive given increasing popularity in residential properties and highrise buildings.

# **Our Strategy**

Despite facing a challenging operating environment during the year, the sector maintained focus on its key strategic priorities with a view to long-term value creation. We seek to persistently widen our product portfolio to sharpen our competitive edge and during the year we launched several new products including solar components, ladders handrails, showcase and cabinets. We are the only local manufacturer who has partnered with multiple global owners of proprietary aluminium systems, thereby enabling us to introduce world-class solutions and technology to the Sri Lankan market. During the year, we widened our base of partners adding 14 to our network. The sector's state-of-the-art extrusion and powder coating facility features numerous energy, water and material efficiency elements which has enabled us to achieve sustained reductions in our water usage and carbon footprint.



Leveraging on the showroom network of Singer (Sri Lanka) PLC as a sales channel



# KPIs

# **New Partnerships**

Partnerships with new global proprietary system owners: **01** 

# **New Service Offerings**

New products developed: 6

Revenue from new products: Rs. 61 mn

### Sustainable manufacturing

Reduction in carbon footprint : 6% Reduction in water intensity : 28%

the increase in raw material prices for most part of the year which saw earnings before interest and tax declining by 8%. Overall profitability was sharply impacted the higher finance costs arising from increased borrowings to fund capacity expansions and the sector's pre-tax profit for the year declined by 65% to Rs. 177 mn.

Alumex is an industry leader in innovation, introducing many firsts to the Sri Lankan industry as presented alongside. During the year we introduced the country's first performance-tested aluminium ladder in three different models catering to the domestic, commercial and industrial segments. We also launched over 50 designs of solar components and structures, rapidly gaining market leadership status in this growing segment.

The sector also marked a key milestone by being the only manufacturer in South Asia to obtain the prestigious European Qualicoat (seaside) and Qualanod certifications for powder coating and anodizing, widely considered to be the gold standard in aluminium. These certifications, together with investments in enhancing manufacturing capabilities and access to world class systems have positioned us on

**Integrated Performance Review**The sector's operating performance was

relatively good during the year with sales

Revenue increased by 13% driven by the introduction of several new products which

performed well during the year. The LUMIN

range also performed commendably during

the year and we added 3 customer contact

points in Galle, Gampaha and Colombo

during the year. Margins were affected by

the sharp depreciation of the Rupee and

weakening of the construction sector.

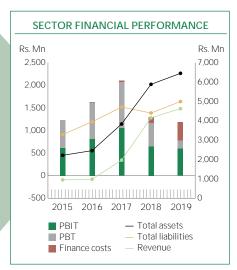
volumes increasing by 9% despite the overall

# Sector Review Construction Materials



a strong footing to pursue overseas growth opportunities. With the completion of the new manufacturing facility, the sector's extrusion capacity has increased by 117% to around 1,850 MT far above the current local demand. We have already commenced export to the African region and hope to pursue further growth opportunities in markets such as Myanmar, Maldives, Seychelles/Mauritius and Nepal.

Alumex has emerged as a catalyst for capacity building within the aluminium extrusion industry in Sri Lanka, generating shared value across the supply chain through conducting numerous training programmes. In addition to 100 fabricator training programmes with a participant base of over 3,000 at our dedicated training centre we were also engaged as a training partner by the National Institute of Education to provide training to 1,000 school teachers as part of the Government's 13-year education plan. We also provide training to a range of technocrats in the SL Navy, SL Army, Vocational Training Authority and NAITA. Through these multi-faceted training programmes, the sector has successfully showcased and propagated the use of advanced technology and systems within the Sri Lankan aluminium industry.



The technology in the new factory features numerous energy and water efficient elements, enabling us to drive our sustainability agenda while pursuing business growth. Despite an increase in production volumes the sector's energy and water intensity reduced by a respective 6% and 28% during the year, while energy and carbon intensity also recorded a decrease in comparison to the previous year. Meanwhile the sector's total carbon footprint and carbon intensity also declined.

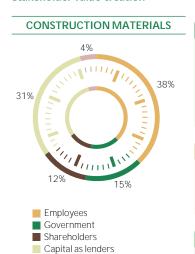
# **Innovation at Alumex**



Revenue **PBT** 



### Stakeholder value creation



# **Employees**

We maintained cordial relationships with trade unions and despite the challenging operating environment our employees received a near 10% increment during the year. Payments to employees:

Rs. 597 mn (+ 16%)

Investment in training:

Rs. 1.7 mn

Promotions: 23

### Customers

We continue to widen our product portfolio to suit the evolving needs of our customers.

New products: 6

Revenue from new products:

Rs. 61 mn

# **Business partners**

We transfer our knowledge, industry insights and technology to our fabricators through ongoing fabricator training programmes at our dedicated training centres

Fabricator training programmes:

104 (+116%)

Commissions paid to dealers:

Rs. 26 mn (-33%)

### Government

We create value to the Government through tax contributions, training programmes and generation of direct and indirect employment.

# Teachers trained : 1,000

Ħ

Tax contributions: Rs. 226 mn Indirect employment: 113

# Sector contribution to SDGs

Value retained





### 4. Quality Education

Training for 3000 fabricators and 1000 teachers among others Provide exposure to products and processes of world class quality



# 9. Industry, Innovation and Infrastructure

Introduction of world-class profile systems to Sri Lanka through our partnerships with global proprietary system owners



# 12. Responsible Consumption and Production

Recycle and re-use water Responsible disposal of waste



### 13. Climate Action

Energy efficient machinery and plants Increased focus on renewable energy

# Sector Review Construction Materials





# **Way Forward**

Our long-term outlook for the sector remains favourable, given the recommencement of several large-scale private infrastructure projects in Colombo. In 2019/20 we will place strategic emphasis on further expanding our partnerships with proprietary system owners which will enable us to tap overseas opportunities, particularly in markets such as Bangladesh, India and Myanmar. We also hope to adopt a regional distribution model for ladders by engaging sub-contractors across 3 regions in the country, thereby reducing the length of the supply chain and supporting regional economic growth.



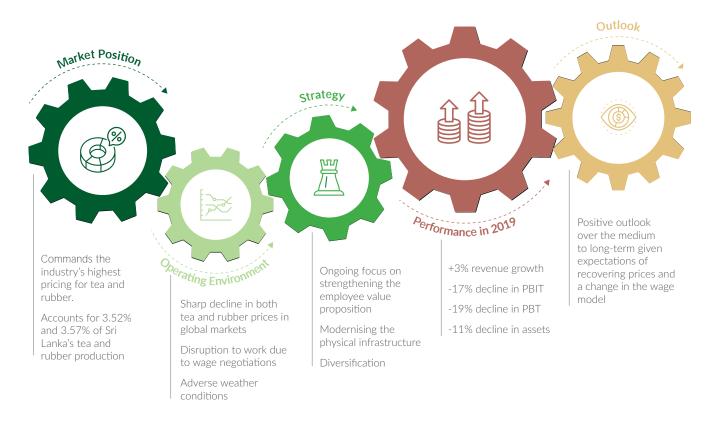
# **Plantations**





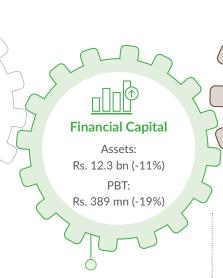
# Overview

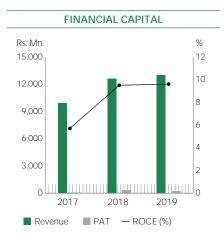
The sector generates 3.52% and 3.57% of the country's tea and rubber production through Kelani Valley Plantations PLC and Talawakelle Tea Estates PLC two of Sri Lanka's leading regional plantation companies (RPC). Cultivating over 19,000 hectares across 44 estates, the 2 RPCs lead the industry in product quality and sustainable business practices, consistently commanding premium pricing at the auctions.



# Sector Review **Plantations**

# **Capitals Scorecard**



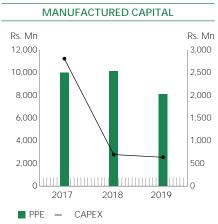


	2017	2018	2019
Revenue (Rs. mn)	9,899	12,609	13,008
PAT (Rs. mn)	84	358	253
ROCE (%)	5.7	9.5	9.6

Achieved 3% growth in revenue despite weakening commodity prices

PAT declined by 29% reflecting the fall in prices, adverse weather and trade union action during the year





	2017	2018	2019
PPE (Rs. mn)	10,023	10,144	8,125
CAPEX (Rs. mn)	2,806	696	636

Investments in modernising factories, physical infrastructure and technology to drive improved productivity



	HUMAN CAPITAI	-
No. 20,000		Rs. Mn 0.025
15,000		0.020
10,000		0.015
5,000		0.005
оШ	2017 2018	0.000
■ Hea	dcount — Productivity (F	Rs. Mn/employee)

	2017	2018	2019
Headcount (No.)	17,192	17,104	16,262
Training hours	55,751	74,496	68,859
Average training hours	3.2	4.5	4.2
	<u> </u>	•	

Investments in up-skilling employees with focus on training and development and vocational skills

Construction of houses, sanitary facilities, youth empowerment and medical campaigns through the "Home for every plantation worker" program





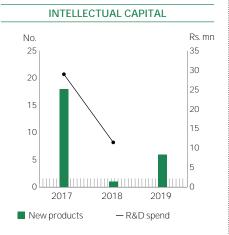


# SOCIAL AND RELATIONSHIP CAPITAL



	2017	2018	2019
Payments to suppliers (Rs. mn)	3,998	3,844	5,438
CSR investment (Rs. mn)	78	247	202

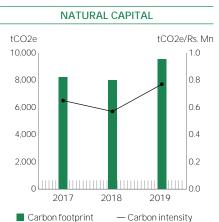
Investments in uplifting the living standards of over 800 individuals through "Key Value Drivers" process



	2017	2018	2019
New products (No.)	18	1	6
R&D spend (Rs. mn)	29	11.5	16.7

Maintained compliance to numerous local and international quality certifications

Ongoing investment in new product development



	2017	2018	2019
Agrochemical usage (Lt)	20,509	22,902	14,983
Water usage (Lt mn)	91.6	104.0	122.4
Carbon footprint			
(tCO2e)	8,223	7,990	9,541

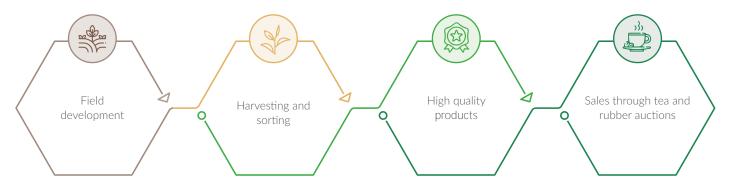
Renewable energy generation through solar and hydro plants

Chemical free buffer zones and fences to protect water resources

Rainwater harvesting and waste water recycling for ensuring the minimum water footprint

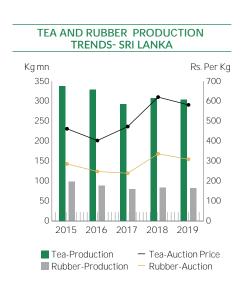
# Sector Review **Plantations**

### **Our Value Chain**



# **Risks and Opportunities**

Clusters in sector	Operating context
KVPL and TTE Revenue contribution: 58% Profit contribution: 111%	Internal impacts: Labour migration
	External impacts:  Prolonged effects of glyphosate ban, - Heavy rainfall, -Declining yields and low labour productivity, - Wage negotiations, + Exchange rate depreciation
Tea Exports (Mabroc Teas & Martin Bauer Hayleys) Revenue contribution: 42% Profit contribution: (11%)	External impacts: + Increasing propensity to seek healthy beverages, + Global buyers' emphasis on sustainability considerations, - Erratic weather conditions, + Global market dynamics



# **Operating Environment**

-6% Decline in average tea prices

Sri Lanka's tea production declined by 1% to 303.8 mn KG in 2018 affected by adverse weather in cultivation areas and wage related trade union action. Geopolitical conditions in major buying markets resulted in the gradual decline of tea prices in 2018.

+40%

Increase in basic wage rate

The country's political dynamics had a significant impact on wage negotiations during the year, resulting in the sharp hike of wages despite low worker productivity and persistently rising cost of production.

-9% Decline in latex crepe prices

Sri Lanka's rubber production continued to decline reflecting adverse weather conditions and low prices, falling by 0.6% in 2018 while local and global prices declined during the year

+2% Increasing in cost of Production

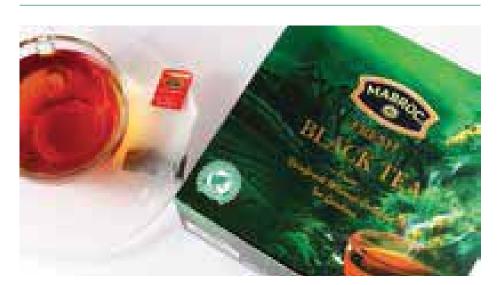
Prolonged impacts of the short-sighted glyphosate ban led to numerous unintended consequences including the rejection of Sri Lankan tea by Japan, higher cost of production and labour migration from the sector.

# **Our Strategy**

Given the persistently challenging market conditions in the tea and rubber sectors, the Group sought to diversify its crop base through the cultivation of cinnamon, coconut and other export crops with a view to long-term value creation. We also sought business diversification with the launch of 'Oliphant' a unique hospitality offering which aims to provide an authentic colonial planters bungalow experience to guests. On the people front, strategic emphasis was placed on enhancing labour productivity through incentive schemes and ongoing investment in training and skill development at all levels. Superior product quality is a key source of competitive advantage to both KVPL and TTE and despite the non-conducive operating landscape, we maintained compliance to stringent international and local quality standards. We are deeply committed to ensuring the sustainability and long-term survival of Sri Lanka's plantation industry and continue to invest in replanting, preservation of biological assets and environmental sustainability.



The Group's tea exporting arm, Mabroc Teas, procures high quality tea from KVPL and TTE. The Plantations sector also leverages on the expertise of the Leisure sector, which manages the 'Oliphant', a unique hospitality offering by the former.



# **KPIs**

### Diversification

Land cultivated with alternative crops: 292 hectares

### **People**

Labour productivity: 2.48 kgs/lab day for Tea and 6 kgs/Lab day for Rubber

# **Product quality**

Price premium - Tea

 $\label{eq:continuity} \text{KVPL: } \textbf{9\% above National Avg} \\ \text{TTE: } \textbf{15\% above National Avg}$ 

Price premium - Rubber KVPL: 3% above RSS TTE: 14% below RSS

# **Product quality**

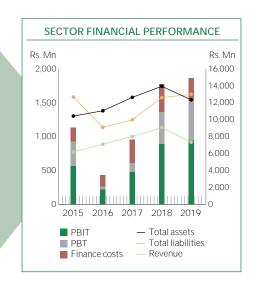
Investment in replanting: Rs. 361 mn

# **Integrated Performance Review**

The Plantation sector performed commendably in an extremely challenging year, achieving a revenue growth of 3% while PAT declined by 29% to Rs. 253 mn (excluding the capital gain of Rs. 204 mn). The fall in global tea prices, adverse weather patterns, prolonged effects of the glyphosate ban and wage-related trade union action had a significant impact on the overall industry's profitability during the year. Despite these challenges, KVPL and TTE maintained focus on its strategic priorities, investing in people and infrastructure with a long-term view to value creation. The Group's value-added tea exporter Mabroc turned in a year of strong growth, recording 149% increase in PAT led by new client acquisition and a widening product portfolio. In 2018/19 the sector divested its holding in Hayleys Global Beverages, forming a joint venture with the Martin Bauer Group, a global leader in botanical products.

# Sector Review **Plantations**

# **Pre-financials** 1% fall in sales volumes and 8% drop in average prices 5% increase in labour costs, driven by 40% wage increase and 4.6% decline in labour productivity 35% decrease of usage in agro chemicals 7% and 18% increase in energy and water consumption Rs. 77.3 mn investment in environmental initiatives



PBT Revenue

Following several rounds of intense negotiations between the Government, trade unions and RPCs, plantation workers' basic wage was increased by 40% during the year. Given the present market conditions and Sri Lanka's already high cost of production, the wage increase is likely to result in a significant narrowing of our profitability margins. The country's tea sector wages are the highest in the world, accounting for nearly 70% of the total cost of production while labour productivity is significantly lower than other tea-producing countries. KVPL and TTE have sought to address this through the introduction of a productivity incentive to employees, providing an opportunity for workers to obtain a higher income while improving productivity. Our employee practices were recognised at the Social Dialogue and work place cooperation awards 2018 organized by the Ministry of Labour, Sri Lanka where the sector obtained 9 awards some of which were awarded to a plantation company for the first time. Total payments to employees increased by 5% to Rs. 4.7 bn during the year.

We have consistently commanded premium pricing at the tea and rubber auctions attesting to the superior quality of our products. We continue to invest in complying with numerous local and international certifications which have allowed us to strengthen our processes and provide assurance to external stakeholders (refer to pages 231 to 222 for a full list of certifications). The sector is also a frequent recipient of numerous awards and accolades and during the year won 15 awards including 5 Gold Awards with Overall Excellence Gold awarded to TTE, at the National Business Excellence Awards. In addition to the above a significant milestone was winning the Global HR Excellence Awards 2019, Great HR Practices Award organized by IPM.

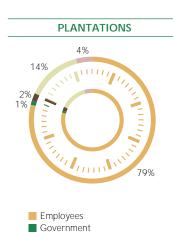
Rs/KG	National Average/RPC	KVPL	TTE
Sales average - Tea	581.91	632.14	667.40
Sales average - Rubber	279.67	288.97	239.10
Yield - Tea (per hectare)	1,056	1,172	1,335
Yield - Rubber (per hectare)	863	990	349



Our plantation subsidiaries are industry leaders in sustainability and have continued to demonstrate a deep commitment towards modernising and ensuring the long-term survival of Sri Lanka's vulnerable plantation sector. In 2018/19 we invested Rs.71 mn in modernising our factories and upgrading our technology to drive increased efficiencies while Rs.361 mn was directed towards replanting and maintaining biological assets.

As a plantation company, we are cognisant of the significant environmental impacts of our operations, particularly on natural resources such as biological assets and water. We are committed towards reducing dependence on fossil fuels and during the year installed solar power systems in 1 factory resulting in adding 165 kwp of renewable energy. The sector's total carbon footprint for the year increased by 19% while carbon intensity also increased by 16%.

### Stakeholder value creation



Shareholders

Capital as lendersValue retained

# **Employees**

Despite the non-conducive environment, we placed continued emphasis on strengthening employee skills through training and development and providing opportunities for progression. We also hope to introduce NVQ certifications for the supervisory staff in partnership with the Vocational Training Institute.

# Ĺ

Payments to employees: Rs. 4.7 bn (-4%)

Investment in training: Rs. 13.2 mn Promotions: 67

### Communities

In addition to our employees, we work to uplift the living standards of over 25,491 estate families living in our estates through the multifaceted Home for Every Plantation Worker programme which aims to provide access to good housing, nutrition and education. We also partnered with the World Bank in providing purified water for estate households.



Medical campaigns: 219
Community capacity building programs: 131

# Suppliers

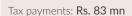
We create value to our suppliers through timely payments, fair pricing and propagation of sustainable agricultural practices.



Rs. 5.4 bn (+36%)

# Government

As two leading RPCs we maintain proactive engagement with the government and other industry stakeholders to ensure the sustainability of Sri Lanka's Plantation sector. During the year tax payments to the Government amounted to Rs. 83 mn.





# Sector Review **Plantations**

# Sector contribution to SDGs





### 1. No Poverty

We support and empower the livelihoods of over 110,000 estate workers and their families who are amongst the most deserving communities in the country



### 5. Gender Equality

The majority of our estate workers comprise female employees



# 7. Affordable and Clean Energy

Generation of renewable energy



### 15. Life on Land

Given the vital importance of our biological assets we continue to invest in replanting and propagating sustainable agriculture methods.





# **Way Forward**

Although tea prices are expected to remain subdued in the short term, we remain optimistic regarding the medium to long-term prospects, given improving oil prices and favourable weather conditions in 2019. We also anticipate a significant change in the archaic wage model which is currently in place as trade unions have in principal agreed to a revenue sharing model. As an RPC, we welcome this move as it will drive towards the creation of an empowered and entrepreneurial workforce in the estates. The sector will continue to focus on creating stakeholder value through investing in our people and communities across our value chain while pursuing further diversification from its traditional crops.



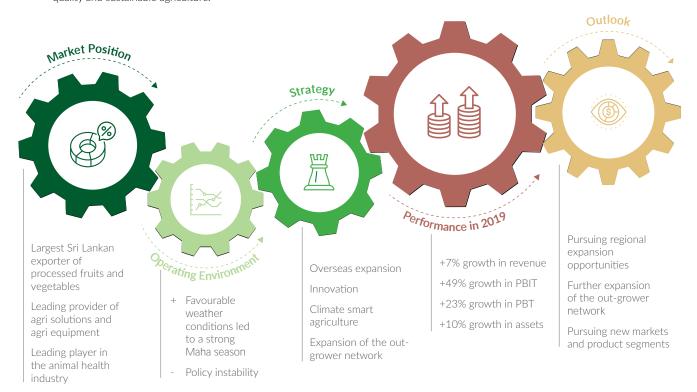
# **Agriculture**





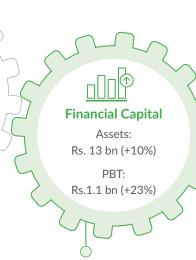
# Overview

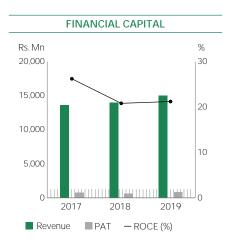
Hayleys is a dominant force in Sri Lanka's Agriculture sector, providing a wide range of agriculture related products and solutions to the retail and export markets. The sector holds leading market positions in several sub-sectors and has built a strong reputation for innovation, quality and sustainable agriculture.



# Sector Review **Agriculture**

# **Capitals Scorecard**





	2017	2018	2019
Revenue (Rs. mn)	13,612	13,947	14,967
PAT (Rs. mn)	790	626	866
ROCE (%)	26.2	20.8	21.2

Achieved 7% growth in revenue underpinned by our strong brands and innovative product range

23% growth in profitability during the year.





	2017	2018	2019
PPE (Rs. mn)	1,109	1,032	1,187
CAPEX (Rs. mn)	70	99	217
	k	<b>.</b>	<u> </u>

Investments in upgrading processes, technology and quality parameters at the Quality Seeds facility



HUMAN CAPITAL						
No. 1,500	ı					Rs. Mn
1,200						0.6
900			•		-	
600						0.4
300						0.2
0	201	 	201	8 8	2019	0.0
■ Не	adcoun	t —	Net	orofit pe	r employe	ee

	2017	2018	2019
Headcount (No.)	1,252	1,253	1,277
Training hours	12,532	7,520	3,599
Average training hours	10	6	2.8

Added 109 new recruits to our team to cater to growth opportunities in the segment

35% increase in payments to employees





**INTELLECTUAL CAPITAL** 

2018

2019

2018

0.50

48

78

R&D spend

Rs. Mn

20

15

10

2019

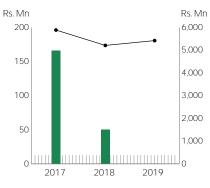
14.3

30

61



#### SOCIAL AND RELATIONSHIP CAPITAL



Investment in supplier	<ul> <li>Payments to</li> </ul>
development	suppliers

	2017	2018	2019
Payments to suppliers			
(Rs. mn)	5,889	5,213	5,424
CSR investment(Rs. mn)	3.9	4.6	0.8
CSR beneficiaries (No.)	14,635	12,763	2865

R&D spend (Rs. mn) 0.63

New products (No.) 28

Products in the pipeline (No.) 54

2017

■ New products —

No.

50

40

30

20

10

	NATURAL CAPITA	AL .
M3		tCO2e
200,000		12,000
150,000		10,000
100,000		8,000
50,000		6,000 4,000
0	2017 2018	2,000

	2017	2018	2019
Energy consumption			
(GJ)	20,718	18,811	27,269
Water usage (Lt)	173,097	183,112	183,097
Carbon footprint			
(tCO2e)	4,902	3,608	11,256

Expanded our outgrower network by adding 500 farmers to a new cucumber cultivation project in Vaakarai.

Acquired customers in new and existing markets

Establishing the Hayleys Agriculture Training School

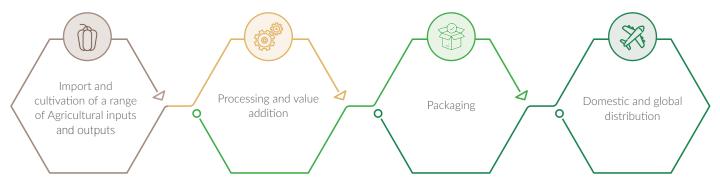
Expanded the product range with special focus on high-value added products in the food export cluster

Efforts to propagate climate smart agriculture across the industry through innovative techniques

Reducing the environmental impacts of our own operations.

## Sector Review **Agriculture**

#### **Our Value Chain**



#### **Risks and Opportunities**

Clusters in The sector	Operating Context
Products Crop protection Crop production Fertilizer Agricultural equipment Animal health	Internal impacts:  + Ongoing training through farmer extension services  + Continued investments in R&D and new product development  External impacts:  + Favourable weather conditions  + Awareness and focus for pet welfare and nutrition  - Exchange rate fluctuations  - Labour shortages  - Implications of climate change  - Non-conducive regulatory framework  - Cost of production in dairy and poultry sectors exceeding farm-gate price  - Declining yields in the dairy sector
Services Landscaping Pest management	Internal impacts:  + Ongoing investments in R&D and product development  + Expansion into regional markets  External impacts:  - Labour shortages  - Impacts on Consumer Spending and Service sector
Exports Food Non-food	Internal impacts:  + Continued investments in high tech agriculture, bio technology and research  + Stronger relationships with local farmers and farmer organizations  External impacts:  - Limited arable land and restrictions on private land ownership  + Opportunities for regional expansion
International operations	<ul> <li>+ Increasing focus on health and wellness and balanced nutrition</li> <li>Internal impacts:</li> <li>+ Pursuing growth in existing and new markets</li> <li>External impacts:</li> <li>+ Opportunities to pursue regional collaborations and mitigate risk</li> <li>- Adverse climate change impacts in the region</li> </ul>

#### **Operating Environment**

### +4.8% Expansion of the Agriculture sector

Sri Lanka's Agriculture sector posted recovery after 2 consecutive years of contraction supported by favourable weather conditions which positively impacted the Paddy, Fruits, Vegetables, Coconut and Spice sectors.

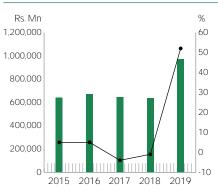
#### +65% Bumper paddy harvest

Characterised by a strong Maha season, an increase in cultivated extent and better yields.

#### -6.8% Contraction in agricultural exports

Mainly impacted by the decline in tea exports together with the combined impact of lower average export prices.

#### AGRICULTURE SECTOR PERFORMANCE



■ Agriculture sector — Y-o-y growth (%)

## **Our Strategy**

Pursuing overseas opportunities was a key focus during the year, and the sector marked a major milestone in its geographical expansion plans by obtaining the landscaping contract of the Velana International Airport in the Maldives. We continued to leverage on our research and development capabilities and strategic partnerships to drive product innovation to successfully expand our food exports range with the introduction of new products. As a Group with deep industry insights and extensive domain- knowledge we are keen to contribute to the modernisation and sustainability of Sri Lanka's Agricultural sector through climate smart agriculture solutions. During the year, we embarked on an agri modernisation project in the Eastern Province with the implementation of sprinkler irrigation systems to our out-grower network to meet the water requirements and also enable better use of scarce resources thus promoting water conservation. We also launched the Hayleys Agriculture Training School during the year providing an opportunity for academics and industry practitioners to obtain practical insights on the latest developments in agricultural technology.



The Group's Plantations sector purchases fertiliser from the Agriculture sector.

#### **Integrated Performance Review**

The sector recorded a year of strong performance, delivering revenue and PAT growth of 7% and 38% respectively. Performance was upheld by healthy growth in the Agricultural equipment cluster, underpinned by our strong brands and innovative product range which caters to the requirements of a younger farming demographic. The exports division also performed exceptionally well, supported by the launch of several new products in the Food cluster and overseas expansion of our landscaping operations. Meanwhile, the



#### **KPIs**

#### Overseas expansion

Revenue from overseas projects: Rs. 211 mn

#### Innovation

New products launched: 31 Investment on R & D: Rs. 14 mn

#### Climate smart agriculture

Agri modernisation projects Integrated pest management solutions

#### Thought leadership

Multi-faceted training programmes across the country

Total participants: 822

growth in the Pet segment supported the performance of the Animal Health cluster and eased the pressure on the bottom line stemming from the unfavourable farm-gate prices in the poultry sector and the weak performance of the dairy sector. The Crop Protection cluster was affected by the prolonged drought effects of 2017 with lower movement of stocks to the field due to the distribution channel having stocks from previous failed seasons. Given the highly regulated nature of the industry and volume restrictions, we hope to restructure this cluster to ensure optimal utilisation of resources.

Innovation is a key element of our ethos and we continued to invest in developing new products and solutions. During the year we commenced the export of dried tender jack fruit and a number of moringa infused products. We hope to launch an energy bar with moringa in the near future. We are also pursuing innovative integrated pest management solutions, which we hope to trial in maize cultivation. The sector also currently has over 61 product developments in the pipeline.

## Sector Review Agriculture

## **Pre-financials** 8% volume growth and 5% increase in average price Payments to suppliers increased by 1% during the year to Rs. 4.4 bn Rs. 1.4 bn (+35%) paid to employees 7% reduction in water intensity due to climate smart agriculture applications

SECTOR FINANCIAL PERFORMANCE Rs. Mn Rs Mn 16,000 3,500 14,000 3,000 12,000 2,500 10,000 2.000 8.000 1,500 6,000 1,000 4,000 500 2 000 2016 2017 2018 ■ PRIT ■ PRT ■ Finance Costs — Total assets Total liabilities — Revenue

Cluster	Products in pipeline
Crop production	4
Crop protection	2
Food processing	12
Horticulture	15
Animal Health	11
Speciality fertilizer	-
Agricultural equipment	6
Others	11
Total	61

In recent years we have also focused on enhancing our physical infrastructure and capital expenditure for the year amounted to Rs. 217 mn. Improvements made to the quality parameters, processes and technology in our Quality Seeds facility resulted in new product lines and a strong pipeline of orders for hybrid flower seeds.

We continued to strengthen our relationships with agricultural communities across the island, empowering over 12,000 farmers and out-growers through our agricultural extension services. A key achievement during the year was the successful implementation of a cucumber out-grower project in Vaakarai in the Eastern Province in partnership with initially the Bank of Ceylon and then under the World Bank funded Agriculture Ministry's Agri Modernization Project. Widely acknowledged as a hugely successful public and private sector partnership, the project supports the livelihoods of over 500 war-affected farmers through guaranteed buy back agreements, training on modern agricultural technology and financial support.

As a forerunner in the adoption of agricultural technology in Sri Lanka, the Hayleys Agriculture sector is keen to share its industry insights and expertise in ensuring the sustainability of the country's agriculture sector. Initiatives currently being piloted and/or tested by the sector include a mobile-app for disseminating

Revenue **PBT** 

knowledge among farmers (CropIn system), drip irrigation systems and integrated pest management solutions. Meanwhile, through the Hayleys Agriculture Training School we conduct training programmes for over 82 agriculture teachers, pest control operators and other industry practitioners, providing them an opportunity to obtain practical exposure to advances in agricultural technology. While supporting our financial objectives, this initiative is also aimed at enhancing the agricultural skill base in Sri

Lanka given the shortage of skilled labour in the sector. Moreover, we believe initiatives such as these will help the youth to stay connected with the Agri sector and help them acknowledge the sector as an exciting and worthwhile industry to be in.

Climate Smart Agriculture

CropIn-Mobile app for farmers

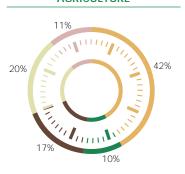
Drip irrigation systems

Integrated pest management using pheromones



#### Stakeholder value creation

#### AGRICULTURE



■ Employees
■ Government

ShareholdersCapital as lendersValue retained

#### **Employees**

Talent development is a vital pillar of our employee value proposition and we continue to invest in nurturing a unique base of organisational tacit knowledge within the organisation.

Payments to employees:

Rs. 1 bn (+35%)

Investment in training: Rs. 8 mn Promotions: 25

#### Customers

We are committed to providing innovative and high quality products and solutions to our diverse customer base. The sector also complies with numerous quality standards and certifications providing assurance to its customers on its processes.

New products: 30

Standards and certifications: 20

#### Farmers/Outgrowers

We have nurtured deep rooted relationships with an islandwide base of outgrowers and suppliers who are empowered through global market linkages, buy-back agreements and training opportunities. Payments to suppliers:

Rs. 5,424 mn (+4%)

Investment in supplier development:

Rs. 0.02 mn

#### Industry stakeholders

The sector proactively shares best practices and insights with industry stakeholders and engages with government organisations to create a conducive industry environment.

Participants trained at the Hayleys Agriculture School: **196** 

Training programmes conducted: 8

#### Sector contribution to SDGs





#### 3. Zero Hunger

We manufacture over 66 varieties of nutritious agriculture-based food products



#### 6. Clean Water and Sanitation

Chemical free buffer zones and fences, rainwater harvesting and recycling water purification through bio remediation



#### 9. Industry, Innovation and Agriculture

We are a forerunner in the adoption of climate smart agriculture.



#### 10. Reduced Inequalities

We empower a network of over 12,000 out-growers through payments exceeding Rs. 5  $\,\mathrm{mn}$ 

## Sector Review Agriculture





#### Way Forward

The outlook for the Hayleys Agriculture remains positive, given the sector's widening product portfolio, expanding regional presence and innovation-led growth strategy. We hope to build on the successes of 2018/19 in further widening our international reach with plans in place to pursue growth opportunities in the Middle Eastern region. The sector will continue to add value to agricultural communities across the island through widening its out-grower and farming networks and investing in farmer development and capacity building.



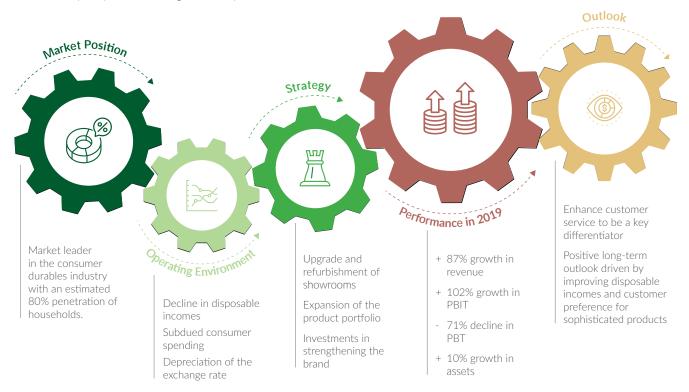
## Consumer & Retail





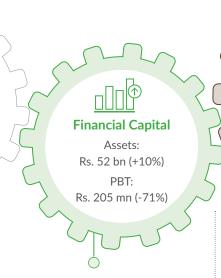
#### Overview

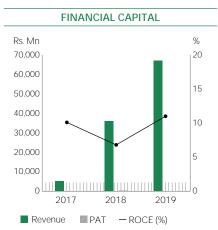
Singer (Sri Lanka) PLC is the undisputed market leader in the consumer durables industry and its competitive edge is underpinned on an unmatched geographical penetration of 442 contact points, extensive product portfolio and household brand name which frequently features among the country's most loved brands.



## Sector Review Consumer & Retail

## **Capitals Scorecard**





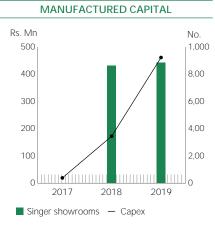
	2017	2018	2019
Revenue (Rs. mn)	5,278	35,927	67,205
PAT (Rs. mn)	0.4	348	(69)
ROCE (%)	10.1	6.8	11.1

Achieved revenue growth of 87% representing the full year consolidation of Singer (Sri Lanka) PLC and commendable volume growth in certain product categories

Sharp increase in finance costs stemming from Singer Finance PLC and reliance on borrowings to fund increased LC margin requirements

Losses on the restructuring of the Hayleys Consumer Division led to a Rs. 69 mn post-tax loss





	2017	2018	2019
Singer showrooms (No.)	-	432	442
CAPEX (Rs. mn)	39	345	922

Investments in upgrading the manufacturing facilities to enable the production of more sophisticated products

Modernising the Singer showrooms with 20 outlets being refurbished/upgraded during the year



	HUMA	AN CA	APITAL		
Hours					No.
80,000					4,000
70,000					3,500
60,000		•		-	3,000
50,000					2,500
40,000	,				2,000
30,000					1,500
20,000					1,000
10,000					500
0	0047	001		0040	0
	2017	201	8	2019	
■ Tra	aining hours	— н	eadcour	nt	

	2017	2018	2019
Headcount (No.)	302	2,939	3,079
Net profit/employee			
(Rs. mn)	0.00	0.12	0.02
Average training hours	13.8	19.8	5.5

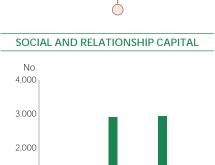
Added 577 new recruits to our team, with 77% hired from communities around our facilities

Signed collective agreements with trade union in the Manufacturing arm



# **Intellectual Capital** Most popular Brand of the year 2019 at SLIM-Nielsen Brand awards





2017 ■ Indirect employment

1,000

	2017	2018	2019
CSR investment		100	20
(Rs. mn)		>100	30

2018

2019

INTELLECTUAL CAPITAL

	2017	2018	2019
New products (No.)	-	30	13

NATURAL CAPITAL GJ tCO2e 80,000 20,000 70,000 60,000 15,000 50,000 10,000 40,000 30,000 20,000 5,000 10,000 2017 2018 2019 ■ Energy usage - Carbon footprint

	2018	2019
Energy usage (GJ)	37,915	72,614
Carbon footprint (tCO2e)		17,495
Water usage (M <sup>3</sup> )	4,159	105,185

Supported indirect employment across the country through service agents, 3rd party transporters and franchisees among others

Provided training to over 6,000 youth through the Singer Business School

Rs. 30 mn in investment in community engagement

Launch of 13 new products during the year including racking systems and large capacity refrigerators, mobile phones, laptops and kitchen appliances

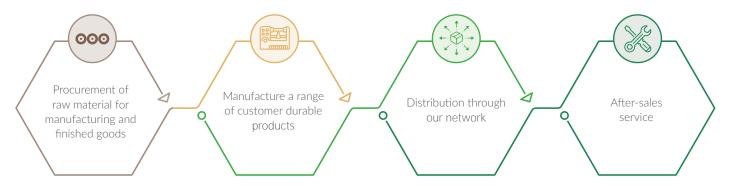
Ongoing investment in strengthening our brand

Driving the energy efficient platform across our product portfolio thereby contributing towards the reduction of customers' carbon footprint

Processes to minimise waste and drive energy efficiency in our manufacturing processes

## Sector Review Consumer & Retail

#### **Our Value Chain**



#### **Risks and Opportunities**

Clusters in sector	Operating context
Singer PLC Contribution to Revenue: 93%	Internal impacts:  + Opportunities presented by generating synergies with the Hayleys Group  External impacts:  + Positive long-term outlook driven by an expanding middle class and demand for sophisticated products  - Decline in disposable incomes and subdued consumer demand  - Increasing interest rate scenario and resultant high cost of funding at Singer Finance PLC  + Increasing connectivity and mobile penetration  - Import restrictions by the Government  + Opportunities in e-commerce  + Low penetration of consumer durable products  + The expansion in high rise buildings and apartments
Hayleys Consumer Contribution to Revenue: 7%	Internal impacts: + Restructure of the division  External impacts - Subdued consumer demand

#### PRIVATE CONSUMPTION EXPENDITURE-FURNITURE AND HOUSEHOLD EQUIPMENT



#### **Operating Environment**

#### Marginal decline in per capita **GDP**

Sri Lanka's per capita GDP (in Dollar terms) declined to USD 4,102 in 2018, from USD 4,104 the previous year reflecting moderating economic conditions and weakening of the domesti currency.

#### +7%

#### Increase in private consumption expenditure

The decline in disposable incomes, subdued consumer spending and the moderating economic growth led to a slowdown in private consumption expenditure growth.

#### +1%

#### Growth Spending on household and furniture

While the growth in private consumption expenditure saw a broad-based slowdown, the impact on luxury items such as consumer durables was more pronounced given their nondiscretionary nature.

#### Positive long-term outlook

Positive long-term outlook driven by relatively low penetration of consumer durables in Sri Lanka, a widening middle class and increasing customer propensity towards sophisticated products.

## Our Strategy

The Singer network of 442 customer contact points is the most extensive in the consumer durables industry. In 2018/19, we placed strategic emphasis on upgrading and refurbishing selected outlets and consolidating outlets into showrooms with larger floor space to drive a better customer experience. We also continue to widen our product portfolio in responding to emerging customer preferences for convenience, energy efficiency and advanced features. Singer also invested in enhancing its manufacturing capabilities to drive more agile production lines which can manufacture more sophisticated products. We also implemented several cost rationalisation and productivity initiatives during the year.

## **Integrated Performance Review**

The year under review represents the first full year of the consolidation of Singer's performance. Sector revenue demonstrated an increase of 87% to Rs. 67.21 bn during the year. Despite subdued industry conditions, Singer recorded commendable top line growth during the year supported by volume expansion in washing machines and smart phones which have relatively low penetration levels. Profitability, however, was affected by several factors such as volume decline in several high-margin products such as refrigerators and televisions, difficulties in collections given the moderating economic conditions and exchange rate implications. The imposition of a 100% cash margin on

in a sharp increase in the sector's finance costs. The sector's profitability was also lines out of the sector as listed alongside.

Singer maintained its position as the leader in Sri Lanka's consumer durables segment, with dominant positions in several product categories including refrigerators, sewing machines, water pumps and washing machines. The Company represents numerous international brands and during the year added INDESIT (for white goods) and KITO (for storage and racking systems) to its portfolio. Meanwhile the Singer brand is frequently featured among the country's top brands and was awarded Sri Lanka's Most Popular Brand of the year for the 13th consecutive year at the SLIM Nielsen People's Awards.

The sector's Manufactured Capital is significant and comprises Singer's extensive distribution network and 3 manufacturing facilities which manufacture refrigerators,





Utilisation of Singer's extensive branch reach to drive increased accessibility of Group products.



KPIs

No. of new products launched: 13

No. of outlets refurbished: 30

Manufacturing capabilities

Investments in artificial intelligence:

**Product portfolio** 

**Outlet refurbishment** 

Investment: Rs. 55 mn

Rs. 16.8 mn

## Sector Review Consumer & Retail

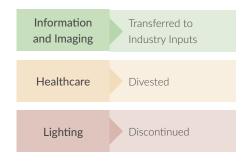
## **Pre-financials** Volume growth supported by strong performance of relatively under penetrated products Rs. 922 mn investment in enhancing manufacturing capabilities Rs. 6 bn (+128%) paid to employees Ongoing investments in strengthening our brand Widened the scope of energy and carbon footprint reporting

SECTOR FINANCIAL PERFORMANCE Rs. Mn Rs Mn 9,000 80,000 8,000 7.000 60.000 6,000 5,000 40.000 4,000 3,000 20,000 2,000 1,000 2015 2016 2017 2018 2019 ■ PRIT Total assets ■ PBT Total liabilities Finance costs Revenue

washing machines, furniture and agricultural equipment. The showrooms are operated in 5 formats across all provinces in the country and we continued to place emphasis on upgrading and modernising our network. In the manufacturing facilities we refined processes and systems in order to gear up for higher productivity and produce more sophisticated products including larger capacity refrigerators. The sector is also leveraging on Artificial Intelligence (AI) to drive more effective demand planning and order forecasting through embedding AI into key back-end processes.

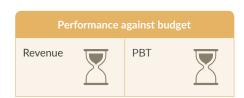
Singer generates substantial socio-economic benefits through the generation of indirect employment and providing access to produce which contribute towards uplifting

#### **Hayleys Consumer Division restructure**



convenience and living standards. We directly support the livelihoods of over 14 Singer Service centres, 300 service agents, 3rd party transporters and property owners who lease their buildings. We also provide an effective route to market for local innovators and producers to sell their products. Meanwhile the Singer Business School continues to empower youth by providing opportunities for skill development through 62 fashion academies since inception has engaged over 6,000 students over 20 programmes.

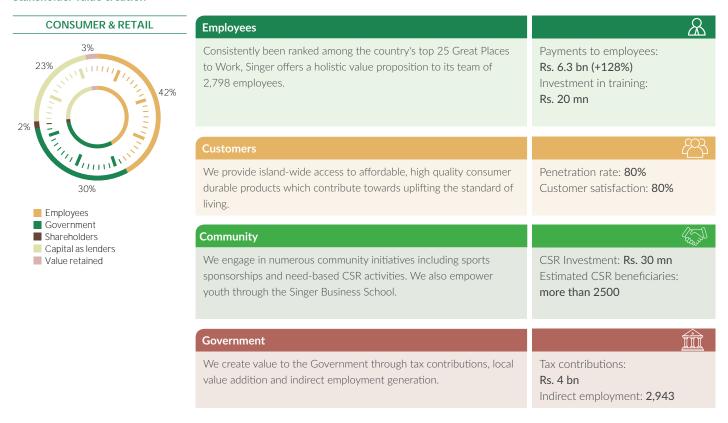
Singer's subsidiary, Singer Finance PLC is a registered finance leasing establishment regulated by the Central Bank. It engages in consumer finance, offering loan facilities through a network of 28 branches. With over 40.000 consumer durable accounts, it is the largest consumer financier in the NBFI sector and second only to the largest banks.





As a manufacturer of consumer durables our products consume energy and discharge emissions. We are cognisant of the substantial impact we can have on reducing the overall carbon footprint of customers by enhancing the energy efficiency of our products. Singer was the 1st in Asia to introduce the energy saving R600a technology for refrigerators which has a zero impact on the ozone layer.

#### Stakeholder value creation



#### Sector contribution to SDGs





#### 4. Quality Education

The Singer Business School empowers the country's youth by providing opportunities for skill development



#### 8. Decent Work and Economic Growth

In addition to our direct employees we support livelihoods of over 2,500 indirect employees (service agents, transporters, property owners, local manufacturers/suppliers)



#### 12. Responsible Consumption and Production

Bio-degradable packing in our factories

Waste discharge treated through an effluent treatment plant and using of saw dust as fuel for boilers



#### 13. Climate Action

Driven through our product range including R600a refrigerators and products with inverter technology

## Sector Review Consumer & Retail





#### **Way Forward**

While the short-term outlook for the sector remains subdued given the prevalent security concerns and weak consumer sentiments, the sector is positioned for strong growth over the medium to long-term given rising disposable incomes, urbanisation and customers' preference towards sophisticated products. Key priorities for 2019/20 include a restructuring of its channels to streamline the SISIL WORLD and SINGER channels as well as investments in rebranding SINGER with a fresh new look. We will also place strategic emphasis on enhancing customer care as a key differentiator in the industry while strengthening our e-commerce platforms.



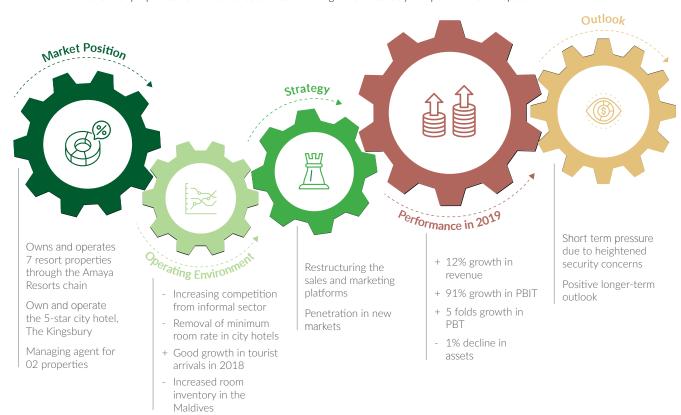
## Leisure





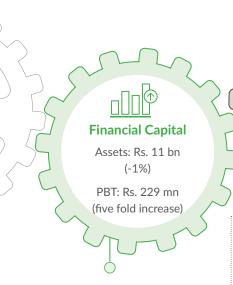
#### Overview

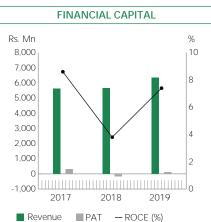
The Leisure Sector owns and operates 7 unique resort properties in Sri Lanka and Maldives through the Amaya Resorts chain and the five-star city hotel, The Kingsbury in Colombo. Attractive locations, excellent customer service and the authentic Sri Lankan experience offered at our properties have enabled us to retain our edge in an intensely competitive market space.



## Sector Review Leisure

## **Capitals Scorecard**





	2017	2018	2019
Revenue (Rs. mn)	5,618	5,673	6,363
PAT (Rs. mn)	302	(161)	118
ROCE (%)	8.6	3.8	7.4

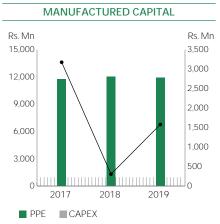
Posted turnaround in performance to record PAT of Rs. 118 mn in 2018/19

Revenue growth of 12% driven by increased occupancies across most of our resorts

Ongoing focus on driving efficiencies and cost management

Profitability supported by a capital gain of Rs. 103 mn on the divestment of Hunas Falls PLC





	2017	2018	2019
PPE (Rs. mn)	11,733	12,009	11,929
CAPEX (Rs. mn)	3,178	306	1,581
	L	L	L

Capital expenditure of Rs. 1.6 bn invested in refurbishment and regular upkeep and maintenance.

Geographical diversification with 654 rooms across 3 provinces in Sri Lanka and 57 rooms in the Maldives



HUMAN CAPITAL				
Hours 50,000		_		Rs. Mn
40,000				3
30,000			•	
20,000				2
10,000				1
0	2017	2018	2019	
■ Tr	aining hours	— Training	spend	

	2017	2018	2019
Net profit/employee			
(Rs. mn)	0.2	(0.01)	0.07
Average training hours	7.2	26.2	14.3

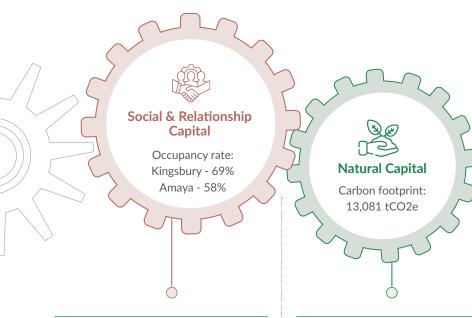
Added 54 new executives to our team

Maintained relatively good retention level of 69%

Ongoing investment in training and development

Offered 20 executive promotions during the year

Year-round calendar of employee engagement initiatives



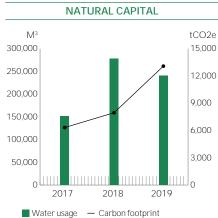
#### SOCIAL AND RELATIONSHIP CAPITAL No. Rs Mn 3,500 2,700 3,000 2,600 2,500 2,500 2,000 2,400 1,500 2,300 1,000 2 200 500 2,100 2019 2017 2018 Suppliers - Payments to suppliers

	2017	2018	2019
Business partners (No.)	3,095	3,059	3,067
CSR Investment (Rs. mn)	1.1	1.6	2.2
Beneficiaries (No.)	310	240	556

Expanded our network by partnering with tour operators in new markets

Increase in the average occupancy rates across properties

Maintained customer satisfaction levels



		2017	2018	2019
Water usa	age (Lt)	151,014	277,841	240,401
Carbon fo	otprint			
(tCO2e)		6,328	7,955	13,082
***************************************		•	•	•

Concerted efforts to drive energy and water consumption across our portfolio

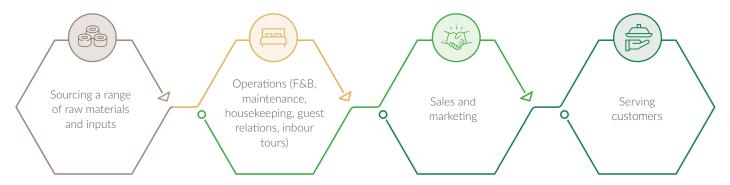
19% of water recycled

Responsible disposable of waste

Compliance to all applicable environmental regulations

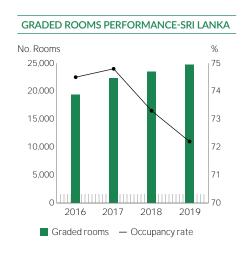
## Sector Review Leisure

#### **Our Value Chain**



#### **Risks and Opportunities**

Clusters in sector	Operating context
Resorts and City Hotels Revenue contribution: 85% PBT contribution 89%	Internal impacts: Refining the marketing and sales strategy
Inbound tours Revenue contribution: 15% PBT contribution 11%	External impacts: - Safety of travel and risk of terrorism - Significant increase in room inventory both in graded rooms and informal sector + Increasing connectivity and growth of online channels - Changing needs of travellers + Increasing focus on sustainable tourism - Increasing competition for labour  External impacts
	+ Good growth in tourist arrivals and cargo traffic



#### **Operating Environment**

+10.3%

Increase in tourist arrivals - Sri Lanka

Tourist arrivals into Sri Lanka recorded good growth in 2018 to reach 2.3 mn although falling short of the government's target of 2.5 mn. The Asia Pacific region maintained its position as Sri Lanka's largest source market and grew by 3.5% in 2018.

72.8%

Occupancy in graded establishments

Capacity increases in the formal sector as well as a surge in room inventory offered by the informal sector has led to intense price competition among players. The pressure on traditional hotel operators is further compounded by the changes in traveller demographics and preferences for more authentic experiences. +6.8%

Increase in tourist arrivals - Maldives

Tourist arrivals into Maldives reached a record high in 2018, although the rapid expansion in room inventory in recent years has led to intense competition among resort operators. Since 2014, total beds in operation have increased by more than 40%.

Growth prospects pressured in the short-term

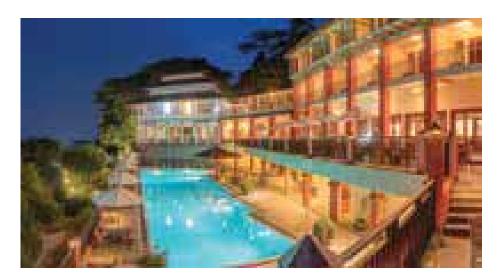
Following the terrorist attacks in April 2019, the Sri Lankan Hotel sector is expected to face severe pressure over the shortterm. The longer-term outlooks however remains more positive with the sector expected to post recovery by the Winter season.

## **Our Strategy**

The sector's success during the year is largely attributed to a proactive marketing and sales strategy which centred on growing the tour operator business while pursuing increased penetration through B2B and OTA platforms. For Amaya Kuda Rah, we partnered with leading tour operators in major markets such as UK and Russia, optimising pricing based on source markets and property. These partnerships also enabled us to diversify our source markets, gaining traction in new markets such as Japan, Korea and China. Meanwhile, we pursued a direct sales strategy in our city hotel, pursuing aggressive growth in the corporate segment as well as in banqueting and outdoor catering. We also rationalised the sector with the divestment of our equity stake in Hunas Falls PLC and discontinued the management operations of Platinum One.



The sector has partnered the Hayleys' Plantations Sector in managing its unique leisure offering 'The Olephant' which aims to provide an authentic planters' bungalow experience to guests.



#### KPIs

#### New relationships

New business partners: 8

#### **New markets**

New source markets: 3

Revenue from new markets: Rs. 100 mn

#### Occupancy levels

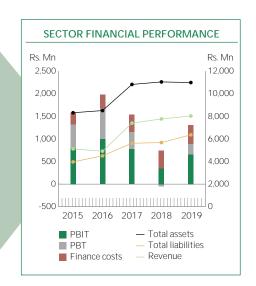
Amaya: 58% (2018: 54%) Kingsbury: 69% (2018: 64%)

#### **Integrated Performance Review**

The Leisure sector posted turnaround in 2018/19, led by improved profitability across all resorts while Amaya Kuda Rah and Amaya Beach trimmed losses during the year under review. Revenue grew by 12% to Rs. 6,363 mn as occupancies improved supported by a more focused sales and marketing strategy which enabled us to form new relationships with channel partners. Performance of Amaya Beach continued to be affected by limited connectivity of the region, although we were able to reduce losses through increased penetration of the European market. Our city hotel, The Kingsbury also recorded improved profitability during the year despite a decline in yields resulting from the removal of minimum rates for city properties. The sector's overall profitability was also supported by a capital gain of Rs. 103 mn arising from the divestment of Hunas Falls PLC during the year. Resultantly, the sector's profit before tax increased to Rs. 229 mn in 2018/19. The inbound tour operator business also performed commendably, recording profit growth of 119% during the year as we leveraged on our team of industry specialists to pursue customer acquisition.

## Sector Review Leisure

## **Pre-financials** Improved occupancy levels across all resorts Good customer satisfaction scores, averaging 74% in 2018/19. Overall employee retention during the year amounted to 69% 64% increase in carbon footprint 19% of water reused by recycling of water



Creating unique customer experiences through excellent service across our attractive locations is central to our customer value proposition. Our properties continue to maintain good customer satisfaction scores, averaging 74% in 2018/19. During the year we also launched the Ce La Vi Restaurant and Lounge at The Kingsbury, a leading Japanese restaurant serving Modern Asian cuisine.

The shortage of skilled labour continues to be a key challenge for the industry, with the attraction and retention of employees become increasingly difficult. We have sought to address this challenge through providing ongoing opportunities for training and driving improved productivity and efficiency across our resorts. Overall employee retention during the year amounted to 69%.

Revenue PBT As a hotel operator, we are cognisant of the impact we have on the environment through the consumption of natural resources such as water and energy and the discharge of waste, effluents and emissions. Resort-wide mechanisms are in place for the recycling of water, with approximately 19% of water reused. At Amaya Kuda Rah, we also launched a coral frame sponsorship programme, engaging guests in the preservation and conservation of coral reefs around our property.



#### Stakeholder value creation



#### **Sector contribution to SDGs**



## Sector Review Leisure



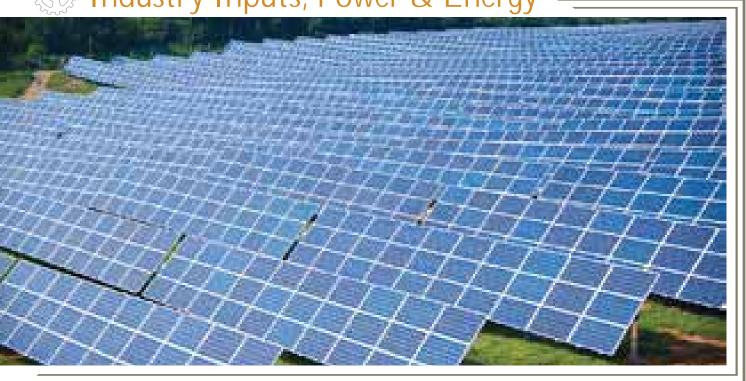


#### Way Forward

The recent terrorist attacks in Sri Lanka will undoubtedly result in some short term pressure on the sector, as tourist arrivals dwindle amid the prevalent security concerns. Over the medium to long term however, we are confident that the sector will remain resilient, posting recovery supported by Government thrust towards promoting the destination, gradual relaxation of travel advisories issued by the source markets and alleviation of security concerns.



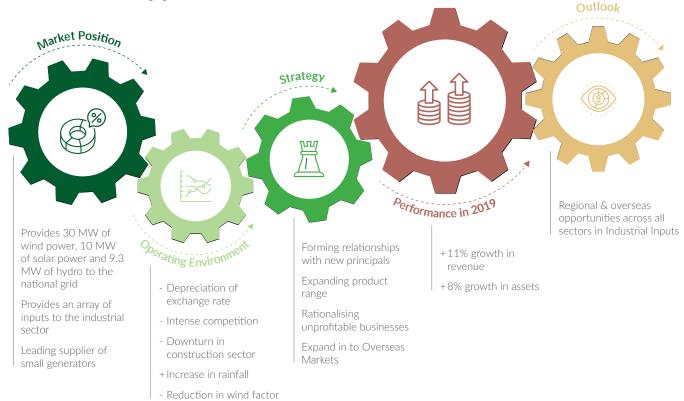
Industry Inputs, Power & Energy





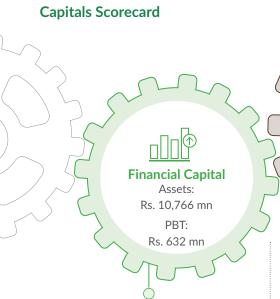
#### Overview

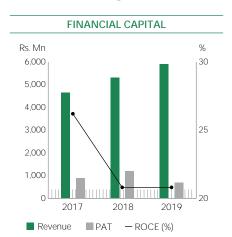
The Industry Inputs, Power & Energy sector is one of the leading producer of renewable energy contributing nearly 2% to Sri Lanka's renewable energy generation. It also imports and distributes a range of industrial material and solutions in engineering, life sciences, information and imaging.



## Sector Review

## Industry Inputs, Power & Energy





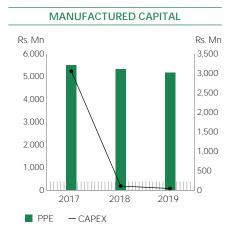
	2017	2018	2019
Revenue (Rs. mn)	4,660	5,325	5,905
PAT (Rs. mn)	890	1,194	684
ROCE (%)	15.20	17.50	12.10

Achieved revenue growth of 11% supported by strong hydro power generation and top line growth in the Industrial Raw Materials, Engineering and Lifesciences divisions

Profitability impacted by exchange rate fluctuations and intense price competition which led to narrower margins

21% increase in interest costs due to increase in working capital borrowings and interest rate.

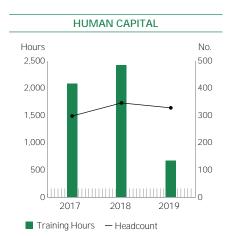




	2017	2018	2019
PPE (Rs. mn)	5,523	5,335	5,184
CAPEX (Rs. mn)	3,057	108	46

Capital expenditure of Rs. 46 mn mainly in the maintenance and upkeep of our wind power plants



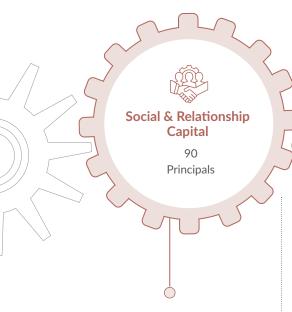


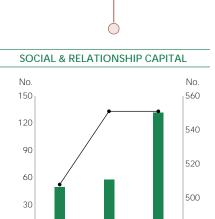
	2017	2018	2019
Net profit/employee			
(Rs. mn)	3.0	3.5	2.1
Average training hours	7.0	7.1	2.1

Added 86 new recruits to our team

Maintained employee retention rate of

Rs. 3.9 mn investment in training with focus on developing technical skills





	2017	2018	2019
Payments to suppliers			
(Rs. mn)	3,207	2,361	3,358
Investment in CSR			
(Rs. mn)	1.7	5.1	6.4
Beneficiaries (No.)	569	3.632	8126

2018

2019

2017

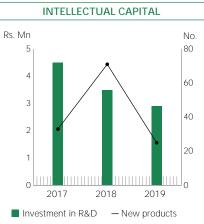
■ New customers — Principals

Acquired 14 principals through proactive engagement

Maintained a high level of customer retention through offering superior quality products and excellent customer service

Ongoing investment in community engagement



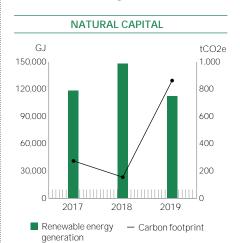


	2017	2018	2019
Investment in R&D			
(Rs. mn)	4.5	3.5	2.9
New products (No.)	33	71	25

Introduced 25 new products in the Industrial Inputs division

Leading market positions in medical radiology and small capacity generators





	2017	2018	2019
Water use (M³)	5,608	3,862	2,080
Carbon footprint			
(tCO2e)	274	155	864
	-		-

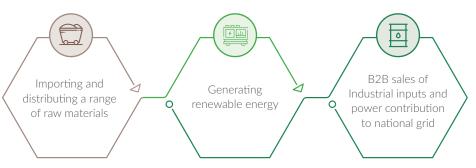
Total water consumption declined by 46% during the year

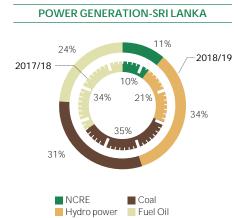
Offset 14% of the Group's carbon footprint through renewable energy

## Sector Review

## Industry Inputs, Power & Energy



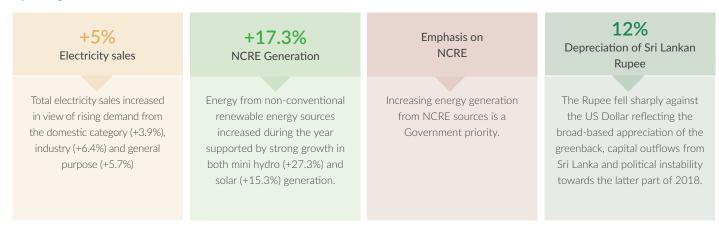




#### **Risks and Opportunities**

Clusters in sector	Operating context
Renewable energy	Internal impacts:
Revenue contribution: 25%	+ The Hayleys Group's increasing focus on renewable energy
PBT contribution 87%	+ Pursuing consultancy opportunities overseas
	External impacts:
	+ Good rainfall during the year
	- Decline in wind factor
	+ Global drive towards renewable energy
	- Slow processes in getting necessary approvals
Industrial Inputs	Internal impacts:
Revenue contribution: 75%	+ New product development
PBT contribution 13%	+ Forming relationships with new principals
	External impacts:
	- Exchange rate impacts
	- Difficulties in collection arising from a subdued construction sector
	+ Overseas expansion opportunities
	- Increasing competitive intensity leading to price competition
	+ A growing healthcare sector

#### **Operating Environment**



## **Our Strategy**

The sector underwent some restructuring during the year in line with the Hayleys Group's portfolio rationalisation agenda. Accordingly, the CCTV, Air Conditioning and Fire Safety divisions were transferred to Fentons Group given natural synergies arising in the Building Solutions industry. Strategic focus was placed on acquiring new principals during the year with the aim of broadening the product portfolio offered, particularly in the Engineering and Life Sciences divisions. The sector also pursued regional expansion during the year, entering Bangladesh, providing industrial raw materials to the apparel industry.

#### KPIs

#### **Principal Relationships**

New products developed: 25

#### **New Markets**

Markets entered:

Maldives & Bangladesh



The industrial raw materials cluster provides chemicals to the Hand Protection sector in the manufacture of gloves.

#### **Integrated Performance Review**

The sector's revenue increased by 11% during the year, supported by strong top line growth in the Industrial Inputs cluster and Power & Energy cluster. Profitability continues to be driven by the Power & Energy cluster which accounted for 132% of sector profits during the year. The cluster's profitability was somewhat impacted by the subdued performance of the wind power plants due to a reduction of Sri Lanka's wind plant factor and repairs at the Nirmalapura Wind Plant. Meanwhile Industrial Inputs recorded a decline in PBT mainly due to the sharp depreciation of the Sri Lankan Rupee, which resulted in an escalation in import costs, competitive pressures, challenges

in collections and higher finance costs during the year. Cluster profitability was also impacted by the transfer of several business lines (Fire Safety, CCTV and Air Conditioning) to Fentons Group in January 2019.

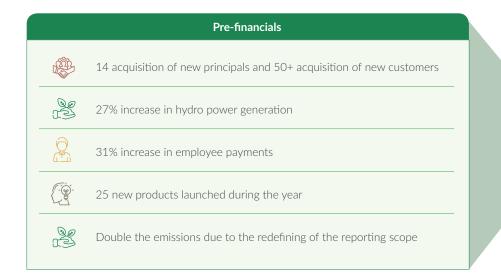
The sector operates 6 hydro plants, 3 wind power plants and Sri Lanka's largest solar power plant which collectively generate 50 MW to the national grid. The hydro plants performed well during the year due to increased rainfall in catchment areas while the wind plants performed below expectations. Solar continued to generate healthy returns, recording further profit growth during the year. We continue to seek opportunities for geographical expansion, particularly in providing consultancy and maintenance services for hydro power plants.

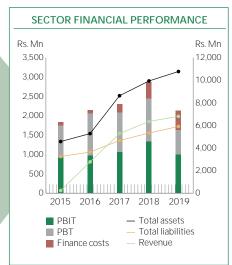
The Industrial Inputs sector placed strategic focus on acquiring new principals and expanding its product and service range. In Engineering, the sector is the market leader in the small capacity generator segment with long-standing relationships with leading financial institutions, banks and telecommunication service providers. During the year we widened our product range by acquiring an agency for lifts and accessories and forklifts. In Lifesciences, we maintained our dominant market position in medical radiology while continuing to invest in strengthening our relationships



## Sector Review

## Industry Inputs, Power & Energy



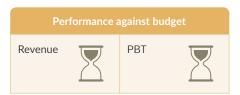


with leading international equipment manufacturers. Performance of the industrial raw materials cluster was impacted by the downturn in Sri Lanka's Construction sector which led to difficulties in collection thereby warranting write-offs. In Information and Imaging focus was placed on rationalising the segment with firm action being taken to curtail losses through cost optimisation and discontinuation of certain product lines.

Our long-standing relationship with leading international principals is a key source of competitive edge, as it ensures the quality of our products, facilitating new client acquisition. During the year, we formed relationships with 14 new principals

particularly in the areas of Raw Materials, Engineering, Lifesciences & Imaging. The length of years in which we have maintained these relationships is a reflection of the strength of the sector's Social & Relationship capital as presented alongside. Meanwhile, the adverse environmental impacts of the sector's operations are relatively low, with the total carbon footprint amounting to 864 CO2e. The sector is a significant contributor towards reducing the dependence on fossil

fuels and we generated approximately 31 mn kWhs of energy through renewable sources which carry zero emissions, thereby offsetting nearly 14% of the Group's total carbon footprint.



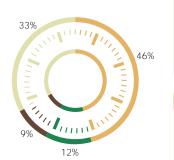
## WITH PRINCIPALS Nο 0-10 years 10-30 years Over 30 years

**LENGTH OF RELATIONSHIPS** 



#### Stakeholder value creation

## INDUSTRIAL INPUTS, POWER AND ENERGY



EmployeesGovernmentShareholdersCapital as lenders

#### **Employees**

During the year we added 86 new recruits to our team, primarily to enhance our position in the all clusters. We continued to focus on enhancing employee skills with focus on technical and leadership skills.

Payments to employees:

Rs. 468 mn (+31%)

Investment in training:

Rs. 3.9 mn

Promotions: 41

#### Customers

Our customer value proposition is centred on quality of products and excellent customer service.

Customer sales: Rs. 4,504 mn

New customers: 132

#### **Principals**

We maintain long-standing, mutually beneficial relationships with our principals through proactive engagement and sharing market insights. Total payments to principals:

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Rs. 2,702 mn

#### Government

We create value to the Government through tax contributions, generation of direct and indirect employment and generating renewable energy.

Tax contributions: Rs. 109 mn Indirect employment: 100 Renewable energy generation:

31 mn kWhs

#### Sector contribution to SDGs





#### 7. Affordable and Clean Energy

The sector produces 2% of the country's renewable energy with an installed capacity of 50MW of hydro, solar and wind power plants



#### 13. Climate Action

Offset 27,673 tCO2e of carbon emissions from renewable energy generation

## Sector Review Industry Inputs, Power & Energy





#### **Way Forward**

The Power & Energy cluster is expected to maintain its position as the key contributor to sector profitability, as we continue to leverage on the investments made in enhancing our installed capacity. In Industrial Inputs we see strong growth potential in Industrial Raw Materials, Engineering and Lifesciences segments and we will seek to diversify our markets through pursuing regional & overseas expansion. Rationalising the Information & Imaging segment also remains a key priority and we are confident that the cluster can achieve the profitability supported by a growing top line, rationalisation of the product portfolio and effective cost management.



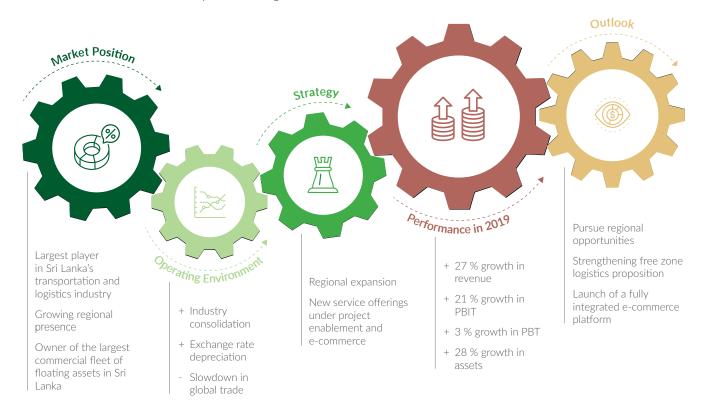
## Transportation & Logistics





#### Overview

The Hayleys Advantis Group is a dominant player in Sri Lanka's transportation and logistics industry providing end-to-end transportation and logistics related services including freight management, integrated logistics, terminals, projects and engineering services, marine services and international operations among others.

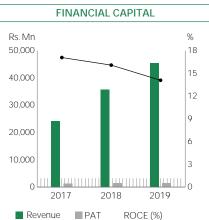


## Sector Review

## **Transportation & Logistics**

## **Capitals Scorecard**





	2017	2018	2019
Revenue (Rs. mn)	24,245	35,652	45,345
PAT (Rs. mn)	1,193	1,420	1,407
ROCE (%)	17.1	16.1	14.1

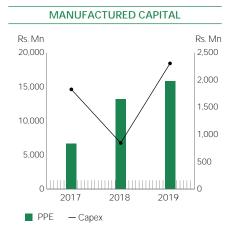
Revenue growth of 27% supported by broad-based expansion across business clusters

Regional expansion into new markets

Positive earnings contributions from recent acquisitions

68 % increase in finance expenses stemming from higher borrowings base and prevalent interest rate scenario





	2017	2018	2019
PPE (Rs. mn)	6,645	13,200	15,831
CAPEX (Rs. mn)	1,828	845	2,304

Capital expenditure of Rs. 2,304 mn in

Completed construction of Advantis 3PL Plus Logistics City and commenced the consolidation of warehousing operations to the newly opened logistics city.



HUMAN CAPITAL				
Hours	Rs.m	n/employee		
16,000		0.78		
12,000		0.77		
8,000		0.76		
4,000	<b>-</b>	0.75		
ا ٥	2017 2018 2019	0.74		
■ Trai	ning hours — Net profit per en	nployee		

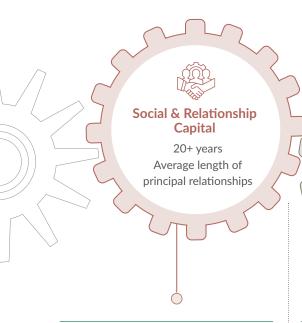
2017	2018	2019
1,594	1,840	2,324
2,866	11,449	10,920
0.75	0.77	4.7
	1,594 2,866	1,594 1,840 2,866 11,449

Added 588 new recruits to our team including 265 for overseas operations

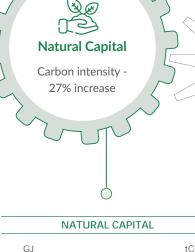
Focus on health and safety and leadership training

Upgrading the Human Resource Information System

Multiple engagement initiatives to build camaraderie



# **Intellectual Capital** 60 years of industry experience and expertise

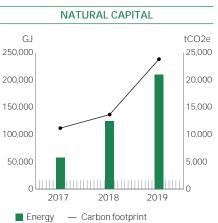


## SOCIAL AND RELATIONSHIP CAPITAL





INTE	LLECT	UAL C	APITA	L	
No.					
Environment					
Health and					
safety					
Shipping					
0.0	0.5	1.0	1.5	2.0	2.5



	2017	2018	2019
CSR investment			
(Rs. mn)	1.8	2.5	2.25
Beneficiaries (No.)	4,926	5,275	3,322

Domain specific industry knowledge of
over six decades

Group-wide Environment, Health and Safety Policy to provide guidance on best practices

Awarded Gold at the CILT Sri Lanka National Logistics and Transport Excellence Awards

	2017	2018	2019
Energy consumption (GJ)	57,134	124,004	210,169
Carbon footprint (tCO2e)	11,177	13,654	23,820

Optimisation of our distribution fleet

Use of battery operated machinery in our warehousing operations

30% reduction in water intensity

Use of solar power and natural lighting at our warehousing facilities

## Acquired 996 new customers

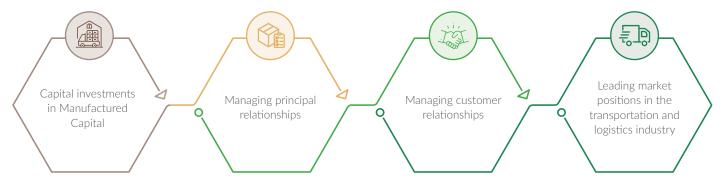
Acquired 25 new principals

Ongoing investments in community engagement initiatives

## Sector Review

## Transportation & Logistics

#### **Our Value Chain**



#### **Risks and Opportunities**

Clusters in the sector	Operating Context
International freight management	External impacts:  + Recovery of global freight rates  + Higher trade volumes  + Industry consolidation
Integrated logistics	Internal impacts:  + Customer acquisition  + Expansion of sector footprint  External impacts:  - Increase in interest rates
Marine services	Internal impacts:  + Acquisition led growth  + Expansion of market share  + Increased operational efficiencies through improved operating model  External impacts:
	<ul><li>Increase in interest rates</li><li>Bunker price volatility</li></ul>
Terminals, Projects and engineering	Internal impacts:  + Capacity expansions  + New service development  External impacts:
International operations	<ul> <li>Slowdown in infrastructure development in Sri Lanka</li> <li>External impacts:         <ul> <li>New markets and new client acquisitions</li> <li>Managing cultural disparities</li> <li>Increased cost and complexity of compliance in different markets</li> </ul> </li> </ul>
Services	Internal impacts: + Client acquisition in new markets

#### **Operating Environment**

### +3.8% Increase in global trade volumes

Global trade growth slowed in 2018, reflecting trade tensions between the US and its main trading partners leading to a general slowdown in economic activity.

## +12.5% Cargo handled at Colombo Port

Strong growth in TEUs handled, total cargo handled and transshipments volumes. The Colombo Port was also ranked the fastest growing port among the top 30 container ports in the world.

#### Increase in freight rates

Freight rates increased during the year supported by more manageable fleet capacity growth following industry consolidation in recent years.

#### Long-term positive outlook

The long-term outlook for the sector remains positive with the Government initiating major development projects to enhance competitiveness and productivity of port and logistics activities.

## **Our Strategy**

The sector's 2025 strategic plan emphasises the expansion of operations through organic growth, inorganic growth and transformational growth. In recent years, the sector has made significant progress in driving growth through all three of these avenues. In 2018/19 strategic focus was placed on pursuing transformational growth opportunities. With this the sector launched its B2B platform Advantis Ultra – to serve the growing project enablement needs in the country and went on to have a soft launch for the beta phase of its e-commerce platform Presto. In order to facilitate the back-end processes associated with this platform, the sector acquired Citypak, one of Sri Lanka's largest domestic courier service providers during the year. The sector has also commenced construction of pre-engineered steel structures, expanding its engineering service portfolio to cater to the growing demand of modular construction needs in Sri Lanka. The sector also successfully bid for a contract to manage an inland container depot and container freight station in Abu Dhabi, thereby marking its entry into a new market.

#### **KPIs**

#### **New markets**

New markets entered: 2

#### **New Service Offerings**

Investment in new services: Rs. 145 mn

#### Acquisition-led growth

Acquisitions during the year: 2
Acquisition during the last 5 years: 5



Singer Sri Lanka PLC has come on board as one of the Sector's first clients to utilise the services of the Advantis 3PL Plus Logistics City.

#### **Integrated Performance Review**

The Transportation and Logistics sector delivered another year of strong growth achieving revenue and pre-tax profit growth of 27% and 3% respectively, retaining its position as the largest contributor to Group earnings. The improvement in performance reflects healthy growth in most business lines with investments made over the past few years generating returns. Recent acquisitions have been largely debt-funded and the rising interest rate led to a sharp increase in the sector's interest expenses.

The sector continued to invest in building earnings capacity and during the year invested Rs. 145 mn in new business avenues.

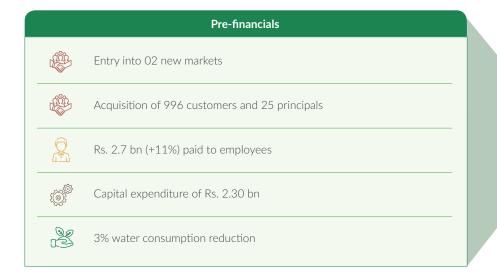
The International Freight Management cluster performed commendably during the year and continues to be a large contributor to the sector's profits. Consolidation of several principals' operations accrued significant benefits to the sector which saw increased volume growth. The consolidation of FedEx and TNT operations (represented through Mountain Hawk Express) also generated positive returns during the year.

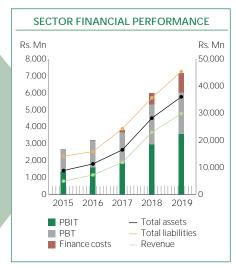
In Marine Services, the sector maintained its position as the owner and operator of the largest privately held commercial fleet of floating assets in the country, owning and operating 21 vessels. The cluster marked a key milestone during the year, successfully bidding for a contract to manage the berthing and unberthing of ships at the Port of Colombo. This marks the first time that such a contract was awarded to the private sector and it is noteworthy that there have been significant improvements in berthing time and efficiency since the unit commenced operations in October 2018.



## Sector Review

## **Transportation & Logistics**





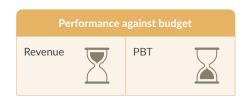
In Integrated Logistics, the sector consolidated operations of 7 warehouses and commenced operations of the newly built Advantis 3PL Plus Logistics City. This consolidation is expected to offer convenient and more efficient solutions to customers. and we are confident that the Logistics City will emerge as a key contributor to earnings over the medium term. Meanwhile capacity utilisation levels in our state-of-the-art facility in the Free Zone in Katunayake increased during the year, generating positive returns.

Acquisitions over the last few years has resulted in the creation of a diverse talent pool with differentiated levels of exposure. The sector's headcount increased to 2.324 from 1,840 last year due to new recruits at both the local and overseas locations and the acquisition of Citypak during the year. Key HR priorities for the year included strengthening health and safety capabilities, enhancing the talent development proposition and succession planning at senior management level.

Multiple employee engagement initiatives were carried out during the year to build camaraderie amongst employees including a virtual walk, participation at the LSR Colombo marathon, volunteering at the IronMan 70.3 Colombo event and the purpose week - throughout which

employees at all locations carried out several initiatives to better engage with their teams, customers and the community they operate in. Two of the sector's subsidiaries - Mountain Hawk Express and Advantis 3PL Plus - were also recognized by the Great Place to Work Institute, amongst the top 25 companies to work for in Sri Lanka. The sector also carried out several CSR initiatives including the donation of a newly constructed lobby to the Lady Ridgeway Hospital, constructed out of an up-cycled shipping container, built by the employees of Advantis Engineering.

The sector's environmental impacts arise primarily from the energy intensity of its operations and we continue to drive concerted efforts towards enhancing energy efficiency. These initiatives include the optimisation of the distribution fleet and the use of battery-operated machinery,

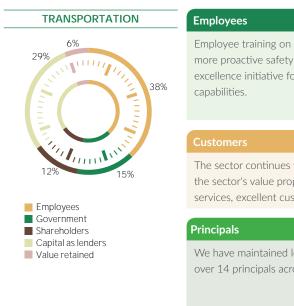




solar power and natural lighting at the warehouses and facilities. Within the FedEx Air Express Transportation business, the sector has emulated the practices of their parent company by implementing the carbon neutral envelope shipping programme,

which tracks the CO2 emitted through the shipment. During the year the sector sought to map its key environmental impacts and design structured initiatives to address these impacts.

#### Stakeholder value creation





#### Sector contribution to SDGs





#### 6. Affordable and Clean Energy

Use of battery-operated machinery, solar power, natural and energy efficient lighting in warehousing facilities



#### 9. Industry, Innovation and Infrastructure

We facilitate the efficient transportation of goods, generating employment & wealth, increasing infrastructure development capacity and driving economic activity



#### 13. Climate Action

Concerted efforts to reduce energy consumption and carbon footprint through using battery-operated machinery and ongoing monitoring of our distribution fleet

#### Sector Review Transportation & Logistics





#### **Way Forward**

The medium to long-term outlook for the sector remains extremely positive, given Sri Lanka's aspirations to transform to a regional shipping hub. Given our strong market presence and established networks across all business clusters, we are well positioned to capitalise on emerging growth opportunities. We will also continue to pursue regional opportunities as we seek further penetration in markets such as Maldives, Bangladesh, Indonesia and Myanmar. Key priorities for 2019/20 include strengthening our free zone logistics proposition, consolidating our position in 3PL and the launch of our fully integrated e-commerce market place. With the Hayleys Group's Aviation and Projects divisions being brought under the Advantis umbrella from 2019/20, the sector sees more potential in managing projects in the B2B arena, including modular constructions.



## **Others**





#### Overview

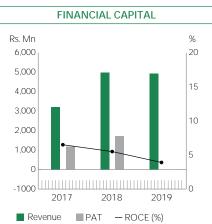
The sector comprises the Group's BPO operations, Projects, Aviation and Travels, Construction sector investments (Unisyst Engineering PLC and Fentons Group) and Group Services.



#### Sector Review Others

#### **Capitals Scorecard**



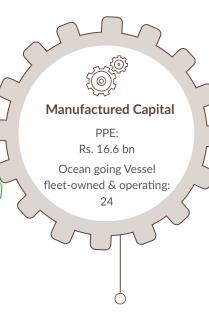


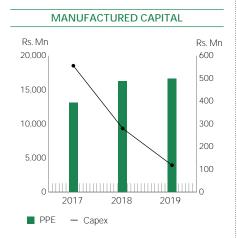
	2017	2018	2019
Revenue (Rs. mn)	3197	4979	4916
PAT (Rs. mn)	11,0	1709	-12
ROCE (%)	6.5	5.5	3.9

Marginal decline in revenue, stemming from revenue drops in Fentons and Unisyst Engineering which countered revenue growth in the Aviation, BPO and Hayleys PLC operations

Profitability impacted by intense competition, exchange rate fluctuations and a subdued Construction sector

157% increase in interest costs stemming from 19% increase in borrowings at Hayleys PLC level and higher interest rate.

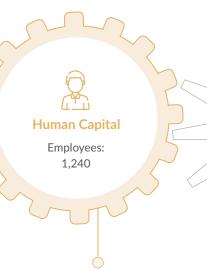




	2017	2018	2019
PPE (Rs. mn)	13,118	16,300	16,600
CAPEX (No.)	556	280	118

Capital expenditure of Rs. 118 mn

Investment in strengthening capabilities in artificial intelligence and robotics



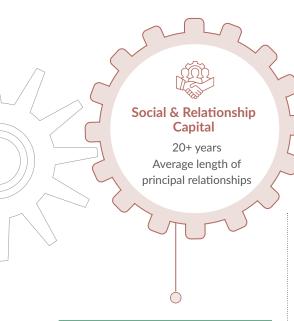
	HUMAN CAPITAL				
Hours 4,000				No. 1,500	
3,000		_	<b>—•</b>	1,200	
2,000	Ĭ			900	
1,000		_		300	
0	2017	2018	2019	0	
■ Tra	aining hours	- Heado	count		

	2017	2018	2019
Net profit/employee			
(Rs. mn)	1.1	(0.0)	1.4
Average training hours	3	0.6	2.3

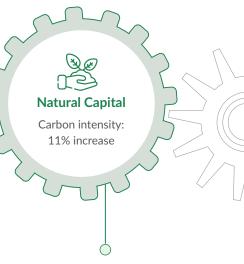
Added 247 new recruits to our team, particularly in the BPO operation

Maintained employee retention rate of

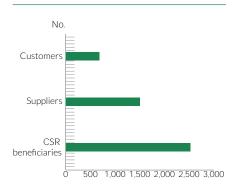
Investment in technical and leadership skills



## Intellectual Capital 60 years of industry experience and expertise



#### SOCIAL AND RELATIONSHIP CAPITAL

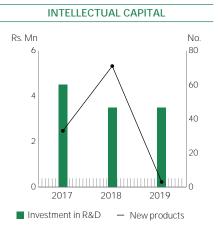


	2017	2018	2019
Payments to suppliers			
(Rs. mn)	3,207	2,361	2251
Investment in CSR			
(Rs. mn)	1.7	5.1	0.92
Beneficiaries (No.)	569	3,632	2533

Acquired 685 customers driven by BPO and Fentons

3 new GSAs acquired by the Aviation division

Strong project pipeline for S&T and Projects division



	2017	2018	2019
Investment in R&D			
(Rs. mn)	4.5	3.5	3.5
New products (No.)	33	71	3
	-		

Addition of all the MEP related engineering services across the businesses in the sector



	2017	2018	2019
Water use (M³)	2,581	6,461	26,782
Energy (GJ)	1,351	11,896	13,573
Energy (GJ)	1,351	11,896	13,57

Installation of 163 solar energy projects with an installed capacity of 22.34 MW

Increasing the Reporting Scope into the Hayleys PLC head office operations

9% increase in carbon footprint by adding Travel and Transport related emission

#### Sector Review

#### Others

#### **Risks and Opportunities**

Clusters in the sector	Operating Context
Business Process Outsourcing and Shared Services Contribution to Revenue: 2% Contribution to PBT: 5%	Internal impacts:  + Entry into new markets  + Widened the services portfolio  - Transport infrastructure to support employee mobility  + Opportunities within the Hayleys Group
	<ul> <li>External impacts:</li> <li>+ Advent of new technology in Artificial Intelligence and robotics</li> <li>+ Increasing focus on simplifying businesses through outsourcing back-office functions</li> <li>+ Opportunities in new industry sectors</li> </ul>
Hayleys Investments and Services Contribution to Revenue: 15% Contribution to PBT: 1,133%	External impacts: - Increasing interest rate scenario
Aviation Contribution to Revenue: 13% Contribution to PBT: 129	Internal impacts:
Unisyst Engineering PLC Contribution to Revenue: 8% Contribution to PBT: 5%	Internal impacts:  + Pursuing cost-effective technology and processes  External impacts:  - Exchange rate depreciation  - Increasing competitive pressures  - Delays in the commencement of several large infrastructure projects  - Shortage of skilled labour  + Good long-term prospects in the construction sector
Fentons Group Contribution to Revenue: 62% Contribution to PBT: -1,203%	External impacts: - Intensifying competitive pressures

#### **Integrated Performance Review**

The sector's revenue declined marginally by 1% to Rs 4.92 bn reflecting varied performance across the different clusters in the sector. The BPO and shared services operation and Aviation cluster recorded revenue growth while Fentons and Unisyst Engineering recorded a reduction in revenue. At operational level, the sector generated an operating profit of Rs. 1.8 bn (-25%) although overall profitability was affected by rising interest costs at Hayleys PLC level. Debt levels represent the borrowings at Hayleys PLC and this increased to Rs. 23.6 bn (from Rs. 19.8 bn) the year before.

#### **BPO Operations**

The Group's BPO operations delivered a commendable performance during the year, with revenue and pre-tax profit increasing by 52% and 88% respectively. Growth was supported by client acquisition in new and existing markets and a widening of the service portfolio with the introduction of taxation and finance solutions. In 2018/19 we also sought to drive process efficiencies through introducing artificial intelligence and robotics, solutions which we intend to extend to our clients over the short-tomedium term. The Shared Services division is also currently implementing SAP across the Hayleys Group driving improved productivity and better access to management information across the Group.

The division strengthened its human capital during the year, adding 54 young professionals to its team. We continue to maintain our satellite centre in Mahavilachchiya, through which we empower 34 young individuals.

#### **Projects and Aviation**

In the Aviation industry, the Group acts as a GSA for several leading global passenger and cargo airlines while Hayleys Airport Services offers flight handling supervision, terminal services and cargo handling services for several international airlines. The division achieved revenue growth of 26% during the year supported by increased flight frequency, strong passenger and cargo volume growth and increased focus of airline partners on Sri Lanka as a destination. The Division also strengthened its competitive position with the acquisition of 3 new agencies during the year, namely Vistara, Garuda and Lot Polish Airlines. The Aviation Supplies business is involved in providing services and materials to airlines and airports. Although the year under review was a challenging one for the division, a healthy pipeline of projects and acquisition of new clients has positioned the



Fentons successfully installed 6MW of solar power in the Group's textiles and transportation sectors with plans to widen this further across the Group.

The BPO operations is pursuing opportunities within the Group to roll out AI and Robotics solutions, enabling the automation of routine and repetitive tasks.

division for strong growth over the medium to long-term. Meanwhile profitability of the outbound travel (ticketing) segment was impacted by the sharp depreciation of the Sri Lankan Rupee during the year which led to wide price variances between the contracted and actual price. The cluster's overall profitability declined by 26% during the year.

#### **Unisyst Engineering PLC**

Unisyst Engineering is a leading supplier of high quality architectural aluminium joinery systems, glazing and façade products in Sri Lanka and specializes in providing tailormade solutions for the manufacture and installation of aluminium windows and doors, enclosures, shop fronts, curtain walls, louvres and awnings. Despite a liquidity



crunch in the overall construction sector, the Division's performance improved during the year driven by project acquisitions, introduction of new proprietary systems and increased activity in several large infrastructure development projects. The Division also strengthened its human capital by attracting specialised industry talent into the organisation.

#### **S&T Interiors Limited**

S&T Interiors was formed under an exclusive joint venture agreement with S&T, a leading Oman based interior fit-out and contracting company and Hayleys PLC. The division experienced a challenging year as several projects did not materialise as expected. That said, the project pipeline for next year is strong, as the Division has been awarded several large projects.

#### **Fentons Group**

Fentons Limited is one of Sri Lanka's leading engineering companies, offering a gamut of integrated solutions in electrical, fire safety, plumbing, renewable energy, security, ICT and heating, ventilation and air conditioning. A strong brand reputation nurtured over an established track record of over nine decades and multi-industry experience has enabled the Company to build long-term client relationships with corporates across many industries such as banking and finance, hospitality, information technology, manufacturing and healthcare industries.

In 2018/19, Fentons placed strategic emphasis on enhancing its project completion time through effective scheduling and monitoring of ongoing projects. Under-performing divisions were restructured while the performance management system of all divisions was strengthened to nurture a high-performing culture. Cost optimisation was a key priority during the year with strict focus on budgets and effective cost management. The weaker

#### Sector Review

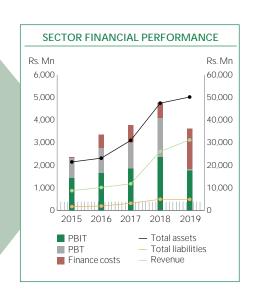
#### **Others**

performance of the country's construction sector had a direct impact on the Company, with revenue declining by 5% during the year; profitability was sharply impacted by narrower margins given intense competition, inventory and debtor write offs and the uptick in interest rates during the year which resulted in the cluster incurring a loss in 2018/19.

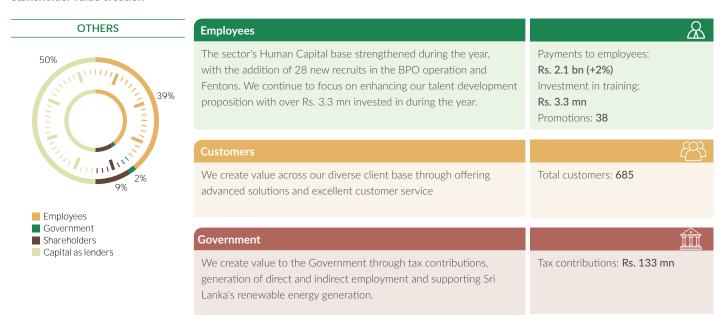
Installation of Solar Power solutions is a key area of growth for Fentons and it is currently pursuing opportunities across the commercial, residential and industrial segments. The Company has already installed 6MW of solar power within the textiles and transportation arms of the Hayleys Group with plans to widen this further across the Group, particularly in the Plantation sector.



## **Pre-financials** Entry into new markets by the BPO and shared services operations Fentons: Acquisition of 685 new customers across multiple business sectors Fentons: Over 160 solar installation projects 2% increase in employee payments, arising from 1% increase in headcount 14% and 9% increase in energy consumption and Carbon footprint



#### Stakeholder value creation



#### Sector contribution to SDGs





#### 8. Decent Work and Economic Growth

Through our BPO operation, we empower and support the skill development of more than 150 young, aspiring professionals



#### 13. Climate Action

Generates 114.25 kW of renewable energy across the Group





#### **Way Forward**

The sector will undergo a restructure in 2019/20, with the Aviation and Projects division being transferred to the Hayleys Group's Transportation sector, enabling the accrual of synergies across related businesses. The BPO sector sees significant potential for the use of AI and Robotics across the Group, thereby rationalising the headcount through driving the automation of repetitive tasks. The Division has also developed several solutions relating to the Internet of Things, which will be launched shortly. Fentons will continue to leverage on its brand name to drive increased customer acquisition and deeper relationships with existing customers while enhancing profitability through focusing on cost rationalisation and process efficiencies.

### **INTEGRATED PERFORMANCE**

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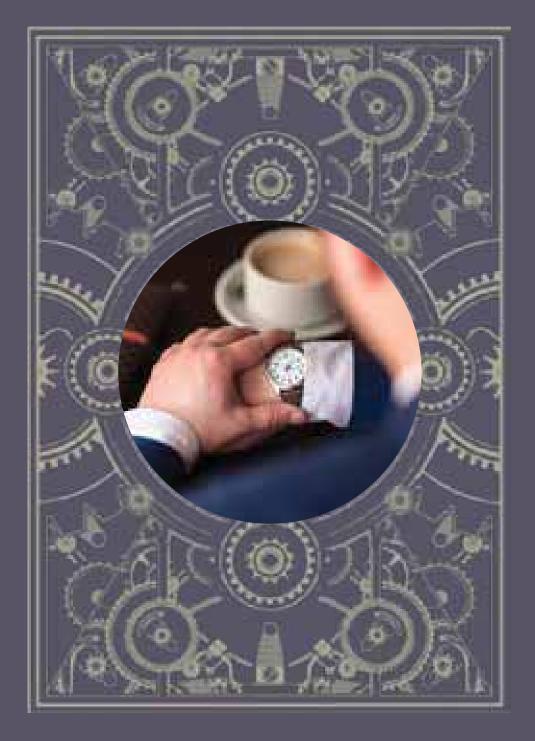
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## Keeping a watch on ourselves

This section provides more detailed information about our corporate goals and philosophies, and details the steps we have taken to discharge the responsibilities of good citizenship collectively incumbent upon us. Rules-based and with clearly defined time-frames and deadlines, they provide strict, clear indicators by which the corporate performance of Hayleys Group as a whole may be judged. Financial results aside, what yardsticks did we use to judge ourselves in 2018-19? And how did we fare? Here are the answers.

## Consolidated Statement of Financial Performance

Financial Capital		2019	Change %	2018	2017
Earnings Highlights and Ratios	<i>;</i>		*	·	
Revenue	Rs. mn	219,182	34.26	163,249	111,383
Earnings before interest, tax, depreciation and amortisation	Rs. mn	21,016	35.75	15,482	12,854
Results from operating activities	Rs. mn	15,989	40.22	11,403	9,675
Profit before tax	Rs. mn	5,476	(4.98)	5,763	7,025
Profit after tax	Rs. mn	2,750	(15.95)	3,272	5,048
Profit attributable to owners of the parent	Rs. mn	265	(74.08)	1,024	2,784
Dividends	Rs. mn	375	0.00	375	563
Gross profit margin	%	22.34	1.73	21.96	23.27
Operating profit margin	%	7.29	4.29	6.99	8.69
Net profit margin	%	1.25	(37.50)	2.00	4.53
Earnings per share (basic)	Rs.	3.54	(74.07)	13.65	37.12
Return on assets (ROA)	%	1.19	(22.06)	1.56	3.88
Return on capital employed (ROCE)	%	9.13	22.04	7.48	9.41
Interest cover	No. of times	1.47	(16.95)	1.77	3.05
Financial Position Highlights and Ratios		<u> </u>	-	-	
Total assets	Rs. mn	231,747	10.48	209,767	130,002
Total debt	Rs. mn	113,284	22.28	92,641	44,748
Equity attributable to equity holders of the parent	Rs. mn	40,242	1.50	39,649	40,866
Gearing	%	64.67	6.43	60.77	43.53
Debt/equity	%	183.07	18.19	154.90	77.10
Equity asset ratio	%	26.70	(6.35)	28.51	44.64
Net assets per share	Rs.	536.56	1.50	528.65	544.88
Current ratio	No. of times	0.99	2.06	0.97	1.20
Quick asset ratio	No. of times	0.64	-	0.64	0.79
No. of shares in issue	No. mn	75	-	75	75
Market/ Shareholder Information	•	-	•	•	
Market value per share	Rs.	168.00	(16.29)	200.70	265.00
Dividend per share	Rs.	5.00	0.00	5.00	7.50
Company market capitalisation	Rs. mn	12,600	(16.30)	15,053	19,875
Group market capitalisation	Rs. mn	49,295	(22.49)	63,602	49,104
Price earnings ratio	No. of times	47.48	222.99	14.70	7.14
Dividend yield ratio	%	2.98	19.68	2.49	2.83
Dividend payout ratio	%	141.30	285.86	36.62	20.20
Dividend Cover	No. of times	0.71	(74.00)	2.73	4.95

Financial Capital		2019	Change %	2018	2017
Others	,	,			
Economic Value Generated	Rs. mn	50,759	31.85	38,497	28,541
Economic Value Distributed	Rs. mn	46,234	35.39	34,148	23,535
Government	Rs. mn	7,034	36.36	5,158	2,389
Employees	Rs. mn	25,828	26.40	20,434	15,207
Others	Rs. mn	13,372	56.29	8,556	5,939
Value Added per employee	Rs. mn	1.62	33.74	1.21	1.01
Group employment	Number	31,383	(1.41)	31,832	28,137
Average Revenue per employee	Rs. mn	6.98	36.06	5.13	3.96
Average operating income per employee	Rs. mn	0.51	41.67	0.36	0.34
Credit Rating		AA- (Ika)	-	AA- (Ika)	AA- (Ika)

#### **Scope of Financial Reporting**



#### **Reporting Principles**

Sri Lanka Financial Reporting Standards

Sri Lanka Accounting and Auditing Standards Act No.15 of 1995

Requirements of the Companies Act No. 7 of 2007

#### Reporting Improvements

Adoption of SLFRS 9 and SLFRS 15

## Financial Capital



#### Financial Capital

The Group's Financial Capital comprises of it's shareholders' funds, internally generated funds and borrowings and is nurtured through business expansion, prudent cost management and profit generation. Effective management of the Group's Financial Capital is essential in achieving strategic objectives, generating stakeholder value and ensuring the continuity of operations.

#### **Eco Solutions**



- Posted strong recovery to record a PBT of Rs.431 mn compared to PBT of Rs.29 mn in 2017/18
- 46% turnover growth driven by customer acquisition

#### **Hand Protection**



- 82% growth in PBT
- Cost savings generated through TPM: Rs.170 mn

#### **Purification**



- 34% growth in PBT, surpassing Rs.1.0 bn PBT
- 35% top line growth reflecting increased contributions from value added products



- · Post recovery with a PBT of Rs.313 mn compared to a loss of Rs. 8 mn the previous year
- Wider GP margin reflecting richer sales mix

#### Construction **Materials**



- · 66% decline in PBT
- Revenue growth of 13% but profitability margins impacted by escalation in raw material costs

#### **Plantations**



- · 24% increase in PBT
- · PBT of Rs.593 mn includes a capital gain of Rs.204 mn on the divestment of HGBL

#### Agriculture



- · 23% growth in PBT, surpassing Rs.1.0 bn
- · Highest contributor to the Group's attributable profit



- · Highest revenue contributor to the Group
- 71% decline in PBT due to restructuring of the Hayleys Consumer division

#### Leisure



- · Returned to profitability to generate PBT of Rs. 229 mn
- 1% reduction in asset base due to disposal of Hunas Falls Hotels PLC

#### Industry Inputs, **Power & Energy**



- 43% decline in PBT
- Narrower profit margins due to adverse exchange rate movements

#### Transportation and Logistics



- 3% growth in PBT
- 20% increase in asset base reflecting recent capacity expansions



- 157% increase in interest
- 96% decline in PBT

## 2% 3% 2% 2% 3% 23%

#### Revenue by Sector

- Eco Solutions
- Hand Protection
- Purification
- Textiles
- Construction Materials
- Plantations
- Agriculture
- Consumer & Retail
- Leisure
- Industry Inputs, Power & Energy
- Transportation & Logistics
- Others

#### Total liabilities composition by sector

- Eco Solutions
- Hand Protection
- Purification Textiles
- Construction Materials
- Plantations
- Agriculture
- Consumer & Retail
- Leisure
- Industry Inputs, Power & Energy
- Transportation & Logistics
- Others

#### Working capital composition by sector

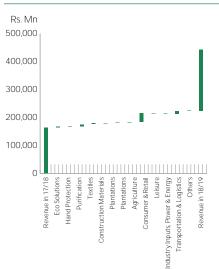
- Eco Solutions
- Hand Protection
- Purification
- Textiles
- Construction Materials
- Plantations
- Agriculture
- Consumer & Retail
- Leisure
- Industry Inputs, Power & Energy
- Transportation & Logistics
- Others

#### **Financial Performance**

#### Revenue

Hayleys delivered a commendable top line growth of 34% to Rs.219.18 bn during the year, with broad-based growth across all sectors. Top line growth reflects the first full year of consolidation of Singer (Sri Lanka) PLC which was acquired last year, as well as organic growth in key sectors. Major contributors to revenue expansion included Consumer & Retail (+87%), Transportation & Logistics (+ 27%) Purification (+35%), and Textiles (+34%). Consumer & Retail sector and Transportation & Logistics sector retained their positions as the largest contributors to consolidated revenue with a share of 31% and 21% respectively. Despite the challenging economic landscape, all sectors except the Others sector recorded top line expansion, driven by client acquisition, entry into new markets and new product development (Please refer to Sector reviews on page 93 to 187 for further information). Following the acquisition of Singer (Sri Lanka) PLC, the Group's revenue profile has tilted more towards the domestic market, accounting for 55% of consolidated revenue during the year.

#### INCREMENTAL REVENUE TRENDS



#### Revenue Highlights

34%

Revenue Growth

**Key contributors**- Consumer & Retail, Transportation & Logistics

55% Reliance on domestic market

#### **REVENUE GROWTH TRENDS**



#### **Gross Profit**

Despite the sharp depreciation of the Sri Lankan Rupee which led to the escalation of imported raw material costs in several key sectors such as Hand protection, Purification and Transportation & Logistics, the Group was able to widen its gross profit margin to 22.34% from 21.96% the previous year. This was achieved through increased focus on value-added products and smart cost management; it is also a reflection of the Group's diversity in terms of both industry sectors and geographical regions with the exchange rate depreciation positively impacting the Group's exportoriented businesses. The direct interest cost deducted prior to Gross Profit represents the funding costs of Singer Finance PLC. Overall Consolidated Gross profit increased by 37% to Rs. 48.98 bn during the year.

#### **Operating Costs**

Consolidated overhead costs increased by 40% to Rs.35.48 bn, reflecting the full year consolidation of Singer (Sri Lanka) PLC. Administrative expenses accounts for the largest portion of operating costs and increased by 40% during the year reflecting higher operational activity, 25% increase in personnel costs and general cost escalations. Distribution costs also increased by 36% during the year. Driving cost efficiencies and productivity improvements is a key priority for the Group with several sectors implementing TPM initiatives during the year. Sectors such as Hand Protection, Textiles and Purification have also placed strategic emphasis on reducing energy costs through transitioning to renewable energy, enabling the Group to strive towards both its commercial and sustainability objectives.

#### Earnings before Interest and Tax (EBIT)

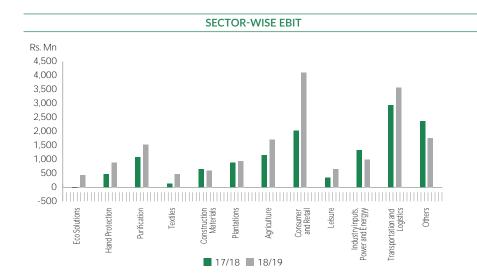
The Group's operating level performance strengthened during the year, with EBIT increasing by 40% to reach Rs.15.99 bn. Growth was broad-based with the key sectors of Textiles (+227%), Consumer & Retail (+102%), Transportation (+21%), Agriculture (+49%), Purification (+40%) and Hand Protection (+88%) and Eco Solutions delivering strong operating results during the year. It is noteworthy that 9 out of the Group's 12 sectors recorded an improvement in operating profit. Consolidated EBIT was also supported by a capital gain of Rs.444.73 mn generated on the sale of Hunas Falls PLC, which resulted in an increase in other income. Meanwhile the Group's EBIT margin widened marginally to 7.3% from 7.0% in 2018/19.

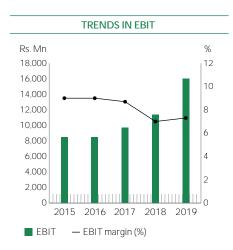
#### Operating profit Highlights

40%

EBIT GIOWLI

**9/12 Sectors**EBIT growth





#### **Net Finance Cost**

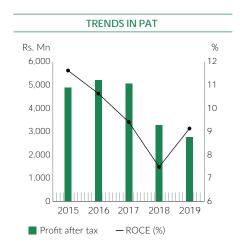
Net finance cost increased by 77% to Rs.10.51 bn during the year reflecting a 22% increase in borrowings and the prevalent high interest rate scenario. Borrowings increased in view of capacity expansions and working capital requirements given the strong operating profit performance, the Group was able to absorb the increased finance costs during the year. The Group's strong business positions and excellent payment track record enables it to borrow from Banks at relatively favourable rates while interest trends and outlook is monitored on an on-going basis at Sector level as well as at Group level by a dedicated Treasury Unit. The Group's average weighted cost of debt increased to 10.6% from 9.4% the year before.

#### **Profitability**

Despite the strong growth at operating profit level, the Group's pre-tax profit recorded a decline of 5% to Rs.5.48 bn during the year, mainly due to the increase in interest costs. The Transportation & Logistics sector retained its position as the key contributor to Group profitability with a share of 30%, followed by the Purification (15%) and Agriculture (14%). Several sectors recorded a decline in pre-tax profit arising from the increase in interest cost during the year.

Value created to the Government in the form of tax contributions increased by 16% to Rs.3.02 bn while the effective tax rate also increased to 51% from 45% the

ROCE (%)				
	2019	2018		
Eco Solutions	6	-0.3		
Hand Protection	9	5		
Purification	12	10		
Textiles	10	4		
Construction Materials	12	15		
Plantations	12	10		
Agriculture	21	21		
Consumer & Retail	11	7		
Leisure	7	4		
Industry Inputs, Power &	12	18		
Energy				
Transportation and	14	16		
Logistics				
Others	4	6		



previous year. The higher tax obligation reflects higher tax on dividend income, an increase in the Economic Service Charge and improved performance of profitable companies which attracted higher taxes. Resultantly, the Group's profit-after-tax declined by 16% to Rs.2.75 bn during the year. The decline in profitability was more pronounced at Company level, reflecting a reduction in dividend income and a near 63% increase in net finance costs.



#### Other Comprehensive Income

The Group's OCI increased to Rs.2.54 bn (from Rs.1.74 bn the previous year) and comprised of revaluation gains on land and net exchange differences on the translation of foreign operations. Resultantly the Group's total comprehensive income amounted to Rs.5.29 bn compared to Rs.5.02 bn in the previous year.

#### **Financial Position**

#### **Assets**

Asset growth of 10% during the year was driven mainly through organic growth as several sectors invested in capacity

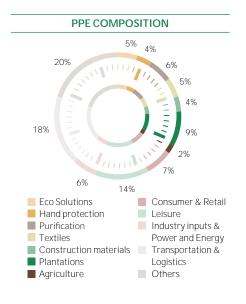
expansion and working capital requirements. Consumer & Retail, Purification and Transportation & Logistics sectors were the key contributors to the Group's asset growth. The Group's non-current assets and current assets increased by a respective 6% and 16% during the year. The asset composition tilted more towards current assets accounting for an increased 48% (from 46% last year) as Purification, Hand Protection, Consumer & Retail among others increased investments in working capital. The expansion in Property, Plant and Equipment was limited to 3% during the year, as investments normalised following significant value addition to Manufactured Capital last year. The Group's growth strategy in key sectors over the last few years has resulted in consistent expansion of its asset base, with total assets growing at a compound annual growth rate of 18% over the past 10 years.

Assets Highlights

10%

Asset growth

#### **Capital Structure**

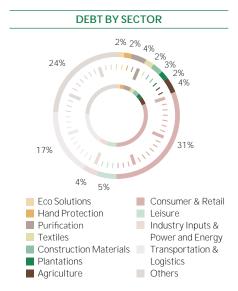


The debt funded growth strategy adopted in the last few years has resulted in increased exposure to borrowings and a significant shift in the Group's capital structure. During the year, 49% of the Group's assets were funded through borrowings compared to 44% the year before. Shareholders' funds increased by 3% during the year and accounted for 26% of total assets. Total borrowings increased by 22% to Rs.113.28 bn during the year, as the Group funded increased working capital requirements in key sectors such as Purification, Hand Protection and Fentons Group through borrowings. Capacity expansions in Transportation & Logistics, Construction Materials and Eco Solutions were also funded by debt. Debt at Hayleys PLC level increased by 19% to Rs. 23.67 bn partly to fund a balance sheet restructuring at Hayleys Global Beverages and the acquisition of a further 95% in Singer (Sri Lanka) PLC. The Group issued unsecured, senior, redeemable debentures of Rs.3.0 bn during the year, and the issue was oversubscribed, attesting to investor confidence in the Group. Hayleys' gearing ratio (debt/debt+equity) resultantly increased to 0.65 times from 0.61 times the year before.

We are aware of the potential risks stemming from increased exposure to borrowings and have put in place a plan to rationalise the Group's portfolio through divesting idle assets and restructuring certain operations. This was operationalised during the year with the partial divestment



of Hayleys Global Beverages, disposal of Hunas Falls Hotels PLC and restructuring of the Others and Consumer & Retail sectors. The Group remains committed to reducing its gearing level to around 0.50 over the medium term.



#### Cash flow

More intense working capital requirements during the year impacted the Group's operating cash flow, with net cash outflow from operating activities amounting to Rs.543.85 mn compared to an inflow of Rs.7.45 bn the year before. Investing cash outflow of Rs.5.25 bn reflected capacity expansions in the Transportation, Construction Materials and Eco Solutions sector as well as increased investments in financial assets (through Singer Finance PLC). The increase in interest burden during the year resulted in the Group's cash outflow from financing activities amounted to Rs. 7.99 bn compared to Rs.1.13 bn the previous year.

The moderation in performance of several sectors was reflected in the Group's cash flow with net operating cash flow remaining relatively unchanged at Rs. 7.45 bn during the year. Investing cash outflow amounted to Rs.18.29 bn during the year due to the Group's acquisitions and continued investments in Manufactured Capital. Meanwhile financing cash flows demonstrated a net outflow of Rs. 1.13 bn reflecting interest payments and re-payment of borrowings.

#### Financial Capital

#### **Investor Relations**

Hayleys PLC maintains a constructive and ongoing dialogue with its shareholders, facilitated through multiple engagement platforms including the Annual General Meeting, the publication of the Annual Report, quarterly reporting to the CSE as well as periodic press releases and announcements. Through our engagement we seek to provide meaningful and relevant information to facilitate informed decision making.

#### Securities in issue

- · Ordinary Shares
- Debentures
- (1) Listed, rated, senior, unsecured, redeemable debentures redeemable in March 2019
- (2) Listed, rated, senior, unsecured, redeemable debentures redeemable in March 2020
- (3) Listed, rated, senior, unsecured, redeemable debentures redeemable in May 2019
- (4) Listed, rated, senior, unsecured, redeemable debentures redeemable in July 2023.

This section of the Report provides information on Hayleys PLC's ordinary shares; please refer to page 383 for information on the debentures.

#### **Ordinary Shares**

Security type	Quoted ordinary share
Listed exchange	Colombo Stock Exchange
CSE stock symbol	HAYL.NOOOO
Number of shares in issue	75,000,000

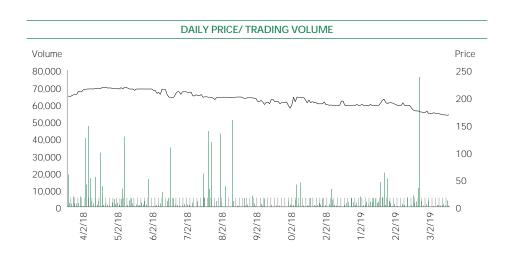
#### Performance of our share

The performance of the Colombo Stock Exchange recorded a steady decline during the year under review with the All Share Price Index (ASPI) declining by 14% to 6,449 points while the S&P Index also fell by 25% to 3,634 points by end-March 2019. Broadbased decline in share prices during the year led to the overall market capitalisation falling sharply by 14% to Rs. 2.61 bn during the period. The subdued performance during the year reflects the moderating economic conditions, political instability which led to substantial foreign selling and the tight monetary and fiscal policy stance adopted by

the Government for most part of the year. Following the terrorist attacks in April 2019, the ASPI has recorded further decline falling sharply in subsequent weeks.

The performance of the Hayleys share mirrored the broad market decline, falling by 16% to close the year at Rs.168.00 while market capitalisation at the end of the period amounted to Rs.12,600 mn. The share traded between a high of Rs.218 and a low of Rs.167 during the year. No. of shares traded also declined sharply to 1,003,815 (from 3,867,355) the year before reflecting subdued investor sentiments.

	2019	2018
No. of transactions	2,424	3,609
No. of shares traded	1,003,815	3,867,355
Value of shares traded (Rs. Mn)	202	1,158



#### Shareholder Returns

Returns to shareholders take the form of dividend payments and share price appreciation. The Group's dividend policy is formulated taking into consideration the Group's overall performance, growth plans as well as economic and market dynamics. The challenging economic conditions coupled with the impacts of rising interest costs during the year led to a decline in earnings per share during the year, amounting to Rs.3.54 compared to Rs.13.65 the year before. Net asset value per share however continued to increase reflecting the intrinsic value of Hayleys' non-monetised capital including innovation capabilities, deep rooted relationships with suppliers and communities, strong brand equity as well as our ability to attract the country's top talent.

#### Shareholders

The Company had a total of 6,012 shareholders as at end-March 2019 comprising of individuals (81% of shares) and institutional shareholders (16%). The share held by the 20 largest shareholders remained relatively unchanged at 80.61% with no major changes in the share composition. The total public shareholding amounted to 37.66%.

#### SHAREHOLDING COMPOSITION



## SHAREHOLDER RETURNS Rs/share 600 400 300 200 100

14/15

15/16

17/18

16/17

18/19

12/13

Closing price

#### **Group Share Information**

60/80

EPS

09/10

NAVPS

10/11

15 of the Group's subsidiaries are listed on the Colombo Stock Exchange as listed below; as at end-March 2019, the consolidated market capitalisation of these entities amounted to Rs.49.29 bn or 1.9% of the CSE's total market capitalisation.

13/14

Company Name	Market Cap (Rs' mn)	Sector Market Cap (Rs'mn)	Company Contribution to the Sector As a %
Singer Finance (Lanka) PLC	2,546	706,685	0.4
Kingsbury PLC	3,098	289,329	1.1
Amaya Leisure PLC	2,009	289,329	0.7
Haycarb PLC	3,773	14,669	25.7
Hayleys PLC	12,600	474,312	2.7
Hayleys Fabric PLC	1,766	8,868	19.9
Dipped Products PLC	4,669	103,854	4.5
Alumex PLC	2,993	103,854	2.9
Regnis (Lanka) PLC	705	103,854	0.7
Hayleys Fibre PLC	686	103,854	0.7
Singer Industries PLC	580	103,854	0.6
Unisyst Engineering (Formally Alufab) PLC	163	103,854	0.2
Kelani Valley Plantation PLC	3,162	24,845	12.7
Talawakelle Tea Estate PLC	1,157	24,845	4.7
Singer (Sri Lanka) PLC	9,391	22,210	42.3
Total	49,295	2,478,216	

## Manufactured Capital



#### Our Infrastructure

With a total Manufactured Capital base of Rs. 47.22 bn which accounts for 20% of its total assets, the Group's physical infrastructure is a vital input to its value creation model facilitating the manufacture and delivery of high-quality products in an agile, efficient and responsible manner.

#### **Eco Solutions**



- Rs.4.1 bn in PPE
- Capex of Rs.391.46 mn in relocation of manufacturing plant, regular upkeep and maintenance.

#### **Hand Protection**

• Rs.3.76 bn in PPE

· Additions of Rs.148.30 mn

in automating several key



#### **Purification**



- Rs.5.45 bn in PPE
- · Additions of Rs.484.56



- mn in regular upkeep and maintenance.

#### • Rs.4.41 bn in PPE

Additions of Rs.560.04 mn in new knitting building and chemical warehouse.

#### Construction **Materials**



**Plantations** 

processes

· Additions of Rs.635.64 mn in field development for tea and

#### Agriculture

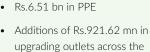




- Rs.3.83 bn in PPE
- Additions of Rs.1.32 bn reflecting investments in the new manufacturing facility
- Rs.8.13 bn in PPE
- rubber.
- Rs.1.19 bn in PPE
- Additions of Rs.217.33 mn in enhancing the green-house.

#### Rs.6.51 bn in PPE

Singer network



#### Leisure



Industry Inputs, **Power & Energy** 

• Rs.5.18 bn in PPE

· Additions of Rs.45.95

mn in regular upkeep and

maintenance of plants



- · Additions of Rs.2.30 bn in the Advantis Logistics City.



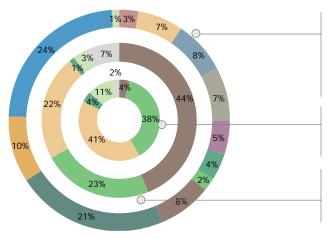
- Rs.11.93 bn in PPE
- · Additions of Rs.1.56 bn reflecting investments in the Amaya Kuda Rah.

#### Transportation and Logistics

- Rs.15.83 bn in PPE



- Rs.16.56 bn in PPE
- Additions of Rs.117.68 mn in regular upkeep and maintenance



#### **Manufactured Capital by Sector**

- Eco Solutions
- Hand Protection
- Purification
- Textiles
- Construction Materials
- Plantations
- Agriculture
- Consumer & Retail Leisure
- Industry Inputs, Power &
- Transportation & Logistics
- Others

#### Capex by Type

- Land & Plantations
- Building
- Machinery & Stores **Fauinment**
- Motor Vehicles
- Furniture and fittings
- Vessels

#### PPE by net book value

- Land & Plantations
- Building
- Machinery & Stores
- Motor Vehicles

- Equipment
- Furniture and fittings
- Vessels

#### **Manufacturing Capabilities**

As an organisation with significant interests in the manufacturing sector, the quality, effectiveness and reliability of its manufactured capital is a key determinant of the Group's competitive edge. Hayleys currently operates over 35 manufacturing facilities, including 3 in Thailand and Indonesia. The 442-strong branch network of Singer (Sri Lanka) PLC is also an important element of the Sector's Manufactured Capital, facilitating island-wide accessibility. The total carrying value of the buildings and plant & machinery, furniture and fittings and vessels of these facilities amounted to Rs. 47.2 bn by end-March 2019. These are listed below; please refer to note 3.5 of the Financial Statements for the accounting policy pertaining to the measurement and recognition of these assets.

Sector	Description	Role in value creation	NBV as at end- March 2019 (Rs.mn)
Eco Solutions	8 manufacturing facilities in Sri Lanka and 1 in India	Manufacture of a range of fibre- based products	1,207.32
Hand Protection	4 manufacturing in Sri Lanka and 1 in Thailand	Manufacture of a range of household, industrial and medical gloves	3,332.36
Purification	3 facilities in Sri Lanka, 2 in Indonesia and 2 in Thailand	Manufacture of coconut shell based activated carbon	3,807.83
Textiles	1 manufacturing facility in Sri Lanka	Enables fabric knitting, dyeing, printing and brushing-cotton and polyester	3,772.69
Construction Materials	2 manufacturing facilities in Sri Lanka	Manufacture of aluminium extrusions	2,218.32
Plantations	40 factories	Manufacture of tea and rubber	1,937.23
Agriculture	6 facilities and plants in Sri Lanka	Manufacture of agricultural products and equipment	778.04
Consumer & Retail	Island-wide network of 442 Singer outlets	Facilitates access to a large base of customers across the island	3,565.80
Leisure	4 resort properties in Sri Lanka and Maldives 1 5-star city hotel	Hospitality offering	10,910.17
Industry Inputs & Power and Energy	6 mini hydro plants, 1 solar plants and 3 wind-power plants	Generation of renewable energy	4,697.99
Transportation and Logistics	24 vessels  Sri Lanka's largest mega distribution centre	Integrated transportation solutions provider	10,682.54
Others	Manufacturing facilities of aluminium fabrication and Head Office building	Manufacture of aluminium profiles	352.22

#### Manufactured Capital

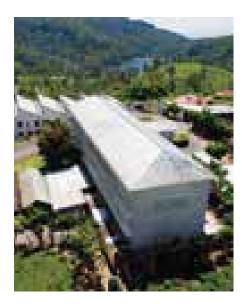
#### Value addition in 2018/19

The Group invested Rs.8.73 bn as capex during the year, adding value to its Manufacturing capital through upkeep and enhancement. Major investors during the year were Transportation (capex associated with the distribution centre), Construction Materials (capitalisation of the investment on the new manufacturing facility) and Leisure (investments in Amaya Kuda Rah) reflecting investments in capacity expansions during the year.

#### Sustainable manufacturing methods

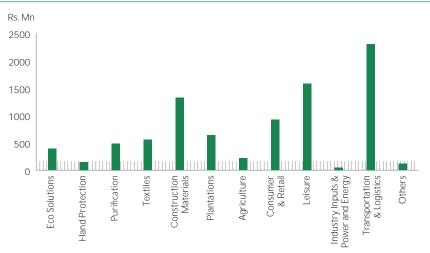
Several sectors proactively pursue sustainable manufacturing methods with the dual objectives of fulfilling their commercial and sustainability objectives. These measures include the use of renewable energy, refining processes to minimise waste and reducing dependence on fossil fuel-based energy sources. Key initiatives adopted by the Sectors are listed below;

- Hand Protection: Achieved 100% conversion of thermal boilers to biomass energy
- Purification: Reduction of oil in the manufacturing process by utilising internally generated heat as a source of energy
- Construction materials: The Sector's new facility features numerous energy and water efficient elements resulting in an improvement in the Sector's water and energy footprints during the year
- Transportation: Use of battery-operated machinery in the warehouse
- Responsible disposal of effluents with 6 sectors operating effluent treatment plants





#### CAPITAL EXPENDITURE BY SECTOR



### Consolidated Statement of Social Performance

			2019	Change %	2018	2017
	EMPLOYEES					
	Employees on payroll	No.	31,383	(1.41)	31,832	28,137
$\searrow$	Female representation	%	38	(2.56)	39	41
لديتنا	New recruits	No.	3,567	(33.1)	4,748	4,091
Human	Investment in training	Rs. mn	105	10.53	95	72
Capital	Training hours	Hours	166,708	(33.48)	250,623	126,602
	Average training hours	Hours	5.3	(32.91)	7.9	4.5
	Retention rate	%	91	9.63	83	87
	Workplace injuries	No.	1,603	>100	383	450
	Lost working days	No.	14,432	>100	1,252	2,544
	CUSTOMERS					
	Customer reach	No.	9,314,769	22.32	7,614,914	85,000
~~~	Customers acquired	No.	1,699,855	>100	419,105	10,935
	Revenue generated	Rs. mn	219,181	34.26	163,249	111,838
APITY.	SUPPLIERS AND BUSINESS PARTNERS					
Social &	Total number of suppliers (estimate)	No.	69,938	-	>60,000	19,400
Relationship Capital	SME suppliers (estimate)	No.	47,516	-	>30,000	13,586
Сарітаі	Payments to suppliers	Rs. mn	135,662	>100	60,756	50,395
	Proportion of spending on local suppliers	%	45	(25)	60	55
	Suppliers supported through development programs	No.	351			2,037
	COMMUNITY ENGAGEMENT					
	Investment in CSR	Rs. mn	>250	-	>350	111
	Beneficiaries of CSR	No.	>92,000	-	>250,000	38,985
(i)	No. of new products developed	No.	197	(43.40)	348	299
{\\	No. of products in the pipeline	No.	89	(25.21)	119	304
Intellectual Capital	Investment in R&D	Rs. mn	278	>100	103	51

#### **Scope of Social Reporting**



#### **Reporting Principles**

- Integrated Reporting Framework
- GRI Standards
- Greenhouse Gas Protocol by World Resource Institute and World Business Council for Sustainable Development
- SDG Reporting
- National Green Reporting Initiative

#### **Reporting Improvements**

- Improved reporting of health and safety indicators
- Introduced reporting on Principal Relationships
- More comprehensive and holistic CSR reporting

## Human Capital



#### An Engaged Team

Hayleys Group's diverse team of 31,383 employees drive our strategic aspirations and contribute to our growth through innovation and sustainability ensuring the creation of shared value. A reputation gained over a century of supporting employee development enables the Group to attract and retain the country's top talent as a preferred employer.

#### **Eco Solutions**



- · Increased executive and management cadre
- Rs.1.3 mn investment in training

#### **Hand Protection**



- 392 recruits added to the
- 21% increase in value created to employees

#### Purification



- 18% increase in employee value creation
- Rs. 1.15 mn investment in training including overseas exposure



- 103 employees recognised for cost saving efforts
- 54 promotions

#### Construction **Materials**



- · 48% of new recruits hired from local communities
- 16% increase in employee value creation

• 9% increase in value created

to employees

• 69% retention rate

#### **Plantations**



- 68,895 hours of employee training
- Ongoing investment in training and skill development

#### Agriculture



- 35% increase in payments to employees
- Rs. 8 mn investment in training



- · Rs.19 mn investment in training
- Top 25 Great Places to Work in Sri Lanka

#### Leisure



Industry Inputs, **Power & Energy** 



- 31% increase in value created to employees
- Rs. 3.9 mn investment in training

#### Transportation and Logistics



- · Addition of 588 new recruits to the team
- · Health and safety training
- Rs. 20.7 mn investment in training



- 2% increased in employee value creation
- · Addition of 247 new recruits to the team

#### **Employees by Sector**

- Eco Solutions
- Hand Protection
- Purification
- Textiles
- Construction Materials
- Plantations
- Agriculture
- Consumer and Retail
- Leisure
- Industry Inputs, Power and Energy
- Transportation and Logistics
- Others

#### **Employees by Gender**

Male

Female

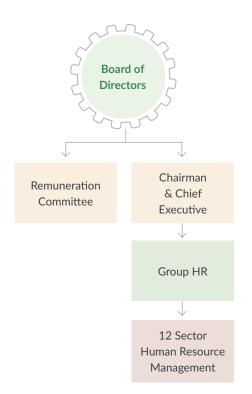
#### **Employees by Location**

- Sri Lanka
- Thailand
- India Indonesia
- Other Locations

## HR Governance and Management Approach

While many sectors within the Group are public listed companies and operate their own Human Resource departments, the Group's centralised HR function plays a central role in ensuring sectors' alignment to Group strategy and practices. The Group's comprehensive suite of policies and procedures have been structured to ensure compliance with legal frameworks and voluntary standards relating to HR activities including the UN Global Compact Principles 1 to 6 whether they are in our offices, factories or fields. The Group HR policies are cascaded down to sectors and act as the minimum standards to be maintained by all group companies, whilst most sectors have incorporated industry specific best practices to their respective policy frameworks.

#### **Governance Structure**



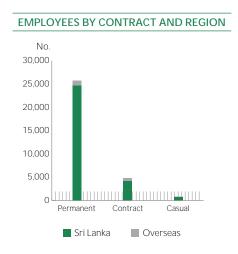
#### **HR Policy Architecture**



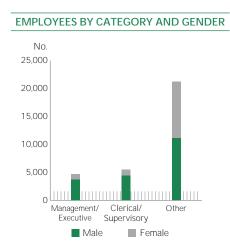
#### **Team Profile**

52% of our human capital is employed in the Plantations sector. Consumer, Transportation & Logistics account for a further 10% and 7% respectively. The Group's employees are spread across all 09 provinces in Sri Lanka and in more than 07 overseas locations.





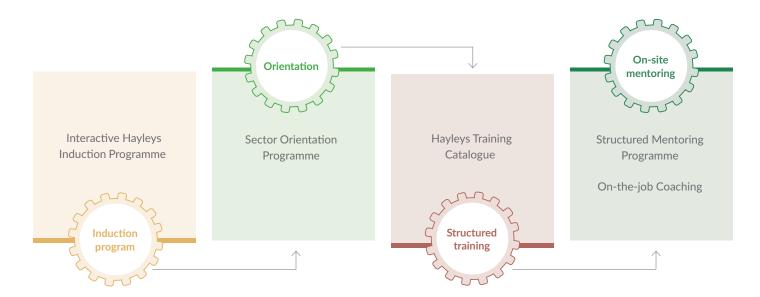
#### Human Capital



Data Compilation	All numbers presented in the Human Capital Report have been prepared by Group HR with inputs from sector HR Departments using the Sustainability Reporting System which are then reviewed and checked for accuracy.
38%	Overall female representation across the Group
71%	Employees outside the Western Province
1,907	Overseas employees

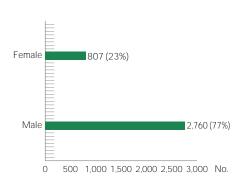
#### **Employee Onboarding**

Employee onboarding follows a range of engagement mechanisms aimed at acclimatising new recruits to the Group's organisational culture and way of working. Recruits take part in an extensive induction program followed by on site mentoring, structured classroom, outdoor training and on the job trainings by senior team members. Recruitment is mainly focused on attracting young professionals at junior executive level and given this demographic we sought to enhance our social media presence in strengthening the Group's employer brand. We are an equal opportunity employer and do not discriminate based on gender, age or ethnic representation.



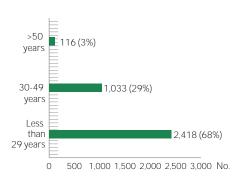
During the year, we recruited 3,567 new employees to the Hayleys team, mainly to support the growth aspirations in Transportation, Consumer & Retail and Leisure sectors. Given the relatively challenging operating conditions during the year, several sectors such as Hand Protection, and Plantations also sought to curtail recruitments in 2018/19, instead placing strategic emphasis on driving employee productivity and efficiency.

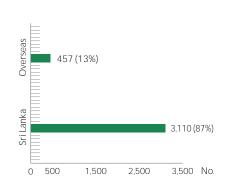
#### **NEW RECRUITS BY GENDER**



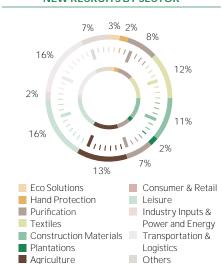
#### **NEW RECRUITS BY AGE**

#### **NEW RECRUITS BY REGION**





#### NEW RECRUITS BY SECTOR



54%	New recruits from outside the Western Province
23%	Female recruits

Initiated recruitment campaigns through social media

strengthen our internal communications while enhancing our social media presence. A photo collage provides evidence of some of the activities conducted during the year.







Engagement is a key element of our employee value proposition, both at sector level and at the Group as it contributes towards goal congruence and nurturing a spirit of fellowship across our diverse team. The Hayleys Group Recreational Club an active welfare club has a busy schedule of events that bring together employees across the Group for sports and cultural festivities while the same is done at company and sector levels as well. The Group also conducts multi-cultural engagement events throughout the year, embracing diversity and nurturing a culture of tolerance and unity. During the year under review, we sought to







**Christmas Carols** 



#### Diversity and gender equality

In an effort to drive support for Gender Equality in the workplace, the Group hosted an employee workshop along the theme: #BalanceForBetter with a view to sharing knowledge and ideas around the establishment of a workplace environment capable of supporting the aspirations of all employees regardless of gender.

Organised by the Hayleys PLC Group HR team in partnership with Chrysalis, the event was hosted in celebration of International Women's Day, and highlighted outstanding achievements of women in the workplace, while encouraging all employees to support and nurture each other.

	Female representation
	<b>9%</b> - Board Level
_	38% - Overall

#### **Talent Development**

The Group's talent development agenda is driven through the centralised HR function. A comprehensive training catalogue outlines 52 programmes across 8 competencies



■ Total training hours — Average training hours

targeting all employee levels from junior executives to Directors. The catalogue enables the easy identification of the most relevant training programme based on the identified competency gaps and ensures that employees develop the knowledge required to perform their assigned duties. The reduction in training hours compared to last year reflects a normalisation compared to last year in which several sectors engaged in extensive training.

Our performance monitoring framework facilitates identification of training needs and enables alignment of employee goals with corporate goals. Training includes on the job-training, cross functional and cross sectoral exposure as well structured training programs. We also support employees' lifelong learning by providing opportunities to engage in Toastmasters and Speech Crafters programmes. In addition, the Group is also an approved training partner for professional bodies such as CA Sri Lanka and Chartered Institute of Management Accountants (CIMA) of UK.

Sector	Total training hours	Average training hours per employee
Eco Solutions	1,319	2.8
Hand Protection	17,649	11.6
Purification	10,356	7.2
Textiles	3,024	2.4
Construction Materials	7,632	13.0
Plantations	68,895	4.2
Agriculture	3,599	2.8
Consumer	16,841	5.5
Leisure	22,896	14.3
Industry Inputs, Power & Energy	677	4.7
Transportation	10,920	4.7
Others	2,905	2.3
Total	166,708	5.3

Data Compilation	Training hours undergone by employees and investment in training is tracked at sector level and includes participation in internal and external structured training programs. It does not include on-the-job, cross functional and cross sectoral training.
Rs. 105 mn	Total investment in training
5.31	Average training hours per employee

Average training hours by category		Average training hours by gender	
Managerial	14.5	Male	5.6
Executive and junior executive	8.5	Female	4.9
Others	4.4		

#### Hayleys Group Management Trainee Programme

The Group Management Trainee program was relaunched with a focus on millennials who are now entering the workforce. The new identity, "FYOUTURE CEO" articulates the organisation's commitment for individual development by incorporating "YOU" and also the opportunities for progression by having the word "CEO". The new branding and related initiatives across the target segment enabled the Group to increase the quantity and quality of CV inflow. The program also created much interest on social media adding value to the Hayleys Employer Brand.

The one-year program provides on the job and off the job learning opportunities in the selected sector and across others sectors within the Group, offering an unmatched industry exposure. Mentoring by identified members of the senior management teams is also offered throughout their training period.

Type & Scope of Key Training Programmes	
Programme	No. of participants
Customer Care & Relationship Management	85
Decision Making and Problem Solving	32
Effective Communication Skills	63
Goal Setting & Driving Performance	36
Grooming and Business Etiquette	24
Interpersonal Skills	42
Leading in the middle	71
Team Work & Collaboration	62
Unleashing your Potential	61
Health & Safety	22
Group Orientation	134

Awareness Programmes	
Digital Marketing expert session	45
Anti-Sexual Harassment session	134
Workshop on Workplace Equality	21

Management Trainee Programmes	
E-mail Etiquette	12
Emotional Intelligence	12
Finance for Non-finance	12
Grooming & Etiquette	12
Induction to Corporate Alignment	12
Presentation Skills	12
Out Bound Training	12

#### **Rewarding Employees**

An attractive remuneration package including benefits enables the Group to attract and retain the industry's top talent. Remuneration is determined based on qualifications, skills and from results of bi-annual performance appraisals with reference to prevailing market rates which are assessed from time to time. In addition to the remuneration standards applicable across the Group, certain sectors provide additional benefits in line with industry best practices. Approximately 90% of employees in the executive and above categories undergo a structured performance appraisal, while 55% engage in the online-based performance appraisal.

#### VALUE DISTRIBUTED TO EMPLOYEES



Data Compilation	Value of total remuneration and benefits to employees
26%	Increase in total value created to employees
55%	Of total value distributed by the Group
Rs. 0.8 mn	Value distributed per employee

#### Group

- · Annual bonuses, incentives, productivity/attendance bonuses
- Medical Insurance
- Professional membership subscriptions
- Group discounts on Hayleys products

#### **Plantations**

- Comprehensive health care facilities
- Nutritional campaigns
- Pre and post-natal care
- Community capacity building programmes
- Housing and living environment support

#### Leisure

- · Service charge
- Hotel stays at concessionary rates

#### **Employee Productivity**

At Sector-level, industry-specific indicators are used to monitor employee productivity. However, at a Group level standard measures of revenue per employee and net profit per employee are used to monitor productivity, allowing the Group to identify how effectively employees are contributing towards the Group's objectives. The decline in productivity is attributable to a reduction in profitability against the backdrop of moderating economic growth and higher interest costs.

#### **EMPLOYEE PRODUCTIVITY**



■ Revenue/employee — Net profit/employee

#### A Safe Workplace

As a Group with significant interests in manufacturing, we are cognisant of the importance of ensuring a safe, hazard-free environment for our employees. A structured Health and Safety policy and an H&S Audit Pool at Head Office level ensures high standards of safety are maintained across all sectors. The Audit Pool is represented by various sectors within the Group and

comprises employees who have undergone extensive training and are identified as champions to monitor and manage their entities and surroundings. Several sectors have also obtained the OHSAS certification for health and safety. During the year the Group conducted a 7-day structured programme with the participation of a certified H&S practitioner targeting the management grade employees and the Audit pool.

#### Awareness sessions and building health and safety experts

Chemical training and handling

Training and Monitoring of personal protective equipment usage

Improving and upgrading safety guards.

Job Safety Analysis before each and every maintenance activity.

Demarcation of safety paths.

Standardising reporting channels.

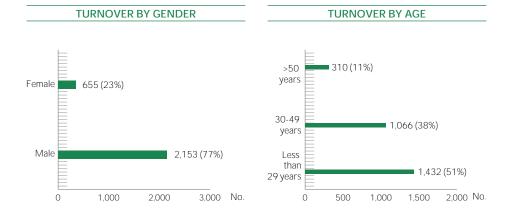
Health and safety indicators	2019	2018
Work-related injuries (Occupational injuries)	1,603*	383
Occupational disease	0	0
Lost working days	14,432*	1,252

<sup>\*</sup>The increase reflects improved health and safety reporting in all sectors particularly in the Plantation Sector.

Data Compilation	Sectors maintain records/registers within their facilities to record accidents and occupational diseases. All significant incidents are reported to Head Office and incident investigations are conducted.
4 Sectors	OHSAS certified operations within the Group

3.000 No.

#### Retention



## 250 (9%) 250 (9%) 2,558 (91%)

2.000

TURNOVER BY REGION

#### **Industrial Relations**

The Group respects its employees' right to freedom of association and collective bargaining with many operations maintaining active trade unions and proactive engagement with union representatives on an ongoing basis. Approximately 60% of Group employees are represented by unions. Collective bargaining agreements are in place for several sectors and strict adherence to minimum notice periods regarding operational changes is observed. Minimum notice periods vary depending on the sector and circumstances, but the relevant policies ensure that a reasonable notice period is given; for example, in the Plantations sector the collective agreements mandate a minimum notice period of 1 month. With the exception of the Plantations sector, which experienced an industry-wide work stoppage due to wage negotiations, there were no instances of industrial actions within the Group reflecting the harmonious relations maintained between employees and management.

Sector	Representation	% of employees covered
Plantation	Yes	99
Purification	Yes	28
Hand Protection	Yes	31
Agriculture	Yes	4
Eco Solutions	Yes	23
Consumer & Retail	Yes	22
Textiles	Yes	40



#### **Way Forward**

1.000

Our team will play a vital role in driving the Group's strategic objectives and we will continue to strengthen our unique employee value proposition. Key areas of focus will be enhancing employee engagement, internal communication and training and development through online platforms as well as succession planning, career progression and productivity. The Group also plans to implement an advanced HRIS with both transactional and strategic modules, driving further improvements in the HR function. From an engagement perspective, we hope to focus on propagating messages of unity and harmony, in our efforts to contribute to the overall peace of the country.

## Social and Relationship Capital



#### Winning Relationships

We share our journey of success with over 9.2 mn customers, over 69,000 suppliers and business partners and communities who form a vital component of our social and relationship capital. We are committed to nurturing meaningful relationships with these stakeholders through holistic value propositions.

#### **Eco Solutions**



- 34% increase in supplier value creation
- · Added 89 customers to our

#### **Hand Protection**



- Added 400 farmers to the Firstlight network
- · Acquired 33 new customers

#### Purification



- Rs. 64 mn total investment in Puritas Sath Diyawara
- Rs. 17.4 mn investment in supplier development



- 1,038 MT of input for cottage industries
- Reduction in lead time to customers by 3 days

#### **Construction Materials**



- 1.449 fabricators trained through 35 programmes
- 14 new dealers added to the distribution network

#### **Plantations**



- Uplifting standards of 25,491 estate families
- Construction of 213 houses

#### Agriculture



- · Commenced a new outgrower project in Vaakarai
- Established the Hayleys Agriculture Training School

#### Consumer & Retail



- · Customer penetration rate of
- Top 25 Great Places to Work in Sri Lanka

#### Leisure



- Increase in the average
- Customer satisfaction rate of 74%

occupancy rate

#### Industry Inputs, **Power & Energy**



- 14 new principals added
- Rs.6.4 mn investment in CSR with a total beneficiary base of over 8,000

#### Transportation and Logistics



- 25 new principals added
- · 5275 beneficiaries of CSR

#### Others



- 3 new GSAs added by the Aviation division
- 2,533 CSR beneficiaries

# 22%

#### Supplier payments

- Eco Solutions
- Hand Protection
- Purification
- Textiles
- Construction Materials
- Plantations
- Agriculture
- Consumer and Retail
- Leisure
- Industry Inputs, Power and Energy
- Transportation and Logistics
- Others

#### Supplier profile

- Small scale suppliers
- Large scale suppliers
- Sub contractors
- B2B suppliers

#### **CSR Events by Purpose**

- Children & women
- Cultural & religious
- Education
- Environment
- Focused on differently abled people
- Others
- Health & safety
- Social well being

#### **Our Customers**

The Group's global customer base comprises of over 9.2 mn retail and B2B customers, across all 5 regions of the world. The bulk of the Group's customers represent Singer (Sri Lanka) PLC which has an established track record of over 142 years, have achieved unmatched penetration in the consumer durables segment. In 2018/19, the Group increased its customer base by over 1.7 mn, with broad-based customer acquisitions across key sectors.

#### **CUSTOMER ACQUISITION BY SECTOR** CUSTOMER ACQUISITION BY SECTOR Eco Solutions Hand Protection Purification Leisure Textiles Construction Materials Plantations Agriculture Consumer Industry Inputs, Power and Energy and Retail Transportation and Logistics Others 0 200 400 600 800 1,000 1,200 100,000 200,000 300,000 400,000 500,000

#### **Customer Value Proposition**



We drive innovation by leveraging on our world-class research and development capabilities mechanisms
are in place to
evaluate customer
satisfaction and
results of these
surveys provide
inputs in product
development,
customer
relationship
management and
overall strategy
formulation.

The Group has obtained and continues to comply with a range of domestic and international quality certifications which provide assurance to external stakeholders regarding our processes, systems and products.

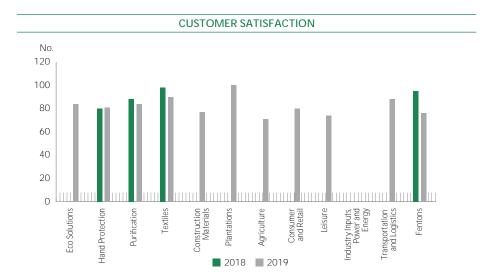
Most sectors have structured mechanisms for identifying and responding to customer grievances; this information is collated and effectively applied in enhancing overall customer service



#### Customer Satisfaction

In an increasingly competitive environment, accurately assessing customer satisfaction is critical to remaining relevant and retaining our customers. Most of our sectors have structured mechanisms in place to measure customer satisfaction and during the year we conducted over 2,900 surveys (including satisfaction surveys at hotels), comprising of feedback forms, one-to-one engagement and satisfaction surveys. Average results of selected sectors are presented alongside.

Data compilation	Results of the customer satisfaction surveys are now reported to Group Sustainability through the sustainability portal. Resultantly, we are able to report customer satisfaction levels for an increased number of sectors.
2,969	Customer Surveys conducted
99%	Customer complaints resolved

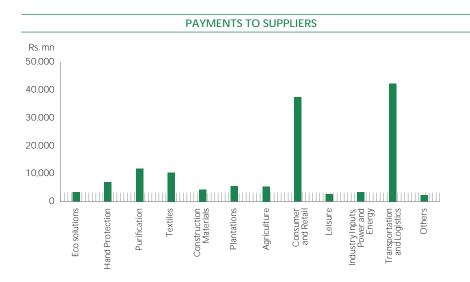


#### **Product Responsibility**

The Group's buyers represent the world's largest manufacturers and service providers and adherence to quality standards required by these buyers have enabled the Group to implement global best practices. A full list of our accreditations and certifications are given on pages 221 to 222 of this Report. A Group-wide process is in place to ensure the integrity and accuracy of all marketing communications; in general, press releases, advertisements are reviewed and approved by Hayleys Corporate Communications prior to publication. There were no reported instances of non-compliance to any regulations and/or guidelines pertaining to marketing communications during the year.

#### **Customer Service**

Customer complaints/grievances received through formal channels as well as grievances resolved during the period are tracked and analysed by several key sectors. During the year, the Group received a total of 25,240 customer complaints of which 25,073 were resolved.



#### **Our Suppliers**

The Group adds value to nearly 70,000 local and international suppliers through whom we procure a range of raw materials. These suppliers range from individuals and smallscale suppliers to large B2B players. Hand Protection, Purification, Agriculture, Textiles and Eco solutions procure mostly from small scale suppliers, while Industrial inputs and Consumer source from large-scale suppliers. In creating value to local suppliers, efforts are made to procure raw materials locally whenever possible; in 2018/19 this amounted to 45% of the total procurement budget.

#### Suppliers in numbers



69,938

Total suppliers



16%

Small-scale suppliers



Rs.136 bn

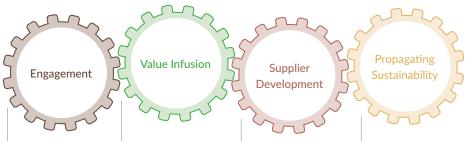
Value infusion through procurements



Rs. 18 mn

Investment in supplier development

#### **Supplier Value Proposition**



We engage with our suppliers through annual conventions, site visits and supplier development programmes (Refer to page 211 to 217 for further information) The Group infuses substantial value to the rural economy through procuring from out-growers and small-scale suppliers. During the year total payments to suppliers increased by 125% to Rs.136 bn.

Our ongoing supplier development programs are targeted at improving the quality of raw materials, preserving the environment and uplifting the socio-economic status of our supplier community.

Given the depth and breadth of the Group's operations we are cognisant of the significant changes we can drive across our supply chain, particularly in the propagation of sustainable social and environmental practices.

#### Propagating sustainable practices

Several sectors engage in social and environmental screening for suppliers and during the year 307 new suppliers were screened. Screening is done through supplier registration, audits and sign-offs. Our supply chain does not include workers' whose rights to freedom of association/collective bargaining have been violated.

#### **Principal Relationships**

The Group represents several renowned principals in Sri Lanka, mainly through the Agriculture, Transportation, Industrial Inputs, Construction Materials and Consumer & Retail sectors. These relationships are a vital element of our Social and Relationship Capital, enabling us to benefit from the transfer of knowledge, strong brands and international market insights of our principals. The Group's ability to attract and retain these principals in an increasingly competitive environment attests to the strong value proposition it offers to its principals.

#### **Supplier Development**

During the year, 3 sectors conducted supplier development programmes with a beneficiary base of over 400 suppliers. The Group's total investment in supplier development amounted to Rs. 17.68 mn. Programmes carried out during the year included the following;

Sector	Initiative	Indicators
Hand Protection	Firstlight We ensure a fair price for rubber latex by guaranteeing rubber smallholders a price which is indexed to RSS1 (the highest grade of consumed rubber) for their field latex. DPL also contributes US 0.5 dollars for every pair of gloves sold, which is utilised to fund a wide range of education, health and infrastructure projects to improve the overall quality of life of smallholders and their families.	Beneficiaries: 308 Investment: Rs.0.8 mn
Purification	Haritha Angara Charcoal makers are encouraged to engage in environmentally friendly charcoaling and the Company provides technical support and guidance on ecologically friendly charcoaling processes and buy back agreements.	Beneficiaries:45 Investment: Rs.17.4 mn
Agriculture	Out-grower network  Cucumber project: Implemented during the year, this project was conducted in Vaakarai in partnership with the World Bank and Bank of Ceylon. Widely acknowledged as a hugely successful public and private sector partnership, the project supports the livelihoods of over 500 war-affected farmers through guaranteed buy back agreements, training on modern agricultural technology and financial support	Beneficiaries: 500

#### **Community Engagement**

The Community Engagement pillar of the Group's Sustainability and Corporate Responsibility policy provides highlevel guidance on the selection and implementation of community projects. The Group's reach and deep-rooted relationships with communities around the country enables it to drive meaningful change among the most underprivileged strata of society. CSR initiatives are formulated and driven primarily at Sector level based on an identified community need, although certain significant projects are also driven by the Centre.

During the year, the Group collectively invested Rs. 255 mn in CSR initiatives, with a total beneficiary population exceeding 92000. Key categories of investment included social well-being, education, health, women and children and culture and religion. A high-level overview of the Group's CSR activities during the year are presented below; detailed information on the Group's key projects are presented subsequently while minor projects are listed in aggregate.

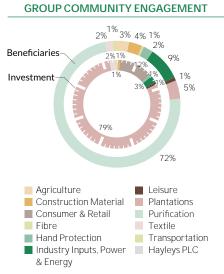
#### **Policy Architecture**

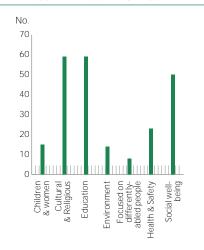
#### The Community Engagement Pillar

- Each Company to have a written statement acknowledging that the local community is a key stakeholder of its business
- Aim to be a social purpose leader - Have a bold social goal which is shared by many and devise a way forward that is innovative, marketbased and focused on both better social and business outcomes.
- Build partnerships with regional NGOs and local government
- Hold relationship building activities, community programs and a plan of action which is individually tailored to the company's vision and goals and the community's issues and needs
- Hold regular internal audits and evaluations to monitor the strategy and its consistent progress.

Fully compliant to any relevant social and economic regulations.

#### **CSR EVENTS BY PURPOSE**





Data compilation	Results of CSR Engagements are now reported to Group Sustainability through the sustainability portal.
220	CSR Engagements conducted
92,005	Total beneficiaries
Rs. 255 mn	Total investment in CSR

#### **Puritas Sath Diyawara**

The Group continues to maintain the 16 Reverse Osmosis (RO) plants commissioned through Puritas Sath Diyawara, our flagship CSR initiative. Aligned with the UN CEO's Water Mandate, the initiative was launched with the aim of leveraging on our expertise in water purification to provide purified water to families in areas affected by Chronic Kidney Disease (CKD). Conceptualised and launched by Puritas (Pvt.) Ltd., the initiative has expanded in partnership with other sectors within the Group. A Puritas Sath Diyawara project consists of commissioning a RO water treatment plant and distribution system (through docking stations) to enable residents to obtain high quality potable water. Once the project is completed, it is handed over to the Community Based Organisation (CBO) of the village who will be responsible for the operation and maintenance of the system. Continuous monitoring is facilitated by the Company. The CBO is registered in the respective regional office of the National Water Supply and Drainage Board (NWSDB) as well as the Divisional Secretariat (DS).





Providing 160,000 Litres of purified water per day



**33,593** People



19 Villages





Sath Diyawara Going Beyond



Serves 1,162 CKD Patients



LKR 64 mn Investment since commencement

This year, the Group placed more emphasis on the second phase of this project, 'Going Beyond' which strives to address the broader socio-economic needs of the people living in CKD affected villages. Key initiatives carried out through this include provision of infrastructure & facilities for school children, empowering youth and women, building awareness of sustainable methods of waste management/re-greening villages and uplifting domestic entrepreneurship. In 2018/19, 8 Sectors of the Group collectively invested Rs. 4.5 mn in donating school equipment, stationary and other academic essentials to 11 schools across 4 districts.



11 Schools



2,533 Children



19 Villages



**14** Different items in one pack in average



3rd Consecutive Year of "Going beyond"



LKR 4.5 mn Investment

#### Home for every Plantation Worker

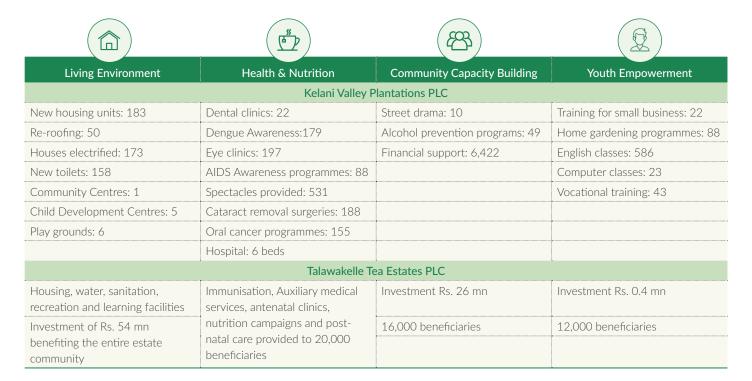
The Plantation Sector's multi-dimensional CSR programme, 'A Home for Every Plantation Worker' is a unique and holistic initiative targeted at uplifting the living standards of employees and estate community amounting to nearly 150,000 individuals. The project is structured around four focus areas aimed at uplifting the socioeconomic status of estate families; progress made is listed below.







# Social and Relationship Capital



#### **Capacity Building by Alumex**

Alumex is a catalyst for capacity building in the aluminium extrusions industry, providing practical insights into the application and usage of Aluminium profiles, components, new products and new technologies through multi-faceted training programmes. The training is targeted towards a wide range of fabricators and technicians including students of VTA affiliated Technical Colleges, CECB, Buildings Department, Provincial Councils, ICTAD, Contractors, Sri Lanka Army, Navy, Air Force and other Technical Colleges (Government/ Non-Government) island wide. In addition to 100 fabricator training programmes with a participant base of over 3000 at our dedicated

Beneficiaries: 3,013

No. of training programmes: 104

Teachers trained: 69

Training Centre we were also engaged as a training partner by the National Institute of Education to provide training to 1000 school-teachers as part of the Government's 13-year education plan. Training for outstation regions is also carried out by three training teams at training centres in collaboration with the Vocational Training Authority.



	2018/19		
Training Programme	No. of Programmes	Participants	Investment (Rs.)
VTA Training	36	611	3,322,618
Government Institutions	22	667	3,601,800
Dealers & Fabricators' Training	35	1,549	8,442,050
CPD Programmes	3	69	216,246
Technical College	8	117	924,460
Total	104	3,013	16,507,174

#### **Plantation Sector-Water Project**

Our Plantation Sector collaborated with the World Bank in providing access to clean water by installing water purification plants within the estates. Funded through World Bank with the aim of uplifting employee well-being in estate communities, the initiative consisted of 5 separate projects with a total beneficiary base of over 1,300 individuals. Key highlights of the projects are listed below:



Project	Beneficiaries
Glassaugh Water Project	
Project 1: Upper division with World Bank	184
Project 2: Udaradella Estate	704
Ingestre Water Project	
Berat division	90 families
Blinknonie division	50 families
Edinburgh water project and Nanu Oya town under WASIP project with World Bank	

#### **Sponsorship of School Sports events**

Singer has played an active role in developing school rugby for over a decade and has provided infrastructure ranging from score boards to the construction of rugby stadiums. The Singer Schools Rugby League is amongst the Group's most significant investments in sports with a spend of over Rs.50 mn every year. We also sponsored the Bradby Shield for the 27th consecutive year.

Singer has also supported Sri Lanka cricket since 1996 and are committed to developing the sport at both school and club level. The Singer League is a long-standing cricket league held in participation with the Sri Lanka Schools Cricket Association. In addition to financial assistance Singer also distributes equipment, particularly among rural schools. We also support the progression of school players to professional level players through our association with the Mercantile Cricket Association, supporting the MCA Premier League and MCA Knockout Tournament.

# Singer Business School and Fashion Academy

The Singer Business School continues to empower youth by providing opportunities for skill development through 6 fashion academies, 8 computer academies and 3 vocational academies and since inception has engaged over 800 students in these programmes. During the year, the Fashion Academy conducted 40 free workshops benefiting over 800 participants with the objective of providing future fashion entrepreneurs an understanding of the scope and opportunities available in the field of fashion design. The workshops are uniquely tailored to involve both conceptual and trend driven design work through experimentation with creative cutting techniques, traditional pattern cutting, textiles, research, illustration, conceptualisation and visualisation techniques, sketching, colour study and understanding the use of different fabrics. This was done in line with the "13 year guaranteed education program" initiated by the Ministry of Education where the

students were offered 26 vocational subjects after the ordinary level examinations. Fashion Designing is one of the 26 subjects offered under the above program and Singer Business School offered their support in conducting awareness programs for selected government schools."

In addition to the above ongoing projects, sectors engaged in a range of CSR activities focussed on the following;

- · Awareness on health and social issues
- Health camps
- Donations to community groups and societies
- · Book distributions and school support
- Commemoration days
- Tree planting
- Sponsorships for cultural/religious activities
- Partnering local universities in the development of professionals

# Agriculture Training School Program

Hayleys agriculture training school conducts training programmes for over 82 agriculture teachers, pest control operators and other industry practitioners, providing them an opportunity to obtain practical exposure to advances in agricultural technology. While supporting our financial objectives, this initiative is also aimed at enhancing the agricultural skill base in Sri Lanka given the shortage of skilled labour in the sector. Moreover, we believe initiatives such as these will help the youth to stay connected with the agriculture sector and help them acknowledge the sector as an exciting and worthwhile industry to be in.

# Intellectual Capital



# Unique Capabilities

Industry insights gained over an established track record of over 140 years has sharpened the Group's competitive edge and enabled it to nurture a unique base of intellectual capital. The Group's unmatched base of tacit knowledge and organisational capital have driven the pursuit of innovation, with many industry-firsts that have supported the development of the country's

#### **Eco Solutions**



- 27 new products launched
- Re-engineering of certain products

#### **Hand Protection**



- 8 new products in the supported and unsupported
- · Process innovation to minimise waste

#### **Purification**



- · Expansion of value added product segment
- 2 new products launched in 2018/19



- 7 innovations and 74 new developments
- Rs. 78 mn savings through TPM initiatives

#### Construction **Materials**



- Launch of 6 new products
- Obtained the prestigious Qualicoat and Qualanod certifications

#### **Plantations**



#### Agriculture



Consumer & Retail



- 31 new products launched
  - Expanded the high-value product range
- 13 new products launched
- Most popular brand of the year-SLIM Nielsen Awards

#### Leisure

8 certifications



Industry Inputs, Power & Energy



• Introduced 20 new products

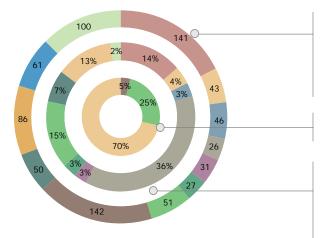
#### Transportation and Logistics



• 60 years of domain-specific knowledge



· Use of artificial intelligence in **BPO** and Shared Services



# Industry presence in years

- Eco Solutions
- Hand Protection
- Purification
- Textiles
- Construction Materials
- Plantations
- Agriculture
- Consumer & Retail
- Leisure
- Industry Inputs, Power &
- Transportation & Logistics
- Others

## New products in pipeline

- Hand Protection
- Textile
- Agriculture

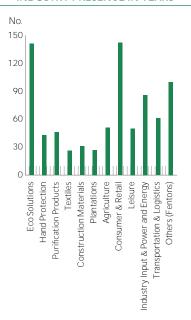
## Number of new products introduced

- Eco Solutions
- Hand Protection
- Purification
- Textiles
- Construction Materials
- Plantations
- Agriculture • Consumer & Retail
- Leisure
- Industry Inputs, Power &
- Transportation & Logistics
- Others

#### Tacit knowledge

The Group's journey of growth has been characterised by the increased depth and breadth of its operations, which has occurred both organically and through acquisitions. The established track record together with the skills and industry insights of its employees across different professions and sectors have enabled it to nurture an invaluable base of organisational knowledge. These capabilities have facilitated a high level of adaptability to market conditions, enabling sectors to navigate uncertainties and retain their competitive edge despite intensifying competition.

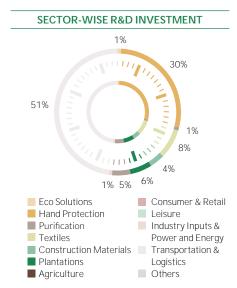
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## Innovation

Innovation is a key element of our ethos, allowing the Group to emerge as a forerunner in several of its sectors, driving industries to new heights. Research and development capabilities are nurtured through a learning culture which stimulates innovation and knowledge sharing. Dedicated R&D facilities powered by expert teams have driven product and process innovation throughout the years. The Group also collaborates with leading research institutions and universities in developing and commercialising research that facilitates innovation. The Group's innovation track record during the year is presented alongside.

Data Compilation	Information pertaining to research and development is captured through the Sustainability Portal
Rs. 278 mn	Total investment in R&D
197	New products developed
89	Products in the pipeline



## Systems and processes

The Group's commitment to operational excellence and continuous improvement is reflected in the host of domestic and international certifications it complies with. The requirements of the Group's global customer base have also encouraged sectors to comply with stringent quality certifications, which have contributed towards strengthening internal systems and processes thereby enhancing the Group's intellectual capital base. The certifications obtained by the Sectors are listed below;

Sector	No. of new products developed	Description of innovation*	Products in the pipeline
Eco Solutions	27	<ul><li>Industrial rubber mats for specialised applications</li><li>Cost-effective brushware</li></ul>	
Hand Protection	8	<ul> <li>Keto-resistant gloves</li> <li>Interphase Flexi- A nitrile glove which features extra comfort and dexterity thereby limiting hand fatigue.</li> <li>Magneto: nitrile glove Featuring magnetic detectability, particularly targeting the food industry.</li> <li>Neoprene unlined glove: High chemical resistant, purely neoprene glove</li> </ul>	4
Purification	5	<ul> <li>A range of coconut shell based and wood- based MCA carbons</li> <li>New water carbons, super capacitor carbons and new impregnation regimes</li> </ul>	4
Plantations	6	Liquid Gold collection of TTEL     Tea train tea range of KVPL	

# Intellectual Capital

Sector	No. of new products developed	Description of innovation*	Products in the pipeline
Textiles	6 innovations and 41 variants developed	Variants of Inno for new customers.	
Construction Materials	6	Country's first performance-tested aluminium ladder in three different models     Designs for solar components and structure	24
Agriculture	31	Export of dried tender jack fruit     Moringa infused products	61
Industrial Inputs, Power & Energy	25	New colour pigments     Innovative concrete pumping mechanism	
Others	3		
Consumer & Retail	13	<ul><li>Large capacity refrigerators</li><li>KITO storage and racking systems</li><li>Coloured washing machine</li></ul>	



#### Industry thought leadership

As a dominant player in several of its industries, the Group is an active contributor to industry forums and associations, engaging with stakeholders and the government and providing input in creating an enabling industry and regulatory environment. The Group holds memberships in the following industry associations;

#### Membership in Industry Associations

- Ceylon Chamber of Commerce
- Ceylon Association of Ships' Agents
- Lanka Business Coalition for HIV-
- National Agribusiness Council
- Sri Lanka Association of Inbound Tour operators
- National Chamber of Exporters
- Sri Lanka Institute of Nanotechnology
- Planters Association
- Sri Lanka Freight Forwarding Association
- SLASSCOM
- American Chamber of Commerce

# **Our Corporate Brands**

As a corporate brand, Hayleys is frequently featured among the country's most respected brands in recognition of its market positions, sustainable approach to value creation and financial impact. Following the acquisition of Singer, the Group also now has access to one of Sri Lanka's most loved household brands coming under the Group's umbrella. Brand related recognitions during the year are listed along side;



Ranked as No. 1 Listed Company in Sri Lanka (LMD) for the 4th time

Ranked as Sri Lanka's 3rd most Respected Entity by LMD



SLIM Nielsen Awards: Most Popular brand of the year 2018

SLIM Nielsen Awards: Consumer durable brand of the year for the 13th consecutive year

Ranked as Sri Lanka's 11th most valuable consumer brand with a brand value of Rs.18.45 bn

## **Certification by Sectors**



- BSCI- Business Social compliance Initiative
- GOLS-Global Organic Latex Standard
- SMETA- Sedex Members Ethical Trade Audit SA 8000
- ISO 9001: 2008
- ISO 14001 : 2015

• British Retail Consortium certificate



- ISO 9001: 2008 Quality Management
- ISO 13485 : 2003 Quality Management in Medical devices
- Forest Stewardship Council Certification
- ISO 14001 : 2004 Environmental Management System
- ISO 17025: 2005 Laboratory accreditation certification
- British Retail Consortium Certification Safety and Quality certification for consumer products
- UN Global Compact Signatory to the implementation of universal sustainability principles
- · OHSAS 18001 Occupational Health and Safety Assessment
- ISO 22000 : 2005, HACCP & TASL-SGS -Food Safety Management Systems
- Global G.A.P Certification
- Rainforest Alliance Assurance



- ISO 9001: 2015 ISO 14001: 2015 ISO 22000: 2005
- Good Manufacturing Practices (GMC)
- Water Quality Association Sustainability Certification
- NSF 42
- NSF 61
- Prop 61 Compliance

- **REACH Compliance**
- Food Chemical Codex (FCC) Compliance
- Halal Certification
- Kosher Certification



- 'Qualicoat' certifications
- 'Qualanod' certification

- ISO 9001: 2015
- UKAS accreditation

- SLS 1410: 2011
- SLS 1411: 2011



- ISO 14001: 2015
- ISO 9001 : 2015
- ISO 22000: 2005

- UTZ Sustainable Tea
- Rainforest Alliance Sustainable Farm
- Ethical Tea Partnership

- HACCP
- Good Manufacturing Practices (GMC)
- **FSC**

# Intellectual Capital



- ISO 50001 : 2011
- ISO 14001:2015
- ISO 22000 : 2005
- ISO 9001 : 2015
- OHSAS 18001: 2007
- SA 8000 : 2008
- BRC

- HALAL
- FDA
- Kosher
- SQMS McDonald's Supplier Quality Management System
- Organic USDA
- Organic EU

- Organic JAS
- Carbon Conscious certificate
- Water Conscious certificate
- Organic certification EU, JAS and NOP
- GMP Certificate



- OEKO Tex 100 (Cotton & Polyester)
- ISO 14001: 2015 Environment Management System
- Carbon Conscious Certificate
- Water Conscious Certificate
- Global Organic Textile Standard (GOTS)
- Organic Content Standard (OCS)
- Better Cotton Initiative (BCI) Membership
- Zero Discharge of Hazardous Chemicals (ZDHC) Joint Road Map
- Higg FEM 3.0 Membership
- Clean Chain Chemical Inventory Management Tool
- Nike Sustainable Water Programme -Green Certification
- OHSAS 18001: 2007 Occupational Health and Safety Assessment Series
- SEDEX Membership
- Disney Facility & Merchandising Authorisation (FAMA) Approvals
- George / Walmart Responsible Sourcing Program
- United Nation's Global Compact (UNGC) Membership



- ISO 14001 : 2015 Environment Management
- ISO 9001 : 2015 Quality Management
- ISO 22000 : 2005 HACCP Food Safety Management
- UTZ Sustainable Tea
- Rainforest Alliance Sustainable Farm
- Ethical Tea Partnership
- GMP (Good Manufacturing Practices) Certification.
- FSC Forestry Stewardship Council Certificate



- ISO 9001: 2015 Quality Management Systems
- C-TPAT
- Sedex Members Ethical Trade Audit (SMETA)
- ISO 14001 : 2015 Environmental Management Systems
- OHSAS 18001: 2007 Occupational Health & Safety Management System
- Carbon Conscious Certification
- ISO 45001: 2018 compliant and are awaiting the certification

# Statement of Environmental Performance

NATURAL CAPITAL		2019	Change (%)	2018	2017
Energy consumption	GJ	3,793,089	49.21	2,686,052	2,279,619
Non-renewable energy	GJ	2,573,772	-	-	-
Renewable energy	GJ	1,219,318	-	-	-
Renewable electricity generation	GJ	145,409	-	-	127,481
Water usage	Mn m3	4.68	1.52	4.61	3.98
Water treated or recycled	%	24.9	>100	10.2	8
Solid waste	MTs	77,952	>100	22,080	11,101
Effluents discharged	Mn m3	3.7	20.85	3.07	3.14
Trees planted	No. of	169,466	(38.93)	277,512	
Carbon footprint	Ton CO2eq	191,166	39.3	116,547	122,884
Scope 1	Ton CO2eq	51,845	(14.5)	60,625	-
Scope 2	Ton CO2eq	88,964	90.8	46,637	-
Scope 3	Ton CO2eq	50,356	>100	8,955	-
Biogenic carbon emission	Ton CO2eq	312,610	-	-	-
Emission intensity	Kgco2e/revenue	872	22.13	714	856
Emissions offset by renewable energy generation	%	19	-	-	-

## **Scope of Environmental Reporting**



Reporting Principles
Integrated Reporting Framework
GRI Standards
UN Global Compact
National Green Reporting Standards
Greenhouse Gas Protocol by World Resource Institute and World Business Council for Sustainable Development
SDG Reporting

Expansion of scope to include all overseas operations
Expanded the computation of carbon footprint to include Scope 3
Classification on energy consumption into renewable and non-renewable sources

# Natural Capital



## Commitment to the Planet

As a Group, we are heavily dependent on natural resources such as biological assets, energy and water. Our environmental impacts are managed through proactive monitoring mechanisms and an organisation-wide culture of environmental consciousness.

#### **Eco Solutions**



- 55% reduction in the use of furnace oil
- 12% reduction in carbon footprint

## **Hand Protection**

furnace oil



- 44% decline in the use of
- 94% reliance on renewable energy

## **Purification**



- 7% reduction in water footprint
- 170 green charcoaling pits



- 62% of energy consumption from renewable sources
- · 23% of water recycled

#### Construction **Materials**



- · 11% of water recycled and reused
- 6% decline in carbon intensity

#### **Plantations**



- Renewable energy generation
- · Rainwater harvesting

## Agriculture



# · Investments in climate smart

- agriculture
- Propagating sustainable agricultural practices

# Consumer & Retail



· Driving energy efficiency through our products

## Leisure



- 20% of water recycled
- Coral preservation project in Amaya Kuda Rah

## Industry Inputs, **Power & Energy**



- · Generated 31 mn MW of renewable energy
- 46% decline in water consumption

#### Transportation and Logistics



- 69% and 74% increase in energy and carbon footprint respectively
- 3% reduction in water footprint



· Facilitated the installation of 1,500 solar projects through Fentons

# 20%

#### Carbon Emission by Sector

- Eco Solutions
- Hand Protection
- Purification
- Construction materials
- Plantations
- Agriculture • Consumer and Retail
- Leisure
- Industry Inputs, Power and Energy
- Transportation and Logistics
- Others

Bio-mass

## **Energy by Type**

- Electricity
- Fossil fuels

#### Water by Source

- Surface water Ground water
- Rainwater
- Municipal lines
- Other

#### **Our Environmental Commitment**

The Earth and Water Pillars of the Hayleys Group Sustainability and Corporate Responsibility Policy articulates the Group's environmental commitment and embodies the minimum standard that should be adopted across the Group in managing environmental impacts. Several Sectors have also gone beyond these requirements to implement sector-specific management approaches. Environmental impacts pertaining to raw materials, energy, water, waste and effluents and carbon footprint are collated and tracked through a tailor-made information system administered by the Hayleys Corporate Sustainability Unit. Results are presented to the GMC on a quarterly basis. Sectors have also obtained a host of environmental certifications, which are listed in full on page 221 to 222. The Group also adopts the Precautionary principle when engaging in investment appraisals, whereby the social and environmental impacts of potential investments are given due consideration.

#### Ensuring environmental compliance

At entity and sector level, compliance is monitored through regular reporting to the relevant Risk Management Units. At Hayleys PLC level, the Group Internal Audit function performs regular checks on compliance and findings are reported to the Hayleys PLC Board of Directors through the Group Management Committee. Group sustainability maintains a record of all instances of environmental non-compliance as well as environmental grievances presented and addressed during the year. During the year, there were zero instances of non-compliance against environmental laws/regulations, reported.



#### Member of Responsible Care Council

Hayleys is committed to the Responsible Care initiative from 2014, a voluntary initiative of the chemical industry introduced by the International Council of Chemicals Association' Responsible Care Leadership Group. The initiative aims to drive continuous improvement in the areas of environmental protection health and safety in the chemical industry.

#### **Policy Architecture**

#### The Earth Pillar

- Comprehensive, cyclical approach to environmental stewardship
- Develop strategies encouraging sectors to look at environmental issues they face collectively
- Appoint a key person in senior management who is responsible for environmental stewardship
- Encourage and invest in innovations that protect the environment by minimising pollution, material inputs and waste outputs
- Integrate environmental reporting and assessment within already existing reporting frameworks.

#### The Water Pillar

- Be aware of your operation's surroundings, including surrounding water courses, level of water stress, availability and quantity of water resources, soil type
- Assess the quantity/quality of waste-water discharges in relation to permitted levels and industry averages
- Conduct conservation practices to minimise pollutants spreading through diffusion

## **CEO's Water Mandate**

Hayleys PLC is a signatory to the UNGC-CEO's Water Mandate through which we have committed to six elements of water stewardship-Direct Operations, Supply Chain and Watershed Management, Collective Action, Public Policy, Community Engagement, Transparency – through individual and collective efforts.

#### **Land and Biological Assets**

As a large, diversified group with interests in the Plantations sector Hayleys PLC has a considerable land bank, with total free hold land amounting to 503.61 acres, the largest of which is the Purification sector. On the leasehold land the Plantation sector dominates the profile with a total extent exceeding 19,000 hectares.

Sector	Land extent (Acres)	Use
Eco solutions	55.26	Comprises 12 properties on which factories, warehouses and offices are located
Hand protection	58.73	4 properties including 1 in Thailand where our manufacturing facilities are located
Purification	123.15	8 properties including 4 in Indonesia and Thailand which house our manufacturing facilities, warehouses and offices
Textiles	54.30	1 property where our factory is located
Construction materials	15.48	4 properties where our manufacturing facility, warehouse and offices are located
Agriculture	21.81	6 properties including 1 in Dhaka which mainly comprise of cultivated land
Consumer	18.05	44 properties, mainly including Singer's branch network, manufacturing facility and offices
Leisure	12.91	2 properties which include our hotels and bare land
Industry inputs, Power and Energy	11.04	2 properties in which mini-hydro plants are located
Transportation and Logistics	35.64	9 properties where warehouses and offices are located
Others	97.24	7 properties which include the corporate head office and several bare lands.
Total	503.61	

## Land rejuvenation and preserving biodiversity

The Group's tea and rubber estates in the hill country and low country, wet zones are areas of high biodiversity and the Plantation Sector's bio diversity conservation agenda is guided by the Rainforest Alliance. Both our plantations are also part of Biodiversity Sri Lanka, a national platform established to promote strong engagement of the corporate sector in biodiversity and environmental conservation in Sri Lanka.

The plantations are home to numerous faunal species including endangered, threatened and vulnerable as per the IUCN Red Data List.

Conservation Status	Number of species
Globally threatened	-
Critically endangered	6
Endangered	44
Vulnerable	37
Near threatened	26
Other	113

244 hectares with rich biodiversity

Watershed and catchment areas, feeding national rivers Nilwala, Gin, Kotmale Oya and Nanu Oya

Great Western, Radella, and Holyrood estates are located near, Kikiliyamana Natural Forest Reserve

Calsay estate, Nanuoya borders, the Conical Hill National Forest, Agrabopaththalawa

Key initiatives taken by the Group during the year to preserve biodiversity and rejuvenate land is given below;

- The two plantation sector companies invested Rs. 361 mn in replanting 89 hectares of rubber and 38.1 hectares
- A total of 169,466 trees planted by multiple sectors during the year as listed alongside.
- Coral conservation project At Amaya Kuda Rah, where we launched a coral frame sponsorship program, engaging guests in the preservation and conservation of coral reefs around our property.

• The Agriculture sector has commenced trials for Integrated Pest Management solutions using pheromones which minimise the impact on pollination.

Sector	Total trees planted
Agriculture	94
Leisure	357
Eco Solutions	44
Textile	305
Transportation	521
Plantations	168,145*

\*87% of this is for Commercial Use

#### **Raw Materials**

We strive to consistently reduce our reliance on non-renewable raw material inputs while implementing plans to ensure the efficient and responsible use of materials. Several sectors utilising agricultural raw materials have also implemented supplier development initiatives to ensure the sustainability and security of key supply chains. The Group's approach to raw material management is graphically illustrated below;

Minimising chemical usage	<ul> <li>Plantation Sector utilises bio-degradable fertilizing and crop protection materials</li> <li>Construction material sector uses recyclable chemicals</li> </ul>
Eco friendly raw materials	Hand Protection, Consumer (Manufacturing Sector) pursuing the use of alternative raw materials
Responsible sourcing	Agriculture, Textile, Hand Protection and Purification sectors work closely with suppliers in propagating good practices
Use of recycled material	14% of Sectors engage in the use of recycled input materials

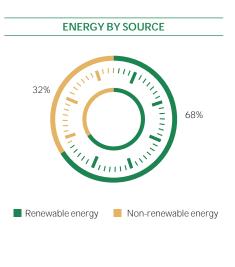
The Group consumes a wide variety of raw materials, a selected few of which are given below;

Sector	Metric	2019	2018			
Renewable materials						
Purification	Coconut charcoal (MT)	123,159	99,999			
	Coconut Shells (MT)	64,775				
Hand Protection	Latex (MT)	8,919	11,490			
Plantations	Green Leaf (MT)	44,149	31,805			
	Latex (m³)	2,504	2936			
Eco Solutions	Coconut fibre (MT)	1,578	24,000			
	Coir fibre (MT)	1,311	6,000			
	Other fibre and material (MT)	49,343	1,183			
Textile	Grieg (Kg)	2,717.00				
	Yarn (Kg)	2,149.00				
Agriculture	Compost (MT)	89				
Non-Renewable	materials					
Construction Materials	Aluminium billets (MT)	7,710	5,798			
Plantations	Agro-chemicals (Litres)	7,871	20,609			
	Agro-chemicals (Kg)	2,423	7,601			
Textile	Yarn (recycled)	390.00				
	Yarn (non-renewable and other than recycled) (Kg)	3,348.00				
	Grieg (Kg)	1,318.00	•			
	Dyes and Chemicals (Kg)	5,207.00				

Data Compilation	For reporting purposes, the Sectors measure and disclose the consumption of the top 5 renewable non-renewable input materials		
Recycled ir	nput materials		
Construction Materials	36.5 % of recycled aluminium		
Agriculture	45% by HJS and 5% by Quality Seeds		
Consumer & Retail	2.5%		
Textile	2.5%		

#### **Energy**

The Group's primary energy sources are fossil fuels, electricity from the national grid, and renewable energy. Our energy objectives are directed towards enhancing energy efficiency and reducing reliance on fossil fuels through Group-wide and sector-specific initiatives targeted towards generation of renewable energy. Hayleys also accounts for 2.5% of the country's total renewable energy generation, through an installed capacity of 50MW. The Group's energy initiatives in 2018/19 are summarised below;



# Natural Capital

Reducing dependence on fossil fuel-based energy sources through renewable energy			
Initiatives	Sector		
Conversion of thermal boilers to renewable energy sources have resulted in a 86 $\%$ reliance on renewable energy	Hand Protection		
Installation of solar power solutions in 2 factories in the Plantation Sector	Plantations, Leisure, Transportation and Logistics, Eco Solutions		
Residential and commercial solar energy solutions	Fentons		
Utilisation of internally generated heat to reduce reliance on furnace oil (waste heat recovery systems)	Purification		
Use of bio-mass boilers	Eco Solutions, Plantations, Textile		
Utilisation of saw dust to generate electricity	Textiles		
Use of energy efficient technology and equipment			
	Sector		
Installing energy efficient capacitor banks, Use of variable frequency motors	Plantations, Textiles, Eco Solutions, Transportation, Hand Protection, Construction Materials		
Rationalisation of boilers	Plantations		
Inverter technology for motors	Purification		
Conversion of a furnace oil drying system to LPG			
Centralised energy efficient compressed air distribution systems	Textiles		
Energy efficient lighting and cooling			
Initiatives	Sector		
Replaced CFL with LED bulbs	Plantations, Eco Solutions, Leisure, Hayleys PLC, Hand		
Buildings modification to use increased natural light	Protection, Construction Materials, Consumer and Retail		
Use of electronic ballasts for fluorescent lamp	Ketali		
Energy efficient and environmental friendly (CFC free) AC systems and cool rooms			
Heat load reducing applications for showroom operations			
Others			
Initiatives	Sector		
Natural heat for fibre drying	Transportation and Logistics		
Channelling waste heat to the production process	Eco Solutions		
Carbon neutral envelope shipping	Transportation and Logistics		
Carbon footprint calculation and being carbon conscious			
Obtaining ISO 140001 / ISO 14064 certifications and carbon calculations			
Competing and awarding national and international level environmental awards	All sectors		

The Group's energy consumption for the year under review is given below, classified as renewable and non-renewable sources. Total energy consumption for the year increased by 50% reflecting increased operational activity across several sectors as well as the expansion of the reporting boundary to include overseas operations of 5 Sectors. Though the total energy consumption has increased by 50%, energy and carbon intensity increased by 12% and 28% respectively with a notable reduction in the use of furnace oil, diesel and petrol.

The Group consumes a wide variety of raw materials, a selected few of which are given below;

	2019	2018
Non-renewable energy consumption		
Diesel	159,092	219,563
LPG	103,049	161,033
Petrol	7,134	14,541
Kerosene	135	
Furnace oil	265,118	360,615
Natural Gas	3,891	
Intermediate fuel oil	97,260	
Marine Gas Oil	30,845	
Electricity	514,106	381,889
Owned vehicle fuel (Diesel & Petrol)	38,688	
Total non-renewable	1,219,318	
Renewable energy consumption	_	
Firewood	1,079,729	1,024,549
Saw dust	292,866	
Others	1,201,177	
Total renewable	2,573,772	
Total energy consumption	3,793,089	2,686,052

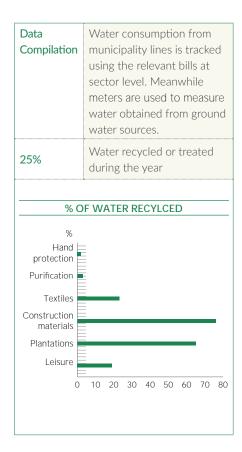
Data Compilation	Electricity sourced through the national grid is captured at sector level primarily through electricity bills. Fuel consumption data is tracked by the sectors separately. Using the raw data captured at sector level, Group Sustainability computes the Sector-wise and Groupwide energy consumption using density rates and calorific values.				
	the scope of our energy measurement to include overseas operations and the fuel consumption of owned vehicles.				
21%	Reduction in the use of Diesel, Petrol and Furnace Oil sources (including this year vehicle fuels too)				

#### Water

Water stewardship is a key priority for the Group as several sectors such as Textiles, Hand Protection and Purification are relatively water intensive. Mechanisms are in place to continuously monitor water consumption trends and identify areas for improving water efficiency. In addition to the responsible use of water, all our business sectors are mandated to ensure that water discharge meets all applicable regulatory requirements. Most of our sectors engage in recycling used water prior to being re-used in operations or discharged.

Key water related initiatives during 2018/19 are given below;

Sector	Initiative
Plantations	Integrated Water Management inclusive of chemical free buffer zones and live fences around water sources, including natural water purification initiatives
Construction Materials	Water efficient manufacturing processes and facility
Leisure, Purification and Plantations	Rainwater harvesting / water efficient agriculture technologies (sprinklers / drip irrigation etc) / 100% waste water recycling and reusing by Leisure sector / 100% waste water treatments at industries
Textiles	Replacing traditional dye machines with water efficient programmable machines
Agriculture	Sprinkler irrigation project in the Northern Province, resulting in the conservation of water; Rainwater harvesting is a another initiative under Agriculture and for the last financial year the water contribution from the rainwater harvesting is 13,750 m <sup>3</sup>



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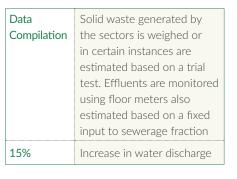
#### Waste and effluents

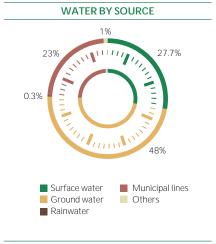
All sectors engage in the segregation and responsible disposal of waste, in compliance with regulatory requirements and industry best practice. Effluents discharged from our operations comply with the requisite water quality standards of BOD, COD, TSS, pH and oil and grease levels are checked on a regular basis by independent assessors to ensure it meets compliance levels.

Key wa	aste management initiatives	Sector
Effluent management initiatives	<ul> <li>Waste water is treated at effluent treatment plants and monitored to ensure compliance with water quality standards. Hand protection and textile sectors allow the public to check the quality of discharged water.</li> <li>Factory and domestic wastewater purification systems</li> <li>Waste water is recycled and used for gardening and organic farming.</li> </ul>	Hand protection (Reverse Osmosis plants), Construction Materials, Textiles, Purification Plantations, Leisure, Plantations
	<ul> <li>Integrated Waste Management programs comprising,</li> <li>Bio-degradable waste used to produce compost</li> <li>Metal, glass, plastic, polythene, paper and E-waste are segregated, and sent for recycling</li> <li>Incineration is prohibited</li> </ul>	Plantations / Consumer & Retail
ent	E-waste is collected from customers (including old CRT screens) and sent to approved 3rd party recyclers	Consumer-Singer
Solid waste management	Spent carbons undergo regeneration in the Thailand factory eliminating the need for incineration or landfill disposal	Purification
waste m	Waste yarn and fabric is provided to villagers who engage in cottage industries.	Textiles
Solid	Used CFL bulbs are collected from the general public, mercury extracted and sent to an approved third party collector	Consumer
	Solid waste is classified and,	Hand Protection,
	• Recyclable solid waste (plastic and paper) is sent to approved third party recyclers.	Leisure & Resorts, Agriculture, Textile Construction
	Hazardous solid waste is sent to INSEE Ecocycle and other CEA approved hazardous waste collectors for incineration.	Materials

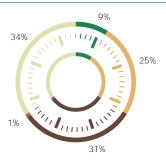
## Water discharge by destination

	2019	2018
Municipality sewerage, drainage lines	319,178	527,394
Recycled through ETPs	923,870	482,826
Discharge to water body	1,168,213	2,146,168
To ground through soakage pit	50,480	83,494
Other alternatives	1,248,196	-
Total	3,709,939	3,239,882

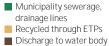








WASTE WATER DISCHARGE





	20	19	2018		
MT	Hazardous	Non-hazardous	Hazardous	Non-hazardous	
Reuse	99	1,805	2	1,347	
Recycling	113	1,598	4	237	
Composting		524		732	
Recovery	6	326		720	
Incineration	1,046	194	2,486	505	
Deep well injection	49				
Landfill	50	1,813	1	1,394	
On-site storage	3,745	62,366	163	7,321	
Other	911	3,307	1	3,049	
Total 6,019		71,933	2,660	15,309	

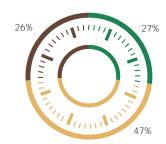
Data	Water consumption from			
Compilation	municipality lines is tracked			
	using the relevant bills at			
	sector level. Meanwhile			
	meters are used to measure			
	water obtained from ground			
	water sources.			
25%	Water recycled or treated during the year			

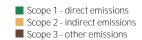
#### **EMISSIONS BY SCOPE**

#### **Carbon footprint**

Group-wide efforts to increase reliance on renewable energy, reduce energy consumption and reduce dependence on fossil fuel have led to sustained improvements in the Group's carbon footprint. During the year, the total carbon footprint increased by 64%. We have taken several initiative to manage our environmental footprint during the operations. These initiatives are discussed on page 228 of this Annual Report.

Implications of Climate Change: Climate change and eco-system decline impacts the Group directly through supply and demand for raw materials which are derived from natural sources, availability of water, erratic weather conditions and impacting the demand for agricultural chemicals in numerous ways.





Sector	Scope 1	Scope 2	Scope 3	Sector Total (18/19)	% Share by sector (18/19)	Sector Total 2018
Manufacturing						
Eco Solutions	504	3,322	209	4,036	2.1	4,590
Hand Protection	2,082	15,547	9,369	26,999	14.1	16,199
Purification	9,617	21,234	15801	46,652	24.4	24,387
Textiles	14,070	11,372	1133	26,575	13.9	22,541
Construction Materials	3,929	4,517	256	8,702	4.6	6,969
Agriculture and Plantations						
Agriculture	1,522	1,081	8653	11,256	5.9	3,608
Plantations	1,909	7,170	463	9,541	5.0	7,990
Services						
Transportation and Logistics	14,461	2,259	7100	23,820	12.5	13,654
Consumer	160	12,194	5140	17,495	9.2	6,534
Leisure	3,321	7,882	1878	13,082	6.8	7,955
Power & Energy	2	660	201	864	0.5	155
Others	267	1,726	152	2,145	1.1	1,964
Total by Scope	51,845	88,964	50,356	191,166	100	116,546

The calculation of carbon footprint is based on the IPCC 2006 guide line for Greenhouse Gas inventories.

Source - Emission-Factors-from-Cross-Sector-Tools-(April 2014) based on the IPCC Fifth Assessment Report- 2014 http://www.ghgprotocol.org/calculation-tools/all-tools

# Consolidated Statement of Economic Performance

		2019	2018
Indirect employment	No.	>20,000	>20,000
Out-growers	No.	12,250	>20,000
No. of suppliers	Rs.	>69,000	>60,000
Payments to suppliers	Rs.mn	135,662	
Capacity Building			
Alumex	No	3,013	1,545
Plantations	No	1,730	3,882
Singer	No	800	2,700
Job creation outside the Western Province	No.	1,934	2,320
Tax paid	Rs.mn	7,034	5,158
Economic Value Generated	Rs.mn	50,759	38,497
Economic Value Distributed			
Government	Rs.mn	7,034	5,158
Employees	Rs.mn	25,828	20,434
Others	Rs.mn	13,372	8,556
Innovations	No.	173	>300
Export income generated	Rs.mn	99,498	75,832

#### **Economic Value Creation**

The Group's economic impact is significant due to the depth and diversity of its' supply chains and distribution channels. We are committed to creating shared value across our stakeholder universe, nurturing mutually beneficial relationships and contributing towards sustainable value creation. Social and environmental factors are also given due consideration in daily business activities as the Group strives to balance its commercial, social and environmental agenda. The Group's economic contribution is as follows;

Economic Value Created	We created economic value of Rs. 50.76 bn and distributed Rs. 46.23 bn to employees, shareholders, government and providers of finance as given on page 391 of this Report.
Employment generation	Hayleys provides direct employment to 31,383 employees in the country of whom 69% are located outside the Western Province. 6% of our employees from Sri Lanka are located at our overseas operations.
Indirect employment	Through our network of dealers, distributors and outsourced services we create indirect employment opportunities for approximately 20,000 people. We also support the livelihoods of those fabricators, farmers and micro entrepreneurs in the country.
Tax contribution	The Hayleys Group paid taxes totalling to Rs. 7.03 bn comprising Income tax of Rs. 2.89 bn.
Foreign exchange income	The Group earned USD 404 mn in foreign exchange during the year from direct and indirect exports.
Capacity building	We are a catalyst for capacity building across our value chain, with over 3,013 individuals receiving training during the year.

Economic Value Generated by Sector	Rs. mn
Eco Solutions	1,074
Hand Protection	3,746
Purification	3,709
Textiles	1,990
Construction Materials	1,530
Plantations	6,026
Agriculture	3,277
Consumer & Retail	14,879
Leisure	2,511
Industry Inputs, Power & Energy	569
Transportation and Logistics	1,373
Others	7,324



	2018/19	2017/18	2016/17	2015/16	2014/15	
VALUE CREATED (Rs. mn)	VALUE CREATED (Rs. mn)					
Revenue	219,182	163,249	111,383	92,275	92,562	
Other income	2,496	909	1,024	689	538	
VALUE DISTRIBUTED (Rs. mn)						
To employees as remuneration	25,828	20,434	15,207	13,396	14,018	
To Government Revenue						
- Of Sri Lanka	6,664	4,692	2,126	2,385	1,317	
- Overseas	370	466	263	272	298	
To shareholders as dividend	375	375	563	488	450	
To lenders of capital					-	
- Interest on borrowings	10,512	5,932	3,112	1,931	2,135	
- Non-controlling interest	2,485	2,249	2,264	2,078	2,434	
VALUE RETAINED FOR EXPANSION AND GROWTH (Rs. mn)						
Depreciation	4,811	3,927	2,998	2,514	2,440	
Profit retained	(286)	422	2,008	2,388	2,107	

# **Indirect Employment**

In addition to its direct employees, the Group's operations create livelihoods for over 20,000 indirect employees, who support our value creation process as outsourced employees, subcontractors, or trainees. The Group's unmatched reach has contributed towards regional employment and economic empowerment across the island.

## **Out-growers**

The Hayleys Agriculture Sector operates several outgrower programmes through which it generates a sustainable source of income to around 12,000 impoverished individuals. These out-growers benefit from guaranteed buy back agreements, transparent pricing, technical knowledge and training on sustainable agricultural practices.

Gherkins Cultivation	10,600
Jalapeño and Spanish Pepper	125
Pineapple Cultivation	150
Seeds Paddy Production	1,200
Big Onion True Seed Production	30
Moringa Cultivation	100

# Way Forward

	Eco solutions	Hand protection	Purification
Industry outlook	Positive long-term demand outlook for growing media products in line with increasing urbanisation, environmental regulations and decline in arable land.  Downside risks stem from continued difficulties on sourcing raw materials given the increasing implications of climate change	The gradual uptick of latex prices, labour shortages and intensifying competitive pressures are likely to hamper short-term growth although the Sector is poised for long-term growth given continued increases in demand.	Significant growth potential from the USA, Europe and Asia although the standard product portfolio is likely to see some margin pressure
Our strategy	<ul> <li>Pursue growth opportunities across new applications and markets</li> <li>Ongoing research efforts towards developing new products</li> <li>Geographical diversification of our manufacturing footprint to reduce exposure to supply-chain related risks</li> </ul>	<ul> <li>Sharpen focus on the 3 business lines of industrial, retail and medical gloves</li> <li>Focus on enhancing productivity through new technology</li> <li>Strengthen product proposition in both supported and unsupported gloves</li> <li>Further investments in renewable energy</li> </ul>	<ul> <li>Ongoing efforts towards product development</li> <li>Drive cost reductions across the supply chain</li> <li>Environmental Engineering arm to pursue growth opportunities in new markets</li> </ul>
Forecast	Revenue growth: +43% PBT growth: +9%	Revenue growth: +21% PBT growth: +42%	Revenue growth: -8% PBT growth: +2%
	Agriculture	Consumer	Leisure
Industry outlook	The country's natural resources present a plethora of opportunities for the Agriculture sector, although a cohesive agricultural policy is essential for the sustainable development of the industry.	Short-term outlook remains subdued given the prevalent security concerns, although the Sector is positioned for medium to long-term growth driven by rising disposable incomes, increasing customer sophistication and urbanisation.	The terrorist attacks in April have sharply impacted tourist arrivals into the country. However, we are confident of a mediumterm recovery as the country returns to normalcy and travel restrictions are cleared, as already signalled by the relaxation of travel advisories by certain source markets.
Our strategy Industry outlook	The country's natural resources present a plethora of opportunities for the Agriculture sector, although a cohesive agricultural policy is essential for the	Short-term outlook remains subdued given the prevalent security concerns, although the Sector is positioned for medium to long-term growth driven by rising disposable incomes, increasing	The terrorist attacks in April have sharply impacted tourist arrivals into the country. However, we are confident of a mediumterm recovery as the country returns to normalcy and travel restrictions are cleared, as already signalled by the relaxation of travel advisories by certain

Textiles	Construction materials	Plantations
The Sri Lankan apparel industry is positioned for sustainable growth with the development of the middle to high-end segment. The healthy economic outlook in the US and the restoration of GSP+ is also expected to augur well for Sri Lanka	Although the short-term outlook remains subdued given the prevalent over capacity in the industry, the recommencement of large-scale construction projects and developments associated with the Megapolis plan is expected to drive medium to long-term demand growth.	Favourable weather conditions and improving oil prices are expected to support better commodity prices towards the latter part of 2019.
<ul> <li>Enhancing capacity and ongoing investments in widening the Inno product portfolio</li> <li>Increased growth through high-margin value added products</li> </ul>	<ul> <li>Pursue overseas expansion</li> <li>Further partnerships with leading global proprietary system owners</li> <li>New market identification and development</li> </ul>	<ul> <li>Ongoing investment in developing our people and technology</li> <li>Diversification from traditional crops</li> <li>Ongoing efforts to refine and enhance the current wage model to drive increased efficiency</li> </ul>
Revenue growth: +10% PBT growth: +30%	Revenue growth: +40% PBT growth: +65%	Revenue growth: +11% PBT growth: +20%
(C) Industrial inputs, Power & Energy	A	₩
madatrial impacts, I ower & Energy	Transportation & Logistics	₹Ç} Others
Increasing focus on expanding the country's renewable energy generation.	Positive outlook given growth in global trade, improvement in freight rates and Sri Lanka's strengthening position as a shipping hub.	Good growth prospects in the BPO industry, with anticipated growth in the Australian, UK and US markets. Short-term outlook for Fentons and Unisyst Engineering likely to remain subdued due to weak consumer and investor sentiments
Increasing focus on expanding the country's	Positive outlook given growth in global trade, improvement in freight rates and Sri Lanka's	Good growth prospects in the BPO industry, with anticipated growth in the Australian, UK and US markets. Short-term outlook for Fentons and Unisyst Engineering likely to remain subdued due to weak consumer and

# Annual Report of the Board of Directors

#### General

The Board of Directors of Hayleys PLC has pleasure in presenting their Report on the affairs of the Company together with the Audited Consolidated Financial Statements for the year ended 31st March 2019. The details set out herein provide the pertinent information required under Section 168 of the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules, Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and Finance Companies Corporate Governance Direction No 03 of 2008 issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011.

#### 2. **Review of the Business**

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

Hayleys PLC is a holding Company that owns, directly or indirectly, investments in the numerous Companies constituting the Hayleys Group and provides services to its Group Companies. The Group consists of a portfolio of diverse business operations. The main subsidiaries and equity accounted investees of Hayleys PLC are listed on pages 317 to 324.

The Principle activities of the Group are categorised into different business sectors. i.e. Eco Solutions, Hand Protection, Purification Products, Textiles, Construction Materials, Agriculture, Plantations, Transportation & Logistics, Consumer & Retail, Power & Energy, Leisure and Others. The main activities of the sectors are described in the Portfolio Review pages 92 to 187 of this Report.

#### 2.2 Review of operations of the Company and the Group

The Group's businesses and their performance during the year, with comments on financial results, as well as future business developments are appraised in the Chairman's message (pages 32 to 39), Portfolio review (pages 92 to 187) of this Report. Those also provide an overall assessment of the state of affairs of the Group and the Company with details of important events that took place during the period . The investment / disposal activities during the year include the following;

The two subsidiaries of Hayleys PLC namely Carbotels (Pvt) Ltd and Amaya Leisure PLC disposed their entire shareholding of 66.20% in Hunas Falls Hotels PLC.

Consequent to the disposal of Hunas Falls shareholding by the Hayleys Group Companies, Hunas Falls Hotels PLC ceased to be a subsidiary of Hayleys PLC with effect from 14th January 2019.

- The shareholding of 74.38% in Quality Seeds Company (Pvt) Limited held by the Company was transferred to Hayleys Agriculture Holdings Ltd.
- The entire Shareholding in Hayleys Aviation & Projects (Pvt) Ltd held by the Company was transferred to Civaro International Ltd., a subsidiary of Hayleys Advantis Ltd.
- Share structure of Martin Bauer Havleys (Pvt) Ltd (formerly known as Hayleys Global Beverages (Pvt) Ltd) was changed during the year. Consequently this Company ceased to be a subsidiary and is being consolidated as a Equity Accounted Investee.

New shareholding structure of Martin Bauer Hayles (Pvt) Ltd is as follows.

Hayleys PLC - 38.90% Kelani Valley Plantations PLC - 10.10% MB Beteligungs GmbH - 51%

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

The Financial Statements of the Company and the Group are given on pages 258 to 371 of this report.

#### 2.4 Auditors' Report

The Auditor's Report on the Financial Statements of the Company and the Group is given on pages 254 to 257.

#### 2.5 **Accounting Policies and changes** during the year

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 which requires compliance with Sri Lanka Accounting Standards. The detailed accounting policies adopted in the preparation of the Financial

Statements are given on pages 269 to 296. There were no changes to the Accounting Policies used by the Group and the Company during the year.

#### 2.6 Entries in the Interests Register

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

#### 2.6.1 Directors' interest in transactions

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

#### 2.6.2 Directors' interests in shares

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

#### Hayleys PLC

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

- 9,634 shares were held by Dr.K.I.M. Ranasoma at the time of his resignation on 1st July 2018
- 7,488 shares were held by Mr.L.T.Samarawickrma at the time of his retirement on 31st March 2019

#### The Kingsbury PLC

• 1,186,583 shares were disposed by Mr.M.H. Jamaldeen (Mr.M.H. Jamaldeen is the spouse of Mrs.I.Jamaldeen, Director of the Kingsbury PLC)

Hayleys PLC sold 25,000,000 shares
 (10.33%) of The Kingsbury PLC to Carbotels
 (Pvt) Ltd. Common Directors of the above companies are Messrs. A.M. Pandithage,
 K.D.D. Perera, L.T. Samarawickrama and S.C. Ganegoda.

#### Amaya Leisure PLC

- 20,937 shares were purchased during the year by Mr D E Silva, a Director of Amaya Leisure PLC.
- The following shares were allotted to the Directors from the scrip dividend made by Amaya Leisure PLC.

Name of Director	No. of Shares
Mr. C.J.Wickramasinghe	63,010
Mr. Dhammika Perera	19,738
Mr. S.Senaratne	7,993
People's Leasing & Finance	
PLC/Mr. L.T.Samarawickrama	175,204
Mr. L.T.Samarawickrama	22,340
Mr. S H Amarasekera (Jointly	
with Mr. B.M.Amarasekara)	545
HSBC / Mr. S H Amarasekara	
(Jointly with	
Mr. B.M.Amarasekara)	374
Mr. D.E.Silva	3,669

The following companies were issued shares from the said scrip dividend.

#### Hayleys PLC - 853,926

Mr.K.D.D.Perera has the controlling interest.

#### Elles (Pvt) Ltd - 14,959

Mr.L.T.Samarawickrama has the controlling interest.

#### **Hunas Falls Hotels PLC**

 152,815 shares were held by Mr.S.C.Ganegoda on 15th January 2019 when the investment in Hunas Falls Hotels PLC was disposed by the Hayleys Group.

#### Alumex PLC

 20,000 shares were purchased by S.M.Bentley Corporate Services (Pvt) Ltd (Mr.S.Munaweera, an Independent Non-Executive Director of Alumex PLC is also a Director of S.M.Bentley Corporate Services (Pvt) Ltd and has controlling interests in S.M.Bentley Corporate Services (Pvt) Ltd)

- 7,375 shares were purchased by Mrs.R.D.Jayawardana (Mrs.R.D.Jayawardana is the spouse of Mrs.S.Munaweera, an Independent Non-Executive Director of Alumex PLC)
- 19,907 share were purchased by Mr.R.P.P.K.Rajapaksha. a Director of Alumex PLC
- 45,239 shares were purchased by Mr.S.C.Ganegoda, common Director of Hayleys PLC and Alumex PLC
- 100,000 share were purchased by Mr.T.A.Akbarally (Mr.T.A.Akbarally is the Alternate Director to Mr.A.A.Akbarally – Non Executive Director of Alumex PLC)

#### Singer Industries (Ceylon) PLC

 The following shares were allotted to the Directors of Singer Industries (Ceylon) PLC from the capitalisation of reserves made by the Company.

Name of Director	No. of Shares
C.G.K.Vidyaratne	160
K.D.Kospelawatta	320

# 2.6.3 Payment of remuneration to Directors

Executive Directors' remuneration is structured within an established framework by the Board's Remuneration Committee, to whom this task has been entrusted. The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the Company. The total remuneration of Executive Directors for the year ended 31st March 2019, which is given in Note 10 includes the value of perquisites granted to them as part of their terms of service.

The total remuneration of Non-Executive Directors for the year ended 31st March 2019, which is given in Note 10, is determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of remuneration is fair to the Company.

#### 2.6.4 Insurance & Indemnity

The Company has obtained a Corporate Guard insurance policy from Orient Insurance Limited providing worldwide cover to indemnify all past, present and future Directors and Officers (D & O) of Hayleys PLC and its Subsidiaries at a premium of Rs.8.3 mn. The limit on liability of the cover is US\$5mn.

#### 2.7 Directors' remuneration

Directors' remuneration, in respect of the Company for the financial year 2018/19 is Rs. 254.6 mn (Rs. 409.1 mn) consisting of Rs. 245.8mn for Executive Directors and Rs. 8.8 mn for Non Executive Directors.

Directors' remuneration in respect of the Company's Subsidiaries for the financial year 2018/19 is Rs. 1,097.5 mn (Rs. 936.4 mn.) consisting of Rs. 1,037.6 mn for Executive Directors and Rs. 58.9 mn for Non Executive Directors

#### 2.8 Corporate Donations

Donations by the Company amounted to Rs. 764,550 (Rs. 994,079) which includes a sum of Rs. 52,000 (Rs. 119,000) made to Government approved charities.

Donations by the Subsidiaries amounted to Rs. 24.7 mn (Rs. 18.3 mn).

## 3. Future Developments

Future developments are discussed in the Chairman's message (pages 32 to 39), Portfolio review (pages 92 to 187) of this Report.

# 4. Group Revenue and International trade

The revenue of the Group was Rs. 219.2 bn (Rs. 163.2 bn.) in the year under review. A detailed analysis of the Group's revenue, profit and asset allocation relating to different segments of the Group's businesses is given in Note 41 to the Financial Statements.

The Group's exports from Sri Lanka, amounted to Rs. 68.5 bn (Rs. 57.9 bn) at f.o.b. value in the year under review.

# Annual Report of the Board of Directors

The Group's revenue from International Trade, which includes the revenue of overseas subsidiaries in addition to exports from Sri Lanka, amounted to Rs. 99.5 bn (Rs. 75.9 bn) in the year under review.

Trade between Group Companies is conducted at fair market prices.

#### 5. **Dividends and Reserves**

#### 5.1 Dividends

The Group's profit before taxation amounted to Rs. 5.48 bn (Rs. 5.76 bn). After deducting Rs. 2.7bn (Rs. 2.5bn) for taxation the profit was Rs. 2.75bn (Rs.3.28bn). When an amount of Rs. 2.48bn (Rs. 2.25bn.) for non-controlling interests was deducted, the Group profit attributable to owners of the Parent for the year was Rs. 265.4mn (Rs. 1.02bn). A sum of Rs. 375mn (Rs. 375mn) has been paid as dividends on 17th April 2019.

An Interim Dividend of Rs. 5/- per share was paid to the shareholders on 17th April 2019. This dividend represented redistribution of dividends received by the Company and therefore not subjected to 14% tax deduction otherwise applicable.

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

#### 5.2 Reserves

Total Group Reserves at 31st March 2019 amounts to Rs.40.2bn (Rs.39.6bn) comprising Capital Reserves of Rs 0.6 bn(Rs 0.9bn), Other components of equity of Rs. 23.1bn (Rs. 20.9 bn) and Revenue Reserves of Rs.14.9 bn (Rs. 16.2 bn). The composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

#### 6. **Property, Plant and Equipment**

Capital expenditure during the year, on Property, Plant & Equipment (including capital work -inprogress), Biological assets, Intangible assets by the Group and the Company amounted to Rs. 6.8 bn (Rs. 6.3 bn) and Rs. 26.7 mn (Rs. 55.6 mn) respectively.

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

Extents, locations, number of buildings and valuations of the properties of the Group are given in Statement of Value of Real Estate on pages 376 to 379.

#### 7. Market value of Freehold Land

The freehold land of the Group has in general been subjected to routine revaluation by independent qualified valuers. The most recent revaluations of the lands were carried out as at 31st March 2019. Details of revaluations, carrying values and market values are provided in Note 14 to the Financial Statements. The Statement on Value of Real Estate on pages 376 to 379 gives details of freehold land held by the Group.

#### 8. Issue of Shares and Debentures

#### 8 1 Issue of Shares and Debentures by the Company

The Company did not issue any shares during the year ended 31st March 2019.

The Company, in July 2018, issued Thirty Million (30,000,000) Senior, Unsecured, Listed, Redeemable, Rated Five year (2018/2023) debentures at a face value of Rs.100/- each with an option to increase such amount by a further Ten Million (10,000,000) of said Debentures. The Company, having received subscriptions for 35,268,200 (Thirty Five Million Two Hundred Sixty Eight Thousand Two Hundred) Debentures for a value of Rs. 3,526,820,000 (Rs. Three Billion Five Hundred Twenty Six Million Eight Hundred Twenty Thousand Only) exercised the over subscription option by issuing debentures for the above amount.

#### 8.2 **Stated Capital and Debentures**

The stated capital of the Company, consisting of 75,000,000 ordinary shares, amounts to Rs.1,575 mn as at 31st March 2019. There was no change in stated capital during the year.

The debentures of the Company consist of the following:

- Twenty million (20,000,000) listed rated senior unsecured redeemable three year (2016/19) debentures amounting to Rs.2bn.
- Fifteen million (15.000,000) listed rated senior unsecured redeemable five year (2015/20) debentures amounting to Rs. 1.5 bn.
- Thirty five million two hundred and sixty eight thousand two hundred (35,268,200) listed rated senior unsecured redeemable five year (2018/23) debentures amounting to Rs.3.5bn.

#### **Share Information**

Information relating to earnings, dividend, net assets, market value per share, share trading and distribution of shareholding is given on pages 381 to 383.

#### 10. **Substantial Shareholdings**

#### 10.1 Major shareholdings

Details of the twenty largest shareholders of ordinary shares with the percentage of their respective holdings are given on page 381.

#### 10.2 Public holding

There were 6,153 (6,190) registered shareholders as at 31st March 2019. The percentage of shares held by the public, as per the Colombo Stock Exchange rules, being 37.66% (37.62%) representing 6142 shareholders.

#### 11. Directors

#### Hayleys PLC

The names of the Directors who held office during the financial year are given below. The brief profiles of the Board of Directors appear on pages 42 to 43.

#### **Executive Directors**

Mr. A.M. Pandithage (Chairman & Chief Executive)

Mr. S.C. Ganegoda

Mr. H.S.R. Kariyawasan

Mr. L.R.V. Waidyaratne

Ms. J. Dharmasena (appointed w.e.f 01.04.2018)

#### **Non-Executive Directors**

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

#### Non-Executive Independent Directors

Dr. H. Cabral, PC Mr. M.H. Jamaldeen Mr. M.Y.A. Perera Mr. N.L.S. Joseph

Dr. K.I.M. Ranasoma who served as an Executive Director resigned with effect from 1st July 2018.

Mr. L.T. Samarawickrama who served as an Executive Director resigned with effect from 31st March 2019.

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

Dr. H. Cabral, Mr. M.Y.A. Perera and Mr. N.L.S. Joseph retire by rotation and being eligible offer themselves for re- election.

#### Subsidiaries

The names of Directors holding office at the end of the financial year in respect of Subsidiaries, grouped under sectors, are given below. Names of Directors who ceased to hold office during the year are given within brackets.

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

# Annual Report of the Board of Directors

Plantations			
A.M.Pandithage	Dr. W.G.R. Rajadurai	A.Weerakoon	S.C.Ganegoda
D.S.Seneviratne	M.H.Jamaldeen	C.V. Cabraal	Merrill J Fernando
T.Samarawickrama	Dr. S.S.S.B.D.G. Jayawardena	Malik J Fernando	L.N.De S Wijeyeratne
Ms. M.D.A. Perera	N T Bogahalanda	N.R.Ranatunge	M.F.M. Ismail
Ng Soon Huat	N A R R S Nanayakkara	F. Mohideen	C.Perera
J.A.G. Anandarajah	Tomokatsu Ishida	Takashi Ishida	R.M.Hanwella
T. M. L. J. Peris	L.G. Perera	S.L.Athukorala	R. S. Samarasinghe
D.C.Fernando -Alternate	(S. Siriwardana)	(K.D.D.Perera)	(G.A.R.D.Prasanna)
S.Rajapakse)	(R.J.N. De Mel)	(Dr. K I M Ranasoma)	
Agriculture			
A.M.Pandithage	S.C. Ganegoda	Ms. J. Dharmasena	L.K.B. Godamunne
S.M.Gamage	D.Nilaweera	L.N.Abesekara	S. Rajapakse
M.Symons	A.C.Pathirage	G. Olbrechts	A.Patnaik
S.Kodama	Ms. D.G.Talpahewa	M.A.S.Mallawaarachchi	M.A.Rajap
S.I.H.M.Musfiqur	M.Yamahara	A.N.K. Perera	P.Patnaik
(S.Yamada)			
Consumer & Retail			
A.M.Pandithage	K.D.D.Perera	M.R.Zaheed	S.C. Ganegoda
M.H.Wijewardene	N.L.S.Joseph	M.H.Jamaldeen	J. M. J. Perera
S.L.Athukorala	J. A. Setukavalar	D. Sooriyaarachchi	V.G.K.Vidyaratne
K.K.L.P.Yatiwella	K.D.Kospelawatta	D.H.Fernanado	Ms. O.D.Gunewardene
Ms. D. G. Talpahewa	K.D.J.M.Perera	D.K.de S.Wijeyeratne	M.Y.A.Perera
. S. S. Perera	M. P. A. Salgado	Ms. W.A.I.Sugathadasa	S.Goodman
N.M.P.Fernando	T. A. Amarasuriya	A.C.M.Irzan - Alternate	L.N.S.K.Samarasinghe -Alternate
H.P.S.Perera -Alernate	(R. S. Wijeweera)	(M.S.Lakshminarasimhan)	(H. D. M. P. S. Karunatilleka)
S. Ramanathan -Alternate)	(C. A. Samarasinghe –Alternate)	(G.J.Walker)	(A.R.Zubair)
H.A.Pieris)	-	•	•
_eisure			
A.M.Pandithage	K.D.D. Perera	L.T.Samarawickrama	S.C.Ganegoda
M H Jamaldeen	N.J.De S. Deva-Aditya	L.N.De.S.Wijeyeratne	Ms.R.N.Ponnambalam
C J Wickramasingha	D E Silva	R.S.Tissanayagam	K.T.M. De Soysa
S.J.Wijesinghe	D.L.C.Fernando	(Ms) I. Jamaldeen	S Senaratne
P.N.R.Dias	S.L.Athukorala	D.J.De Crusz	T.W.De Silva
K.A.Y.P.Sumanapala	Ms.W.D. De Costa	Capt. J.L.C.Fernando	J P Van Twest
S H Amarasekera	Ms.A.A.K.Amarasinghe -Alternate	(L.D.E.A de Silva)	-
ndustry Inputs and Power & En	ergy		
A.M.Pandithage	S.C.Ganegoda	H.S.R. Kariyawasan	J.A.W.M.Jayasekera
M.Y.A.Perera	A.R.De Zilva	C.S.B. Wijesundera	Malik J Fernando
M.C.T.Ockersz	D. Hewageegana	L.J.C.De Silva	D.D.W. Siriwardene
M.Najmudeen	Dr. W.G.R.Rajadurai	D.S.Arangala	Merill J Fernando
K.B.M.I.Perera	H. A. Wijayananda	V.K.Hirdaramani	B.Balaratnarajah
M.B.C.M.Gunasekara	Ms.W.A.I.Sugathadasa	A.A.Akbarally	D.Rangalle
R.P.Pathirana -Alternate	(Dr. A Sivagananathan)	(Dr. K I M Ranasoma)	•

Transportation & Logistics			
A.M.Pandithage	L.R.V. Waidyaratne	S.C. Ganegoda	M.Y.A.Perera
A.B.Ratnayake	Ms. E.M.C.S. Gamage	A.M.Senaratna	M I S Sabar
T.U.K. Peiris	I.A.M.Gahazali	D.Rangalle	L.B Culas
M.G. Gomez	K.L.C.Fernando	P.S Gunawardena	C.James
R.W.P.Polonowita	D.D.W. Siriwardene	P Jayanetti	C.I.J. Charles
F.S.Abeygoonnewardena	M.D.D.Pieris	R.Angkriwan	Capt. P.L Cumaratunga
A.T.S.Perera	H A H Rodrigo	J.R.Hill	M.R.S.M.S.R.C. Samaratunge
J C Anandappa	P H Rohani	M.C.J.Friedberg	A.A.Djohan
S.I. Ramakrishnan	A.Saaid	R.Hassan	R S Ramakrishnan
M.S.M.Ibrahim	W.D.K.de Silva	S.N.Wickremesooriya	T.K.Wijemanne
M.A.J.Ranatunge	M.A. Muttalib	M.S.Lalachandra	C.K.de Zoysa
R.A.Perera	D.N.W.Y.Min	J.Mathew	W.Y.Fei
M. Haijiao	T.Hanajima	T. S. D. Peiris	N.P.Samarasinghe
K.M.A.Fernando	M.Nabeel	S.Djohan	W.W.J.L.Fernando
W.Shanhe	Y.Sasada	L.Senanayake	Ms.Z.Yinghui
H.Noguchi	D.M. Jayawardana	Mrs. I.Shaheen	S.E.J.Abeysundere
See Han E Hans	S.K.J. Wijayasinghe	M G I Ahamed	R. L. Karunartne
A V A Perera	K.Abeywickrama	T.Kato	K. Celly
C.N.J.Gunawardena	J.R.U. De Silva	Ms. S.S. Jayawardana	M.M.Hossain
K.S.R.Abrew	R.E. Lisapaly	S.I.S.M.H. Sharaf	J.D.F.Peries
S.D.D.K.Senaratne	M.S.Thin	J.G.Victoria	Ms.V.Jayasundera
E.J.Pietersz	S.L.Athukorala	D.J.A.Wijesinghe	Ms. D.S. Ediriweera
T. Vaseeharan	C.V.B Hulangamuwa - Alternate	I.A.V.A. Perera -Alternate	H.Ishizaki -Alternate
U.L.J.Perera – Alternate	M.P. Kurukulasuriya- Alternate	D.H.Lee - Alternate	(K.A.Y.P.Sumanapala)
(S.J.Wijesinghe)	(J.A.W.M.Jayasekera)	(L.D.E.A.de Silva)	(T J G Decarpentrie)
(W.M. Rodrigo -Alternate)	(K.S. Katipearachchi –Alternate)	(F.T. Salem)	
Others			
A.M.Pandithage	S.C.Ganegoda	M.H.Jamaldeen	Dr.H.Cabral, PC
L.T.Samarawickrama	M.Y.A.Perera	S.J.Wijesinghe	A.S.Jayatilleke
S.Senaratne	D.E.Silva	E.R.P.Goonetilleke	S.A.S.De Silva
Ms.S.Abeytunge	Ms.M.P.Abeyesekera	D.D.W.Siriwardene	Dr.A.Sivagananathan
Ms.D.G.Talpahewa	H.P.G.S.E.M.De Alwis	G.J.W. De Silva	Chandresa W. Abhayaratne
R.W.Abhayaratne	C.J.Wickramasinghe	Chandev W. Abhayaratne	H.C.Prematillake
S.Munaweera	T.G.Thoradeniya	D.Rangalle	M.R.Zaheed
(H.D.M.P.S.Karunatilaka)	(J. A. W. M. Jayasekera)	(L.D.E.A.de Silva)	(W.D.S.G.Fernando)

# Annual Report of the Board of Directors

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

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

Directors' holdings, in ordinary shares of the Company are given on page 382.

None of the Directors hold debentures in Hayleys PLC.

#### 13. Employee share ownership plans

The Group does not operate any share option schemes.

#### 14. Directors' disclosure of interest

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

#### 15. **Related Party Transactions**

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

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

#### 16. **Environmental Protection**

The Group's efforts to conserve scarce and non-renewable resources, as well as its environmental objectives and key initiatives, are described in the Natural Capital on pages 224 to 231.

#### 17. Statutory payments

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

The declaration relating to statutory payments is made in the Statement of Directors' Responsibilities on page 248.

#### Events after the reporting date

No event of material significance that requires adjustment to the Financial Statements, has occurred subsequent to the date of the reporting date, other than those disclosed in Note 35 to the Financial Statements on page 353.

#### 19. Going concern

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

#### 20. Exposure to risk

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

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

#### 21. **Appointment of Auditors**

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

#### 22. Auditors' Remuneration and Interest in contracts

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

The Auditors, Messrs Ernst & Young were paid Rs. 1.9 mn (Rs. 2.0 mn), and Rs. 52.8 mn (Rs. 48.4 mn) as audit fees by the Company and its Subsidiaries respectively. In addition, they were paid Rs. 1.3 mn (Rs. 0.69 mn) and Rs. 32.3 mn (Rs. 27.8 mn.), by the Company and its Subsidiaries respectively, for non-audit related work, which consisted mainly of tax consultancy services.

In addition to the above, Group companies, both local and overseas, engage other audit firms. Audit fees and payments relating to non-audit work in respect of these firms amount to Rs. 29.3 mn (Rs. 17.5 mn.) and Rs. 8.9 mn (Rs. 9.0 mn) respectively.

The Auditors of the Company and its Subsidiaries, have confirmed that they do not have any relationships (other than that of Auditor) with, or interests in, the Company or any of its Subsidiaries other than those disclosed above.

#### 23. Ratios and Market price information

The ratios relating to equity and debt as required by the listing requirements of the Colombo Stock Exchange are given in pages 382 to 384 of this Report.

#### 24. **Employees & Industrial Relations**

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

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

The number of persons employed by the Group at year-end was 31,383 (31,832).

#### 25. **Shareholders**

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

#### Internal Controls 26.

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

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

#### 27. Corporate Governance

The Company has complied with the Corporate Governance rules laid down under the listing rules of the Colombo Stock Exchange. The Corporate Governance Report on pages 48 to 67 discusses this further.

## 28. Annual General Meeting

The Annual General Meeting will be held at Balmoral Ballroom, The Kingsbury Hotel, No. 48, Janadhipathi Mawatha, Colombo 01, Sri Lanka, at 3.00 p.m. on Friday, 28th June 2019. The Notice of the Annual General Meeting appears on page 404.

For and on behalf of the Board

A. M. Pandithage

Chairman & Chief Executive

S. C. Ganegoda

Director

Hayleys Group Services (Pvt) Ltd

Secretaries

17th May 2019

Comparative figures are shown in brackets.

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

The Financial Statements of Hayleys PLC and the Consolidated Financial Statements of the Group as at 31st March 2019 are prepared and presented in compliance with the requirements of the following:

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

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

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

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

The Financial Statements were audited by independent external auditors, Messers Ernst & Young, Chartered Accountants. Their report is given on pages 254 to 257 of the Annual Report.

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

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

A.M. Pandithage Chairman & Chief Executive

Choliya De Silva Group Chief Financial Officer

# Directors' Statement on Internal Controls

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

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

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

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

- Instituted various committees to assist the Board in ensuring the effectiveness of Company's operations and the operations are in accordance with the corporate strategies and annual budget.
- The Management Audit and System Review
  Division (MA & SRD) to review and report
  on the internal control environment in the
  Company and Group. Audits are carried
  out on all subsidiaries in accordance with
  the annual audit plan approved by the Audit
  Committee. Findings are submitted to the
  Audit Committee for review at their periodic
  meetings.

- The Audit Committee reviews internal control issues identified by MA & SRD and management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Audit Committee meetings are tabled at the Board meetings of Hayleys PLC.
- The adoption of new Sri Lanka Accounting Standards comprising LKAS and SLFRS in 2013, processes that are required to comply with new requirements of recognition, measurement, presentation and disclosures were introduced and implemented.
   Continuous monitoring is in progress to ensure effective implementation of the required processes.
- The Board also has taken into consideration the requirements of the Sri Lanka Accounting Standard - SLFRS 9 on "Financial Instruments" and SLFRS 15 on "Revenue from Contracts with Customers" that has been issued with effective date being January 1, 2018 and SLFRS 16 on "Leases" which will become effective on 1st January 2019. The Group has completed a high level assessment of the potential impact on its Financial Statements for the year ended March 31, 2019, resulting from the application of SLFRS 9and SLFRS 15. The impact to the Financial Statements has been adjusted and disclosed as at 31st March 2019 in the Financial Statements.
- The comments made by External Auditors in connection with the internal control system during the financial year 2017/18 were taken into consideration and appropriate steps have been taken to incorporate them where appropriate.

#### Conclusion

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

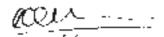
The Board of Directors confirm that the financial reporting system of Hayleys PLC has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting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

a ~

A.M. Pandithage Chairman and Chief Executive

4250

Sarath Ganegoda Director



**Aravinda Perera** Chairman, Audit Committee

# Nomination Committee Report

#### Composition

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

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

(Refer to pages 42 to 43 for a brief profile of the Directors)

## Attendance At Committee Meetings

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

#### **Duties of the Nomination Committee**

- Consider of making any appointment of new Directors or re- electing current Directors to the Board.
- Provide advice and recommendations to the Board on any such appointment.
- Review criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment to the Board and Key Management Personnel in the Company.
- Consider if a Director is able to and has been adequately carrying out his or her duties as a Director, taking in to consideration the number of Listed Company Boards on which the Director is represented and other principal commitments.
- Review the structure, size, composition and competencies of the Board and make recommendations to the Board with regard to any changes.
- Recommend the requirements of new expertise and succession arrangements for retiring Directors.
- Recommend on any matter referred by the Board of Directors.

The Committee has recommended based on the performance and the contribution made to achieve the objectives of the Board to re-elect Dr. H. Cabral, Mr. M.Y.A. Perera and Mr. N.L.S. Joseph to the Board at the Annual General Meeting to be held on 28th June 2019.

A.M. Pandithage Chairman Nomination Committee

# Remuneration Committee Report

#### Composition

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

IND/NED - Independent Non-Executive Director,

NED - Non-Executive Director

(Refer to pages 42 to 43 for a brief profile of the Directors)

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

#### Attendance At Committee Meetings

Director	Attendance
Dr. H. Cabral, PC	2/2
K.D.D. Perera	2/2
M.Y.A. Perera	2/2
M.H. Jamaldeen	2/2

#### **Duties of the Remuneration Committee**

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

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

#### Remuneration Policy

The remuneration policy is to attract and retain a highly qualified and experienced work force, and reward performance accordingly in the backdrop of industry norms. These compensation packages provide compensation appropriate for each business within the Group

and commensurate with each employee's level of expertise and contributions, bearing in mind the business' performance and shareholder returns.

#### Activities in 2018/19

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



**Dr. Harsha Cabral, PC.** *Chairman*Remuneration Committee

# Statement of Directors' Responsibilities

The Directors are responsible under sections 150 (1), 151, 152 (1),) & 153 of the Companies Act No. 7 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit & loss of the Company and the Group for the financial year.

The Directors are also responsible, under section 148, for ensuring that proper accounting records are kept to enable, determination of financial position with reasonable accuracy, preparation of Financial Statements and audit of such statements to be carried out readily and properly.

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

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS), Companies Act No 07 of 2007 and the listing rules of the Colombo Stock Exchange. Further, the Financial Statements provide the information required by the Companies Act and the listing rules of the Colombo Stock Exchange.

The Directors are of the opinion, based on their knowledge of the company, key operations and specific inquiries, that adequate resources exist to support the Company on a going concern basis over the next year. These Financial Statements have been prepared on that basis.

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

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

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

#### Compliance Report

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

By order of the Board

HAYLEYS GROUP SERVICES (PVT) LTD

Secretaries 17th May 2019

# Related Party Transactions Review Committee Report

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

#### Composition

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

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

(Refer to pages 42 to 43 for a brief profile of the Directors)

#### Attendance at Committee Meetings

Director	Attendance
Dr. H. Cabral, PC	4/4
Mr. M.Y.A. Perera	4/4
Mr. S.C. Ganegoda	2/4

## Duties of the Related Party Transactions Committee

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

#### Activities in 2018/19

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



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

# Audit Committee Report

#### Composition

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

IND/NED - Independent Non-Executive Director

(Refer to pages 42 to 43 for a brief profile of the Directors)

#### Attendees,

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

#### The Authority of the Audit Committee

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

#### Attendance at Committee Meetings

Director	Attendance
Mr. M.Y.A. Perera	5/5
Dr. H. Cabral	4/5
Mr. M.H. Jamaldeen	3/5

#### Charter of the Audit Committee

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

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

#### Activities in 2018/19

#### Financial Reporting System

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

#### **Internal Audits**

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

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

#### Annual Audit Plan

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

Selected entities' internal audits were outsourced in 2018/19 to leading audit firms in line with an agreed annual Group audit plan. The Committee also invited representatives from the audit firms to make presentations on their observations and findings.

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

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

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

#### Risk Management

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

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

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

#### **Subsidiary Company Audit Committees**

14 listed subsidiaries and 6 unlisted subsidiaries have appointed their own Audit Committees comprising Independent Non- Executive Directors and have met minimum four times each during the year 2018/19. These Audit Committees function independent of the Audit Committee of Hayleys PLC but have similar terms of reference. The minutes of their meetings were made available to Hayleys Audit Committee.

#### **External Audits**

The Committee held meetings with the External Auditors to review the nature, approach, scope of the audit and the Audit Management Letters of Group Companies. Actions taken by the management in response to the issues raised, as well as the effectiveness of the internal controls in place, were discussed with the heads of business units. Remedial action was recommended wherever necessary.

The Audit Committee has reviewed the other services provided by the External Auditors to the group to ensure that their independence as Auditors has not been compromised.

#### Appointment of External Auditors

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young., continued as Auditors for the financial year ending 31st March 2020 after evaluating the scope, delivery of audit resources and the quality of the assurance initiatives taken during the year 2018/19.

#### Compliance

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

#### **Ethics and Good Governance**

The committee continuously emphasised on upholding ethical values of the staff members. In this regard, Code of Ethics and Whistle-

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

#### Sri Lanka Accounting Standards

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

#### Audit Committee Report

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

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

#### Support to The Committee

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

#### Evaluation of the Committee:

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

@CJ\_\_\_\_

M.Y.A. Perera Chairman Audit Committee.

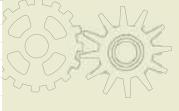
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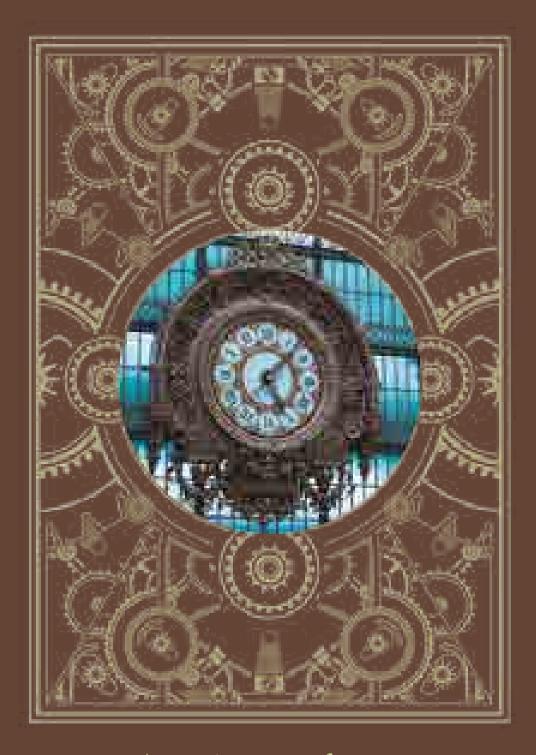
# **FINANCIAL STATEMENTS**

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	Financial Calendar 2018/19	
2	01st Quarter Report	9th August 2018
\	02nd Quarter Report	13th November 2018
	03rd Quarter Report	11th February 2019
_	04th Quarter Report	21st May 2019
_	Annual Report 2018/2019	3rd June 2019
/	68th Annual General Meeting	28th June 2019
	Interim Dividend paid	17th April 2019





# A consistent performer

Some enterprises are launched to massive success, make billions for their shareholders, and collapse shortly thereafter in a shower of debt and recrimination.

Others are consistent performers. They don't provide astronomical returns year or year, but over a lengthy career, they more than repay their owners' investment, becoming economic institutions in their home countries and even competing successfully in foreign sectors and markets.

With a hundred and forty years of history behind us, there is little doubt what kind of enterprise we are. The numbers in our 2018-19 financial results, presented here, confirm the picture.

A convenient ten-year summary, further shareholder information, notes to the accounts and statutory inclusions are also contained in this section.

# Independent Auditor's Report



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# TO THE SHAREHOLDERS OF HAYLEYS PLC Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Hayleys PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2019, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for opinion

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

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our

opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

# Key audit matter

#### Valuation of land

The Group carries freehold land at fair value amounting Rs. 30,791Mn, representing 13% of the Group's total assets. The valuation is sensitive to the estimates and assumptions applied by professional valuers engaged by the Group, which include the price range per perch in considering factors such as the location, condition and accessibility of the property.

Due to the size of these assets in relation to the financial statements of the Group and the significance of assumptions associated with the valuation of these assets, we have considered the valuation of freehold land as a key audit matter

# How our audit addressed the key audit matter

Our audit procedures focused on the valuation carried out by professional valuers, which included among others, the following procedures;

- We evaluated the competence, capabilities and objectivity of the external valuers appointed by the management. We inspected to the valuation reports signed by the valuer to obtain an understanding of the work of the valuer and evaluated its appropriateness as audit evidence for the recorded valuation of freehold land in the financial statements.
- We engaged our internal specialised resources to assist us in evaluating the appropriateness of the valuation method adopted by management's valuers, assessing the reasonableness of the range of values per perch, in comparison to market data and recent transaction prices of comparable land.

In addition, we assessed the adequacy of the related financial statement disclosures in Note 14 to the financial statements.

### Key audit matter

### Valuation of inventories

Inventories amount to Rs. 39,742 Mn as at the reporting date, being 17% of the Total Assets of the Group.

The Group has applied judgment in the determination of inventories that are slow moving or obsolete also considering the age of inventories.

Judgment has also been applied by management in determining net realisable value of inventories (NRV). The estimates and judgements applied in the determination of NRV are influenced by expectations of sales relating to identified goods and historically realised sales prices.

The significance of the balance coupled with the judgment involved has resulted in the valuation of inventories being identified as a key audit matter.

# How our audit addressed the key audit matter

To validate the valuation of inventories we-

- assessed the appropriateness of the impairment recognised by the Group, checking inventory ageing reports to determine whether management has appropriately considered slow moving and nonmoving inventories, and
- checked the appropriateness of the net realisable value, performing tests on sales prices secured by the Group for similar or comparable items of inventories.

We also assessed the adequacy of disclosures made in relation to the valuation of inventories in Note 21 to the financial statements.

#### Impairment Test of Goodwill

The Group's statement of Financial Statements includes an amount of Rs. 12,086Mn relating to goodwill acquired on business combinations. Goodwill has been allocated to Cash Generating Units (CGUs) which are tested annually for impairment using discounted cash-flow models of each CGU's recoverable value compared to the carrying value of the assets. A deficit between the recoverable value and the CGU's net assets would result in impairment.

This annual impairment test was significant to our audit because the balance is material to the financial statements. In addition, management's assessment process is complex and highly judgemental and is based on assumptions relating to expected sales growth and working capital cashflows which are affected by expected future market and/or economic conditions

Our procedures included, among others, using our internal specialised resources to assist us in evaluating the assumptions and methodologies used by the Group, in particular those relating to the forecasted revenue growth and working capital cashflows of the separate CGUs of the Group.

We also focused on the adequacy of the disclosure about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of Goodwill.

We also assessed the adequacy of disclosures made in the financial statements of the Group in Note 17.

# Revenue recognition

The Group adopted SLFRS 15 Revenue from Contracts with Customers (New Revenue Standard) with effect from 1 April 2018 and management was required to evaluate compliance of existing revenue recognition policies with the new Revenue Standard.

The determination of the appropriate accounting policies and disclosures required significant judgement especially considering the diversified nature of businesses in the Group. The nature of revenue arrangements, the considerations made by the Group and the impact on adoption have been reflected in Notes 3.22, 6 and 40 to these financial statements.

Accordingly, considering the significance of revenue to the financial statements and the complexity involved in the assessment, we consider the adoption of SLSFRS 15 as a key audit matter.

Among other audit procedures focused on the adoption of the New Revenue Standard, we performed following specific procedures.

- We assessed the considerations made by the Group in the implementation of SLFRS 15, especially in relation to whether all revenue streams have been considered.
- We obtained management's impact assessment and examined a sample of customer contracts to assess whether relevant contractual terms together with customary practices have been considered and whether conclusions reached are in line with SLFRS 15.

We also assessed the adequacy of disclosures made in the financial statements in Notes 3.22. 6 and 40 to the financial statements.

# Independent Auditor's Report

# Other Information included in the 2018/19 Annual Report

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

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

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

# Responsibilities of the management and those charged with governance

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

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

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

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

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

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

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

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

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

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

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

# Report on other legal and regulatory requirements

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

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

Colombo 17 May 2019



# Statement of Profit or Loss

For the year ended 31st March		Consolidated		Company	
		2019	2018	2019	2018
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	6	219,181,960	163,249,467	388,745	379,173
Cost of sales	•	(168,941,516)	(126,831,893)	(213,963)	(218,789)
Direct interest cost	-	(1,265,014)	(569,558)	-	-
Gross profit		48,975,430	35,848,016	174,782	160,384
Group dividend		-	-	1,595,879	1,872,100
Other income	7	2,495,977	909,359	1,085,498	1,130,083
Distribution expenses		(9,889,236)	(7,268,250)	-	-
Administrative expenses		(25,188,277)	(17,928,472)	(116,332)	(59,270)
Other expenses	8	(404,613)	(157,476)	(2,549)	-
Results from operating activities	_	15,989,281	11,403,177	2,737,278	3,103,297
Finance income	9	2,565,712	1,107,936	41,388	31,939
Finance cost	9	(13,077,319)	(7,039,958)	(2,730,347)	(1,684,705)
Net finance cost		(10,511,607)	(5,932,022)	(2,688,959)	(1,652,766)
Change in fair value of investment properties	15	113,899	184,186	9,600	10,250
Share of profit of equity accounted investees (net of tax)	18	176,096	227,226	-	-
Value added tax on financial services		(292,156)	(119,069)	-	-
Profit before tax	10	5,475,513	5,763,498	57,919	1,460,781
Tax expense	11	(2,725,596)	(2,491,060)	(4,408)	(1,329)
Profit for the year		2,749,917	3,272,438	53,511	1,459,452
Profit for the period attributable to:					
Owners of the parent		265,385	1,023,892		
Non-controlling interest	-	2,484,532	2,248,546		
Profit for the year		2,749,917	3,272,438		
Earnings per share					
Basic - (Rs.)	12	3.54	13.65	0.71	19.46
Diluted - (Rs.)	12	3.54	13.65	0.71	19.46
Dividend per share (Rs.)	13			5.00	5.00

Notes from pages 269 to 371 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

# Statement of Comprehensive Income

For the year ended 31st March		Consoli	dated	Company	
		2019	2018	2019	2018
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit for the year		2,749,917	3,272,438	53,511	1,459,452
Other comprehensive income					
Items that will not be reclassified subsequently to the Statement of Profit or Loss	:				
Revaluation of land	14	2,822,617	2,998,599	-	627,010
Actuarial loss on employee benefit obligations	28	(480,645)	(383,844)	(76,550)	(73,347
Net change on equity instruments designated at fair value through other comprehensive income		(25,178)	-	_	-
Income tax on other comprehensive income	11	(631,099)	(1,607,182)	_	-
Items that will be reclassified subsequently to the Statement of Profit or Lo. Net exchange differences on translation of foreign operations	SS	1,379,961	741,847	-	-
Net loss on cash flow hedges		(529,138)	-	-	-
Share of other comprehensive income of equity accounted investees		(161)	(223)	-	-
Net change in fair value of available-for-sale financial assets		-	(6,564)	-	_
Total Other comprehensive income for the year, net of tax		2,536,357	1,742,633	(76,550)	553,663
Total comprehensive income for the year, net of tax		5,286,274	5,015,071	(23,039)	2,013,115
Total comprehensive income for the year attributable to:					
Owners of the parent		2,141,336	2,702,806		
Non- controlling interest	-	3,144,938	2,312,265		

 $Notes from pages\ 269\ to\ 371\ form\ an integral\ part\ of\ these\ Financial\ Statements.\ Figures\ in\ brackets\ indicate\ deductions.$ 

# Statement of Financial Position

As at 31st March		Consol	idated	Comp	oany
		2019	2018	2019	2018
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets					
Non-current assets					
Property, plant & equipment	14	86,885,736	84,010,488	227,170	311,889
Investment properties	15	2,006,528	1,948,609	70,350	60,750
Biological assets	16	449,926	404,659	-	-
Intangible assets	17	14,174,114	14,114,642	-	-
Investments in subsidiaries	18	-	-	37,738,545	36,673,417
Investments in equity accounted investees	18	1,967,409	845,898	1,504,863	-
Other non- current financial assets	19	259,195	290,657	86,497	95,397
Non- current trade and other receivables	22	11,611,815	9,333,864	-	-
Other non-current assets	20	2,486,134	2,431,175	-	-
Deferred tax assets	27	926,286	822,545	-	-
Total non-current assets		120,767,143	114,202,537	39,627,425	37,141,453
Current assets Inventories	21	39,742,514	32,745,630	909	1,058
Amounts due from subsidiaries	38	-	-	3,413,891	1,800,558
Amounts due from equity accounted investees	38	102,677	121,106	13,570	8,850
Trade and other receivables	22	55,138,266	48,227,112	19,809	16,912
Other current assets	20	2,319,599	2,640,004	11,562	95,091
Income tax recoverable	30	777,540	539,919	42,885	12,670
Other current financial assets	19	187,948	160,702	6,647	8,800
Short term deposits	-	3,684,941	3,631,527	-	-
Cash in hand and at bank		8,971,145	7,495,343	56,413	328,619
Assets classified as held for sale	39	54,921	3,021	-	_
Total current assets	-	110,979,551	95,564,364	3,565,686	2,272,558
Total assets		231,746,694	209,766,901	43,193,111	39,414,011
F 9 10 100					
Equity and liabilities	00	1 575 000	1 575 000	1 575 000	1 575 000
Stated capital Capital Income as	23	1,575,000	1,575,000	1,575,000	1,575,000
Capital reserves		636,039	887,340	13,226	13,226
Other components of equity		23,072,120 14,958,752	20,978,486	14 402 000	14 000 202
Revenue reserves  Total equity attributable to equity holders of the company		40,241,911	16,208,311 <b>39,649,137</b>	16,492,888 18,081,114	16,890,382
				10,001,114	18,478,608
Non-controlling interest  Total equity		21,636,556 61,878,467	20,158,629 59,807,766	18,081,114	18,478,608

Notes from pages 269 to 371 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

As at 31st March		Conso	lidated	Company	
		2019	2018	2019	2018
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non-current liabilities					
Interest-bearing borrowings	25	39,661,994	34,621,339	12,104,097	12,182,428
Grants	26	777,850	772,147	-	-
Deferred tax liabilities	27	5,191,022	4,729,365	-	-
Security deposits	24	1,388,434	1,199,128	-	-
Other non-current liabilities	29	1,448,000	2,717,541	-	-
Other non-current financial liabilities	19	804,556	403,056	-	_
Employee benefit obligations	28	8,500,108	7,337,659	883,063	713,730
Total non-current liabilities		57,771,964	51,780,235	12,987,160	12,896,158
Current liabilities					
Trade and other payables	29	28,540,236	28,764,332	456,872	319,282
Other current liabilities	29	3,690,060	4,023,979	32,201	45,691
Deferred revenue	29	273,972	246,289	-	-
Other current financial liabilities	19	5,196,568	6,517,031	33,452	10,654
Amounts due to subsidiaries	38	-	-	37,303	40,350
Amounts due to equity accounted investees	38	4,557	-	3,152	-
Income tax payable	30	768,660	607,274	-	-
Current portion of long term interest-bearing borrowings	25	25,811,627	23,801,452	6,183,524	3,747,898
Short-term interest-bearing borrowings	31	47,810,251	34,218,211	5,378,333	3,875,370
Liabilities directly associated with assets classified as held for sale	39	332	332	-	-
Total current liabilities		112,096,263	98,178,900	12,124,837	8,039,245
Total liabilities		169,868,227	149,959,135	25,111,997	20,935,403
Total equity and liabilities		231,746,694	209,766,901	43,193,111	39,414,011

Notes from pages 269 to 371 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

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

Choliya De Silva

Group Chief Financial Officer

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

Mohan Pandithage

Chairman & Chief Executive

Sarath Ganegoda

Director

# Statement of Changes in Equity

For the year ended 31st March 2019					
Tof the year ended 31st March 2017		Capital Res	serves	0	ther Components
Consolidated	Stated capital	Reserve on scrip issue	Other capital reserve	Revalu- ation	Fair value reserve of financial assets at FVOCI
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April 2018	1,575,000	446,229	441,111	19,380,070	19,843
Effect of transition to SLFRS 9 & 15 (Note 40)	-	-	-	-	-
Balance as at 1st April 2018 - Restated	1,575,000	446,229	441,111	19,380,070	19,843
Profit for the year	-	-	_	_	-
Other comprehensive income					
Net exchange differences on translation of foreign operations	-	-	-	-	-
Share of other comprehensive income of equity accounted investees	-	-	=	-	-
Net loss on cash flow hedges	-	-	-	_	-
Net change on equity instruments designated at fair value through					
other comprehensive income	-	-	-	_	(16,346)
Realised gain on timber	-	_	_	-	-
Revaluation of land	-			2,326,538	=
Actuarial loss on employee benefit obligations	-	-	-	-	-
Income tax on other comprehensive income	-	-	-	(594,370)	-
Total other comprehensive income	-	-	-	1,732,168	(16,346)
Total comprehensive income for the year	-	-	-	1,732,168	(16,346)
Transactions with owners, recorded directly in equity					
Dividends to equity holders		-	-	-	-
Unclaimed dividend-write back		-	-	-	-
Transfers	-	-	31,127	-	-
Total contributions by and distributions to owners	-	-	31,127	-	-
Changes in ownership interests in subsidiaries					
Acquisition of subsidiaries		-	-	-	-
Adjustment on changes to non-controlling interest in subsidiaries	-	(316,550)	2,302	4,886	57
Transfer to equity accounted investees	-	-	-	-	-
Disposal of subsidiaries	-	31,820	-	(28,753)	-
Total changes in ownership interests in subsidiaries	-	(284,730)	2,302	(23,867)	57
Total transactions with owners	-	(284,730)	33,429	(23,867)	57
Balance as at 31st March 2019	1,575,000	161,499	474,540	21,088,371	3,554

Revaluation reserve relates to the revaluation of land

Details of the **other capital reserves** are given in Note 23.1 to the Financial Statements.

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Cash flow Foreign General Timber Bearer Retained Shareholders' Non-controlling hedge currency reserve translation reserve  Rs.'000 Rs.	Total equity  Rs:'000  59,807,766 (493,979) 59,313,787
hedge currency reserve reserve Biological earnings funds interest reserve translation reserve  Rs.'000 Rs.'000 Rs.'000 Rs.'000 Rs.'000 Rs.'000 Rs.'000 Rs.'000 Rs.'000	equity  Rs:'000  59,807,766 (493,979)
	59,807,766 (493,979)
- 1,578,573 2,241,335 90,309 7,134 13,869,533 39,649,137 20,158,629	(493,979)
(423,649) (423,649) (70,330)	
- 1,578,573 2,241,335 90,309 7,134 13,445,884 39,225,488 20,088,299	
13,097 1,858 250,430 265,385 2,484,532	2,749,917
- 881,464 881,464 498,497	1,379,961
(147) (147) (14)	(161)
(480,373) (480,373) (48,765)	(529,138)
(16,346) (8,832)	(25,178)
(1,240)	-
2,326,538 496,079	2,822,617
(277,028) (277,028) (203,617)	(480,645)
36,213 (558,157) (72,942)	(631,099)
(480,373) 881,464 - (1,240) - (239,722) 1,875,951 660,406	2,536,357
(480,373) 881,464 - 11,857 1,858 10,708 2,141,336 3,144,938	5,286,274
(375,000) (375,000) (1,654,089)	- (2,029,089)
545 545 -	545
1,696 (32,823)	-
1,696 (407,278) (374,455) (1,654,089)	(2,028,544)
18,396	18,396
- 531 1,875 - (1,284,227) (1,591,126) (45,472)	(1,636,597)
952,504 952,504 202,325	1,154,829
(114,903) (111,836) (117,841)	(229,678)
- 531 1,875 (446,626) (750,458) 57,408	(693,050)
- 531 3,571 (853,904) (1,124,913) (1,596,681)	(2,721,594)
(480,373) 2,460,568 2,244,906 102,166 8,992 12,602,688 40,241,911 21,636,556	61,878,467

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

**Timber reserve** relates to change in fair value of managed trees which include commercial timber plantations cultivated on estates. Details of the **Cash flow hedge reserve** is given in Note 23.1.4 to the Financial Statements.

 $Notes from pages\ 269\ to\ 371\ form\ an integral\ part\ of\ these\ Financial\ Statements.\ Figures\ in\ brackets\ indicate\ deductions.$ 

# Statement of Changes in Equity

		Capital Res	serves	Oth	er Components	
Consolidated	Stated capital	Reserve on scrip issue	Other capital reserve	Revalu- ation reserve	Available- for-sale reserve	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Balance as at 1st April, 2017	1,575,000	527,790	415,818	17,823,047	23,876	
Profit for the year	_	_	_	_	_	
Other Comprehensive income						
Net exchange differences on translation of foreign operations	-	-	-	-	-	
Share of other comprehensive income of equity accounted investees	-	-	-	-	-	
Net change in fair value of available-for-sale financial assets	-	-	-	-	(4,032)	
Revaluation of land	-	-	-	2,998,599	-	
Actuarial loss on employee benefit obligations	-	-	-	-	-	
Income tax on other comprehensive income	-	-	-	(1,464,958)	-	
Total other comprehensive income	-	-	-	1,533,641	(4,032)	
Total comprehensive income for the year	-	-	-	1,533,641	(4,032)	
Transactions with owners, recorded directly in equity						
Transactions with owners, recorded directly in equity Dividends to equity holders	-	-	-	-	-	
Dividends to equity holders	-	-				
	- -	- - 45,440	- - 25,291	- - -		
Dividends to equity holders  Unclaimed dividend-write-back	- - - -	- - 45,440 45,440	25,291 25,291	- - -	- - -	
Dividends to equity holders  Unclaimed dividend-write-back  Transfers	- - - -	,		- - -	- - - -	
Dividends to equity holders  Unclaimed dividend-write-back  Transfers  Total contributions by and distributions to owners  Changes in ownership interests in subsidiaries	- - - -	,		- - - -	- - -	
Dividends to equity holders  Unclaimed dividend-write-back  Transfers  Total contributions by and distributions to owners  Changes in ownership interests in subsidiaries  Acquisition of subsidiaries	- - - -	,		23,382	- (1)	
Dividends to equity holders  Unclaimed dividend-write-back  Transfers  Total contributions by and distributions to owners  Changes in ownership interests in subsidiaries  Acquisition of subsidiaries  Acquisition of non-controlling interest without a change in control	- - - -	45,440	25,291	- - - - 23,382	(1)	
Dividends to equity holders Unclaimed dividend-write-back Transfers Total contributions by and distributions to owners	- - - - - -	45,440	25,291 - 2			
Dividends to equity holders Unclaimed dividend-write-back Transfers Total contributions by and distributions to owners  Changes in ownership interests in subsidiaries Acquisition of subsidiaries Acquisition of non-controlling interest without a change in control Partial recognition of non controlling interest to be acquired	-	45,440	25,291		-	
Dividends to equity holders Unclaimed dividend-write-back Transfers Total contributions by and distributions to owners  Changes in ownership interests in subsidiaries Acquisition of subsidiaries Acquisition of non-controlling interest without a change in control Partial recognition of non controlling interest to be acquired Disposal of subsidiaries	-	45,440 - (127,001) -	25,291	-	-	

 $\textbf{Available-for-sale} \ \ \textbf{reserve} \ \ \textbf{relates} \ \ \textbf{to} \ \ \textbf{changes} \ \ \textbf{in} \ \ \textbf{fair} \ \ \textbf{value} \ \ \textbf{of} \ \ \textbf{available-for-sale} \ \ \textbf{financial} \ \ \textbf{assets} \ \ \textbf{which} \ \ \textbf{was} \ \ \textbf{renamed} \ \ \textbf{as} \ \ \textbf{the} \ \ \textbf{fair} \ \ \textbf{value} \ \ \textbf{reserve} \ \ \textbf{of} \ \ \textbf{financial} \ \ \textbf{assets} \ \ \textbf{at}$ FVOCI on adoption of SLFRS 09 on 1st April 2018.

					e Company	quity holders of th	Attributable to e
				eserves	Revenue Re		of Equity
_	Non-controlling interest	Shareholders' funds	Retained earnings	Bearer Biological reserve	Timber reserve	General reserve	Foreign currency translation reserve
00 Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
30 58,038,967	17,173,230	40,865,737	17,010,084	8,942	81,415	2,233,557	1,166,208
46 3,272,438	2,248,546	1,023,892	1,016,806	(1,808)	8,894	-	-
76 741,847	329,576	412,271	-	-	-	-	412,271
22) (223)	(22)	(201)	(201)	-	-	-	-
32) (6,564)	(2,532)	(4,032)	-	-	-	-	-
- 2,998,599	-	2,998,599	-	-	-	-	-
77) (383,844)	(70,177)	(313,667)	(313,667)	-	-	-	_
26) (1,607,182)	(193,126)	(1,414,056)	50,902	_	-	_	_
19 1,742,633	63,719	1,678,914	(262,966)	-	-	-	412,271
65 5,015,071	2,312,265	2,702,806	753,840	(1,808)	8,894	-	412,271
00) (2,091,900)	(1,529,400)	(562,500)	(562,500)	-	-	-	-
76 969	76	893	893	-	-	_	_
	-	-	(70,731)	-	-	-	-
24) (2,090,931)	(1,529,324)	(561,607)	(632,338)	-	-	-	-
38 4,204,538	4,204,538	-	_	_	_	_	_
	(1,481,061)	(2,207,585)	(2,111,839)	_		7,778	94
	(521,242)	(1,150,214)	(1,150,214)	_		-	-
	223	(1,100,217)	(1,130,217)	_	_		_
	2,202,458	(3,357,799)	(3,262,053)	-	-	7,778	94
<u> </u>		<u> </u>	·				
34 (3,246,272)	673,134	(3,919,406)	(3,894,391)	-	-	7,778	94
29 59,807,766	20,158,629	39,649,137	13,869,533	7,134	90,309	2,241,335	1,578,573

# Statement of Changes in Equity

For the year ended 31st March	ar ended 31st March Re		Other Component of Equity	Revenue		
Company	Stated capital	Other capital reserve	Revaluation reserve	General reserve	Retained earnings	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April, 2018	1,575,000	13,226	-	382,087	16,508,295	18,478,608
Profit for the year	-	-	-	-	53,511	53,511
Other comprehensive income		-				
Actuarial loss on employee benefit obligations	-	-	_	-	(76,550)	(76,550)
Total other comprehensive income	-	-	-	-	(76,550)	(76,550)
Total Comprehensive income for the year	-	-	-	-	(23,039)	(23,039)
Transactions with owners, recorded directly in equity						
Unclaimed dividend - write back	-	-	-	-	545	545
Dividends to equity holders	_	_	_	-	(375,000)	(375,000)
Total contributions by and distributions to						
owners	-	-	-	-	(374,455)	(374,455)
Total transactions with owners	-	-	-	-	(374,455)	(374,455)
Balance as at 31st March 2019	1,575,000	13,226	-	382,087	16,110,801	18,081,114
Balance as at 1st April, 2017	1,575,000	13,226	1,991,460	382,087	13,108,435	17,070,208
Profit for the year	-	-	-	-	1,459,452	1,459,452
Other Comprehensive income						
Revaluation of land	-	-	627,010	_	-	627,010
Actuarial loss on employee benefit obligations		-		-	(73,347)	(73,347)
Total other comprehensive income	_	-	627,010	-	(73,347)	553,663
Total comprehensive income for the year	-	-	627,010	-	1,386,105	2,013,115
Transactions with owners, recorded directly in equity						
Dividends to equity holders	-	-	-	-	(562,500)	(562,500)
Unclaimed dividend-write-back	-	-	-	-	798	798
Transfers	-	-	(2,618,470)	-	2,575,457	(43,013)
Total contributions by and distributions to		-	-	-	-	
owners	-	-	(2,618,470)	_	2,013,755	(604,715)
Total transactions with owners	-	-	(2,618,470)	-	2,013,755	(604,715)
Balance as at 31st March 2018	1,575,000	13,226	-	382,087	16,508,295	18,478,608

# Statement of Cash Flows

For the year ended 31st March		Consol	idated	Company	
		2019	2018	2019	2018
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash flows from operating activities					
Cash generated from operations	А	4,764,096	10,639,603	906,707	1,490,249
Employee benefit paid	28	(677,545)	(579,028)	(28,277)	(15,825)
Income tax paid	30	(2,899,484)	(2,609,574)	(34,623)	(8,589)
Net cash inflow from operating activities		1,187,067	7,451,001	843,807	1,465,835
Cash flows from investing activities					
Purchase and construction of property, plant & equipment		(6,651,342)	(5,980,893)	(26,688)	(55,519)
Investments in other non- current assets	_	-	(239,785)	-	-
Investments in other current financial assets	19	(4,730,956)	(3,868,671)	(128)	-
Development of biological assets	16	(3,409)	(6,078)	-	-
Grants received - capital	26	36,626	60,045	-	-
Proceeds from disposal of property, plant & equipment/investment	_				
property		254,855	256,048	8	-
Proceeds from disposal of intangible assets	-	5,498	-	-	-
Proceeds from disposal of current financial assets	19	4,715,482	4,213,117	496,430	-
Proceeds from disposal of subsidiaries	37	706,497	-	-	-
On acquisition of right to generate hydro power/ ERP system		(167,989)	(353,391)	-	-
Long term investments in group companies and others		(6,124)	-	(2,418,738)	(10,931,570)
Acquisition of subsidiary		(121,670)	(12,976,909)	-	-
Interest received	9	715,661	537,095	40,978	7,317
Net movement in deferred revenue		(61,291)	(43,820)	-	-
Dividends received from equity accounted investees		43,296	102,739	-	-
Dividends received from non-group companies	9	4,102	9,185	357	739
Net cash used in investing activities		(5,260,764)	(18,291,318)	(1,907,781)	(10,979,033)
Net cash inflow before financing		(4,073,697)	(10,840,317)	(1,063,974)	(9,513,198)
Cash flows from financing activities					
Capital payment on finance lease		(39,441)	(23,038)	-	-
Interest paid (including interest capitalised)		(10,910,311)	(6,427,583)	(2,637,210)	(1,553,036)
Dividend paid to non-controlling interest		(1,654,089)	(1,529,400)	-	-
Proceeds from interest-bearing borrowings	25	22,960,782	29,065,187	5,526,820	10,500,000
Repayment of interest-bearing borrowings	25	(15,812,087)	(18,094,054)	(3,271,653)	(1,749,375)
Forward contract gain		-	-	60,567	-
Long term loan facility fee		-	(14,577)	-	(14,577)
Net movement in financial liabilities		-	71,083	-	-
Net movement in security deposits		189,306	76,847	-	-
Acquisition of non-controlling interest		(2,348,287)	(3,688,646)	-	-
Debenture issue fee		_	-	(14,719)	-
Dividends paid to equity holders of parent	13	(375,000)	(562,500)	(375,000)	(562,500)
Net cash inflow / (outflow) from financing activities		(7,989,127)	(1,126,681)	(711,195)	6,620,512
Net increase / (decrease) in cash and cash equivalents		(12,062,824)	(11,966,998)	(1,775,169)	(2,892,686)
Cash and cash equivalents at beginning of the year		(23,090,226)	(11,123,228)	(3,546,751)	(654,065)
Cash and cash equivalents at end of the year	В	(35,153,050)	(23,090,226)	(5,321,920)	(3,546,751)

Notes from pages 269 to 371 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

# Statement of Cash Flows

For the year ended 31st March		Consol	idated	Company	
		2019	2018	2019	2018
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
A. Cash generated from operations					
Profit before tax		5,475,513	5,763,498	57,919	1,460,781
Adjustments for:	-				
Net finance costs	9	10,511,607	5,932,022	2,688,959	1,652,766
Share of profits from equity accounted investees	18	(176,096)	(227,226)	-	-
Depreciation on property, plant & equipment	14	4,810,981	3,927,258	114,076	89,201
Impairment of property, plant & equipment	14	61,987	-	-	-
Impairment of investment properties	8	4,080	-	-	-
Dividend receivable utilised for investment in subsidiary	•	-	-	(18,649)	-
Change in fair value of investment properties	15	(113,899)	(184,186)	(9,600)	(10,250)
Change in fair value of agricultural produce on bearer biological assets		(3,464)	3,805	-	-
Change in fair value of biological assets	16	(35,972)	(24,228)	-	_
(Gain)/loss on the disposal of property, plant & equipment	7/8	190	(56,981)	(2,676)	(1,130,083)
Loss on the disposal of intangible assets	8	664	-	-	-
(Gain)/loss on deemed disposal of subsidiary	7	(272,419)	-	-	_
Scrip Dividend		-	-	(36,121)	-
Reversal of provision	7	(312,807)	-	-	-
Amortisation of intangible assets	8	216,255	151,520	-	-
Net gains/(loss) on translation of foreign currency	-	1,783,565	595,423	-	-
Impairment of investments in subsidiaries	8	-	-	2,500	-
Impairment of trade & other receivables	22	1,507,363	323,892	-	-
Provision for unrealised profit and write-down of inventories	21	691,369	971,063	-	-
Impairment/ amortisation of other non -current assets	20	175,988	102,880	-	-
Gain on the disposal of Subsidiaries /equity accounted investees	7	(444,725)	(1,264)	(1,082,773)	-
Provision for post employee benefit obligations	28	1,313,330	1,129,386	121,060	99,145
Grants amortised	7	(30,908)	(31,285)	-	-
		25,162,602	18,375,577	1,834,695	2.161.560
		, ,		, ,	
(Increase)/decrease in trade and other receivables and other current					
assets		(10,999,188)	(9,249,824)	(1,049,656)	(750,361)
(Increase)/decrease in inventories		(7,751,794)	(5,792,000)	149	148
Increase/(decrease) in trade and other payables		(1,647,524)	7,305,850	121,519	78,902
		4,764,096	10,639,603	906,707	1,490,249
B. Analysis of cash and cash equivalents					
Cash in hand and at bank *		8,972,260	7,496,458	56,413	328,619
Short - term deposits		3,684,941	3,631,527	-	-
-		12,657,201	11,127,985	56,413	328,619
Short-term interest bearing borrowings	31	(47,810,251)	(34,218,211)	(5,378,333)	(3,875,370)
Cash and cash equivalents	0.1	(35,153,050)	(23,090,226)	(5,321,920)	(3,546,751)

 $<sup>^{</sup>st}$  Includes discontinued operations.

#### 1. Corporate Information

# 1.1 Reporting Entity

Hayleys PLC is a Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The address of the Company's registered office and the principal place of business are given on page 402. Corporate information is presented in the inner back cover of this Annual Report.

#### 1.2 Consolidated Financial Statements

The Financial Statements for the year ended 31 March 2019 comprise "the Company" referring to Hayleys PLC as the holding Company and the "Group" referring to companies that have been consolidated therein together with the group's Interests In Equity Accounted Investees.

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

Descriptions of the nature of operations and principal activities of the Company, its subsidiaries and equity accounted investees are given on page 402 and on pages 388 to 390 to the Financial Statements.

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

# 1.4 Approval of Financial Statements

The Consolidated Financial Statements of Hayleys PLC and its subsidiaries (collectively, the Group) for the year ended 31 March 2019 were authorised for issue by the Directors on 17 May 2019.

# 1.5 Responsibility for Financial Statements

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

#### 2. Basis of Preparation

# 2.1. Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri

Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 07 of 2007.

#### 2.2 Basis of Measurement

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

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

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

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

# 2.3 Functional and Presentation Currency

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

## 2.4 Materiality and Aggregation

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

#### 2.5 Comparative information

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

The Group applied SLFRS 15 and SLFRS 9 with effect from 1 April 2018. Due to the transition method chosen in applying these standards, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standards.

#### 2.6 Rounding

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

## 2.7 Offsetting

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

# 3. Summary of Significant Accounting Policies

#### 3.1 Basis of Consolidation

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

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

#### 3.1.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

 Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

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

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

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

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

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

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

# 3.1.2 Consolidation of subsidiaries with different accounting periods

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

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

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

# 3.1.3 Put Options over non - controlling interests

Where the group has an obligation to acquire the outstanding shares of non-controlling interests at a future date (Put Option), the group firstly considers whether the terms of the transaction gives it present access to the returns associated with the shares subject to the option. If so, the shares are accounted for as if they had been acquired by the entity. When the terms of the transaction do not provide a present ownership interest, management recognises the non-controlling interest and the related financial liability in the following manner;

The group continues to determine the amount that would have been recognised for the non-controlling interest, including an update to reflect its share of allocations of profit or loss, changes in other comprehensive income and dividend declared as required by SLFRS 10

- As at the end of each reporting period, the entity derecognises the non-controlling interest determined based on '1' as if it was acquired at that date
- The group recognises a financial liability in relation to the option in accordance with SLFRS 9, and
- The difference between '2' and '3' is recognised within the statement of changes in equity.

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

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

The Statement of Profit or Loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in Other Comprehensive Income of those investees is presented as part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly

in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

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

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

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

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

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 3.2 Business combination and goodwill

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

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

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

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss recognised in Statement of Profit or Loss.

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

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for

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

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

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

# 3.3 Foreign currency

#### 3.3.1 Transactions and balances

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

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

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

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

#### 3.3.2 Foreign operations

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

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

The exchange differences arising on translation for Consolidation are recognised in Other Comprehensive Income. On disposal of a foreign operation, the relevant amount in the translation reserve is transferred to the Statement of Profit or Loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest in that foreign operation. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to the Statement of Profit or Loss.

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

### 3.3.3 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 3.5 Property, plant & equipment

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

### 3.5.1 Basis of recognition

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

#### 3.5.2 Basis of measurement

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

#### 3.5.3 Owned assets

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

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

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

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

#### 3.5.4 Subsequent costs

The cost of replacing a component of an item of property, plant & equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within

the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised in accordance with the derecognition policy given below.

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

# 3.5.5 Derecognition

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

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

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

#### 3.5.6 Leased assets

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

#### 3.5.7 Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a Finance Lease.

Finance leases are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Statement of Profit or Loss.

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

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the Statement of Profit or Loss on a straight-line basis over the lease term.

# 3.5.7.1 Leasehold rights of the Plantation sector

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

Description	Period
Bare land	53
Improvements to land	30
Mature plantations	
(Tea & rubber)	30

#### 3.5.8 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental

income. Contingent rents are recognised as revenue in the period in which they are earned.

When the Group is the lessor under a finance lease, the amounts due are included in 'lease rentals receivable' after deduction of unearned charges, as appropriate. The finance income receivable is recognised in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases

#### 3.5.9 Permanent land development costs

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

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

#### 3.6 Investment property

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

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

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

Investment properties are derecognised either when they have been disposed of, or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. The difference between the net disposal proceeds and the carrying amounts of

the asset is recognised in Statement of Profit or Loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner occupied property the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### 3.7 Intangible assets

#### Basis of recognition

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

#### 3.7.2 Basis of measurement

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

#### 3.7.3 Useful economic lives and amortisation

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

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

treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category that is consistent with the function of the intangible assets.

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

### 3.7.4 De-recognition of intangible assets

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

#### 3.7.5 Leasehold rights

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

### 3.7.6 Research and development

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

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

- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

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

#### 3.7.7 Brand name

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

#### 3.7.8 Customer list

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

#### 3.7.9 Trade mark

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

### 3.7.10 Other Intangible assets.

Other intangible assets which are acquired by the Group, with finite useful lives, are measured

on initial recognition at cost. Following initial recognition ERP systems are carried at cost less accumulated amortisation and accumulated impairment losses.

### 3.7.11 Subsequent expenditure

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

#### 3.7.12 Amortisation

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

Description	Period	
Right to generate hydro power	15- 20 years	
Right to generate solar power	20 years	
Customer List	5 years	
ERP Systems	5-10 years	
Operating Lease - The Kingsbury PLC 59 years		
Amaya Leisure PLC	28 years	

### 3.8 Biological assets

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

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

#### 3.8.1 Bearer Biological Assets

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

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilising, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea, Rubber) which comes into bearing during the year, is transferred to mature plantations.

### 3.8.2 Infilling Cost on Bearer Biological Assets

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

Infilling costs that are not capitalised have been charged to the Statement of Profit or Loss in the year in which they are incurred.

### 3.8.3 Consumable Biological Asset

Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 16.

#### The main variables in DCF model concerns

Variable	Comment
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each species in different geographical regions. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Group.
Economic useful life	Estimated based on the normal life span of each species by factoring the forestry plan of the Group.
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfill in bringing the trees in to saleable condition.
Planting cost	Estimated costs for the further development of immature areas are deducted.

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

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

#### 3.8.4 Nursery Plants

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

#### 3.9 Financial instruments

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

### 3.9.1 Financial assets

#### 3.9.1.1 Initial recognition and measurement (Applicable with effect from 1 April 2018)

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.

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 are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

# Business model assessment in the context of Financial Services with in the Consumer & Retail Sector

In relation to entities in the Group engaged in financial services, the Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose

performance is evaluated on a fair value basis are measured at FVTPL.

# Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. nonrecourse 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.

# 3.9.1.2 Initial recognition and measurement (Applicable prior to 1 April 2018)

Financial assets are classified, at initial recognition as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

# 3.9.1.3 Subsequent measurement (Applicable with effect from 1 April 2018)

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)

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest (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 and other receivables, amounts due from related parties and cash and cash equivalents.

### Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

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

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-byinstrument 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 that the Group elected to classify irrevocably.

# Financial assets at fair value through profit or

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

# 3.9.1.4 Subsequent measurement (Applicable prior to 1 April 2018)

For purposes of subsequent measurement, financial assets are classified in four categories;

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

# Financial assets at fair value through profit or

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling

or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by LKAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the Statement of Profit or Loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Statement of 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.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in finance costs for loans and in other expenses for receivables.

#### Held-to-maturity investments

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturity that the group has the positive intention and ability to hold till maturity and which are not designated as fair value through profit or loss or available for sale. After initial measurement, held to maturity

investments are subsequently measured at amortised cost using the effective interest rate (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in interest income in the Statement of Profit or Loss.

#### Available-for-sale financial assets

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

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold these assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to the Statement of Profit or Loss over the remaining life of the investment

using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Statement of Profit or Loss.

A sale or a reclassification of more than an insignificant amount of held to maturity investments will result in the reclassification of all held to maturity investments as available for sale, and would prevent the group from carrying investment securities as held to maturity for the current and following two years. However, sales and reclassification in any of the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in the market rate of the interest would not have a significant effect on the financial asset's fair value.
- Sales or reclassifications after the group has collected substantially all the asset's original principle and
- Sales or reclassifications attributable to nonrecurring isolated events beyond the group's control that could not have been reasonably anticipated.

### 3.9.1.5 Derecognition

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

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

# 3.9.1.6 Impairment of financial assets (Applicable with effect from 1 April 2018)

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

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

### 3.9.1.6.1 Impairment Model for segments other than the Consumer & Retail Sector

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

# 3.9.1.6.2 Impairment Model for the Consumer & Retail Sector (Excluding financial

The group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month FCI st

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

#### Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default in payments
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise:
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market tor a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

#### Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

# 3.9.1.6.3 Impairment Model for the Financial Services with in the Consumer & Retail Sector:

The Company recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Lease & loan receivables:
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which

are not credit-impaired are referred to as 'Stage 2 financial instruments'

#### Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows:
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The key inputs used for measurement of ECL is likely to be the term structures of the following variables:

### Probability of Default (PD)

PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using various categories based on homogeneous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. The Group forecast PD by incorporating forward looking economic variables (unemployment, GDP growth, inflation, interest rate and using lag effect of these variables).

#### Loss Given Default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

#### Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

The Group has used these parameters from internally–developed statistical models using historical data. All inputs were adjusted to reflect forward-looking information and future economic scenarios.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12month ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered creditimpaired the Group recognises the lifetime expected credit losses. The method is similar to that of Stage 2 assets, with the PD set at 100%.

#### Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset

#### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 180 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- · The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

### Presentation of allowance for ECL in the statement of financial position.

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance

- for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn components presented as a provision; and
- Debt instruments measured at FVOCI.no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve

#### Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

# 3.9.1.7 Impairment of financial assets (Applicable prior to 1 April 2018)

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists is one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows,

such as changes in arrears or economic conditions that correlate with defaults.

# 3.9.1.7.1 Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Profit or Loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the Statement of Profit or Loss.

#### 3.9.1.7.2 Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as availablefor-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss – is removed from Other Comprehensive Income and recognised in the Statement of Profit or Loss. Impairment losses on equity investments are not reversed through the Statement of Profit or Loss; increases in their fair value after impairment are recognised in other comprehensive income.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates among other factors, the duration or extent to which the fair value of the investment is less than its cost. In the event of debt instruments classifies as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of finance income. If in a subsequent year, the fair value of a debt instrument increases, and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement in the profit or loss, the impairment loss is reversed through the statement of profit or loss.

#### 3.9.2 Financial liabilities

#### 3.9.2.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

#### 3.9.2.2 Subsequent measurement

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

# Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss so designated at the initial date of recognition, and only if criteria of SLFRS 9 are satisfied. The group has not designated any financial liability at fair value through profit or loss.

### Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at

amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

#### Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

#### 3.9.2.3 Derecognition

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

#### 3.9.3 Offsetting of financial instruments

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

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

# Derivative financial instruments and hedge accounting

#### 3.9.4.1 Initial recognition and subsequent measurement

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

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

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

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

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

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

#### Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

### Cash flow hedges

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

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

Any gains or losses arising from changes in the fair value of derivatives were taken directly to

profit or loss, except for the effective portion of cash flow hedges, which were recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

When the hedge cash flow affect the statement of profit or loss, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the income statement. When a hedging instrument expires, or is sold, terminated, exercised or when a hedge no longer meet the criteria for hedge accounting, any cumulative gains/losses existing in other comprehensive no longer expected to occur, the cumulative gains/loss was reported in other comprehensive income is immediately transferred to the income statement.

#### 3.10 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 19 to the Financial Statements.

#### 3.11 Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental

costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sell expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations Or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Disclosures are provided in Note 39. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are

measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

#### 3.12 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- All inventory items, except manufactured inventories and work-in-progress are measured at weighted average directly attributable cost.
- Manufactured inventories and workin-progress are measured at weighted average factory cost which includes all direct expenditure and appropriate share of production overhead based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business less, the estimated cost of completion and the estimated costs necessary to make the sale.

# 3.12.1 Finished goods manufactured from agricultural produce of biological assets

These are valued at the lower of cost and estimated net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is the estimated selling price at which stocks can be sold in the ordinary course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

# 3.12.2 Agricultural produce harvested from biological assets

Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agriculture produce are valued by adding the cost of conversion to the fair value of the agricultural produce.

#### Impairment of non-financial assets 3.13

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

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

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

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

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

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

#### Formers - Provision for impairment

In respect of formers, a 10% provision on the written down value is recognised as impairment in the Statement of Profit or Loss.

### 3.14 Cash and cash equivalents

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

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts and short term borrowings as they are considered an integral part of the Group's cash management.

#### 3.15 **Employee benefits**

#### 3.15.1 Defined contribution plans

A defined contribution plan is a postemployment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

### 3.15.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 - "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 28. Any changes in these assumptions will impact the carrying amount of defined

benefit obligations. Actuarial gains or losses are recognised in full in the Other Comprehensive Income.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefits. However for entities of the Group operating in Sri Lanka, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded. The settlement of the liability is based on legal liability method or the following basis as applied by the respective entities.

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

#### 3.15.3 Short-term benefits

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

#### 3.16 Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### 3.17 Grants and subsidies

Grants and subsidies are recognised where there is a reasonable assurance that the grant / subsidy will be received and all attaching conditions, if any, will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Grants and subsidies related to assets, including non-monetary grants at fair value are deferred in the Statement Financial Position and credited to the Statement of Profit or Loss over the useful life of the asset)

#### 3.18 Warranties

The Group provides warranties for general repairs of defects that existed at the time of sale, as required by law. Provisions related to these assurance-type warranties are recognised when the product is sold or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

# 3.19 Contingent Liabilities recognised in a Business Combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

#### 3.20 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

#### 3.21 Regulatory Provisions

#### 3.21.1 Deposit Insurance Scheme

In terms of the Finance Companies Direction No. 02 of 2010 – 'Insurance of Deposit Liabilities' issued on 27th September 2010 all Registered Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No. 01 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1st October 2010.

- Deposits to be insured include demand, time and savings deposit liabilities and exclude the following:
- Deposit liabilities to member institutions
- Deposit liabilities to Government of Sri Lanka
- Deposit liabilities to Directors, Key
   Management Personnel and other related
   parties as defined in Finance Companies
   Act Direction No. 03 of 2008 on Corporate
   Governance of Registered Finance
   Companies
- Deposit liabilities held as collateral against any accommodation granted
- Deposit liabilities falling within the meaning of dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to the Central Bank of Sri Lanka
- Registered Finance Companies are required to pay a premium of 0.15% on eligible deposit liabilities as at end of the month to be payable within a period of 15 days from the end of the respective month

#### 3.21.2 Investment Fund Account

As proposed in the Budget 2011, an investment fund has been established and operated in the manner described below. As and when taxes are paid after 1st January 2011, following fund are transfer to the investment fund account and build a permanent fund in the Singer Finance (Lanka) PLC.

- 8% of the profits calculated for the payment of Value Added Tax (VAT) on financial services on the dates as specified in the VAT Act for the payment of VAT.
- 5% of the profit before tax calculated for payment of income tax purposes on date specified in Section 113 of the Inland Revenue Act for the Self-Assessment Payment of tax.

Singer Finance (Lanka) PLC shall utilise the funds in the investment fund account as specified by the direction. The operation of this fund was ceased with the effect from 1st October 2014.

#### 3.21.3 Reserve Fund

Singer Finance (Lanka) PLC, a subsidiary of the Group maintains a reserve fund in compliance with Direction No. 01 of 2003 - Central Bank (Capital Funds) issued to Finance Companies and it will be used for only the purpose specified in the said Direction above. The details of the reserve fund are disclosed in Note 23.1.2.

#### 3.22 Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has several operating segments which are described In Note 41 to these financial statements. In all operating segments, the Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

#### 3.22.1 Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non cash consideration, and consideration payable to the customer (if any).

#### 3.22.1.1 Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the

amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

#### 3.22.1.2 Significant financing component

The Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. Where long-term advances are received from customers, the transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

#### 3.22.1.3 Warranty Obligations

In several sectors, the Group provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets. These service-type warranties are sold either separately or bundled together with the sale of goods. Contracts for bundled sales of goods and a service-type warranty comprise two performance obligations because the promises to transfer the equipment and to provide the service-type warranty are capable of being distinct. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognised as a contract liability. Revenue is recognised over the period in which the servicetype warranty is provided based on the time elapsed.

#### 3.22.1.4 Loyalty points programme

The Group has loyalty point programmes, in several sector, which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimates of the points that will be redeemed on a quarterly basis and any adjustments to the contract liability balance are charged against revenue.

Prior to the adoption of SLFRS 15, loyalty points was not considered as a separate performance obligation, and no adjustment was made in relation to the revenue recognised. A provision was separately recognised by the Group, and loyalty points redeemed were accounted for as a settlement against the recognised provision.

#### 3.22.1.5 Non Cash Considerations

Certain sectors of the Group has arrangements where customers are offered a scheme where new goods could be acquired through part exchange of old goods. The transaction price for contracts in which a customer promises consideration in a form other than cash is measured;

- Based on the fair value of the non-cash consideration (or promise of non-cash consideration) at the point of sale, unless the group is unable to reasonably estimate the fair value of the non-cash consideration, in which case:
- The group measures the consideration indirectly, by reference to the stand-alone selling price of the goods or services promised to the customer (or class of customer), in exchange for the consideration at the point of Sale.

Prior to the adoption of SLFRS 15, the Group recognised the pre-determined value for the old product received as a trade discount at the point of sale

#### 3.22.1.6 Consignment Arrangements

Certain Sectors engage in business which includes the delivery of goods to another party but retain control of the goods. Examples of such arrangements may include the delivery of a good to a dealer or a distributor for sale to an end customer of the Group. Revenue on such arrangements are recognised at the point of sale to an end customer net of commission expenses incurred.

#### 3.22.2 Rendering of services

Several entities within the Group engage in the provision of services to its customers. The Group recognises revenue from services over time, applying methods to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

#### 3.22.2.1 Hospitality revenue

Accommodation revenue generated by the hospitality sector is recognised on the rooms occupied on a daily basis. Food and beverage revenue is recognised at the time of related sale.

## 3.22.2.2 Maintenance Services

Certain sectors within the group provide customers with complementary servicing of consumer durable goods sold by the Group within a defined period. Such servicing arrangements are identified as separate performance obligations and revenue Is recognised when the complementary services are provided to the customer.

Prior to the adoption of SLFRS 15, the Group accounted for revenue from free services together with revenue from the sale of the related equipment.

#### 3.22.2.3 Agency Services

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount that it retains for its agency services.

# 3.22.3 Construction and Installation Contracts

In relation to contracts which involve the construction and installation of assets on behalf of its customers, the Group assesses the nature of the respective contracts as to whether such is reflective of goods or services transferred at a point in time or satisfied over a period of time.

The Group determines that arrangements include transfers of a good or service over time when any of the following criteria are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The entity's performance creates or enhances an asset (e.g., work in progress) that the customer controls as the asset is created or enhanced
- The entity's performance does not create an asset with an alternative use the entity and the entity has an enforceable right to payment for performance completed to date

When either of the above criteria is met, the Group recognises revenue on the respective contracts similar to the rendering of services. If an entity is unable to demonstrate that control transfers over time, the presumption is that control transfers at a point in time, and revenue Is recognised similar to the sale of goods.

#### 3.22.4 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

#### 3.22.5 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a

contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

# 3.22.6 Assets and liabilities arising from rights of return

#### 3.22.6.1 Right of return assets

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

#### 3.22.6.2 Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

#### 3.22.6.3 Cost to obtain a contract

In several sectors, the Group pays sales commission to its employees and third party representative for sales carried out. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under employee benefits and part of cost of sales) because the amortisation period of the asset that the Group otherwise would have used is one year or less.

# 3.22.7 Hire purchase, lease, loans and advances

The excess of aggregated contract receivables over the cost of the hired assets constitutes the total unearned income at the commencement of a contract. The unearned income is recognised

as revenue as it is earned, using the effective interest rate method.

#### 3.22.7.1 Service fee income on hire purchase

Service fee income is recognised over the length of hire purchase agreement using the effective interest rate method. In the event of early termination of the hire purchase contract or cash conversion remaining deferred, service income is recognised when such contract is recognised or converted.

#### 3.22.8 Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, are recognised as the related services are performed.

#### 3.23 Other income and gains

#### 3.23.1 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

The calculation of effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental cost that are directly attributable to the acquisition or issue of a financial asset or liability. Interest income is presented in finance income in the Statement Profit or Loss.

#### 3.23.2 Dividends

Dividend income is recognised in profit or loss on the date the entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

#### 3.23.3 Grants

Grants are recognised initially as deferred income when there is a reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

#### 3.23.4 Gains and losses

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and are recognised net within "other income" in profit or loss.

#### 3.23.5 Other income

Other income is recognised on an accrual basis.

#### 3.24 **Expenses**

Expenses are recognised in the profit or loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year. For the purpose of presentation of the Statement of Profit or Loss, the function of expenses method is adopted

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

#### 3.24.1 Borrowing costs

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

#### 3.24.2 Finance income and finance cost

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in the Statement of Profit or Loss. Interest income is recognised as it accrues in the Statement of Profit or Loss.

Finance cost comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in the Statement of Profit or Loss.

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

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

#### 3.25 Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Statement of Profit or Loss except to the extent that it relates to a business combination, or items recognised directly in Equity or in Other Comprehensive Income.

#### 3.25.1 Current tax

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

Current tax relating to items recognised directly in Other Comprehensive Income is recognised in Other Comprehensive Income and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### 3.25.2 Deferred tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary
  differences associated with investments
  in subsidiaries, equity accounted investee
  and interests in joint ventures, deferred tax
  assets are recognised only to the extent that
  it is probable that the temporary differences
  will reverse in the foreseeable future and
  taxable profit will be available against which
  the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced

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

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

Deferred tax relating to items recognised outside the Statement of Profit or Loss is recognised outside the Statement of Profit or Loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed.

The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in the Statement of Profit or Loss.

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

Tax on dividend income from subsidiaries is recognised as an expense in the Consolidated Statement of Profit or Loss at the same time as the liability to pay the related dividend is recognised.

# 3.25.3 Value added Tax on Financial Services

VAT on Financial Services is calculated in accordance with the amended VAT Act No. 07 of 2013. The base for the computation of Value Added Tax ion Financial Services is the accounting profit before income tax adjusted for the economic depreciation and emolument of employees computed on prescribed rate.

#### 3.25.4 Crop Insurance Levy

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1st April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is Payable at 1% of the profit after tax.

#### 3.25.5 Sales tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables that are stated with the amount of sales tax.

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

#### 3.25.6 Debt Repayment Levy (DRL)

As per the Finance Act No. 35 of 2018, with effect from October 1, 2018, DRL of 7% was introduced on the value addition attributable to the supply of financial services by each financial institution. DRL is chargeable on the same base used for calculation of VAT on financial services as explained in Note 3.25.3 above.

#### 4. General

# 4.1 Events Occurring After the Reporting Date

All material post reporting date events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

#### 4.2 **Earnings Per Share**

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

#### 4.3 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "indirect method".

Interest paid is classified as an financing cash flow. Grants received, which are related to purchase and construction of property, plant & equipment are classified as investing cash flows. Dividend and interest income are classified as cash flows from investing activities.

Dividends paid are classified as financing cash flows. Dividends received by Hayleys PLC, which is an investment company, are classified as operating cash flows and are not disclosed separately in the Company Cash Flow Statement.

#### 4.4 **Segment Reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Chairman and the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chairman include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

#### Changes in Accounting Policies and 4.5 Disclosures

#### 4.5.1 New and amended standards and interpretations

The Group applied SLFRS 15 and SLFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018/19, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### 4.5.1.1 SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted SLFRS 15 using the modified retrospective method of adoption. The impact on adoption of SLFRS 15 is reflected in Note 40 to the Financial Statements.

#### 4.5.1.2 SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied SLFRS 9 retrospectively, with the initial application date of 1 April 2018 and adjusting the comparative information for the period beginning 1 April 2017.

The nature of these adjustments are described below:

#### 4.5.1.2.1 Classification and measurement

Under SLFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of SLFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under LKAS 39. The following are the changes in the classification of the Group's financial assets:

- Quoted debt instruments previously classified as Held to maturity (HTM) financial assets are now classified and measured as Debt instruments at amortised cost. The Group's quoted debt instruments are regular government and corporate bonds that passed the SPPI test.
- Equity investments in Listed companies and non-listed companies previously classified as AFS financial assets are now classified and measured as Equity instruments designated at fair value through OCI. The Group elected to classify irrevocably these listed and non-listed equity investments under this category as it intends to hold these investments for the foreseeable future.

#### 4.5.1.2.2 Impairment

The adoption of SLFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. SLFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

The effect of adopting SLFRS 9 is given in Note 40 to the Financial Statements.

#### 4.5.1.2.3 Hedge accounting

The Group applied hedge accounting prospectively. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Before the adoption of SLFRS 9, the Group designated the change in fair value of the entire forward contracts in its cash flow hedge relationships. Upon adoption of the hedge accounting requirements of SLFRS 9, the Group designates only the spot element of forward contracts as hedging instrument. The forward element is recognised in OCI and accumulated as a separate component of equity under Cost of hedging reserve. This change only applies prospectively from the date of initial application of SLFRS 9 and has no impact on the presentation of comparative figures.

Under LKAS 39, all gains and losses arising from the Group's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under SLFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. This change only applies prospectively from the date of initial application of SLFRS 9 and has no impact on the presentation of comparative figures.

# 4.6 Standards Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

#### **SLFRS 16 Leases**

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('Lessee'] and the supplier ('Lessor']. SLFRS 16 will replace Sri Lanka Accounting Standard – LKAS 17 (Leases) and related interpretations.

SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

The new Standard requires a lessee to:

- Recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value
- Present depreciation of lease assets separately, from interest on lease liabilities in the income statement.

SLFRS – 16 substantially carries forward the lessor accounting requirement in LKAS – 17. Accordingly, a lessor continues to classify its leases as operating lease or finance lease, and to account for those two types of leases differently.

SLFRS -16 will become effective on 1st January 2019. The Group is presently evaluating the impact and is being quantified.

The following amendments and improvements are not expected to have a significant impact on the Company's/Group's Financial Statements.

# IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 and does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

# Amendments to SLFRS 9: Prepayment Features with Negative Compensation

Under SLFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to SLFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments are unlikely to have a significant impact on the consolidated financial statements of the Group.

# Amendments to SLFRS 10 and LKAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between SLFRS 10 and LKAS 28 in dealing with the

loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in SLFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The effective date of these amendments has been deferred indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective

#### Amendments to LKAS 19: Plan Amendment, Curtailment or Settlement

The amendments to LKAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event: and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect,

excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

#### Amendments to LKAS 28: Long-term interests in Associates and Joint ventures

The amendments clarify that an entity applies SLFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in SLFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying SLFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying LKAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

#### Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

#### SLFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the

acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

#### **SLFRS 11 Joint Arrangements**

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in SLFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

#### LKAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

#### LKAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

# 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. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

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

The Group tests annually whether goodwill requires impairment, in accordance with the accounting policy stated in Note 3.13. The basis of determining the recoverable amounts of cash generating units and key assumptions used are given in Note 17 to the Financial Statements.

# 5.3 Recognition of goodwill on "cash generating units" acquired during the year

In accounting for business combinations under acquisition method, the Group measures the identifiable assets acquired and the liabilities assumed at their acquisition date fair values.

The determination of the fair values of assets acquired and liabilities assumed requires significant judgment and assumptions which are provided in Note 17 to the Financial Statements.

#### 5.4 Taxation

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

prevailing in the respective domicile of the Group companies.

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

# 5.5 Measurement of the Employee Benefit Obligations

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 28 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of employee benefit obligations.

# 5. 6 Impairment of property, plant and equipment and intangible assets other than goodwill

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

#### 5.7 Revaluation of Land

The Group measures lands which are recognised as property, plant & equipment at revalued amount with change in value being recognised in the Statement of Other comprehensive income. The valuer has used the open market approach in determining the fair value of the land. Further details on Revaluation of land are disclosed in Note 14 to the Financial Statements.

# 5.8 Fair valuation of Investment Property

The Group measures lands and buildings which are recognised as investment property at fair value amount with change in value being recognised in profit or loss. The valuer has used

the open market approach in determining the fair value of the land. Further details on fair value of investment property are disclosed in Note 15 to the Financial Statements.

#### 5.9 Fair Valuation of Biological Assets

The group measures consumable Biological Assets at fair value with changes in value being recognised in the statement of income. Fair valuation involves assumptions which are given in page in Note 16. Such estimations are subject to significant uncertainties.

#### 5.10 Consolidation of Entities in which the Group Holds 50% of the Voting **Rights**

The Group holds 50% of the issued share capital of Carbokarn Company Ltd.,(CK) Thailand which in turn is the Parent Company of two fully-owned subsidiaries; CK Regen Systems Co. Ltd. and Shizuka Co. Ltd. The Group also holds 50% of the issued capital of Solar One Ceylon (Pvt) Ltd. Although the Group holds 50% of the issued capital of the mentioned entities they are considered as subsidiaries for financial reporting after due consideration of the agreements with partners and the current operating arrangement.

#### 5.11 Valuation of Inventories

The Group has applied judgment in the determination of impairment in relation to inventories that are slow moving or obsolete. The Group's impairment assessment in relation to such inventories take into account factors such as the ageing of items of inventories, dates for possible expiry and expectations in relation to how the inventories will be utilised or sold. Judgment has also been applied by management in determining net realisable value of inventories (NRV). The estimates and judgements applied in the determination of NRV are influenced by expectations of sales relating to identified goods and historically realised sales prices.

#### 6. Revenue

## 6.1 Industry Segment Revenue

For the year ended 31st March				Consolidated			
		om contracts stomers		Total revenue		s recognised .KAS 18)	Total revenue
	Sale of goods	Rendering of services	Interest income	2019	Sale of goods	Rendering of services	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Eco solutions	6,592,987	-	-	6,592,987	4,511,159	-	4,511,159
Hand protection	17,110,824	_	-	17,110,824	15,851,893	-	15,851,893
Purification	20,917,945	_	-	20,917,945	15,518,079	-	15,518,079
Textiles	11,858,435	_	=	11,858,435	8,855,501	-	8,855,501
Construction materials	4,991,460	_	-	4,991,460	4,399,542	-	4,399,542
Plantations	13,008,198	-	-	13,008,198	12,609,342	-	12,609,342
Agriculture	14,967,457	-	-	14,967,457	13,946,715	_	13,946,715
Consumer & retail	59,890,970	1,057,805	6,256,229	67,205,004	32,596,368	3,331,461	35,927,829
Leisure	-	6,362,887	-	6,362,887	-	5,672,930	5,672,930
Industry inputs	4,399,715	-	-	4,399,715	3,811,532	-	3,811,532
Power & energy	1,505,769	-	-	1,505,769	1,513,363	-	1,513,363
Transportation & logistics	-	45,344,801	-	45,344,801	-	35,652,333	35,652,333
Others	3,417,981	1,498,497	-	4,916,478	3,658,766	1,320,483	4,979,249
	158,661,741	54,263,990	6,256,229	219,181,960	117,272,260	45,977,207	163,249,467

## 6.2 Geographical Segment Revenue

For the year ended 31st March		Consolidated	
	2019	2018	
	Rs.'000	Rs.'000	
Asia (excluding Sri Lanka)	39,688,745	28,882,007	
Australia	2,260,367	1,536,099	
Europe	17,776,519	15,856,001	
America	9,846,455	6,919,659	
Africa	1,594,636	1,375,120	
Indirect exports	28,331,527	21,263,814	
Sri Lanka	119,683,711	87,416,767	
	219,181,960	163,249,467	

#### 6.3 **Gross Revenue**

For the year ended 31st March	Com	npany
	2019	2018
	Rs.'000	Rs.'000
Rent and building related income	388,745	379,173
	388,745	379,173

#### **Contract Balances** 6.4

For the year ended 31st March		Consolidated	
Not	es	2019	2018
		Rs.'000	Rs.'000
Contract Assets			
Retention receivables		123,358	49,024
		123,358	49,024
Contract Liabilities			
Advances received 29.3	3	2,252,850	1,608,000
Deferred revenue 29.4	4	273,972	246,289
Maintenance warranties 29.3	1	401,567	149,720
		2,928,389	2,004,009

#### 7. Other Income

For the year ended 31st March	Conso	lidated	Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Grants amortised*	30,908	31,285	-	-
Gain on disposal of property, plant & equipment	55,189	62,937	2,725	1,130,083
Change in fair value of biological assets	39,436	20,423	-	-
Gain on deemed disposal of subsidiary	272,419	-	-	-
Gain on disposal of subsidiaries	444,725	1,264	1,082,773	-
Sundry Income/Scrap sales	865,587	365,313	-	-
Rent income	52,029	21,069	-	-
Reversal of provision	312,807	-	-	-
Income from financial services	257,663	159,459	-	-
Indent commission	165,214	247,609	-	-
	2,495,977	909,359	1,085,498	1,130,083

<sup>\*</sup> Details of the grants are given in Note 26 to the Financial Statements.

## 8. Other Expenses

For the year ended 31st March	Conso	Consolidated		Company	
	2019	2018	2019	2018	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Loss on disposal of property, plant & equipment	55,379	5,956	49	-	
Loss on disposal of intangible assets	664	-	-	-	
Impairment/write-off of property, plant & equipment	59,878	-	-	-	
Impairment of investment properties	4,080	-	-	-	
Impairment of inventory	68,357	-	-	-	
Impairment of investment in subsidiary	-	-	2,500	-	
Amortisation of intangible assets	216,255	151,520	-	-	
	404,613	157,476	2,549	-	

## 9. Net Finance Cost

#### 9.1 Finance Income

For the year ended 31st March	Consol	idated	Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest income on loans and receivables	322,967	209,918	2,030	7,316
Interest income on bank deposits/ unit trust income	392,694	327,177	4,228	-
Guarantee income	-	-	53	53
Dividend income from equity instruments	4,102	9,185	357	739
Change in fair value of financial assets at fair value through profit or loss	15,909	26,133	-	-
Foreign exchange gain	1,830,040	535,523	34,719	23,831
	2,565,712	1,107,936	41,388	31,939

## 9.2 Finance Cost

For the year ended 31st March	Consolidated		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest on long term loans	(4,958,341)	(2,728,342)	(2,109,544)	(1,127,094)
Interest on short term loans	(5,865,357)	(3,620,149)	(539,766)	(365,288)
Finance charges payable under finance leases	(90,428)	(88,440)	-	-
Change in fair value of financial assets at fair value through profit or loss	(3,968)	(324)	(2,281)	(37)
Impairment of financial assets	(8,900)	(8,900)	(8,900)	(8,900)
Foreign exchange loss	(2,150,325)	(593,803)	(69,856)	(183,386)
	(13,077,319)	(7,039,958)	(2,730,347)	(1,684,705)
Net finance cost	(10,511,607)	(5,932,022)	(2,688,959)	(1,652,766)

#### 10. **Profit Before Tax**

Profit before tax is stated after charging all expenses including the following.

For the year ended 31st March		Consoli	dated	Compa	any
		2019	2018	2019	2018
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Directors' emoluments		1,352,140	1,345,471	254,637	409,054
Auditors' fees (includes overseas subsidiaries)					
Audit services					
Ernst & Young		54,751	50,394	1,945	2,014
Other auditors	•	29,272	17,457	-	-
Non audit services					
Ernst & Young	•	33,611	28,519	1,325	689
Other auditors	•	8,927	9,036	-	-
Depreciation on property, plant & equipment	14	4,810,981	3,927,258	114,076	89,201
Donations		24,695	18,344	765	994
Impairment/ (reversal) for bad trade and other receivables	22	1,125,021	323,892	-	-
Provision/(reversal) for unrealised profit and write-down of	-				
inventories	21	691,369	971,063	-	-
Staff cost					
Defined contribution plan cost		2,093,893	1,710,551	107,843	84,927
Employee benefit plan cost	28	1,313,331	1,129,386	121,060	99,145
Other Staff cost (excluding defined contributions & defined					
benefits)		22,421,350	17,594,191	933,404	1,008,970
Staff training and development cost		146,755	107,864	7,164	3,522
Legal fees		88,144	73,355	-	-
Operating leases rentals		1,626,383	1,424,833	-	-
Research and development cost		45,096	97,526	-	-

#### 11. Taxation

## 11.1 Tax Expense

For the year ended 31st March	Consol	Consolidated		
	2019	2018		
	Rs.'000	Rs.'000		
Consolidated Statement of Profit or Loss				
Current income tax				
Income tax on current year profits				
Parent	-	1,329		
Subsidiaries	2,065,432	1,830,037		
	2,065,432	1,831,366		
Under provision in respect of previous years	69,249	19,811		
Provision on ESC recoverable	50,525	154,190		
Irrecoverable ESC written-off	129,188	46,839		
	2,314,393	2,052,205		
Deferred tax expense				
Origination of temporary differences				
Parent	-	-		
Subsidiaries	(90,154)	58,443		
	(90,154)	58,443		
Tax on dividend income	501,357	380,412		
Tax expense reported in the Statement of Profit or Loss	2,725,596	2,491,060		

## 11.2 Consolidated Statement of Other Comprehensive Income

For the year ended 31st March	Consolidated	
	2019	2018
	Rs.'000	Rs.'000
Deferred tax related to items charged or credited directly to other comprehensive income during the year:		
Actuarial loss on defined benefit plans	(64,323)	(62,992)
Revaluation of land	695,422	1,670,174
Income tax charged directly to other comprehensive income	631,099	1,607,182

#### Reconciliation of Accounting Profit to Income Tax Expense 11.3

For the year ended 31st March	Consoli	idated	Company		
	2019	2018	2019	2018	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Profit before tax	5,475,513	5,763,498	57,919	1,460,781	
Share of profit of equity accounted investees	(176,096)	(227,226)	-	-	
Intra-group adjustments	3,786,413	4,217,239	-	-	
	9,085,830	9,753,511	57,919	1,460,781	
Disallowable expenses	15,777,667	10,639,433	454,123	860,234	
Tax deductible expenses	(13,073,712)	(11,208,629)	(216,092)	(1,239,947)	
Tax exempt income	(3,892,364)	(3,384,922)	(1,718,746)	(1,872,463)	
Tax loss b/f	(11,165,393)	(4,344,971)	(2,051,417)	(1,181,234)	
Adjustment for tax loss b/f	-	133,210	-	(74,041)	
Recoverable write off to Profit or Loss	6,984	-	-	-	
Tax loss c/f	6,381,687	11,165,393	-	2,051,417	
Taxable income	3,120,699	12,753,025	(3,474,213)	4,747	
Income tax @ 28%	1,172,274	1,090,578	-	1,329	
Income tax @ 14%	296,672	-	-	-	
Income tax @ 15%	130,056	102,020	-	-	
Income tax @ 12%	-	199,786	-	_	
Income tax at other tax rates	466,429	438,982	-	-	
Income tax on current year profit	2,065,431	1,831,366	-	1,329	
Under provision in respect of previous years	69,249	19,811	4,408	_	
Provision on ESC recoverable	50,125	154,190	-	-	
Irrecoverable ESC	129,188	46,839	-	-	
	2,314,393	2,052,205	4,408	1,329	
Origination of temporary differences	(90,154)	58,443	-	-	
Tax on dividend income	501,357	380,412		_	
Tax expense	2,725,596	2,491,060	4,408	1,329	
Effective tax rate	51%	45%	8%	0%	

Corporate Income Taxes of companies resident in Sri Lanka have been computed in accordance with the Inland Revenue Act No. 24 of 2017, whilst Corporate Taxes of non-resident companies in the Group have been computed in keeping with the domestic statutes in their respective countries.

Irrecoverable Economic Service Charge has been charged to the Statement of Profit or Loss.

Resident companies in the Group, excluding those which enjoy a tax holiday or concessionary rate of 14% as disclosed in Note 11.6.1 and entities enjoying tax exemptions as disclosed in Note 11.5, were liable to income tax at 28% during year of assessment 2018/19 (Y/A 2017/18 - 28 %)

#### 11.5 Tax Exemptions

#### 11.5.1 In terms of the Inland Revenue Act

- Martin Bauer Hayleys (Pvt) Ltd is yet to commence its 10 year income tax holiday.
- Ultracarb (Pvt) Ltd is entitled for a 6 year income tax holiday. The tax holiday period has commenced during the Y/A 2013/14.
- Haycarb Value Added products (Pvt) Ltd is entitled for a 6 year income tax holiday. The tax holiday has commenced during Y/A 2013/14.

#### 11.5.2 In terms of BOI Agreements

Companies enjoying Tax Holidays under BOI Law are as follows;

Nirmalapura Wind Power (Pvt) Ltd.	6 year tax holiday ending March 31, 2019
Hayleys Neluwa Hydro Power (Pvt) Ltd.	5 Year tax holiday ending March 31, 2022
Sun Tan Beach Resorts Ltd.	15 year tax holiday ending March 31, 2027
Solar One Ceylon (Pvt) Ltd.	10 year tax holiday is yet to commence

#### 11.5.3 Exemptions outside Sri Lanka

Shizuka Co.Ltd.	8 year tax holiday commenced during Y/A 2011/12

## 11.6 Concessionary Tax Rates

#### 11.6.1 In terms of the Inland Revenue Act No.24 of 2017

In terms of the First schedule of the Inland Revenue Act No. 24 of 2017, the profits of companies listed below enjoy a concessionary rate of income tax of 14%.

Kelani Valley Plantations PLC	Profits from agriculture
Talawakelle Tea Estates PLC	Profits from agriculture
Sunfrost (Pvt) Ltd.	Profits from agriculture
HJS Condiments Ltd.	Profits from agriculture
Haycolour (Pvt) Ltd.	Profits from export of goods
Haycarb PLC	Profits from export of goods
Mabroc Teas (Pvt ) Ltd.	Profits from export of goods
Meridian Exports (Pvt) Ltd.	Profits from export of goods
Blue Mountain Tea Exports (Pvt) Ltd.	Profits from export of goods
Hayleys Fabric PLC	Profits from export of goods
Hayleys Fibre PLC	Profits from export of goods
Ravi Industries Ltd.	Profits from export of goods
Rileys (Pvt) Ltd.	Profits from export of goods
Haymat ( Pvt) Ltd.	Profits from export of goods
Toyo Cushion Lanka (Pvt) Ltd.	Profits from export of goods
Chas P Hayley & Co (Pvt) Ltd.	Profits from export of goods
Bonterra Ltd.	Profits from export of goods
Kelani Valley Resorts (Pvt) Ltd.	Profits from promotion of tourism
Hayleys Tours (Pvt) Ltd.	Profits from promotion of tourism
Lanka Orient Express Lines Ltd.	Profits from specified undertakings
Star Lanka Shipping (Pvt) Ltd.	Profits from specified undertakings
Sharaf Shipping Agency (Pvt) Ltd.	Profits from specified undertakings
The Kingsbury PLC	Profits from promotion of tourism
Culture Club Resorts (Pvt) Ltd.	Profits from promotion of tourism
Neluwa Cascade Hydro Power (Pvt) Ltd.	Profits from operating project for renewable energy
Bhagya Hydro (Pvt) Ltd.	Profits from operating project for renewable energy
Kalupahana Power Company (Pvt) Ltd.	Profits from operating project for renewable energy
TTEL Somerset Hydro Power (Pvt) Ltd.	Profits from operating project for renewable energy
TTEL Hydro Power Company (Pvt) Ltd.	Profits from operating project for renewable energy
Singer Business School (Pvt) Ltd.	Profits from educational services
Civaro International Ltd.	Profits from specified undertakings
Hanwella Rubber Products Ltd.	Profits from export of goods
Dipped Products PLC	Profits from export of goods

#### 11.6.2 BOI Companies

As per agreements signed with the Board of Investment, the business income of the Companies listed below would be subject to the following concessionary tax rates for the periods indicated below:

Kandyan Resorts (Pvt) Ltd.	02% on turnover for 15 years up to Y/A 2026/27
Mocity International (Pvt) Ltd.	15% Indefinitely
Lanka Maritime Services Ltd.	15% Indefinitely
Regnis Appliances (Pvt) Ltd.	20% Indefinitely

## 11.6.3 Non Resident Companies

Corporate income tax rates of non-resident companies are:

Company	Income tax rate
Haychem (Bangladesh) Ltd.	35%
PT Mapalus Makawanua Charcoal Industry	25%
Haycarb USA Inc	21%
Logiwiz Logistics India (Pvt) Ltd.	30%
Eurocarb Products Ltd.	19%
Haycarb Holding Australia (Pty) Ltd.	30%
Carbokarn Co. Ltd.	20%
ICOGUANTI S.p.A.	27.5%
CK Regen Systems Co.Ltd.	20%
Haylex Ltd.	19%
Haylex BV	25%
Haylex Japan	31%
Charles Fibre (Pvt) Ltd.	25%
PT Haycarb Palu Mitra	25%
Dipped Products (Thailand) Ltd.	10%
Total Transport Solutions Maldives (Pvt ) Ltd.	15%
Nautical Maldives (Pvt) Ltd.	15%
One World Logistics Maldives (Pvt) Ltd.	15%
Advantis Kusuhara Sedate Myanmar (Private) Ltd.	25%
Advantis Sedate Myanmar (Private) Ltd.	25%
Advantis Singapore (Pte) Ltd.	17%
Advantis Sabang Raya Lines Pte Ltd.	17%
PT Advantis Akaza Indonesia	25%
Advantis Intasl Bangladesh (Pvt) Ltd.	35%
Super Logistics (Pvt) Ltd.	15%
Civaro Feright India (Pvt) Ltd.	30%

## 12. Earnings Per Share

#### Basic Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to owners of the parent and the weighted average number of ordinary shares outstanding during the year.

#### Diluted Earnings per Share

The calculation of diluted earnings per share is based on the profit attributable to owners of the parent and the weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares.

There were no potentially dilutive ordinary shares outstanding at any time during the year /previous year.

Basic/diluted earning per share calculated as follows.

For the year ended 31st March	Consol	idated	Company		
	2019	2018	2019	2018	
Profit attributable to equity holders of the Parent (Rs: 000)	265,385	1,023,892	53,511	1,459,452	
Weighted average number of ordinary shares of the parent (No.)	75,000,000	75,000,000	75,000,000	75,000,000	
Basic/diluted earnings per share (Rs.)	3.54	13.65	0.71	19.46	
Qualifying ordinary shares at beginning of the year (No.)	75,000,000	75,000,000	75,000,000	75,000,000	
Qualifying ordinary shares at the end of the year	75,000,000	75,000,000	75,000,000	75,000,000	

#### 13. Dividends

For the year ended 31st March	Com	ıpany
	2019	2018
Interim/ final dividend (Rs.'000)	375,000	375,000
Dividend per ordinary share (Rs.)	5.00	5.00

- 13.1 The dividends represent re-distribution of dividends received by the Company and are therefore not subject to the 14% tax deduction.
- 13.2 The Directors have approved the payment of an interim dividend of Rs. 5.00 per share on 28th March 2019, for the year ended 31st March 2019, this was paid on 17th April 2019.

#### 14 Property, Plant & Equipment

#### 14.1 Consolidated

As at 31st March	Freehold and Leasehold Land	Mature/ immature plantations	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Vessels	Total 2019	Total 2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost or valuation:									
Gross book value									
At the beginning of the year	28,878,171	7,302,247	22,987,215	36,013,692	1,939,571	5,397,995	6,312,937	108,831,828	86,576,100
Revaluation of land	2,822,617	-	-	-	-	-	-	2,822,617	2,998,599
Acquisition through business combinations					37,361	21,657		59,018	14,681,601
Additions (14.4)	20,306	353,420	3,304,382	3,579,793	384,372	921,509	164,890	8,728,672	4,295,901
Write-off		(2,834)	(12,765)	(921)	-	721,507	-	(16,520)	
Transferred to Equity		(2,001)	(12,700)	(/21)				(10,320)	
Accounted Investees	_	_	(759,575)	(1,458,670)	(31,298)	(69,940)	_	(2,319,483)	_
Disposals	=	-	(50,790)	(210,904)	(272,603)	(170,231)	=	(704,528)	.*
Disposals of subsidiaries	(63,620)	-	(318,679)	(49,257)	(3,609)	(60,403)	-	(495,568)	•
Transfer to mature/immature						1 1			
plantations	-	(5,886)	-	-	-	-	-	(5,886)	-
Effect of movements in		-	-	-		-			
exchange rates	71,793	-	292,610	1,419,985	32,780	73,275	95,889	1,986,332	1,008,247
At the end of the year	31,729,267	7,646,947	25,442,398	39,293,718	2,086,574	6,113,862	6,573,716	118,886,482	108,831,828
Depreciation:									
At the beginning of the year	273,557	1,902,445	4,679,580	17,278,838	956,809	3,332,550	367,937	28,791,716	22,312,601
Acquisition through business					,				
combinations	-	-	-	-	16,005	18,486	-	34,491	2,552,428
Write off	-	(723)	(5,789)	(630)	-	-	-	(7,142)	-
Depreciation for the year	31,645	189,002	839,494	2,512,773	232,142	543,370	462,555	4,810,981	3,927,258
Transferred to Equity									
Accounted Investees	_	-	(47,473)	(126,878)	(21,562)	(34,588)	-	(230,501)	-
Disposals of subsidiaries	-	-	(86,174)	(23,615)	(2,107)	(42,199)	-	(154,095)	(3,979)
Disposals	-	=	(10,078)	(148,315)	(172,547)	(118,544)	-	(449,484)	(520,664)
Effect of movements in									
exchange rates	-	-	105,662	868,751	(3,456)	51,763	43,825	1,066,545	524,072
At the end of the year	305,202	2,090,724	5,475,222	20,360,924	1,005,284	3,750,838	874,317	33,862,511	28,791,716
Impairment:									
At the beginning of the year	2,260	-	67,082	43,474	-	-	-	112,816	112,759
Effect of movements in									
exchange rates	_	-	-	1,023	=	-	-	1,023	57
Impairment for the year	-	-	-	48,302	-	4,307	-	52,609	-
At the end of the year	2,260	=	67,082	92,799	-	4,307	=	166,448	112,816
Net book value as at 31st									
March	31,421,805	5,556,223	19,900,094	18,839,995	1,081,290	2,358,717	5,699,399	84,857,523	79,927,296
Capital work -in progress		•	•	•				2,028,213	4,083,192
Carrying amount as at 31st		-	-		•	-			-
March								86,885,736	84,010,488

**14.1.1** The carrying value of leasehold land of the Group amounting to 520 mn.(2018-522 mn).

## 14.2 Company

As at 31st March	Freehold and Leasehold Land	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Total 2019	Total 2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost or valuation:							
At the beginning of the year	-	226,410	45,926	139,281	311,513	723,130	2,725,181
Revaluation of land	-	-	-	-	-	-	627,010
Additions	-	-	19	21,775	33,258	55,052	77,014
Disposals	-	-	-	(21,570)	(402)	(21,972)	(2,706,075)
At the end of the year	-	226,410	45,945	139,486	344,369	756,210	723,130
Depreciation:							
At the beginning of the year	-	109,346	42,143	9,249	266,899	427,637	364,132
Depreciation for the year	-	57,890	495	31,905	23,786	114,076	89,201
Disposals	-	-	-	(8,794)	(346)	(9,140)	(25,696)
At the end of the year	-	167,236	42,638	32,360	290,339	532,573	427,637
Net book value as at 31st March	-	59,174	3,307	107,126	54,030	223,637	295,493
Capital work in progress	-	-	-	-	-	3,533	16,396
Carrying amount as at 31st March	-	-	-	-	-	227,170	311,889

## 14.3 Carrying Value

As at 31st March	Consol	idated	Company		
	2019 2018		2019	2018	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
At cost	49,411,502	51,874,520	227,170	311,889	
At valuation	24,301,557	21,502,562	-	-	
On finance leases	13,172,677	10,633,406	-	-	
	86,885,736	84,010,488	227,170	311,889	

## 14.4 Includes Capitalisation of Borrowing Costs

Company	2019	2018
	Rs.'000	Rs.'000
Alumex PLC	41,356	42,880
Singer (Sri Lanka) PLC	17,695	-
Hayleys Advantis Ltd.	135,823	-
Creative Polymats (Pvt) Ltd.	1,315	-
Hayleys Fabric PLC	22,495	11,819
	218,684	54,699

Group property, plant & equipment includes capitalised finance leases and leasehold rights on land. The carrying amount of these assets are:

As at 31st March		Consol	idated	
	Cost	Accumulated depreciation/ amortisation	Carrying value 2019	Carrying value 2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land	837,730	206,562	631,168	641,146
Mature/Immature Plantations	7,649,947	2,090,724	5,556,223	5,399,802
Buildings	8,989,878	2,070,153	6,919,725	6,303,247
Machinery & Store Equipment	47,401	47,401	-	-
Motor vehicles	155,433	93,123	62,310	21,253
Furniture fittings and office equipment	9,630	6,379	3,251	3,251
	17,687,019	4,514,342	13,172,677	12,368,699

## 14.6 Unexpired Lease Periods of Land:

Company	Years
Kelani Valley Plantations PLC	28 Years
Kalupahana Power Company ( Pvt) Ltd.	28 Years
HJS Condiments Ltd.	81 Years /74 Years /41 Years/ 16 Years
Talawakelle Tea Estates PLC	26 Years
The Kingsbury PLC	50 Years
Culture Club Resorts ( Pvt) Ltd.	23 Years
Sun Tan Beach Resorts Ltd.	89 Years

Amounts by which values have been increased in respect of land revalued by independent qualified valuers are indicated below, together with the last date of revaluation:

As at 31st March		Revaluatio	n surplus
		2019	2018
Company	Location	Rs.'000	Rs.'000
Darley Property Holdings (Pvt) Ltd. / Hayleys PLC	Colombo (31.03.2019)	2,618,471	2,618,471
World Export Center Ltd.	Colombo (31.03.2019)	12,698,466	12,342,151
Volanka (Pvt) Ltd.	Katana (31.03.2019)	318,831	260,831
	Galle (31.03.2019)	226,452	148,277
Chas P. Hayley & Co. (Pvt) Ltd.	Galle (31.03.2019)	949,630	715,800
Dipped Products PLC *	Kottawa (31.03.2019)	206,591	149,031
	Weliveriya (31.03.2013) **	70,973	70,973
Venigros (Pvt) Ltd.	Weliveriya (31.03.2013) **	50,925	50,925
Alumex PLC	Gonawala (31.03.2019)	77,799	48,586
	Ekala (31.03.2019)	61,460	-
	Makola (31.03.2019)	354,191	243,601
Alco Industries (Pvt) Ltd.	Makola (31.03.2019)	10,525	1,525
Haycarb PLC	Badalgama & Madampe (31.03.2019)	221,082	172,046
		265,773	215,345
Recogen (Pvt) Ltd.	Badalgama (31.03.2019)	78,981	70,306
Carbokarn Co. Ltd.	Thailand (31.03.2019)	90,941	60,615
Shizuka Co. Ltd.	Ratchaburi (31.03.2019)	35,298	25,207
PT Mapalus Makawanua	Bitung (31.03.2019)	84,545	63,518
PT Haycarb Palu Mitra	Palu City (31.03.2019)	34,002	7,640
Lignocell (Pvt) Ltd.	Kuliyapitiya (31.03.2019)	36,233	26,783
	Madampe (31.03.2019)	41,239	29,939

As at 31st March		Revaluation	n surplus
		2019	2018
Company	Location	Rs.'000	Rs.'000
Hayleys Agriculture Holdings Ltd.	Dambulla (31.03.2019)	5,549	4,204
	Kottawa (31.03.2019)	127,014	103,207
Haychem (Bangladesh) Ltd.	Mymensingh (31.03.2019)	47,636	44,641
Hayleys Aventura (Pvt) Ltd.	Malabe (31.03.2019)	262,785	218,221
Haycolour (Pvt) Ltd.	Kalutara (31.03.2019)	57,736	40,736
Hayleys Fibre PLC	Kuliyapitiya (31.03.2019)	203,019	197,058
Hayleys Advantis Ltd.	Welisara/Kelaniya/Seeduwa/Sedawatte		
	(31.03.2019)	2,443,088	1,602,688
	Kotugoda (31.03.2019)	1,024,531	849,400
Singer (Sri Lanka) PLC	Ambalantota (31.03.2019)	3,300	
miger (err zama) i ze	Balangoda (31.03.2019)	1,550	
	Bandarawela (31.03.2019)	1,948	
	Borella (31.03.2019)	11,600	
	Chilaw (31.03.2019)	1,913	
	Colpetty (31.03.2019)	6,700	
	Eheliyagoda (31.03.2019)	1,146	
	Gampaha (31.03.2019)	8,935	
	Hikkaduwa (31.03.2019)	2,185	
	Katugastota (31.03.2019)	919	
	Kiridiwella (31.03.2019)	2,025	
	Middeniya (31.03.2019)	413	
	Mount Lavinia (31.03.2017)	3,750	
	Mount Lavinia-Mega (31.03.2019)	9,235	
	Negombo (31.03.2019)	3,000	
	Pussellawa (31.03.2017)	2,486	
	Trincomalee (31.03.2019)	2,790	
	Wellawatta (31.03.2019)	9,200	
inger Industries (Ceylon) PLC	Ratmalana (31.03.2017)	25,750	
Ravi Industries (Pvt) Ltd.	Ekala (31.03.2017)	396,000	292,00
/olanka Exports (Pvt) Ltd.	Welipanna (31.03.2017)	43,843	26,64
Rileys Ltd.	Galle (31.03.2017)	408,838	348,04
oyo Cushion Lanka (Pvt) Ltd.	Katana (31.03.2017)	48,174	48,17
Sunfrost (Pvt) Ltd.	Allawwa (31.03.2019)	33,204	20,76
diliTOSE (T VE) Etd.	Padiyatalawa (31.03.2019)	21,174	20,20
Bhagya Hydro (Pvt) Ltd.	Gomala Oya (31.03.2017)	1,293	1,074
Hayleys Neluwa Hydro (Pvt) Ltd.	Mawanana (31.03.2017)	342	1,07
Neluwa Cascade Hydro Power (Pvt) Ltd.	Neluwa (31.03.2017)	1,925	67'
Hayleys Fabric PLC	Neboda (31.03.2017)	94,306	58,491
Hunas Falls PLC	Elkaduwa (31.03.2017) ***	74,300	23,620
		17,250	23,020 6,43
	Kotugoda (31 03 2010)		().45.
Jnisyst Engineering PLC	Kondy (31.03.2019)	······································	
Jnisyst Engineering PLC Kandyan Resorts (Pvt) Ltd.	Kandy (31.03.2019)	431,319	273,819
Jnisyst Engineering PLC Kandyan Resorts (Pvt) Ltd.		431,319 1,280	273,819 880
Unisyst Engineering PLC Kandyan Resorts (Pvt) Ltd. Culture Club Resorts (Pvt) Ltd.	Kandy (31.03.2019) Dambulla (31.03.2019)	431,319 1,280 24,301,557	273,819 880 21,502,562
Unisyst Engineering PLC Kandyan Resorts (Pvt) Ltd. Culture Club Resorts (Pvt) Ltd. Revaluation reserve attributable to Non-controlling	Kandy (31.03.2019) Dambulla (31.03.2019)	431,319 1,280 24,301,557 (1,180,524)	273,819 880 21,502,562 (684,445
Unisyst Engineering PLC Kandyan Resorts (Pvt) Ltd. Culture Club Resorts (Pvt) Ltd. Revaluation reserve attributable to Non-controlling	Kandy (31.03.2019) Dambulla (31.03.2019)	431,319 1,280 24,301,557 (1,180,524) (2,509,328)	273,819 880 21,502,562 (684,445 (1,464,958
Unisyst Engineering PLC  Kandyan Resorts (Pvt) Ltd.  Culture Club Resorts (Pvt) Ltd.  Revaluation reserve attributable to Non-controlling income tax on revaluation  Acquisition of non controlling interest in subsidiarie	Kandy (31.03.2019)  Dambulla (31.03.2019)  ginterest	431,319 1,280 24,301,557 (1,180,524)	273,819 880 21,502,562 (684,445 (1,464,958 19,353,159 26,911

<sup>\*</sup> As per the independent charted valuers report, the Land value of Dipped Products (Thailand) Ltd has been same as acquisition date.

<sup>\*\*</sup> Investment Properties

<sup>\*\*\*</sup> Disposed on 15th January 2019.

- Lands owned by the Group was revalued by Independent Chartered Valuation Surveyors. The fair value of the lands were determined based on transactions observed in the market, appropriately adjusted for differences in the nature, location or condition of the specific property.
- 14.9 Lands owned by the Group other than that mentioned above have been stated at cost as the appreciation in value is insignificant. Further information is provided on page 376 to 379.
- 14.10 There has been an impairment of property, plant & equipment amounting to Rs. 52.6 mn (2018-Nil). Details are as follows.

	Rs.'000
Machinery & Store Equipment	48,302
Furniture fittings and office equipment	4,307
	52,609

The impairment loss was relating to items of knitting and dyeing machinery of Hayleys Fabric PLC and relating to plant and machinery of Alumex PLC, which was recognised based on specific identification of assets which are idle and which are unlikely to be brought back into use by the Group.

- 14.11 Property, plant & equipment with a carrying value of Rs. 20,155 mn (2018- Rs.16,143 mn) and Rs. Nil (2018- Nil) for the Group and Company respectively have been pledged as security for term loans obtained. The details are shown in Note 25 to the Financial Statements.
- 14.12 The carrying value of revalued lands given above, had the said lands been included at cost, would amount to Rs. 7,428 mn (2018 -Rs. 7,376 mn) for the Group and Rs. Nil (2018-Rs. 1 mn) to the Company.
- 14.13 The cost of fully depreciated property plant and equipment which are still in use at the reporting date is as follows.

As at 31st March	Consc	lidated	Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Mature Plantations	72,727	51,833	-	-
Buildings	349,229	301,984	-	-
Machinery and Equipment	5,093,444	4,048,178	39,111	32,643
Furniture, fittings and Office Equipment	2,343,981	2,216,580	214,450	208,676
Motor Vehicles	638,507	571,493	3	3
	8,497,888	7,190,068	253,564	241,322

#### 14.14 Capital Expenditure Commitments

The approximate amounts of capital expenditure approved by the Directors as at 31st March, 2019 were: Capital expenditure contracted for which no provision is made in the Financial Statements for the Group - Rs. 939 mn (2018 - Rs.445 mn) and for the Company Rs. Nil (2018 - Nil). Capital expenditure approved by the Directors but not contracted for the Group Rs. 1,600 mn (2018 - Rs.1,827 mn) and for the Company Rs. Nil (2018 - Rs. 185 mn).

## 14.15 Unobservable Inputs used in Measuring Fair Value

The table below sets out information about significant unobservable inputs used in measuring fair vale of land.

Category	District	Valuation Technique	Significant Unobservable Input	Range of Estimate (Weighted Average) for Unobservable Input Rs'000	Fair Value Measurement Sensitivity to Unobservable Input
Freehold land	Matale	Open market basis	Land -Rate per perch	4 to 22	Significant increases
	Ampara			9 to 13	/(decreases) in
	Kurunegala			35 to 75	estimated price per
	Kalutara			75 to 150	perch in isolation
	Kegalle			80 to 100	would result in a
	Puttalam			30 to 4,500	significantly higher /
	Gampaha			35 to 5,000	(lower) fair value.
	Colombo			100 to 21,000	
	Kandy			200 to 4,000	
	Hambantota Badulla Ratnapura Galle			500 to 3,000	
		adulla 500 to	500 to 3,500		
				500 to 4,000	
		Galle		1000 to 3500	
	Trincomalee			1000 to 4,500	

## 15. Investment Properties

As at 31st March	1st March Consc		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Carrying value :				
At the beginning of the year	1,948,609	1,764,423	60,750	-
Additions	-	-	-	50,500
Transferred to assets held for sale	(51,900)	-	-	-
Write-off	(4,080)	-	-	-
Change in fair value during the year	113,899	184,186	9,600	10,250
At the end of the year	2,006,528	1,948,609	70,350	60,750

#### 15.1 Rental Income

For the year ended 31st March	Consolidated	
	2019	2018
	Rs.'000	Rs.'000
Rental income derived from investment properties	70,951	64,868
Direct operating expenses generating rental income	(12,769)	(4,828)
Net profit arising from investment properties	58,182	60,040

Investment properties are stated at fair value. The fair values of investment properties as at 31st March, 2019 based on valuation performed by Mr. P.B. Kalugalgedara (Chartered Valuation Surveyor), an accredited independent, industry specialist are given below. The valuations had been carried out based on transactions observed in the market.

The details of fair value of investment properties of the Group

Company	Location	Building area (Sq Ft)	Land in acres	Value of building	Value of land	Total 2019
				Rs.'000	Rs.'000	Rs.'000
Eastern Hotels (Pvt) Ltd.	Nilakarai Estate, Nilaweli,					
	Trincomalee	600	23.47	1,500	657,300	658,800
Hayleys Advantis Group	No. 49/4 -18A, Galle road, Kollupitiya	2,450	-	82,325	-	82,325
	No. 46/12, Sayuru Sevana, Nawam		•			
	Mawatha, Colombo 2	45,980	0.24	257,500	442,500	700,000
Dipped Products PLC	Nadungamuwa, Weliweriya	_	7.85	-	163,176	163,176
Venigros (Pvt) Ltd.	Nadungamuwa, Weliweriya	55,581	7.09	64,242	130,537	194,779
Toyo Cushion Lanka (Pvt) L	td. 105, Thimbirigaskatuwa road, Katana	26,143	3.40	15,789	121,309	137,098
Hayleys PLC	Kaluwamodara, Bentota	_	0.28	-	70,350	70,350
				421,356	1,585,172	2,006,528

Category	District	Valuation Technique	Range of Estimate for Unobservable Input
			Rs.'000
Freehold land	Colombo	Open market basis	10,000 to 12,500
	Gampaha	-	75 to 300
	Kalutara		1,500 to 2,500
	Trincomalee		150 to 200

- 15.3 The Group has no restriction on the realisability of its investment properties and has no contractual obligations to purchase, construct or develop the investment properties or for maintenance and enhancement.
- 15.4 An amount of Rs. 4.1 mn was recognised as an impairment relating to a property held by Toyo Cushion Lanka (Pvt) Ltd. The impairment was recognised on account of damages relating to a fire at the property.

#### 16. **Biological Assets**

As at 31st March	st March Cons	
	2019	2018
	Rs.'000	Rs.'000
At the beginning of the year	404,659	374,353
Increase due to development	7,885	8,988
Change in fair value of biological assets	35,972	24,228
Decrease due to harvest	(4,476)	(2,910)
Transfer from/to immature/mature plantation	5,886	-
At the end of the year	449,926	404,659

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

The fair value of matured managed trees were ascertained in accordance with SLFRS 13. The valuation was carried by Messer's Prathap Chartered Valuation & Consultancy (Pvt) Ltd, chartered valuation surveyors, using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber, a physical verification was carried out covering all the estates.

#### 16.1 Information About Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Non Financial Asset	Valuation technique	Unobservable inputs	Range of unobservable inputs (Probability weighted average)		Relationship of Unobservable Inputs to Fair Value
			2019	2018	
Consumable managed biological assets	DCF	Discounting Rate	17.5%	17.5%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	25-35 Years	25-35 Years	Lower the rotation period, the higher the fair value
	***************************************	Volume at rotation	25-85 cu.ft	25-85 cu.ft	The higher the volume, the higher the fair value
		Price per cu.ft.	Rs.450 to Rs.9,000	Rs.450 to Rs.9,000	The higher the price per cu. ft., the higher the fair value

Other key assumptions used in valuation

- 1. The harvesting is approved by the PMMD and the Forest Department based on the Forestry Development Plan.
- 2. The prices adopted are net of expenditure
- 3. Though the replanting is a condition precedent for harvesting' yet the costs are not taken in to consideration.

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable. The Board of Directors is of the opinion that the sensitivity analysis regarding selling price and discount rate variations are as follows;

It does, nevertheless, concern the directors that no estimate of fair value can ever be completely accurate. Moreover, in the case of the group's biological assets, small differences in valuation assumptions can have a quite disproportionate effect on results. Another concern is that, as shown from an international benchmark, there is currently no uniform approach within the plantation sector when it comes to defining the major variables, such as selling price and/or discount rates, in the DCF models resulting in the LKAS 41 values.

The carrying amount of biological assets pledged as securities for liabilities as at the date of the Statement of Financial Position is Rs. nil. (2018 - Rs. nil).

#### 16.2 Sensitivity Analysis

#### Sensitivity variation sales price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

Sales price fluctuation	+10%	-10%
Managed timber	Rs.'000	Rs.'000
As at 31 March 2019	36,939	(37,358)
As at 31 March 2018	33,394	(33,394)

#### Sensitivity variation discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber show that an increase or decrease by 1.5% of the discount rate has the following effect on the net present value of biological assets:

Discount rate	+1.5%	-1.5%
Managed timber	Rs.'000	Rs.'000
As at 31 March 2019	(8,367)	7,904
As at 31 March 2018	(8,262)	10,561

#### **17**. **Intangible Assets**

As at 31st March	Consolidated									
	Right to generate Hydro/ solar power/ development cost	Goodwill	ERP system	Brand name/ trade mark	Customer list	Operating lease	Total 2019	Total 2018		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000		
Cost:										
At the beginning of the year	237,231	12,134,085	1,392,986	320,128	152,420	1,177,111	15,413,961	7,327,394		
Acquisition through business combinations		105.852				_	105,852	7,740,240		
Additions	-	105,852	136,474	-	-	-	136,474	348,848		
Disposals of Subsidiary	-	(7,590)	130,474	-	-	-	(7,590)	(188)		
Disposals	-	(7,390)	(8,232)	-	-		(8,232)	(3,227)		
Effect of movements in	_	_	(0,232)	-	=	-	(0,232)	(3,227)		
exchange rates	-	_	43,535	-	-	_	43,535	894		
At the end of the year	237,231	12,232,347	1,564,763	320,128	152,420	1,177,111	15,684,000	15,413,961		
Amortisation:										
At the beginning of the year	60,558	145,959	760,205	32,000	152,420	157,456	1,308,598	897,925		
Amortisation for the year	12,552	-	184,148			19,555	216,255	151,520		
Disposals	-	-	(2,070)	-	-	-	(2,070)	(3,227)		
Disposals of Subsidiary	-	-	-	-	-	-	-	(117)		
Acquisition through										
business combinations	-	-	-	-	-	-	-	262,155		
Effect of movements in										
exchange rates	-	-	27,897	-	-	-	27,897	342		
At the end of the year	73,110	145,959	970,180	32,000	152,420	177,011	1,550,680	1,308,598		
Net book value	164,121	12,086,388	594,583	288,128	_	1,000,100	14,133,320	14,105,363		
Capital work in progress	=	-	40,794	=	-	-	40,794	9,279		
Carrying amount							14,174,114	14,114,642		

#### 17.1 There has been no impairment of intangible assets.

#### Right to Generate Hydro/Solar Power and Development Costs 17.2

The details of remaining amortisation period of right to generate hydro power, solar power and development cost.

Company	Category	Remaining	2019	2018
		amortisation	- 1000	
		period	Rs.'000	Rs.'000
Bhagya Hydro (Pvt) Ltd.	Hydro power	3 years	1,213	1,773
Neluwa Cascade Hydro Power (Pvt) Ltd.	Hydro power	4 years	875	1,109
TTEL Somerset Hydro Power (Pvt) Ltd.	Hydro power	4 years	3,959	4,839
TTEL Hydro Power Company (Pvt) Ltd.	Hydro power	4 years	4,242	5,322
Nirmalapura Wind Power (Pvt) Ltd.	Development cost	12 years	35,307	38,133
Solar One Ceylon (Pvt) Ltd.	Solar power	17 years	118,525	125,497
			164,121	176,673

#### 17.3 Goodwill

The aggregate carrying amount of goodwill allocated to each unit is as follows

	2019	2018
	Rs. mn	Rs. mn
Dipped Products PLC	97	97
Dipped Products' Group Companies	33	33
Advantis Group Companies	538	433
Haycarb Group Companies	202	202
Hunas Falls Hotels PLC	-	8
The Kingsbury PLC	633	633
Hayleys Plantation Services (Pvt) Ltd.	220	220
Alumex PLC	1,052	1,052
Amaya Group Companies	1,553	1,553
Unisyst Engineering PLC	20	20
Fentons Group Companies	532	532
Singer (Sri Lanka ) PLC	7,205	7,205
	12,086	11,988

#### 17.3.1 Methods used in estimating recoverable amounts are given below

The recoverable values of the above CGU's were subjected to an impairment test based on value in use. The value in use was determined by discounting the future cash flows generated from the continuing use of the unit and key assumptions used are given below.

Business Growth - Based on historical growth rate and business plan (10% - 20%) / 2018 - (10% - 20%)

Inflation - Based on the current inflation rate and the percentage of the total cost subjected to the inflation

Discount Rate - Average market borrowing rate adjusted for risk premium (15%-20%), 2018 - (15% - 20%)

Margin - Based on current margin and business plan

#### 17.4 Brand Name / Trade Mark

17.4.1 The Group has recognised an intangible asset for the Amaya chain of hotels from the acquisition of Amaya Leisure PLC.

"Amaya" brand name is a well established name in the leisure sector. Management is of the opinion that the brand name will be a key attraction in the future booming leisure sector.

17.4.2 Group has recognised an intangible asset in respect of brand name, trade mark, distribution rights through the acquisition of Singer (Sri Lanka) PLC.

#### SISIL trademark

Singer (Sri Lanka) PLC had acquired the ""SISIL"" trade mark in December 2000, amounting to Rs. 55 mn. The management is of the opinion that the aforementioned trademark has an indefinite useful life as their associated brand awareness and recognition has existed over 50 years and the company intends to utilise the said trademark for the foreseeable future. There are no legal, regulatory, contractual, competitive, economic or other factors that may limit its useful life and accordingly, the carrying amount of this trademark is determined after testing for impairment annually. Following assumptions are made to test for any impairment as at 31st March 2019:

#### 17.4.2 (Contd.)

Annual sales growth for next five years	14%
Gross margin	27%
Discount rate	11%
Indefinite growth rate after year 2024	2%

#### **UNIC** trademark

Singer (Sri Lanka) PLC had acquired the 'UNIC' Trade mark in 2006 amounting to Rs. 38.5 mn. This trade mark is also considered to have an indefinite useful life due to the factors mentioned in the preceding paragraph and accordingly, the carrying amount of this trademark is determined after testing for impairment annually. Following assumptions are made to test for impairment as at 31st March 2019:

Annual sales growth for next five years	14%
Gross margin	25%
Discount rate	11%
Indefinite growth rate after year 2024	2%

#### SONY distribution rights

Singer (Sri Lanka) PLC had acquired the distribution rights of brand 'SONY' in 2014 amounting to Rs. 46.4 mn. These assets are now carried at cost subject to annual impairment test. This distribution right also considered to have an indefinite useful life due to the factors mentioned in the preceding paragraph accordingly, the carrying amount of this trademark is determined after testing for impairment annually. Following assumptions are made to test for impairment as at 31st March 2019:

Annual sales growth for next five years	15%
Allitudi sales glowuri or riext live years	1370
Gross margin	22%
Discount rate	11%
Indefinite growth rate after year 2024	2%

#### 17.5 **Customer List**

Group has recognised an intangible asset in respect of customer relationship through the acquisition of Amaya Leisure PLC.

The established customer lists of Amaya Hotels is acknowledged as a key component in generation of revenue through travel agents and tour operators. The management is of the opinion that the company is capable of retaining the travel agents through business relationship strategies and this would ensure retention and lead to repeat business over the future years and inflow of future economic benefits from them.

#### 17.6 Operating Lease

The Group has recognised an intangible asset in respect of operating leases acquired from the acquisition of The Kingsbury PLC and Amaya Leisure PLC since terms of operating lease is favourable relative to market terms.

Intangible asset from the Leasehold right is the revalued value of the land over the present value of future lease rentals to be paid.

The Kingsbury PLC - 50 years

Amaya Leisure PLC - 21 years

#### 18. Investments

## 18.1 Company Investment in Subsidiaries

As at 31st March	% Ho	lding		No. of Shares				Value Rs.'000	
	2019	2018	2019	Movement	2018	2019	Movement	2018	
Investee									
Quoted investments*									
Haycarb PLC (Rs. 2,556 mn)	68	68	20,125,103	_	20,125,103	47,204	_	47,204	
Hayleys Fibre PLC (Rs. 446 mn)	65	65	5,200,000	=	5,200,000	3,575	_	3,575	
Dipped Products PLC (Rs. 1,966 mn)	42	42	25,210,938	=	25,210,938	408,490	-	408,490	
Hayleys Fabric PLC (Rs. 1,041 mn)	59	59	122,487,023	=	122,487,023	1,355,791	-	1,355,791	
Amaya Leisure PLC ( Rs. 810 mn )	40	40	21,769,457	853,926	20,915,531	2,238,341	36,121	2,202,220	
Alumex PLC (Rs.1,574 mn)	53	53	157,413,032	=	157,413,032	1,381,879	-	1,381,879	
Unisyst Engineering PLC (Rs. 1,102 mn)	63	63	7,538,454	-	7,538,454	174,292	-	174,292	
Singer (Sri Lanka) PLC (Rs. 6,532 mn )	70	60	261,267,037	35,562,883	225,704,154	12,375,298	1,682,201	10,693,097	
The Kingsbury PLC (Rs. 1,118 mn)	36	46	87,307,057	(25,000,000)	112,307,057	1,449,123	(414,950)	1,864,073	
			708,318,102	11,416,809	696,901,293	19,433,993	1,303,372	18,130,621	
Unquoted Investments									
Chas P. Hayley & Company (Pvt) Ltd.	100	100	999,920	=	999,920	698	-	698	
Ravi Industries (Pvt) Ltd.	86	86	10,833,821	4,087	10,829,734	17,802	120	17,682	
Hayleys Group Services Ltd.	100	100	10,000	-	10,000	100	-	100	
Hayleys Electronics Ltd.	98	98	951,855	-	951,855	95,687	_	95,687	
Dean Foster (Pvt) Ltd.	98	49	11,764,704	5,882,353	5,882,351	104,620	94,716	9,904	
Hayleys Advantis Ltd.	94	94	34,255,819	71,877	34,183,942	380,056	8,329	371,727	
Volanka Exports (Pvt) Ltd.	4	4	128,899	206	128,693	2,104	1	2,103	
Sunfrost (Pvt) Ltd.	5	5	423,300	-	423,300	4,233	-	4,233	
Rileys (Pvt) Ltd.	4	4	5,000,000	-	5,000,000	10,333	-	10,333	
Volanka (Pvt) Ltd.	62	62	6,440	-	6,440	23,107	-	23,107	
Toyo Cushion Lanka (Pvt) Ltd.	19	19	1,230,875	2,588	1,228,287	13,661	107	13,554	
Hayleys Produce Marketing Ltd.	100	100	250,000	-	250,000	2,532	-	2,532	
Carbotels (Pvt) Ltd.	75	75	27,578,769	-	27,578,769	308,004	-	308,004	
HJS Condiments Ltd.	9	9	1,233,597	2,410	1,231,188	17,104	123	16,981	
Hayleys Agriculture Holdings Ltd.	98	98	19,154,354	116,659	19,037,695	275,324	14,214	261,110	
Hayleys Consumer Products Ltd.	99	99	19,484,984	38,461	19,446,523	252,629	628	252,002	
Hayleys Aventura (Pvt) Ltd.	100	100	38,748,400	-	38,748,400	387,484	-	387,484	
Hayleys Business Solutions International			-				-		
(Pvt) Ltd.	100	100	15,000,000	-	15,000,000	150,000	-	150,000	
Haydea Business Solutions (Pvt) Ltd.	-	100	-	(249,999)	249,999	-	(2,500)	2,500	
Hayleys Aviation and Projects (Pvt) Ltd.	-	100	-	(2,000,000)	2,000,000	-	(20,000)	20,000	
Nirmalapura Wind Power (Pvt) Ltd.	30	30	29,900,000	-	29,900,000	154,204	-	154,204	
Martin Bauer Hayleys (Pvt) Ltd.**	-	60	-	(44,100,000)	44,100,000	-	(441,000)	441,000	
Fentons Ltd.	75	75	3,347,329	-	3,347,329	250,000	-	250,000	
Hayleys Tours (Pvt) Ltd.	100	100	500,000	-	500,000	5,000	-	5,000	
Luxury Resort (Pvt) Ltd.	100	100	17,270,400	1,079,400	16,191,000	1,657,104	110,726	1,546,378	
World Export Center Ltd.	100	100	1,039,141,701	-	1,039,141,701	10,391,417	-	10,391,417	
Hayleys Fabric Solutions Ltd.	100	100	6	-	6	-	-	-	

#### Company Investment in Subsidiaries (Contd.) 18.1

As at 31st March		lding		No. of Shares		Value Rs.'000		
	2019	2018	2019	Movement	2018	2019	Movement	2018
Haylex BV	100	100	1,000	-	1,000	25,733		25,733
Darley Property Holdings (Pvt) Ltd.	100	100	394,630,388	-	394,630,388	3,946,303	-	3,946,303
Quality Seed Company (Pvt) Ltd.	-	74	-	(1,878,000)	1,878,000	-	(3,707)	3,707
			1,671,846,561	(41,029,958)	1,712,876,519	18,475,239	(238,244)	18,713,483
Company investment in subsidiaries (at cost)			2,380,164,663	(29,613,149)	2,409,777,812	37,909,232	1,065,128	36,844,104
Provision for fall in value of investment made by the company								
Hayleys Electronics (Pvt) Ltd.	-	-		•		(95,687)	-	(95,687)
Hayleys Business Solutions International (Pvt) Ltd.						(75,000)	-	(75,000)
Company investment in subsidiaries						37,738,545	1,065,128	36,673,417

<sup>\*</sup> Figures in brackets indicate market value of Quoted investments.

## 18.1.1 Countries of incorporation of overseas subsidiaries are give in Note 18.3 to the Financial Statements.

## 18.2 Investment in Equity Accounted Investees

		Consolidated							
As at 31st March		% Holding			No. of Shares		Rs.'000		
Investor	Investee	2019	2018	2019	Movement	2018	2019	Movement	2018
Unquoted									
Investments									
Hayleys Advantis	Yusen Logistics &								
Group	Kusuhara (Pvt) Ltd.**	30	30	195,000	-	195,000	1,950	-	1,950
Hayleys Fibre PLC	Bonterra Ltd. *	50	50	803,394	-	803,394	8,034	-	8,034
Puritas ( Pvt) Ltd.	Lakdiyatha (Pvt Ltd. **	49	49	2,450,000	=	2,450,000	24,500	-	24,500
Hayleys Aviation and	S & T Interiors (Pvt )	•		•					
Projects (Pvt) Ltd.	Ltd. **	30	30	780,000	-	780,000	7,800	-	7,800
Hayleys Aventura	Joule Power (Pvt) Ltd.**			•					
(Pvt) Ltd.		25	25	26,250,000	-	26,250,000	262,500	-	262,500
Hayleys Aventura	Beta Power (Pvt) Ltd.**								
(Pvt) Ltd.		25	25	26,250,000	-	26,250,000	262,500	-	262,500
Kelani Valley	Martin Bauer								
Plantations PLC	Hayleys (Pvt) Ltd. **	10	-	39,091,550	39,091,550	-	390,920	390,920	-
Hayleys PLC	Martin Bauer								
	Hayleys (Pvt) Ltd. **	39	-	150,484,550	150,484,550	-	1,504,863	1,504,863	
Investment in equity									
accounted investees									
(at cost)							2,463,067	1,895,783	567,284

<sup>\*\*</sup> Investment in Martin Bauer Hayleys (Pvt) Ltd, formally known as Hayleys Global Beverages (Pvt) Ltd has transferred to Investment in Equity Accounted Investees.

		Company								
As at 31st March		% Hc	% Holding No. of Shares				Value Rs.'000			
Investor	Investee	2019	2018	2019	Movement	2018	2019	Movement	2018	
Unquoted										
Investments										
Hayleys PLC	Martin Bauer									
	Hayleys (Pvt) Ltd. **	39	-	150,484,550	150,484,550	-	1,504,863	1,504,863	-	
Investment in equ	uity									
accounted invest	ees									
(at cost)							1,504,863	1,504,863	-	

<sup>\*</sup> Joint venture \*\* Associates

## 18.2.1 Net assets of Equity Accounted Investees as follows

As at 31st March	Consolidated							
Investor	Investment at Cost		Profit/(Loss)		Others		Net Assets	
	2019	2018	2019	2018	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Yusen Logistics &								
Kusuhara (Pvt) Ltd.	1,950	1,950	1,694	1,552	(918)	(184)	6,308	5,532
Bonterra Ltd.	8,034	8,034	54,129	32,867	(42,538)	(15,303)	78,721	67,130
S & T Interiors (Pvt ) Ltd.	7,800	7,800	(865)	989	-	(62)	11,471	12,337
Lakdiyatha (Pvt) Ltd.	24,500	24,500	(5,644)	1,956	-	-	94,178	99,822
Joule Power (Pvt) Ltd.	262,500	262,500	72,298	102,977	-	(47,513)	400,117	327,819
Beta Power (Pvt) Ltd.	262,500	262,500	77,075	86,885	(39,900)	(39,900)	410,333	333,258
Martin Bauer Hayleys								
(Pvt) Ltd.	1,895,783	-	(22,591)	-	-	-	966,281	-
Group Investments								
in equity accounted								
investees	2,463,067	567,284	176,096	227,226	(83,356)	(102,962)	1,967,409	845,898

## 18.2.2 Summarised financial information of Equity Accounted Investees which has not been adjusted for the Group's share.

As at 31st March	Consolid	ated
	2019	2018
	Rs.'000	Rs.'000
Assets and liabilities		
Current Assets	1,546,646	1,312,901
Non-current Assets	6,185,816	4,403,522
Current Liabilities	1,224,083	1,157,539
Non-current Liabilities	1,412,406	1,847,273

#### 18.2.2 (Contd.)

For the year ended 31st March		Consolidated	
	2019	2018	
	Rs.'000	Rs.'000	
Revenue and profit			
Revenue from contracts with customers	2,837,816	2,413,927	
Profit after tax	663,556	826,968	
Total comprehensive income	663,959	826,924	
Cash flows			
Cash flows from operating activities	995,173	898,234	
Cash flows from Investing activities	1,818	(732,288)	
Cash flows from financing activities	(1,021,336)	(157,067)	

<sup>18.2.3</sup> The Company has neither contingent liabilities nor capital commitments in respect of it's equity accounted investees.

## 18.3 Countries of Incorporation of Overseas Subsidiaries and Equity Accounted Investees

Countries of incorporation of companies incorporated outside Sri Lanka are stated below,

Sector	Company	Countries of Incorporation
Eco solutions	Charles Fibre ( Pvt) Ltd.	India
	Haylex USA	USA
Hand protection	Dipped Products (Thailand) Ltd.	Thailand
	ICOGUANTI S.p.A	Italy
Purification products	PT Mapalus Makawanua Charcoal Industry	Indonesia
	Haycarb Holdings Bitung Ltd.	British Virgin Island
	Eurocarb Products Ltd.	UK
	Haycarb Holdings Australia (Pty) Ltd.	Australia
	Haycarb USA Inc.	USA
	Carbokarn Co. Ltd.	Thailand
	Shizuka Co. Ltd.	Thailand
	CK Regen Systems Co.Ltd.	Thailand
	PT Haycarb Palu Mitra	Indonesia
	Puricarb Pte Ltd.	Singapore
Agriculture	Haychem (Bangladesh) Ltd.	Bangladesh
Transportation & logistics	Logiwiz Logistics India (Pvt) Ltd.	India
	Civaro Freight India (Pvt) Ltd.	India
	Nautical Maldives ( Pvt) Ltd.	Maldives
	One World Logistics Maldives (Pvt) Ltd.	Maldives
	Super Logistics (Pvt) Ltd.	Maldives
	Total Transport Solutions Maldives (Pvt) Ltd.	Maldives
	Advantis Singapore Pte Ltd.	Singapore
	Advantis Sabang Raya Lines Pte. Ltd.	Singapore
	Advantis Kusuhara Sedate Myanmar (Pvt) Ltd.	Myanmar
	Advantis Sedate Myanmar (Pvt) Ltd.	Myanmar
	PT. Advantis Akaza Indonesia	Indonesia
	Advantis Intasl Bangladesh (Pvt) Ltd.	Bangladesh
Leisure	Luxury Resort (Pvt) Ltd.	Maldives
Others	Haylex BV Group	Netherlands, Japan & UK

## 18.4 Inter-Company Shareholdings

As at 31st March		% Holdin	ıg	No. of	No. of Shares	
Investor	Investee	2019	2018	2019	2018	
Agro Technica Ltd.	Sunfrost (Pvt) Ltd.	1	1	75,000	75,000	
Chas P. Hayley & Co. (Pvt) Ltd.	Toyo Cushion Lanka (Pvt) Ltd.	3	3	169,267	169,267	
	Charles Fibre (Pvt) Ltd.	50	50	10,000	10,000	
	Hayleys Electronics (Pvt) Ltd.	2	2	14,975	14,975	
	Lignocell (Pvt) Ltd.	100	100	12,000,000	12,000,000	
Lignocell (Pvt) Ltd.	Charles Fibre (Pvt) Ltd.	50	50	10,000	10,000	
Dean Foster (Pvt) Ltd.	Volanka (Pvt) Ltd.	38	38	3,920	3,920	
, ,	Hayleys Advantis Ltd.	1	1	488,369	488,369	
	Chas P. Hayley & Company (Pvt) Ltd.	_	-	80	80	
	Alumex PLC	5	5		14,213,900	
	Amaya Leisure PLC	21	21		11,072,484	
Dipped Products PLC	Palma Ltd.	100	100	-	4,000,000	
	Venigros (Pvt) Ltd.	100	100		8,000,000	
	Feltex (Pvt) Ltd.	100	100		1,500,000	
	DPL Plantations (Pvt) Ltd.	100	100	-	55,000,000	
	Dipped Products (Thailand) Ltd.(100 Bhat)	99	99		4,516,250	
	Texnil (Pvt) Ltd.	100	100		7,500,000	
	ICOGUANTI S.p.A (Italy) (€1 - each)	100	100	•	3,150,000	
	Hanwella Rubber Products Ltd.	73	73	•	18,152,000	
	D P L Premier Gloves Ltd.	100	100		45,000,000	
	D P L Universal Gloves Ltd.	100	100	-	35,000,000	
	D P L International Ltd.	100	100	1	1	
DPL Plantations Ltd.	Kelani Valley Plantations PLC	72	72		24,626,900	
D. E. Harreationio Etai.	Hayleys Plantation Services (Pvt) Ltd.	67	67	-	13,400,000	
Haycarb PLC	Dipped Products PLC	7	7	•	4,068,746	
	Eurocarb Products Ltd.(UK) (£1 - each)	100	100		100,000	
	Haycarb Value Added Products (Pvt) Ltd.	100	100		40,000,000	
	Haycarb Holdings Australia (Pty) Ltd. (Aus	100	100	10,000,000	10,000,000	
	\$1 - each)	100	100	150,000	150,000	
	Carbotels (Pvt) Ltd.	25	25	9,290,341	9,290,341	
	Carbokarn Co. Ltd.(100 Bhat, 100% paid-up)	50	50	24,626,900 13,400,000 4,068,746 100,000 40,000,000	250,000	
	Puritas (Pvt) Ltd.	100	100	•	700,000	
	Recogen (Pvt) Ltd.	100	100	•	37,000,000	
	Haycarb USA Inc.	100	100		1,285,000	
	Haycarb Holdings Bitung Ltd. (\$1 - each)	100	100	1,400,000	1,400,000	
	PT Mapalus Makawanua Charcoal Industry	•				
	(IDR 1,000,000)	2	2	707	707	
	Ultracarb (Pvt) Ltd.	100	100	25,000,000	25,000,000	
	Quality Seed Company (Pvt) Ltd.	6	6	147,000	147,000	
	PT Haycarb Palu Mitra	60	60	1,290,000	1,290,000	
Carbokarn Co. Ltd.	CK Regen Systems Co. Ltd.	100	100	75,000	75,000	
	Shizuka Co. Ltd.	100	100	137,500	137,500	

## 18.4 Inter-Company Shareholdings (Contd.)

As at 31st March		% Holdir	ng	No. of	No. of Shares	
Investor	Investee	2019	2018	2019	2018	
Puritas (Pvt) Ltd.	Lakdiyatha (Pvt) Ltd.	49	49	2 450 000	2,450,000	
	Puricarb Pte Ltd.	100	100	• • • • • • • • • • • • • • • • • • • •	50,000	
Haycarb Holdings Bitung Ltd .	PT Mapalus Makawanua Charcoal Industry				,	
.,	(IDR 1,000,000)	98	98	36,935	36,935	
Hayleys Agriculture Holdings Ltd.	Agro Technica Ltd.	100	100	2,499,994	2,499,994	
	Hayleys Agro Fertilizers (Pvt) Ltd.	100	100	14,999,999	14,999,999	
	Hayleys Agro Farms (Pvt) Ltd.	100	100	1,500,000	1,500,000	
	Hayleys Agro Bio-Tech (Pvt) Ltd.	100	100	7,499,999	7,499,999	
	HJS Condiments Ltd.	59	59	7,399,343	7,399,343	
	Sunfrost (Pvt) Ltd.	93	93	7,445,000	7,445,000	
	Haychem (Bangladesh) Ltd.	100	100	90,702	90,702	
	Hayleys Fabric PLC	2	2	3,472,257	3,472,257	
	Aquagri (Pvt) Ltd.	51	51	1,275,000	1,275,000	
	Singer ( Sri Lanka) PLC	3	3	9,468,085	9,468,085	
	Quality Seed Company (Pvt) Ltd.	94	20	2,378,000	500,000	
Hayleys Fibre PLC	Toyo Cushion Lanka (Pvt) Ltd.	16	16	1,015,602	1,015,602	
	Bonterra Ltd.	50	50	803,394	803,394	
	Creative Polymats (Pvt) Ltd.	74	0	0 22,500,001 12 15,500,000 100 60,000	1	
	Rileys (Pvt) Ltd.	12	12	15,500,000	15,500,000	
Hayleys Aventura (Pvt) Ltd.	Haycolour (Pvt) Ltd.	100	100	60,000	60,000	
	Hayleys Lifesciences (Pvt) Ltd.	100	100	2,499,994 14,999,999 1,500,000 7,499,999 7,399,343 7,445,000 90,702 3,472,257 1,275,000 9,468,085 2,378,000 1,015,602 803,394 22,500,001 15,500,000 60,000 3,000,001 320,001 21,100,000 46,767,241 26,250,000 10,531,915 35,085,952 11,910,001 17,750,000 3,519,000 3,519,000 3,519,000 3,060,000 50,000 37,127,660 5,036,850 24,500,000	3,000,001	
	Power Engineering Solutions (Pvt) Ltd.	100	100	320,001	320,001	
	Nirmalapura Wind Power (Pvt) Ltd.	21	21	21,100,000	21,100,000	
	Hayleys Power Ltd.	100	100	46,767,241	46,767,241	
	Joule Power (Pvt) Ltd.	25	25	2019 2,450,000 50,000 36,935 2,499,994 14,999,999 1,500,000 7,499,999 7,399,343 7,445,000 90,702 3,472,257 1,275,000 9,468,085 2,378,000 1,015,602 803,394 22,500,001 15,500,000 60,000 3,000,001 320,001 21,100,000 46,767,241 26,250,000 10,531,915 35,085,952 11,910,001 17,750,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 50,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000 3,519,000	26,250,000	
	Beta Power (Pvt) Ltd.	25	25		26,250,000	
	Singer ( Sri Lanka) PLC	3	3		10,531,915	
	Solar One Ceylon (Pvt) Ltd.	50	50	35,085,952	35,085,952	
Hayleys Hydro Energy (Pvt) Ltd.	Neluwa Cascade Hydro Power (Pvt) Ltd.	100	100	11,910,001	11,910,001	
Hayleys Plantation Services (Pvt) Ltd.	Talawakelle Tea Estates PLC	75	75	17,750,000	17,750,000	
Talawakelle Tea Estates PLC	TTEL Hydro Power Company (Pvt) Ltd.	51	51	3,519,000	3,519,000	
	TTEL Summerset Hydro Power (Pvt) Ltd.	51	51	3,060,000	3,060,000	
Hayleys Advantis Group	Sunfrost (Pvt) Ltd.	1	1	50,000	50,000	
	Singer ( Sri Lanka) PLC	10	10	0 37,127,660	37,127,660	
	Hayleys Fabric PLC	2	2	5,036,850	5,036,850	
Ravi Industries Ltd.	Rileys (Pvt) Ltd.	19	19	24,500,000	24,500,000	
	Dipped Products PLC	1	1	567,000	567,000	
	Ravi Marketing Services (Pvt) Ltd.	100	100	9,994	9,994	
Rileys (Pvt) Ltd.	Haymat (Pvt) Ltd.	54	54	215,998	215,998	
	Creative Polymats (Pvt) Ltd.	26	100	8,034,098	4,999,998	
Toyo Cushion Lanka (Pvt) Ltd.	Dean Foster (Pvt) Ltd.	2	2	235,294	235,294	
	Amaya Leisure PLC	2	2	917,710	881,712	

As at 31st March		% Holdin	ıg	No. of Shares		
Investor	Investee	2019	2018	2019	2018	
Volanka (Pvt) Ltd.	Dipped Products PLC	8	8	4,873,640	4,873,640	
, , , , , , , , , , , , , , , , , , ,	Toyo Cushion Lanka (Pvt) Ltd.	21	21	1,455,832	1,455,832	
	Dean Foster (Pvt) Ltd.	_	49		5,882,353	
	Volanka Exports Ltd.	95	95	2,899,994	2,899,994	
	Volanka Insurance Brokers (Pvt) Ltd.	100	100	58,994	58,994	
	Singer ( Sri Lanka) PLC	3	3	11,595,745	11,595,745	
	Rileys (Pvt) Ltd.	65	65	85,000,000	85,000,000	
Carbotels (Pvt) Ltd.	Hunas Falls Hotels PLC	_	50	_	2,824,820	
	Eastern Hotel (Pvt) Ltd.	96	96	894,304	894,304	
	Singer (Sri Lanka) PLC	3	3	9,680,851	9,680,851	
	The Kingsbury PLC	23	13	56,625,000	31,625,000	
Volanka Exports Ltd.	O E Techniques Ltd.	100	100	9,993	9,993	
	Amaya Leisure PLC	1	1	722,679	694,332	
Kelani Valley Plantations PLC	Kalupahana Power Company (Pvt) Ltd.	60	60	1,800,000	1,800,000	
,	Kelani Valley Instant Tea (Pvt) Ltd.	100	100	3,000,000	3,000,000	
	Mabroc Teas (Pvt) Ltd.	100	100	9,000,000	9,000,000	
	Kelani Valley Resorts (Pvt) Ltd.	100	100	5,000,000	1	
	Martin Bauer Hayleys (Pvt) Ltd.	10	40	39,091,550	29,400,000	
Hayleys Aviation and Projects (Pvt) L	td. Air Global (Pvt) Ltd.	100	100	999,995	999,995	
	Millennium Transportation (Pvt) Ltd.	100	100	99,999	99,999	
	North South Lines (Pvt) Ltd.	100	100	134,999	134,999	
	Hayleys Travels (Pvt) Ltd.	100	100	1,779,999	1,779,999	
	S & T Interiors (Pvt) Ltd.	30	30	780,000	780,000	
Alumex PLC	Alco Industries (Pvt) Ltd.	100	100	3,000,002	3,000,002	
Hayleys Consumer Products Ltd.	Global Consumer Brands (Pvt) Ltd.	100	100	17,599,999	17,599,999	
	International Consumer Brands (Pvt) Ltd.	100	100	3,000,000	3,000,000	
	Hayleys Electronics Lighting (Pvt) Ltd.	100	100	599,999	599,999	
Amaya Leisure PLC	Kandyan Resorts (Pvt) Ltd.	100	100	23,215,547	23,215,547	
	Culture Club Resorts (Pvt) Ltd.	100	100	23,822,393	23,822,393	
	Connaissance Air Travels Ltd.	100	100	100,003	100,003	
	Sun Tan Beach Resorts Ltd.	56	56	99,815,153	99,815,153	
	Hunas Falls Hotels PLC	-	16	-	899,000	
	Connaissance Hotel Management (Pvt) Ltd.	100	100	1,200,002	1,200,002	
	C D C Convensions (Pvt) Ltd.	100	100	1,000,002	1,000,002	
	Lake Lodge Resorts Ltd.	80	80	816,000	816,000	
Hayleys Power Ltd.	Bhagya Hydro (Pvt) Ltd.	100	100	3,499,999	3,499,999	
	Hayleys Hydro Energy (Pvt) Ltd.	51	51	6,120,001	6,120,001	
	TTEL Hydro Power (Pvt) Ltd.	49	49	3,366,300	3,366,300	
	Kiridiweldola Hydro Power (Pvt) Ltd.	100	100	321,860	321,860	
	TTEL Summerset Hydro Power (Pvt) Ltd.	49	49	2,940,000	2,940,000	
	Anningkanda Hydro Power (Pvt) Ltd .	100	100	319,080	319,080	
	Lloydova Nalywya Llydra Dayyar (Dyt) Ltd	100	100	29,700,000	29,700,000	
	Hayleys Neluwa Hydro Power (Pvt) Ltd.	100	100	27,700,000	27,700,000	
	Neluwa Upper Hydro Power (Pvt) Ltd.	100	100	100,000	100,000	

## 18.4 Inter-Company Shareholdings (Contd.)

As at 31st March		% Hc	lding	No. of	Shares
Investor	Investee	2019	2018	2019	2018
Fentons Ltd.	Fentons Smart Facilities (Pvt) Ltd.	100	100	1	1
	Energynet (Pvt) Ltd.	100	51	10,900,344	73,196
	Nex-Gen Asia (Pvt) Ltd.	100	100	100	100
Singer ( Sri Lanka) PLC	Singer Finance (Lanka) PLC	80	81	161,513,035	164,267,209
	Singer Industries (Ceylon) PLC	88	88	8,772,314	3,373,967
	Regnis (Lanka) PLC	58	58	6,568,577	6,568,577
	Singer Digital Media (Pvt) Ltd.	100	100	500,000	500,000
	Singer Business School (Pvt) Ltd.	100	100	500,000	500,000
	Reality Lanka Limited	40	40	4,800,004	4,800,004
	Domus Lanka (Pvt) Ltd.	100	-	100	-
Singer Industries (Ceylon) PLC	Reality Lanka Limited	45	45	5,400,000	5,400,000
Regnis (Lanka) PLC	Reality Lanka Limited	15	15	1,800,000	1,800,000
	Regnis Appliances (Pvt) Ltd.	100	100	15,000,000	15,000,000

#### 19. Other Financial Assets and Financial Liabilities

#### 19.1 Other Non-Current Financial Assets

As at 31st March			Consolidated				Company				
	Fair value th	rough OCI	Amortised cost	Total	Total	Fair value through OCI	Total	Total			
	Unquoted	Quoted	Treasury	2019	2018	Unquoted	2019	2018			
	equity shares	equity shares	Bonds			shares					
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000			
At the beginning of the year	129,490	70,136	91,031	290,657	197,858	95,397	95,397	104,297			
Additions	24	-	2,421	2,445	1,097	-	-	-			
Acquisition through business Combination	-	-	-	-	106,995	-	-	-			
Impairment for the year	-	-	-	-	(8,900)	(8,900)	(8,900)	(8,900)			
Change in fair value	(8,731)	(25,176)	-	(33,907)	(6,393)	-	-	-			
At the end of the year	120,783	44,960	93,452	259,195	290,657	86,497	86,497	95,397			

## 19.1.1 Investment Details

As at 31st March		Number o	of shares	Value	
Investor	Investee	2019	2018	2019	2018
				Rs.'000	Rs.'000
Unquoted equity shares - a	t fair value through OCI				
Hayleys PLC	Sojitz Kelanitissa (Pvt) Ltd.	17,798,968	17,798,968	44,497	53,397
	Sri Lanka Institute of Nanotechnology (Pvt) Ltd.	4,200,000	4,200,000	42,000	42,000
Hayleys Aventura (Pvt) Ltd.	Hydro Trust Lanka (Pvt) Ltd.	350,000	350,000	3,500	3,500
Dipped Product PLC	Wellassa Rubber Company Ltd.	255,000	255,000	2,550	2,550
	Impairment in Wellassa Rubber Company Ltd.		•	(2,550)	(2,550)
Haycarb PLC	Barrik Gold Corporation - Aus 27.20 each	3,456	3,456	193	184
Hayleys Advantis Ltd.	SLAFFA Cargo Services Ltd.	40,901	40,901	13,508	13,349
	CMA Ships Lanka (Pvt) Ltd.		-	25	-
Singer (Sri Lanka) PLC	Equity Investment Lanka Limited.	1,665,000	1,665,000	17,020	17,020
	Credit Information Bureau of Sri Lanka	100	100	41	41
				120,783	129,490
Quoted equity shares - at fa	air value through OCI				
Dipped Product PLC	Royal Ceramic Lanka PLC	220	220	13	23
Hayleys Advantis Ltd.	Ceybank Unit Trust	200,000	200,000	3,556	4,538
	Pyramid Unit Trust	200,000	200,000	7,172	6,710
	Comtrust Equity Fund	200,000	200,000	3,444	3,888
Amaya Leisure PLC	Royal Ceramic Lanka PLC	521,600	521,600	30,774	54,977
				44,960	70,136
Amortised cost					
Singer (Sri Lanka) PLC	Treasury Bills			93,452	91,031

## 19.2 Other Current Financial Assets

As at 31st March	Consolidated							Company			
	Fair value through OCI	Fair value	through pro	fit or loss	Total	Total	Financial instruments at fair value through profit or loss	Total	Total		
	Quoted equity shares	Foreign exchange forward contract	Quoted equity shares	Unit trust	2019	2018	Quoted equity shares	2019	2018		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000		Rs.'000	Rs.'000		
At the beginning of the year	1,270	286	33,700	125,446	160,702	479,520	8,800	8,800	17,196		
Additions	-	85,648	143	4,645,165	4,730,956	3,868,671	128	128	-		
Disposals	-	-	-	(4,715,481)	(4,715,481)	(4,213,117)	-	-	(8,359)		
Change in fair value	(170)	(286)	(4,672)	16,899	11,771	25,628	(2,281)	(2,281)	(37)		
At the end of the year	1,100	85,648	29,171	72,029	187,948	160,702	6,647	6,647	8,800		

## 19.2.1 Investment details

As at 31st March		Number of	shares	Value		
Investor	Investee	2019	2018	2019	2018	
				Rs.'000	Rs.'000	
Quoted equity shares -Fa	ir value through OCI					
Hayleys Advantis Ltd.	Union Bank PLC	100,000	100,000	1,100	1,270	
				1,100	1,270	
	d contract - Fair value through profit or loss			05 / 40		
Singer (Sri Lanka) PLC Rileys (Pvt) Ltd.				05,040	286	
Kileys (PVI) Ltd.				85,648	286	
. ,	air value through profit or loss					
Hayleys PLC	Central Industries PLC	15,914	15,914	449	625	
	Kelani Tyres PLC	17,200	17,200	531	846	
	Lanka Orix Leasing Company PLC	1,404	1,404	125	166	
	National Development Bank PLC	23,429	22,217	2,207	2,957	
	Three Acre Farms PLC	1,840	1,840	181	206	
	Hatton National Bank PLC - Non Voting	21,459	21,459	3,154	4,000	
Dean Foster (Pvt) Ltd.	ACL Cables PLC	8,240	8,240	266	338	
	Blue Diamonds Jewellery Worldwide PLC	13	13	0	0	
	Lanka Orix Leasing Company PLC	3,280	3,280	292	387	
	Three Acre Farms PLC	2,000	2,000	197	224	
	Vanik Incorporation PLC - Voting	7,500	7,500	6	6	
	Vanik Incorporation PLC -Non- Voting	5,000	5,000	4	4	
Hayleys Advantis Ltd.	DFCC Bank PLC	7,600	7,600	532	888	
	Hatton National Bank PLC	8,169	8,109	1,430	1,987	
	National Development Bank PLC	2,622	2,534	247	337	
National Development Ba Three Acre Farms PLC Hatton National Bank PLC Blue Diamonds Jewellery Lanka Orix Leasing Comp Three Acre Farms PLC Vanik Incorporation PLC - Vanik Incorporation PLC - Vanik Incorporation PLC - National Development Ba Beruwala Resort PLC Union Bank PLC Amaya Leisure PLC  The Fortress Resorts PLC LB Finance PLC	Beruwala Resort PLC	344,474	344,474	207	276	
	Union Bank PLC	400	400	7	7	
Amaya Leisure PLC	The Fortress Resorts PLC	90,075	90,075	3,154 266 0 292 197 6 4 532 1,430 247 207	946	
	LB Finance PLC	20	20	5	5	
	Free Lanka Capital Holdings PLC	5,320,000	5,320,000	85,648  - 85,648  449  531  125  2,207  181  3,154  266  0  292  197  6  4  532  1,430  247  207  7  901  5  18,088  345	19,152	
Fentons Ltd.	Hotel Sigiriya PLC	5,500	5,500	345	345	
				29,171	33,702	
Unit trust - Fair value thro	ough profit or loss					
Carbotels (Pvt) Ltd.	NDB Wealth Management Limited.					
Ca. 501015 (1 41/ Eta.	NDB Wealth Money Fund	517,587	517,587	9 140	8,351	
	NDB Wealth Money plus Fund	1,375,683	-	-	-	
Hayleys Aviation and	NDB Wealth Management Limited.	2,070,000				
Projects (Pvt) Ltd.	NDB Money Plus Fund	_	2,333,304		41,146	
Hayleys Tours (Pvt) Ltd.	NDB Wealth Management Limited.		2,000,001		11,1 10	
,,	NDB Money Plus Fund	1,812,448	4,306,867	35,767	75,949	
		1,012,110	1,000,007		125,446	

### 19.3 Other Financial Liabilities

As at 31st March			Consolidated				Company	
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Recognition of non- controlling interest to be acquired	Total	Total	Financial liabilities at fair value through profit or loss	Total	Total
	Foreign exchange forward contract	Deposit		2019	2018	Foreign exchange forward contract	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At beginning of the year	18,992	5,229,639	1,671,456	6,920,087	1,374	10,654	10,654	1,281
Incurred	48,101	5,656,768	-	5,704,869	2,671,673	33,452	33,452	10,654
Acquisition through business combinations	_	-	_	-	6,847,630	-	-	-
Settlements	(18,992)	(5,185,166)	_	(5,204,158)	(2,809,219)	(10,654)	(10,654)	(1,281)
De recognition on acquisition of NCI	-	-	(1,671,456)	(1,671,456)	-	-	-	-
Charge/capitalisation of interest	-	251,782	-	251,782	208,629	-	-	-
At end of the year	48,101	5,953,023	-	6,001,124	6,920,087	33,452	33,452	10,654
Other Current Financial Liabilities				5,196,568	6,517,031		33,452	10,654
Other Non Current Financial Liabilities				804,556	403,056		-	-

## 19.3.1 Deposit Classification

As at 31st March		Consolidated		
	2019	2018		
	Rs.'000	Rs.'000		
Fixed deposits	5,899,267	5,161,466		
Savings deposits	53,756	68,173		
	5,953,023	5,229,639		

## 19.3.2 Recognition of NCI to be acquired

The sales and purchase agreement with Retail Holding (Sri Lanka) B.V. in relation to the acquisition of Singer (Sri Lanka) PLC provided an option to the seller to dispose of remaining 9.47% stake in Singer (Sri Lanka) PLC at Rs. 47 to Hayleys PLC between Twelve months and fifteen months from 13th September 2017. The liability reflected the fair value of the outflow of resources on the option being exercised.

During the year, Retail Holdings (Sri Lanka) B V exercised the option to sell its balance 35,562,883 (9.47%) ordinary shares held in Singer (Sri Lanka) PLC to Hayleys PLC at Rs. 47 per share.

Accordingly, the Group has de-recognised the non controlling interest to be acquired recognised at the time of acquisition, amounting to Rs.1,671 mn.

### 19.4 Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 31 March 2019, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

## Assets measured at fair value

As at 31st March		2019	Level 1	Level 2	Level 3
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fair value through OCI					
Quoted equity shares (19.1 and 19.2)	19.1/19.2	46,060	46,060	-	-
Financial assets at fair value through profit or loss:					
Foreign exchange forward contract (19.2)	19.2	85,648	-	85,648	-
Quoted equity shares (19.2)	19.2	29,171	29,171	-	-
Unit trust (19.2)	19.2	72,029	72,029	-	-
Amortised cost					
Treasury Bonds	19.1	93,452	-	93,452	_
Liabilities measured at fair value					
As at 31st March		2019	Level 1	Level 2	Level 3
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial liabilities at fair value through profit or loss					
Foreign exchange forward contracts	19.3	48,101	-	48,101	-
Financial liabilities at amortised cost					
Deposit	19.3	5,953,023	-	5,953,023	-

During the reporting period ended 31 March 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

### 19.5 Fair Values

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

As at 31st March		Consol	idated	Comp	any
		Carrying value	Fair value	Carrying value	Fair value
	Notes	20	19	201	9
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets					
Other non- current financial assets			-		-
Fair value through OCI	19.1	165,743	165,743	86,497	86,497
Amortised cost	19.2	93,452	93,452	-	-
Non- current trade and other receivables	22	11,611,815	11,611,815	-	-
Other current financial assets				•	
Fair value through OCI	19.2	1,100	1,100	-	-
Financial instruments at fair value through profit or loss	19.2	186,848	186,848	6,647	6,647
Trade and other receivables	22	55,138,266	55,138,266	19,809	19,809
Amounts due from subsidiaries	38	-	-	3,413,891	3,413,891
Amounts due from equity accounted investees	38	102,677	102,677	13,570	13,570
Short term deposits	•	3,684,941	3,684,941	-	-
Cash and cash equivalents		8,971,145	8,971,145	56,413	56,413
		79,955,987	79,955,987	3,596,827	3,596,827
Financial Liabilities					
Interest-bearing borrowings*	25	65,473,621	65,551,295	18,287,621	18,304,037
Other financial liabilities	•				
Financial liabilities at fair value through profit or loss	19.3	48,101	48,101	33,452	33,452
Financial liabilities at amortised cost	19.3	5,953,023	5,953,023	-	-
Trade and other payables	29	28,540,236	28,540,236	456,872	456,872
Amounts due to subsidiaries	38	-	-	37,303	37,303
Amounts due to equity accounted investees	38	4,557	4,557	3,152	3,152
Short-term interest-bearing borrowings	31	47,810,251	47,810,251	5,378,333	5,378,333
		147,829,789	147,907,463	24,196,733	24,213,149

<sup>\*</sup> Include fixed interest loans carried at amortised cost.

The fair value of the financial assets and liabilities is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date. The following methods and assumptions were used to estimate the fair values:

- The carrying value of financial instruments at fair value through OCI and financial instruments at fair value through profit or loss at fair value.
- Cash and cash equivalents, short term deposits, trade and other, amounts due to/from subsidiaries, amounts due from equity accounted investees and trade and other payables approximate their carrying values largely due to the short term maturities of these instruments.
- The Fair value of financial assets at amortised cost and financial liabilities at amortised cost is not significantly different from the value based on amortised cost methodology.

#### 20. **Other Non Current Assets**

As at 31st March	Consol	idated	Company		
	2019	2018	2019	2018	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Prepayments	2,589,779	3,007,486	11,562	95,091	
Lease rental paid in advance	1,391,876	1,194,306	-	-	
Formers	657,762	608,083	-	_	
Pre paid staff benefit	83,332	90,822	-	-	
VAT receivable	463,576	433,072	-	-	
Other tax receivables	219,393	161,407	-	_	
Provision for amortisation/impairment	(599,985)	(423,997)	_	-	
	4,805,733	5,071,179	11,562	95,091	
Other Current Assets	2,319,599	2,640,004	11,562	95,091	
Other Non Current Assets	2,486,134	2,431,175	_	-	

## 20.1 The Details of Lease Rental Paid in Advance

Property	Date of	Lease	Lessor	Land extent	Total prepaid A	Amortisation	Net balance
	lease	period			lease rental	for the	as at
	agreement					period	31.03.2019
					Rs. 000	Rs. 000	Rs. 000
Hayleys Free Zone Limited	22-May-14	35 years	BOI	6A 3R 29.5P	46.466	6.417	40.049
Katunayaka Export Processing Zone	22 IVIdy 17	05 years	ВОТ	0A 31( 27.31	70,700	0,417	70,077
Hayleys Free Zone Limited	22 May 14	FO. voors	DOL	Ο Λ	F2 /0/	5,182	40 404
Katunayaka Export Processing Zone	22-May-14	50 years	BOI	BOI 8A	53,606	3,102	40,424
D P L Premier Gloves Ltd.	24 Fab 14	Tab 14 FO years	s BOI	5A 1R 1.6P	40,886	3,961	36,925
Export Processing Zone-Biyagama - Block B	24-Feb-14	50 years			40,886	3,701	
D P L Universal Gloves Ltd.	11 Con 14	FO. voors	DO!	3A OR 16P	22 / 40	2168	01 401
Export Processing Zone-Biyagama - Block A	11-Sep-14	50 years	ВОІ		23,649		21,461
Regnis Appliances (Pvt) Ltd.	4 1 4 7	F.O.	DOL	40.4	45.040	4040	/0.000
Horana	1-Nov-17	50 years	BOI	10 A	65,063	1843	63,220
Luxury Resort (Pvt) Ltd.			Ministry of				
Amaya Kuda Rah Maldives	17-Jul-16	22 years	Tourism,	9 A OR 28P	1.162.206	142.928	1 019 278
	17-301-10	ZZ years	Republic of	7 A OK 201	1,102,200	142,720	40,049 48,424 36,925 21,481 63,220 1,019,278 1,229,377
			Maldives				
					1,391,876	162,499	1,229,377

### 21. Inventories

As at 31st March	Conso	lidated	Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Raw materials & consumables	12,350,212	10,822,510	909	1,058
Produce stocks	817,569	817,105	-	-
Produce on bearer biological assets	8,456	21,490	-	-
Nurseries	27,197	42,284	-	-
Work-in-progress	4,390,182	2,547,697	-	-
Finished goods	22,902,372	17,558,756	-	-
Goods-in-transit	1,638,673	2,636,566	-	-
	42,134,661	34,446,408	909	1,058
Provision for write-down of inventories	(2,064,638)	(1,437,160)	-	-
Provision for unrealised profit of inventories	(327,509)	(263,618)	-	-
	39,742,514	32,745,630	909	1,058

- 21.1 Carrying amount of inventories pledged as security for bank facilities obtained amounted to Rs.2,442 mn (2018 Rs. 1,421 mn).
- 21.2 Inventory carried at net realisable value as at 31st March 2019 Rs. 547 mn (2018 Rs. 388 mn).

## 22. Trade and Other Receivables

As at 31st March	Consol	idated	Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade receivables	29,655,480	27,412,070	-	-
Bills receivables	5,300,286	4,493,573	-	-
Hire debtors	7,749,403	7,599,681	-	-
Lease rental receivable	14,198,593	11,509,536	-	-
Loan debtors	4,206,502	3,068,468	-	-
	61,110,263	54,083,328	-	-
Payment in advance, deposits	8,984,924	5,355,124	50,229	48,492
Duty rebate receivable	4,680	16,514	-	-
Employee loans	495,491	443,925	1,762	602
Provision for impairment	(3,845,278)	(2,337,915)	(32,182)	(32,182)
	66,750,081	57,560,976	19,809	16,912
Current Trade and Other Receivables	55,138,266	48,227,112	19,809	16,912
Non- Current Trade and Other Receivables	11,611,815	9,333,864	-	-

## 22.1. Movement in the Provision for Impairment

As at 31st March	Consol	idated	Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	(2,337,915)	(807,250)	(32,182)	(32,182)
Effect of transition to SLFRS 9	(382,342)	-	-	-
Acquisition through business combinations	-	(1,206,773)	-	-
charge for the year	(1,125,021)	(323,892)	-	-
At the end of the year	(3,845,278)	(2,337,915)	(32,182)	(32,182)

## 22.1.1 The Aging Analysis of Trade and Bills Receivable is as follows,

	Total	Neither past due nor impaired	0-60 days	61-120 days	121-180 days	181-365 days	1-2 years	2-5 years
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 31st March 2019	61,110,264	23,293,700	14,024,124	2,867,240	2,368,793	3,107,758	5,020,915	10,427,734
Balance as at 31st March 2018	54,083,328	14,259,556	13,661,412	5,186,578	2,309,508	3,950,125	6,527,744	8,188,405

## 22.1.2 Currency-wise Analysis of Trade and Other Receivables

As at 31st March	Consol	idated	Company		
	2019	2018	2019	2018	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Sri Lankan Rupees	48,998,818	43,438,639	19,809	16,912	
Australian Dollars	283,051	202,641	-	-	
Pounds Sterling	79,474	183,536	-	-	
United States Dollars	11,615,438	8,773,934	-	-	
Euro	2,751,819	2,710,714	-	-	
Thai Baht	245,899	157,659	-	-	
Indian Rupees	103,363	235,186	-	-	
Maldivian Rufiyaa	688,100	636,127	-	-	
Bangladesh Taka	906,504	648,521			
Others	1,077,615	574,019	-	-	
	66,750,081	57,560,976	19,809	16,912	

#### 23. **Stated Capital**

As at 31st March	As at 31st March		npany
		2019	2018
		Rs.'000	Rs.'000
Issued & fully paid - ordinary sha	ares		
At the beginning of the year	-75,000,000 (1st April 2018 - 75,000,000)	1,575,000	1,575,000
At the end of the year	-75,000,000 (31st March 2019 - 75,000,000)	1,575,000	1,575,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## 23.1 Other Capital Reserves & Retained Earnings

## 23.1.1 Other Capital Reserves

As at 31st March	Consolidated							
	Capital profit on redemption of debentures	Fixed asset replacement reserve	Capital reserve on sale of property, plant & equipment	Capital redemption reserve fund	Statutory reserve fund	Debenture redemption reserve fund	Reserve on amalgamation	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Balance as at 1st April 2017	109	11,750	16,310	69,002	-	1,047	317,600	415,818
Acquisition of non-controlling interest in subsidiaries	-	-	2	-	-	-	-	2
Transfers	-	-	7,512	-	17,779	-	-	25,291
Balance as at 31st March 2018	109	11,750	23,824	69,002	17,779	1,047	317,600	441,111
Acquisition of non-controlling interest in subsidiaries	-	_	132	41	2,129	-	_	2,302
Transfers	-	-	6,816	-	24,311	-	-	31,127
Balance as at 31st March 2019	109	11,750	30,772	69,043	44,219	1,047	317,600	474,540

As at 31st March			Company		
	Capital	Fixed asset	Capital	Debenture	Total
	profit on	replacement	reserve on sale	redemption	
	redemption	reserve	of property,	reserve	
	of debentures		plant &	fund	
			equipment		
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Balance as at 31st March 2018	109	11,750	320	1,047	13,226
Balance as at 31st March 2019	109	11,750	320	1,047	13,226

## 23.1.2 Statutory Reserves

As at 31st March		Conso	lidated
	Notes	2019	2018
		Rs.'000	Rs.'000
Reserve Fund			
Reserve Fund	23.1.2.1	44,219	17,779

## 23.1.2.1Reserve Fund

As at 31st March	Conso	Consolidated		
	2019	2018		
	Rs.'000	Rs.'000		
Balance as at 31st March 2018	17,779	-		
Transfer made during the year	24,311	22,157		
Statutory reserve attributable to non-controlling interest	2,129	(4,378)		
Balance as at 31st March 2019	44,219	17,779		

The balance in the reserve fund will be used only for the purposes specified in the Central Bank Direction No.1 of 2003.

The Reserve Fund is maintained in compliance with direction No 1 of 2003 Central Bank of Sri Lanka (Capital Funds) issued to Finance Companies.

As per the said Direction, every Licensed Finance Company shall maintain a Reserve Fund and transfer to such reserve fund out of the net profits of the each year after due provisions has been made for taxation and bad and doubtful debts on following basis.

Capital Funds to Deposit Liabilities	Transfer to Reserve Fund
Not less than 25%	5%
Less than 25% and not less than 10%	20%
Less than 10%	50%

Accordingly, Singer Finance (Lanka) PLC has transferred 5% of its net profit after taxation to the Reserve Fund as Company's Capital Funds to Deposit Liabilities, belongs to not less than 25%.

## 23.1.3 Retained Earnings

As at 31st March	Consol	idated	Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at the beginning of the year- As previously stated	13,869,533	17,010,084	16,508,295	13,108,435
Effect of transition to SLFRS 9 & 15	(423,649)	-	-	-
Balance as at the beginning of the year - Restated	13,445,884	17,010,084	16,508,295	13,108,435
Profit for the year	250,430	1,016,806	53,511	1,459,452
Total other comprehensive income	(239,722)	(262,966)	(76,550)	(73,347)
Dividends to equity holders	(375,000)	(562,500)	(375,000)	(562,500)
Unclaimed dividend-write back	545	893	545	798
Transfer to equity accounted investees	952,504	-	-	-
Transfers	(32,823)	(70,731)	-	2,575,457
Acquisition of non-controlling interest in subsidiaries	(1,284,227)	(2,111,839)	-	-
Disposal of subsidiary	(114,903)	-	-	-
Partial recognition of non controlling interest to be acquired	-	(1,150,214)	-	-
Balance as at the end of the year	12,602,688	13,869,533	16,110,801	16,508,295

## 23.1.4 Cash Flow Hedge Reserve

As at 31st March		Consolidated	
	2019	2018	
	Rs.'000	Rs.'000	
Balance as at the beginning of the year	-	-	
Net gain / (loss) on cash flow hedge	(545,581)	-	
Transfer of cash flow hedge reserve to revenue	65,208	-	
Balance as at the end of the year	(480,373)	-	

Several entities within the Group have borrowings in foreign currencies, the settlements of which are naturally hedged against foreign currency remittances through sales generated by the respective entities.

With effect from 1 July 2018, subsidiaries in the sectors detail below elected to use their USD remittances to mitigate the exchange risk and have treated the said transaction as a "Cash flow Hedge" in the Financial Statements.

	Borrowings hedged	Year of final repayment	Amount deferred as at 31 March 2019
	USD '000		Rs. mn
Transportation & Logistics	21,690	2025	435
Leisure	5,458	2024	92
Eco Solutions	147	2024	3

## 24. Security Deposits

As at 31st March	Consolidated	
	2019	2018
	Rs.'000	Rs.'000
At the beginning of the year	1,199,128	-
Acquisition through business combinations	-	1,122,281
Contribution during the year	138,961	47,006
Interest charges	148,317	68,618
Shortages recovered	(43,263)	(25,766)
ESD releases	(54,709)	(13,011)
At the end of the year	1,388,434	1,199,128

#### **Interest Bearing Borrowings** 25.

#### 25.1 **Total Non-Current Portion of Interest Bearing Borrowings**

As at 31st March		Consolidated		Company	
	Notes	2019	2018	2019	2018
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Finance lease obligations	25.5	650,343	656,838	-	-
Debentures	25.6	5,343,121	5,069,664	3,514,059	3,494,215
Long-term loans	25.9	33,668,530	28,894,837	8,590,038	8,688,213
Total non- current interest-bearing borrowings		39,661,994	34,621,339	12,104,097	12,182,428

#### **Current Portion of Interest Bearing Borrowings** 25.2

As at 31st March		Consolidated		Company	
1	Votes	2019	2018	2019	2018
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Finance lease obligations	25.5	19,050	20,997	-	-
Debentures	25.6	4,002,270	6,005,544	3,499,879	497,208
Long-term loans	25.9	21,790,307	17,774,911	2,683,645	3,250,690
Total current interest-bearing borrowings		25,811,627	23,801,452	6,183,524	3,747,898

#### 25.3 Finance Lease Obligations

As at 31st March	Consol	Consolidated	
	2019	2018	
	Rs.'000	Rs.'000	
At the beginning of the year	2,427,540	2,516,734	
New leases obtained	24,692	22,620	
	2,452,232	2,539,354	
Acquisition through business combinations	4,837	-	
Effect of movement in exchange rates	4,804	(335)	
Repayments	(129,870)	(111,479)	
At the end of the year	2,332,003	2,427,540	
Finance charge unamortised	(1,662,610)	(1,749,705)	
Net lease obligation	669,393	677,835	

#### 25.4 Currency wise Analysis of Finance Lease Obligations

As at 31st March	Conso	lidated
	2019	2018
	Rs.'000	Rs.'000
Sri Lankan Rupees	640,739	656,529
Bangladesh Taka	28,654	21,306
	669,393	677,835

### 25.5 Analysis of Finance Lease Obligations by Year of Repayment

As at 31st March	Consoli	dated
	2019	2018
	Rs.'000	Rs.'000
Finance lease obligations repayable within 1 year from year-end		
Gross liability	104,172	107,961
Finance charges unamortised	(85,122)	(86,964)
Net lease obligations repayable within 1 year from year-end	19,050	20,997
Finance lease obligations repayable between 1 and 5 years from year-end		
Gross liability	368,140	375,356
Finance charges unamortised	(323,847)	(329,651)
Net lease obligations	44,293	45,705
Finance lease obligations repayable after 5 years from year-end		
Gross liability	1,859,692	1,944,224
Finance charges unamortised	(1,253,642)	(1,333,091)
Net lease obligations	606,050	611,133
Net lease liability repayable later than 1 year from year-end	650,343	656,838

### Talawakelle Tea Estates PLC

The Statement of Recommended Practice (SoRP) for Right-to-use of Land on Lease was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19th December 2012. Subsequently, the amendments to the SoRP along with the modification to the title as Statement of Alternative Treatment (SoAT) were approved by the Council on 21st August 2013. The Company has reassessed the liability up to Financial Year 2013 and not reassessed after that as this was not mandatory requirement. However, if the liability is reassessed according to the alternative treatment (SoAT) on the assumption that the lease rent is increased constantly by GDP Deflator of 4% and discounted at a rate of 13%, liability would be as follows.

	Rs.'000
Gross Liability	1,615,583
Finance Charge	(547,377)
Net liability	1,068,206

According to the reassessment, the base rental payable per year has increased from Rs. 7.23 mn to Rs. 32.96 mn.

### Kelani Valley Plantations PLC

The Statement of Recommended Practice (SoRP) for Right-to-use Land on Lease was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19 December 2012. Subsequently, the amendments to the SoRP along with the modification to the title as Statement of Alternative Treatment (SoAT) were approved by the Council on 21 August 2013. The Company has reassessed the liability up to financial year 2013 and not reassessed after that as this was not mandatory requirement. However, if the liability is reassessed according to the alternative treatment (SoAT) on the assumption that the lease rent is increased constantly by GDP deflator of 4% and discounted at a rate of 13%, liability would be as follows.

	Rs:'000
Gross Liability	3,894,968
Finance Charge	(2,575,310)
Net liability	1,319,658

According to the reassessment, the base rental payable per year has increased from Rs.19.6 mn to Rs.59.4 mn .

## 25.6 Debentures

As at 31st March	Consol	Consolidated		Company	
	2019	2018	2019	2018	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
At the beginning of the year	11,075,208	3,985,037	3,991,423	3,985,037	
Issued during the year	4,276,711	-	3,526,820	-	
Acquisition of Subsidiary	-	8,654,768	-	-	
Repayments during the year	(6,000,093)	(1,570,983)	(497,870)	-	
At the end of the year	9,351,826	11,068,822	7,020,373	3,985,037	
Amortisation of debenture issue expense	(6,435)	6,386	(6,435)	6,386	
Net Debenture	9,345,391	11,075,208	7,013,938	3,991,423	
Repayable within one year	4,002,270	6,005,544	3,499,879	497,208	
Repayable after one year	5,343,121	5,069,664	3,514,059	3,494,215	

## 25.6.1 Details of the debentures

As at 31st March	Consoli	dated	Company		
	2019	2019 2018 2019		2018	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Listed, rated, senior, unsecured, redeemable Debentures at 7.60% p.a.					
payable semi annually and redeemable on 6th March, 2019	-	497,208	-	497,208	
Listed ,rated, senior, unsecured, redeemable Debentures at 7.85% p.a. payable semi annually and redeemable on 6th March, 2020	1,500,532	1,498,788	1,500,532	1,498,788	
Listed, rated, senior, unsecured, redeemable, debentures at floating rate (6 month (Gross) treasury bill rate + 1.25%) p.a payable semi annually and redeemable on 31st May,2019	1,999,347	1,995,427	1,999,347	1,995,427	
Listed, rated, senior, unsecured, redeemable, debentures, Type A- Fixed rate at 12.50% p.a. payable semi-annually redeemable on 31st July 2023 Type B- Floating rate AWPLR+1% p.a. payable semi-annually redeemable on 31st July 2023	3,514,059	-	3,514,059	-	
Unlisted, rated, senior,unsecured, redeemable, debentures at 8.60% p.a payable semi annually and redeemable on 7th June, 2018	-	2,929,980	-	-	
Unlisted, rated, senior,unsecured, redeemable, debentures at Variable 7.53% p.a payable semi annually and redeemable on 7th June, 2018	_	70,020	-	-	
Unlisted, rated, senior, unsecured, redeemable, debentures at 14.5% p.a payable semi annually and redeemable on 10th September, 2018	-	416,668	-	-	
Listed, rated ,senior, unsecured, redeemable, debentures at 10.5% p.a payable semi annually and redeemable on 15th March, 2019	-	460,560	-	_	
Listed, rated, senior, unsecured, redeemable, debentures at floating rate 6 Months Gross TB + 1.50% (Floor 9.50% Cap 12.50%) payable semi annually and redeemable on 15th March, 2019	-	1,539,440	-	-	
Listed, rated, senior, unsecured, redeemable, debentures at 12% p.a redeemable on 28th September, 2021	656,800	-	-	_	
Listed, rated, senior, secured, redeemable, debentures at 9.95% p.a redeemable on 16th June, 2020	1,500,000	1,500,000	-	-	
Listed, rated, senior, secured, redeemable, debentures at 11.5% p.a redeemable on 6th April, 2019	409,300	409,300	-	_	
Listed, rated, senior, secured, redeemable, debentures at 12% p.a redeemable on 6th April, 2020	590,700	590,700	-	-	
Less: Investment in debenture in subsidiary	(825,347)	(832,883)	-		
·	9,345,391	11,075,208	7,013,938	3,991,423	

<sup>\*</sup> Details regarding the listed debentures are given in page 383 to the Financial Statements.

## 25.7 Currency wise Analysis of Debentures

As at 31st March	Conso	Consolidated Compan		pany
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sri Lankan Rupees	9,345,391	11,075,208	7,013,938	3,991,423
	9,345,391	11,075,208	7,013,938	3,991,423

## 25.8 Analysis of Debentures by Year of Repayment

As at 31st March	Consol	Consolidated		pany
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Long term loans repayable between 1 and 2 years from year-end	1,172,262	-	-	-
Long term loans repayable between 2 and 5 years from year-end	4,170,859	5,069,664	3,514,059	3,494,215
	5,343,121	5,069,664	3,514,059	3,494,215

## 25.9 Long term Borrowings

As at 31st March	Consoli	idated	Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	46,669,748	21,027,519	11,938,903	3,127,685
Acquisitions through business combinations	-	12,725,287	-	-
Transferred to equity accounted investees	(1,671,065)	-	-	-
Effect of movements in exchange rates	1,584,262	386,441	104,748	72,208
Adjustment for loan facility fee	3,815	(11,615)	3,815	(11,615)
New loans obtained **	18,684,071	29,065,187	2,000,000	10,500,000
	65,270,831	63,192,819	14,047,466	13,688,278
Repayments	(9,811,994)	(16,523,071)	(2,773,783)	(1,749,375)
At the end of the year	55,458,837	46,669,748	11,273,683	11,938,903
Transfer to current liabilities (repayable within one year)	(21,790,307)	(17,774,911)	(2,683,645)	(3,250,690)
Repayable after one year	33,668,530	28,894,837	8,590,038	8,688,213

<sup>\*\*</sup> Consist of loan obtained Singer (Sri Lanka) PLC, Hayleys Advantis Ltd, Hayleys PLC, Amaya Leisure PLC, Alumex PLC, during the year amounting to Rs. 11,430 mn, 2,437 mn, 2,000 mn, 880 mn, 674 mn, respectively.

## 25.10 Currency wise Analysis of Long Term Borrowings

As at 31st March	t 31st March Consolida		Com	pany
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sri Lankan Rupees	42,710,420	35,518,813	10,686,716	10,386,391
Australian Dollars	_	5,362	-	-
United States Dollars	12,645,033	11,031,533	586,967	1,552,512
Euro	93,504	99,327	-	-
Bangladesh Taka	5,600	11,780	-	-
Others	4,280	2,933	-	-
	55,458,837	46,669,748	11,273,683	11,938,903

## 25.11 Analysis of Long Term Borrowings by Year of Repayment

As at 31st March	Conso	Consolidated		Company	
	2019	2018	2019	2018	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Long term loans repayable between 1 and 2 years from year-end	11,164,370	8,473,439	3,796,358	1,696,356	
Long term loans repayable between 2 and 5 years from year-end	20,175,971	15,828,897	4,793,680	4,494,530	
Long term loans repayable later than 5 years from year-end	2,328,189	4,592,501	-	2,497,327	
	33,668,530	28,894,837	8,590,038	8,688,213	

## 25.12 Long Term Borrowings Repayable After One Year

Company	Lender/rate of interest (p.a.)	2019 Rs.'000	2018 Rs.'000	Repayment	Security
Hayleys PLC	Peoples Bank PLC (AWPLR +2%)	2,745,019	3,244,106	To be paid bi annually in equal installments of Rs. 250 mn	None
-	National Savings Bank PLC (AWPLR +2%)	2,745,019	3,244,106	To be paid bi annually in equal installments of Rs. 250 mn	None
-	Sampath Bank PLC (AWPLR+ 1%)	900,000	1,200,000	To be paid quarterly in equal installments of Rs. 75 mn	None
-	DFCC Bank PLC (AWPLR +1%)	600,000	800,000	To be paid quarterly in equal installments of Rs. 50 mn	None
-	Commercial Bank of Ceylon PLC (7.85%)	-	200,000	To be paid bi annually in equal installments of Rs.100 mn	None
-	Bank of Ceylon PLC (AWPLR +1%)	1,600,000	-	To be paid bi annually in equal installments of Rs.200 mn	None
ICOGUANTI S.p.A	Alessandria Financing 1.95% (Euro 1,000,000)	79,455	86,583	Repayment over 2 years as per agreed schedule	None
Dipped Products (Thailand) Ltd.	HSBC (LIBOR + 2%)	-	71,340	Monthly installments ending December, 2019	Corporate guarantee from Dipped Products PLC
DPL Universal Gloves Ltd.	HSBC (LIBOR + 2%)	-	26,582	Monthly installments ending May, 2019	Corporate guarantee from Dipped Products PLC
DPL Premier Gloves Ltd.	HSBC (LIBOR + 2%)	-	191,015	Monthly installments ending February, 2020	Mortgage over Company land and buildings
Mabroc Teas (Pvt) Ltd.	HSBC (LIBOR + 3%)	13,742	24,287	Monthly installments ending August 2021	None

Company	Lender/rate of interest (p.a.)	2019 Rs.'000	2018 Rs.'000	Repayment	Security
Kelani Valley Plantations PLC	DFCC Bank PLC (AWPLR-0.5%) 1st 2 years (AWPLR+1.5%) After	27,480	54,959	Monthly installments ending 2021	Primary mortgage over the leasehold rights of four estates
	Sri Lanka Tea Board (AWPLR +1%)	5,555	44,557	Monthly installments ending August 2022	Tea Sales Proceeds
	NDB Bank PLC (AWPLR-0.5%) 1st 2 years (AWPLR+1.5%) After	10,313	45,189	Monthly installments ending February 2021	Primary mortgage over the leasehold rights, buildings, plant & machinery of three estates.
	Amana Bank PLC (SLIBOR with a cap of 14% and floor of 7.25%)	9,691	21,030	Monthly installments ending 2021	None
	Amana Bank PLC (SLIBOR with a cap of 14% and floor of 7.25%)	22,990	46,729	Monthly installments ending 2023	None
	Amana Bank PLC (SLIBOR with a cap of 14% and floor of 7.25%)	20,861	28,691	Monthly installments ending 2023	None
	Amana Bank PLC (SLIBOR +3.25%)	28,240	33,690	Monthly installments ending 2022	None
	NDB Bank PLC (6.3%)	17,278	-	Monthly installments ending	Primary mortgage
	NDB Bank PLC (6.3%)	4,096	-	2025	over the leasehold rights, buildings, plant & machinery of three estates.
	Sri Lanka Tea Board (5%)	2,681	-	Monthly installments ending 2021	Tea Sales Proceeds
Haycarb PLC	HSBC (LIBOR + 2.75)	13,817	20,376	60 equal monthly installments commenced in March 2016	None
	HSBC (LIBOR + 2.75)	14,259	19,162	60 equal monthly installments commenced in April 2016	None
	HSBC (LIBOR + 2.75)	24,349	84,283	60 equal monthly installments commenced in June 2016	None
Haycarb Holding Australia (Pty) Ltd.	HSBC (12.5%)	-	3,995	Payable in 36 monthly installments commenced in August 2016	None
Haycarb USA Inc.	Hatton National Bank PLC (LIBOR + 3.75%)	2,793	57,034	Payable in 60 monthly installments commenced in September 2015	Corporate guarantee for US\$ 1,750,000/- from Haycarb PLC
	Hatton National Bank PLC (LIBOR + 3.75%)	-	34,637	Payable in 35 monthly installments commenced in September 2016	Corporate guarantee for US\$ 1,500,000/- from Haycarb PLC
Hayleys Advantis Ltd.	HSBC (1 Month HSBC Bank cost of funds + 2.25%)	1,200,000	930,000	Payable in 60 quarterly installments commenced in June 2018	None
Logiventures (Pvt) Ltd.	Hatton National Bank PLC (LIBOR + 3.5%)	3,795	43,637	Payable in 56 monthly installments ending 2020	Mortgage of land at Sedawatte

25.12 Long Term Borrowings Repayable After One Year (Contd.)

Company	Lender/rate of interest (p.a.)	2019 Rs.'000	2018 Rs.'000	Repayment	Security
Logiwiz (Pvt) Ltd.	HSBC (SLIBOR+ 1%)	20,261	81,046	36 monthly installments commenced after 12 months grace period	None
	NDB Bank PLC (6.15%)	7,254	11,607	47 monthly installments and 1st installment of Rs. 0.4 mn	None
	NDB Bank PLC (6.15%)	1,583	2,533	47 monthly installments and 1st installment of Rs. 0.1 mn	None
	NDB Bank PLC (15.75%)	3,787	6,060	Payable in 48 monthly installments	None
	Peoples Bank PLC (AWPLR)	1,600,000	1,351,478	96 monthly installments	Mortgage over project
	Peoples Bank PLC (1M LIBOR+ 2.25%)	1,113,625	-	commencing after 24 months grace period	assets including Land and Building held at Kotugoda Ja Ela.
Hayleys Free Zone Ltd.	HSBC (LIBOR + 2.75%)	1,150,413	1,148,231	39 monthly installments commencing after 18 months grace period	Corporate guarantee from Advantis Ltd.
Logistic International Ltd.	HSBC (LIBOR + 2%)	132,928	126,130	Monthly installments ending 2022	Corporate guarantee from Advantis Ltd.
Logiwiz Logistics India (Pvt) Ltd.	HDFC Bank Ltd15.75%	4,280	1,266	36 monthly installments commenced December, 2016	None
Sri Lanka Shipping Company Ltd.	DFCC Bank PLC ( 3 months LIBOR + 4.25%) (Max - 5%)	158,480	252,072	60 monthly installments ending 2021	Vessel
	DFCC Bank PLC ( 3 months LIBOR + 4.25%)	61,629	98,025	60 monthly installments ending 2021	Vessel
	DFCC Bank PLC ( 3 months LIBOR + 4.25%)	1,012,680	1,057,543	60 monthly installments ending 2025	Joint mortgage over vessel
	Bank of Ceylon PLC (LIBOR +4.25%)	997,336	1,043,985	60 monthly installments ending 2025	
Total transport Solutions Maldives (Pvt) Ltd.	Sampath Bank PLC - ( 6.5%)	82,286	100,311	60 monthly installments ending 2022	Two landing crafts
Ceylon Ocean Lines Ltd.	NDB Bank PLC (6.73%)	2,199	-	60 monthly installments ending 2022	None
PT Advantis Akaza Indonesia	Sampath Bank PLC - ( 3M LIBOR+5.75%)	36,563	-	60 monthly installments ending 2025	Corporate guarantee from Advantis Ltd.
Hayleys Aventura (Pvt) Ltd.	Sampath Bank PLC (AWPLR+0.25%)	95,000	245,000	59 Monthly installments commenced in February 2017	Loan agreement 250 mn Mortgage bond over 30 mn shares of Hayleys Power Ltd for 250 mn original share certificate of Hayleys Power Ltd, total in to 30 mn shares.
·	Peoples Bank PLC (AWPLR +0.5%)	62,440	124,960	48 monthly installments commenced in April 2017	Primary mortgage over property situated at Malabe
	Bank of Ceylon PLC (AWPLR+1.25%)	200,000	-	20 Quarterly installments commenced in April 2019	None

Company	Lender/rate of interest (p.a.)	2019 Rs.'000	2018 Rs.'000	Repayment	Security
Hayleys Fabric PLC	Standard Chartered Bank PLC (LIBOR + 3.5%)	167,775	511,319	36 monthly installments of US\$ 239,591	Mortgage over machinery
	Peoples Bank PLC (LIBOR +3.25%)	17,961	-	Monthly installments ending 2020.	Mortgage over machinery
Talawakelle Tea Estates PLC	NDB Bank PLC (AWPLR +1.5%)	-	57,500	60 Installment ending 2021.	Primary mortgage over lease hold rights of Somerset, Great Western, Holyrood, and Dessford Estates.
-	NDB Bank PLC ( 6.3%)	16,589	20,662	72 monthly installments commenced in March 2019	None
-	Sri Lanka Tea Board ( 5 %)	993	18,470	36 monthly installments commenced in May 2017	Tea Sales Proceeds
Ravi Industries (Pvt) Ltd.	Hatton National Bank PLC-USD (3 months LIBOR + 4 %)	20,791	40,394	60 monthly installments commenced in January 2016	Primary Mortgage over specific Machinery.
-	Standard Chartered Bank PLC (LIBOR + 2.75%)	80,704	-	60 monthly installments commenced in February 2019	Mortgage over Land at Ekala
-	Standard Chartered Bank PLC (AWPLR+ 0.5%)	78,341	-		
Chas P. Hayley & Co. (Pvt) Ltd.	Hatton National Bank PLC- (AWPLR+1%)	-	55,000	60 Installment ending 2021.	None
	Hatton National Bank PLC- (AWPLR+1.5%)	117,500	-	60 monthly installments	Corporate guarantee for Rs.150 mn from Volanka Ltd.
Rileys (Pvt) Ltd.	Hatton National Bank PLC- (AWPLR+1%)	-	52,500	60 Installment ending 2019.	Corporate guarantee for Rs.250 mn from Volanka
	Hatton National Bank PLC- (AWPLR+1.5%)	115,000	-	60 Installment ending 2024.	Ltd.
Alumex PLC	Standard Chartered Bank PLC (AWPLR + 0.25%)	800,000	1,027,500	48 monthly installments commenced in April, 2018	None
	Peoples Bank PLC (AWPLR +1%)	68,750	106,250	48 monthly installments commenced in February, 2018	None
	DFCC Bank PLC ( AWPLR+ 1.25%)	330,000	-	60 monthly installments commenced in December, 2018	None
The Kingsbury PLC	DEG Deutsche Investitions (6m LIBOR +4.25%)	293,486	518,681	Semi annual repayment on each 15th of June and December respectively commenced on 15th June 2015. for 12 installments	Mortgage on leasehold land, building and fixtures (building and building integrals) and
	Bank of Ceylon PLC (AWPLR+0.5%)	262,500	-	36 monthly installments commencing after 12 months grace period	movable assets, furniture, equipment (Plant & Machinery & equipment, furniture & fittings, Motor Vehicles and linen, cutlery, cookery and glassware)
Haychem (Bangladesh) Ltd.	Commercial Bank of Ceylon PLC (15%)	-	4,340	60 monthly equal installment	None

## 25.12 Long Term Borrowings Repayable After One Year (Contd.)

Company	Lender/rate of interest (p.a.)	2019 Rs.'000	2018 Rs.'000	Repayment	Security
Sun Tan Beach Resorts Ltd.	DFCC Bank PLC (PLR +1%)	133,543	200,000	66 Monthly installments commenced in October, 2016	Leasehold Right of the land and Hotel building
	Hatton National Bank PLC (PLR + 7.5%)	495,203	665,474	60 Monthly installments commenced in December, 2016	owned by Sun Tan Beach Resorts Ltd
Amaya Leisure PLC	Seylan Bank PLC (3 M - AWPLR + 1%)	-	7,350	Monthly installments commenced in May, 2014	None
Martin Bauer Hayleys (Pvt) Ltd.	Hatton National Bank PLC (AWPLR+0.75%)	-	1,447,577	Payable in 20 quarterly installments after initial grace period of 2 years	None
Hayleys Neluwa Hydro Power (Pvt) Ltd.	Hatton National Bank PLC (AWPLR+0.5%)	123,998	162,498	To be repaid over a period of 8 years	Mortgage bond for Rs. 30 mn ordinary shares of Hayleys Neluwa Hydro (Pvt) Ltd valued at Rs.300 mn.
	DFCC Vardhana Bank PLC (AWPLR+0.5%)	291,617	378,450	72 monthly installments after a grace period of 2 years	Mortgage bond for 500 mn
Neluwa Cascade Hydro Power (Pvt) Ltd.	Sampath Bank PLC (AWPLR+0.5%)	5,291	7,335	60 Monthly installments commenced in July, 2015	Primary mortgage for Rs. 100 mn over the project land & assets
Fentons Ltd.	Standard Chartered Bank PLC (AWPLR + 0.5%)	270,000	-	48 monthly installments	Corporate Guarantee from Hayleys PLC
-	Sampath Bank PLC (AWPLR+ 1.5 %)	29,111	390,000	60 monthly installments	Corporate Guarantee from Hayleys PLC
Energynet (Pvt) Ltd.	Sampath Bank PLC (15%)	-	1,500	Monthly installments	Mortgage over stock & debtors
Solar One Ceylon (Pvt) Ltd.	Sampath Bank PLC (AWPLR +0.75%)	1,083,950	1,245,600	96 equal monthly installments commenced September 2018	Mortgage over Lease Land & Mortgage over 100% shares
Nirmalapura Wind Power (Pvt) Ltd.	Hatton National Bank PLC (AWPLR+0.75%)	26,520	-	36 equal monthly installments commenced July 2018	None
Luxury Resort (Pvt) Ltd.	Sampath Bank PLC (LIBOR + 5%)	3,480,098	3,025,751	60 equal monthly installments commenced June 2010	Leasehold Right of the land and Hotel building owned by Luxury Resort (Pvt) Ltd.
Singer (Sri Lanka) PLC	Standard Chartered Bank PLC (12.95%)	220,375	657,150	Quarterly installments over three years commenced June -2017	None
	Commercial Bank of Ceylon PLC ( AWPLR + 1%)	1,250,000	1,875,000	Quarterly installments over three year commenced in December 2017	None
	Commercial Bank of Ceylon PLC ( AWPLR + 1%- Floor 13.25%)	2,000,000	-	Quarterly installments	None
	Sampath Bank PLC (PLR+1%)	1,500,000	-	Quarterly installments	Negative pledge over fixed assets of the company
	Hatton National Bank PLC (PLR +1%)	1,750,000	-	Quarterly installments	None

Company	Lender/rate of interest (p.a.)	2019 Rs.'000	2018 Rs.'000	Repayment	Security
Singer Finance (Lanka) PLC	Sampath Bank PLC (AWPLR +1.5%)	93,300	192,900	60 monthly installments commenced in March 2016	Mortgage over lease and hire purchase debtors
	Seylan Bank PLC (AWPLR + 2%)	383,300	19,400	Monthly installments commenced in August 2015	
	Capital Alliance Limited (13.32%)	270,000	-	To be repaid over a period of 3 years	Mortgage over lease
	Agora Securities (pvt) Ltd. (AWPLR + 1.75%)	807,099	-	Quarterly installments	Mortgage over lease
	Agora Securities (pvt) Ltd. (AWPLR + 2.50%)	250,560	-	Monthly installments	Mortgage over lease
		33,668,530	28,894,837		

### 26. Grants

As at 31st March	Consoli	idated
	2019	2018
	Rs.'000	Rs.'000
At the beginning of the year	772,147	743,387
Grants received during the year	36,626	60,045
Disposal of subsidiaries	(15)	-
Amortised during the year	(30,908)	(31,285)
At the end of the year	777,850	772,147

## 26.1 Grants Received for the Group is as follows:

Kelani Valley Plantations PLC- Received from the Plantation Reform Project (PRP), Plantation Human Development Trust, Ministry of Community Development, Asian Development Bank, Social Welfare Project, Estate Infrastructures Development Project, Plantation Development Support Project Ceylon Electricity Board, Tea Board, Save the Children International and Rubber Development Division of the Ministry of Plantations Industries.

**Talawakelle Tea Estates PLC -** Received funding from the Plantation Housing and Social Welfare Trust, Plantation Human development Trust, Plantation Development Project, Sri Lanka Tea Board, Save The Children Foundation for the development of workers facilities such as re-roofing of line rooms, water supply, sanitation and for replanting.

Agriculture Sector - Received by the USAID for construction of Gherkin Storage Facilities (Vats) in Padiyathalawa - Eastern Province.

**26.2** There are no conditions or contingencies attached to these grants.

#### 27. **Deferred Taxation**

As at 31st March	Consolidated	
	2019	2018
	Rs.'000	Rs.'000
Deferred tax assets	926,286	822,545
Deferred tax liabilities	5,191,022	4,729,365
Net Deferred Tax Liabilities	4,264,736	3,906,820

#### 27.1 Net Deferred Tax liabilities

As at 31st March		lidated
	2019	2018
	Rs.'000	Rs.'000
At the beginning of the year	3,906,820	1,248,974
Amount originating during the year- Income Statement	(90,153)	58,443
Amount originating during the year- Other Comprehensive Income	(64,323)	(62,992)
Acquisition through business combinations	194	997,234
Effect of transition to SLFRS 9 and SLFRS 15	(114,982)	-
Transfer from Income tax receivable	(36,371)	-
Disposal of subsidiaries	(42,057)	(488)
On revaluation of land	695,422	1,670,174
Effect of movements in exchange rates	10,186	(4,525)
At the end of the year	4,264,736	3,906,820

## 27.2 Net Deferred Tax Liabilities are attributable to the following as at the year end.

As at 31st March	Consoli	dated
	2019	2018
	Rs.'000	Rs.'000
Tax effect of employee benefit obligations	(1,311,007)	(1,312,908)
Tax effect of tax loss carried forward	(1,249,592)	(1,082,138)
Tax effect of provisions	(544,684)	(398,466)
	(3,105,283)	(2,793,512)
Deferred tax liabilities		
Tax effect of property, plant & equipment	7,096,673	6,489,841
Tax effect of investment properties	273,346	210,491
	7,370,019	6,700,332
Net deferred tax liabilities	4,264,736	3,906,820

## 28. Employee Benefit Obligations

As at 31st March	Conso	lidated	Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Present value of unfunded gratuity	8,500,108	7,337,659	883,063	713,730
At the beginning of the year	7,337,659	5,608,640	713,730	557,063
Acquisition through business combinations	22,984	769,581	-	-
Disposal of subsidiaries	(4,816)	-	-	-
Transferred to equity accounted investees	(5,722)	-	_	-
Transferred from outside	27,493	-	-	-
Effect of movements in exchange rates	33,573	25,236	-	-
Benefits paid by the during the year	(705,038)	(579,028)	(28,277)	(15,825)
Current service costs	571,677	396,580	38,843	32,565
Interest cost	741,653	732,806	82,217	66,580
Actuarial loss	480,645	383,844	76,550	73,347
At the end of the year	8,500,108	7,337,659	883,063	713,730

For the year ended 31st March	Consolidated		ed 31st March Consolidated Company		pany
	2019	2018	2019	2018	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
The expense is recognised in the following line items in the					
Statement of Profit or Loss					
Cost of sales	225,182	192,502	3,073	2,145	
Administrative expenses	801,601	893,178	117,987	97,000	
Distribution expenses	286,548	43,706	-	-	
	1,313,331	1,129,386	121,060	99,145	

An actuarial valuation of the retirement gratuity payable was carried out as at March 31, 2019 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd. and Mr. Pushpakumar Gunasekara, AIA, of Messrs Smiles Global (Pvt) Ltd., firms of professional Actuaries. The valuation method used by the actuaries to value the liability is the "Projected Unit Credit Method (PUC)", the method recommended by the Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits".

## 28.1. Actuarial assumptions

The following key assumptions were made in arriving at the above figure.

As at 31st March	Oth	Others		ations
	2019	2018	2019	2018
Rate of discount	1% - 11%	1% - 11%	11%	11%
Salary increase	1% - 10%	1% - 10%	10% - 20%	10% - 20%

 $Assumptions\ regarding\ future\ mortality\ are\ based\ on\ the\ A1967/70\ for\ Staff/Executive\ and\ A1949/52\ for\ Worker,\ issued\ by\ the\ Institute\ of\ Actuaries,\ London.$ 

The demographic assumptions underlying the valuation are with respect to retirement age early withdrawals from service and retirement on medical grounds.

28.2 The Group's and Company employee benefit obligations would have been Rs. 7,627 mn (2018- Rs.6,756mn) and Rs. 762 mn (2018- Rs. 696 mn) respectively, as at the reporting date had the Group calculated its retirement benefit obligation as per the requirements of the Payments of Gratuity Act no 12 of 1983, applying the basis of computation given in page 287 to the Financial Statements.

#### Sensitivity Analysis - Salary Escalation Rate/Discount Rate 28.3

Values appearing in the Financial Statements are very sensitive to the changes in financial and non financial assumptions used. A Sensitivity was carried out as follows,

## A one percentage point change in the salary escalation rate

1	Consolidated		Com	pany
	+1%	-1%	+1%	-1%
The present value of defined benefit obligation (Rs:000)	8,738,279	7,856,760	916,400	851,987

## A one percentage point change in the discount rate

	Consol	lidated	Com	pany
	+1%	-1%	+1%	-1%
The present value of defined benefit obligation (Rs:'000)	7,835,028	8,772,971	857,646	910,925

#### Distribution of Employee Benefit Obligation over Future Working Lifetime 28.4

As at 31st March	Consolidated		Consolidated Company		pany
	2019	2018	2019	2018	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Less than or equal 1 year	1,573,686	927,929	486,330	112,215	
Over 1 year and less than or equal 5 years	3,019,702	3,247,624	141,979	450,424	
Over 5 year and less than or equal 10 years	2,297,432	2,054,250	209,884	112,805	
Over 10 years	1,609,288	1,107,856	44,870	38,286	
	8,500,108	7,337,659	883,063	713,730	

#### **Trade and Other Payables** 29.

As at 31st March	Consc	Consolidated		Company	
	2019	2018	2019	2018	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Trade payables	14,283,458	13,971,335	-	-	
Bills payable	1,646,930	2,972,498	-	-	
Other payables including accrued expenses	11,476,107	10,661,020	387,653	256,707	
Unclaimed dividends	709,916	990,707	69,219	62,575	
Provision	423,825	168,772	-	-	
	28,540,236	28,764,332	456,872	319,282	

#### 29.1 **Provisions**

As at 31st March		Consolidated			
	Maintenance warranties **	Other	2019	2018	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
At the beginning of the year	149,720	19,052	168,772	15,350	
Arising during the year	197,173	36,204	233,377	62,877	
Acquisition through business combinations	-	-	-	145,153	
Effect of transition to SLFRS 15	137,645	-	137,645	-	
Utilised	(82,971)	(32,998)	(115,969)	(54,608)	
At the end of the year	401,567	22,258	423,825	168,772	

### \*\*Maintenance warranties

A provision for maintenance warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of possible outcomes against their associated probabilities.

Hayleys Agriculture Holdings Ltd. - Sells heavy machineries such as combine harvesters, combine threshers and four wheel tractors. A provision exists for warranty claims which may arise on machines sold.

Alumex PLC - Provision is recognised for expected warranty claims on wood finished product sold.

Singer (Sri Lanka) PLC - Warranty provision has cover both manufacturing defects & defects on imported Products.

Hayleys Lifesciences (Pvt) Ltd. - Provision is recognised for equipment sold.

## 29.2 Currency wise Analysis of Trade and Other Payables

As at 31st March	Consol	Consolidated		Company	
	2019	2018	2019	2018	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Sri Lankan Rupees	17,423,277	18,752,332	456,872	319,282	
Pounds Sterling	326,782	262,714	-	-	
United States Dollars	6,971,429	6,986,678	-	-	
Euro	994,154	306,484	-	-	
Thai Baht	1,592,906	1,231,755	-	-	
Bangladesh Taka	162,857	152,852	-	-	
Maldivian Rufiyaa	527,580	286,215	-	-	
Others	541,251	785,302	-	-	
	28,540,236	28,764,332	456,872	319,282	

### 29.3 Other Liabilities

As at 31st March	Consolidated		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Other tax payable	1,924,376	2,319,694	32,201	45,691
Other payable	960,834	2,813,826	-	-
Payments received in advance	2,252,850	1,608,000	-	-
	5,138,060	6,741,520	32,201	45,691
Other Current Liabilities	3,690,060	4,023,979	32,201	45,691
Other Non Current Liabilities	1,448,000	2,717,541	-	-

## 29.4 Deferred revenue

As at 31st March		Consolidated	
	2019	2018	
	Rs.'000	Rs.'000	
At the beginning of the year	246,289		
Acquisition through business combinations	-	290,109	
Effect of transition to SLFRS 15	88,974	-	
Amounts recognised during the year	112,452	(61,817)	
Amounts transferred during the year	(173,743)	17,997	
At the end of the year	273,972	246,289	

Deferred Revenue includes deferred service fee on air conditioners, Sanasuma Insurance Scheme and amount deferred on motor bike services income as at 31st March 2019.

#### 30. Income Tax

#### 30.1 Income Tax Recoverable

As at 31st March		Consolidated		Com	npany	
	Notes	2019	2018	2019	2018	
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	
At the end of the year	30.2	777,540	539,919	42,885	12,670	

#### 30.2 Income Tax Payable

As at 31st March	Consol	idated	Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	67,355	477,017	(12,670)	(5,411)
Subsidiaries'/ parents' taxation on current year's profit	2,065,432	1,831,366	-	1,329
Irrecoverable economic service charge	129,188	46,839	-	-
Under provision in respect of previous years	69,249	19,811	4,408	-
Tax on dividend	501,357	380,412	-	-
Acquisition through business combinations	5,001	(71,343)	-	-
Set off against ESC	(59,950)	-	-	-
Disposal of subsidiaries	2,572	1,240	-	-
Transferred to Deferred Tax	36,371	-	-	-
Tax credits received	49,056	2,941	-	_
Effect of movements in exchange rates	24,973	(11,354)	-	_
Payments made during the year	(2,899,484)	(2,609,574)	(34,623)	(8,589)
Net Income Tax payable/(recoverable)	(8,880)	67,355	(42,885)	(12,670)
Income tax recoverable	777,540	539,919	42,885	12,670
At the end of the year	768,660	607,274	-	-

#### 31. **Short-Term Interest Bearing Borrowings**

As at 31st March	Consolidated		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sri Lankan Rupees	35,398,701	25,583,620	5,378,333	3,875,370
Pounds Sterling	43,430	53,890	-	-
United States Dollars	9,688,852	6,497,701	-	_
Euro	319,962	595,196	-	-
Thai Baht	620,989	79,858	-	-
Indonesian Rupiah	726,640	711,878	-	-
Bangladesh Taka	650,086	479,698	-	_
Others	361,591	216,370	-	-
	47,810,251	34,218,211	5,378,333	3,875,370

### 32. Contingent Liabilities and Commitments

## 32.1 Contingent Liabilities

### Company

The contingent liability as at 31st March, 2019 on guarantees given by Hayleys PLC., to third parties amounted to Rs. 957 mn (2018 - 957 mn). This relates to facilities obtained by subsidiaries.

### Group

- Contingent liability as at 31st March, 2019 on bills discounted amounted to USD 273,500 (2018 USD 32,400) in respect of Hayleys Fabric PLC.
- The contingent liability as at 31st March 2019, on guarantees given by Haycarb PLC to third parties amounted to Rs. 2,590 mn (2018 Rs. 2,625 mn). Of this sum, Rs. 2,119 mn (2018 Rs. 2,241 mn) relate to facilities obtained by subsidiaries.
- The contingent liabilities as at 31st March, 2019 on guarantees given by Dipped Products PLC to third parties amounted to Rs. 13 mn (2018 Rs. 7 mn) Total of this sum relates to facilities obtained by subsidiaries.
- The contingent liabilities as at 31st March, 2019 on guarantees given by Alumex PLC to third parties amounted to Rs. 0.44 mn (2018 Rs. 4 mn).
- Under the finance companies (single borrowers limit) direction no 4 of 2006/1, the value of unsecured accommodations granted to and outstanding at any point of time from all borrowers should not exceeded 5% of the capital funds as shown in the last audited Statement of Financial Position. However as of 31st March 2019, Singer Finance (Lanka) PLC's amount has been exceeded in the credit card product by Rs. 363 mn.
- Singer Finance (Lanka) PLC has provided letters of guarantees to banks totalling to Rs. 1 mn against Fixed Deposits of Rs.1 mn.
- Regnis Lanka PLC has provided corporate guarantees to banks on behalf of Regnis Appliances (Pvt) Ltd amounting to Rs. 410 mn for the purpose of obtaining banking facilities.
- Regnis Lanka PLC cleared a shipment of imported goods during the year 2008 on provision of a bank guarantee amounting to Rs. 6 mn to the Director of Customs. The bank guarantee relates to alleged additional duty payable on imports which is contested by the Company. The customs inquiry initiated in 2008 is still pending. The management is of the opinion that there is no basis that the Company is liable for the additional duty and hence, no provision is made in the Financial Statements.

## 32.2 Commitments

### Group

In terms of the operating lease agreements entered in to, minimum future lease payments payable by the Group is as follows.

As at 31st March	2019	2018
	Rs.'000	Rs.'000
Repayable within one year	154,678	225,259
Repayable after one year less than 5 years	473,938	786,323
Repayable after 5 years	1,076,789	1,475,133
	1,705,405	2,486,715

#### 33. Foreign currency translation

The principal exchange rates used for translation purposes were:

	Ave	Average		st March
	2019	2018	2019	2018
United States Dollar	169.55	153.51	176.09	155.60
Australian Dollar	123.28	118.94	124.81	119.07
Pound Sterling	222.05	205.28	230.21	219.07
Thai Baht	5.25	4.67	5.54	4.99
Bangladesh Taka	2.02	1.87	2.10	1.86
Euro	195.82	180.74	197.77	191.74
Indian Rupee	2.43	2.38	2.55	2.39
Indonesian Rupiah	0.01	0.01	0.01	0.01
Maldivian Rufiyaa	10.98	9.91	11.39	10.09

#### 34. **Functional Currency**

The Group's functional currency is Sri Lankan Rupee, except in the following subsidiaries and equity accounted investees where the functional currency is different as they operate in different economic environments.

Company	Functional Currency	
Hayleys Fabric PLC	USD	
Haychem (Bangladesh) Ltd.	Taka	
PT Mapalus Makawanua Charcoal Industry	Indonesian Rupiah	
Haycarb Holdings Bitung Ltd.	USD	
Eurocarb Products Ltd.	Pounds Sterling	
Haycarb Holdings Australia (Pty) Ltd.	Australian Dollars	
Haycarb USA Inc.	USD	
Carbokarn Co. Ltd.	Thai Baht	
Haylex BV Group	Euro, Yen & USD	
Dipped Products (Thailand) Ltd.	Thai Baht	
CK Regen Systems Co. Ltd.	Thai Baht	
ICOGUANTI S.p.A	Euro	
Civaro Freight India (Pvt) Ltd.	Indian Rupees	
Hayleylines Limited	USD	
Logiwiz Logistics India (Pvt) Ltd.	Indian Rupees	
Shizuka Co. Ltd.	Thai Baht	
Charles Fibre (Pvt) Ltd.	Indian Rupees	
PT Haycarb Palu Mitra	Indonesian Rupiah	
Haylex USA	USD	
Nautical Maldives (Pvt) Ltd.	Maldivian Rufiyaa	
One World Logistics Maldives (Pvt) Ltd.	Maldivian Rufiyaa	
Super Logistics (Pvt) Ltd.	Maldivian Rufiyaa	
Total Transport Solutions Maldives (Pvt) Ltd.	Maldivian Rufiyaa	
Advantis Singapore Pte Ltd.	Singapore Dollars	
Advantis Kusuhara Sedate Myanmar (Pvt) Ltd.	Kyat	
Luxury Resorts (Pvt) Ltd.	USD	
Advantis Sedate Myanmar (Pvt) Ltd.	Kyat	
Advantis Intasl Bangladesh (Pvt) Ltd.	Taka	
PT Advantis Akaza Indonesia	Indonesian Rupiah	

## 35. Events Occurring After the Reporting Date

Other than what is mentioned below, no other circumstances have arisen since the reporting date, which would require adjustments to the Financial Statements.

The Directors have approved the payment of an interim dividend of Rs. 5.00 per share on 27th March 2019, for the year ended 31st March 2019, paid on 17th April 2019. In accordance with Sri Lanka Accounting Standard No. 10 on "Events after reporting period", this dividend has not been recognised as a liability as at the reporting date.

## 36. Companies with Different Accounting Years

The Financial Statements of, Haylex BV Group has been prepared for the year ended 31st December and ICOGUANTI S.p.A has prepared for the year ended 28th February. These Companies have been consolidated based on the Financial Statements drawn up to 31st December and 28th February since these subsidiaries are not material to the Group.

## 37. Acquisition and Disposal of Subsidiaries and Equity Accounted Investees

37.1 On 31st December, 2018 Ceylon Ocean Lines Ltd a subsidiary of Hayleys Advantis Ltd acquired 51% in IML Delivery Systems (Pvt) Ltd.

The fair value of assets acquired and liabilities assumed are as fallows,

As at 31st March	IML Delivery Systems (Pvt) Ltd	2019
	Rs.'000	Rs.'000
Property, plant and equipment	24,527	24,527
Trade and other receivables	83,559	83,559
Lease obligations	(4,837)	(4,837)
Interest in suspense	993	993
Employee benefit obligations	(22,984)	(22,984)
Deferred tax liability	(194)	(194)
Trade and other payables	(41,848)	(41,848)
Income tax payable	(5,001)	(5,001)
Net identifiable assets and liabilities	34,215	34,215
Non-controlling interests	(18,397)	(18,397)
Goodwill acquired	105,852	105,852
	121,670	121,670

#### 37.2 Satisfied by

As at 31st March	IML Delivery Systems ( Pvt) Ltd	2019
	Rs.'000	Rs.'000
Cash Consideration	121,670	121,670
Analysis of cash and cash equivalents on acquisition of subsidiary		
Cash consideration	(125,000)	(125,000)
Cash in hand and at bank acquired	3,330	3,330
	(121,670)	(121,670)

- From the date of acquisition. IML Delivery Systems (Pvt) Ltd contributed revenues of Rs.86 mn and profits before tax (PBT) of Rs 3 mn respectively to the consolidated results of the Group.
- 37.4 During the year, Carbotels (Pvt) Ltd and Amaya Leisure PLC, subsidiaries of Hayleys PLC disposed their's investment in Hunas Falls Hotels PLC.

As at 31st March	Total
	Rs '000
Property plant and equipment	341,473
Intangible assets	7,590
Inventories	4,352
Trade and other receivables	25,064
Income tax recoverable	2,572
Cash	36,155
Short term borrowings	(2,907)
Trade and other payables	(18,734)
Employee benefit obligations	(4,816)
Deferred income	(15)
Deferred tax liability	(42,057)
Net identifiable assets and liabilities	348,677
Non-controlling interests	(123,060)
Profit on disposal of subsidiaries	444,725
Cash consideration	670,342

On November 1, 2018, Martin Bauer Group of Germany joined Hayleys Global Beverages (Pvt) Ltd (formerly a Subsidiary of the Group) as a  $strategic\ partner\ by\ investing\ in\ a\ 51\%\ stake.\ Resulting\ from\ this\ investment,\ the\ percentage\ held\ by\ the\ Group\ in\ Hayleys\ Global\ Beverages\ (now\ property)$ known as Martin Bauer Hayleys (Pvt) Ltd) decreased to 49%. Consequent to the above transaction, the investment ceased to be consolidated to the Group's Financial Statements, and was transferred to equity accounted investees in the Group's Financial Statements.

The transaction resulted in a deemed disposal gain of Rs. 272 mn being recognised within other income in the Group.

## 37.6 Principal Subsidiaries with Material Non-Controlling Interests

Summarised financial information in respect of Hayleys PLC's subsidiaries that have material non-controlling interest, reflecting amounts before inter-company eliminations, is set out below.

As at 31st March	Dipped Products PLC	Haycarb PLC	Hayleys Advantis Ltd	Singer (Sri Lanka) PLC
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non-controlling interest in %	44	32	4	10
Non-current assets	14,224,855	6,661,166	19,973,551	18,531,534
Current assets	11,976,799	12,313,966	15,666,315	39,510,816
Total assets	26,201,654	18,975,132	35,639,866	58,042,350
Non-current liabilities	5,184,913	820,109	10,678,816	14,203,424
Current liabilities	7,804,089	8,802,222	19,184,286	35,387,283
Total liabilities	12,989,002	9,622,331	29,863,102	49,590,707
Equity attributable to the owners of the company	10,421,577	8,250,386	4,183,584	6,943,097
Non-controlling interests	2,791,075	1,102,415	1,593,182	1,508,546
For year ended 31st March				
Revenue	30,089,318	20,917,945	45,396,930	58,505,395
Profit after tax	1,223,826	1,081,702	1,406,642	385,981
Profit attributable to the owners of the company	868,424	955,411	496,861	250,121
Profit attributable to the non-controlling interests	355,402	126,291	909,782	135,860
Total comprehensive income	1,434,542	1,478,449	1,219,042	1,006,327
Dividend paid to non controlling interests	78,505	47,286	640,443	80,153
Net cash inflow from operating activities	1,487,284	(536,411)	(100,715)	(6,480,113)
Net cash (outflow) from investing activities	(764,677)	(336,658)	(3,211,282)	(400,021)
Net cash (outflow)/inflow from financing activities	(1,491,573)	(512,243)	852,045	6,607,033
Total net cash (outflow) )/inflow	(768,966)	(1,385,312)	(2,459,952)	(273,101)

#### **Related Party Transactions** 38.

#### 38.1 Parent and Ultimate Controlling Party

Company does not have an identifiable parent of its own.

## 38.2 Transactions with Key Management Personnel

### 38.2.1 Loans to Directors

No loans have been given to the Directors of the Company.

### 38.2.2 Key Management Personnel Compensation

Key management personnel comprise the Directors of the company and details of compensation are given in Note 10 to the Financial Statements

For the year ended 31st March	Cons	Consolidated		Company	
	2019	2018	2019	2018	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Short term employee benefit	1,352,140	1,345,471	254,637	409,054	
Post employee benefit	-	-	-	-	
Other long term benefit	-	-	-	-	
Termination benefits	-	-	-	-	
Share based payment	-	-	-	-	
	1,352,140	1,345,471	254,637	409,054	

## 38.2.3 Other Transactions With Key Management Personnel

- 38.2.3.1 The names of Directors of Hayleys PLC, who are also directors of subsidiaries joint ventures and equity accounted investees companies are stated on pages 239 to 241 to the Financial Statements.
- 38.2.3.2 Details of directors and their spouses' share holdings are given on page 382. There were no other transactions with key management personnel other than those disclosed in Note 38 to the Financial Statements.
- 38.2.3.3 The under mentioned Directors of Hayleys PLC, have leased the following residential premises to the under noted Companies in the Group:

Lessor	Premises	Lessee	Monthly Rental	
			Rs.	
A M Pandithage	Colombo 08	Hayleys PLC	5,000	

## Transactions with Subsidiaries, Equity Accounted Investees & Other Related Companies

Relationships with subsidiaries and equity accounted investees are explained in Note 18 and also under Group Companies in pages 388 and 390. Business segment classification is also given under Group Companies.

38.3.1 Companies within the Group engage in trading transactions under relevant commercial terms and condition.

**38.3.2** Hayleys PLC. provides office space to its subsidiary and equity accounted investees and charges rent. In addition the Company incurs common expenses such as on finance, export shipping, secretarial, data processing, personnel and administration functions. Such costs are allocated to subsidiary and equity accounted investees. Details are given below.

For the year ended 31st March	Company						
		2019		2018			
Business segment	Rent	Common expenses	Purchase of goods and services	Rent	Common expenses	Purchase of goods and services	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Eco solutions	12,680	117,850	1,980	9,444	118,691	1,799	
Hand protection	22,906	193,936	-	20,905	160,854	5,876	
Purification	37,838	149,985	81	35,924	153,051	-	
Textiles	-	105,963	-	-	97,372	-	
Construction materials	3,114	91,390	1,367	-	50,986	-	
Agriculture	24,391	131,099	7,412	23,172	124,340	5,125	
Plantations	26,338	108,774	1,182	25,133	85,525	580	
Industry inputs	18,202	78,417	1,781	16,439	72,506	645	
Power & energy	-	22,350	-	-	19,704	-	
Transportation & logistics	76,795	165,921	10,904	79,296	174,851	8,441	
Consumer & retail	27,192	150,093	6,395	25,832	80,926	2,903	
Leisure	32,098	228,107	35,833	27,097	206,518	24,944	
Others	22,271	111,455	29,272	22,156	100,330	19,793	
	303,825	1,655,340	96,207	285,398	1,445,654	70,106	

## 38.4 Amount Due From/Due To Subsidiaries

For the year ended 31st March	Company					
	201	2018				
Business segment	Receivable	Payable	Receivable	Payable		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000		
Eco solutions	144,946	(383)	145,298	(178)		
Hand protection	104,639	-	33,552	-		
Purification	182,951	(6)	31,887	(63)		
Textiles	11,040	-	8,337	-		
Construction materials	166,747	-	16,088	-		
Agriculture	717,914	(587)	166,655	(569)		
Plantations	64,796	(41)	227,489	(4,064)		
Industry inputs	467,629	(5)	79,808	-		
Power & energy	16,661	-	537,334	(5)		
Transportation & logistics	642,640	(1,043)	165,617	(699)		
Consumer & retail	298,825	(631)	40,304	(626)		
Leisure	149,306	(1,133)	71,278	(153)		
Others	445,797	(33,474)	276,911	(33,993)		
	3,413,891	(37,303)	1,800,558	(40,350)		

#### 38.5 Amount Due From/Due To Equity Accounted Investees

As at 31st March	Consolidated			Company				
	201	9	201	18	2019		2018	
Business segment	Receivable	Payable	Receivable	Payable	Receivable	Payable	Receivable	Payable
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Eco solutions	24,741	(289)	11,661	-	1,072	-	5,597	-
Purification	16,311	-	26,409	-	48	-	23	-
Transportation &								
logistics	9,962	(1,116)	10,714	-	429	-	615	-
Plantations	7,177	(3,152)	-		6,873	(3,152)	-	
Others	44,486	-	72,322	-	5,148	-	2,615	-
	102,677	(4,557)	121,106	-	13,570	(3,152)	8,850	-

## 38.6 Transactions With Other Related Companies

Company	Relationship	Name of director	Nature of transaction	Amount Rs.000
LB Finance PLC	Control/Significant share holder	K.D.D. Perera	Lease rental paid	1,178
			Outstanding	323
			Amounts Received	1,028
Pan Asia Bank PLC	Significant share holder	K.D.D. Perera	Bank facility	728,270
			Outstanding	373,645
			Interest paid	32,304
			Amounts Received	556
Royal Ceramics PLC	Control/Significant share holder	K.D.D. Perera	Purchase of Goods & services	42,539
			Outstanding	2,051
			Amounts Received	1,071
Vallibel Finance Ltd.	Control/Significant share holder	K.D.D. Perera	Outstanding	3,520
			Amount paid	179
Vallibel One PLC	Control/Significant share holder	K.D.D. Perera	Outstanding	269
			Amount paid	30,621
			Amounts Received	8,975
Unidil Packaging Ltd.	Control/Significant share holder	K.D.D. Perera	Amounts paid	70,282
			Amounts Received	601
			Outstanding	5,163
Delmege Limited	Control/Significant share holder	K.D.D. Perera	Amounts paid	12,962
			Amounts Received	18,040
Horana Plantations PLC	Control/Significant share holder	K.D.D. Perera	Outstanding	16,336
Swisstek Ceylon PLC	Control/Significant share holder	K.D.D. Perera	Amounts paid	14,821
			Amounts Received	1,135
			Outstanding	504
Delmege Forsyth & Co.Ltd.	Control/Significant share holder	K.D.D. Perera	Amounts Received	39,742
Lanka Tiles PLC	Control/Significant share holder	K.D.D. Perera	Amounts Received	26,082
			Outstanding	14,275
The Fortress Resorts PLC	Control/Significant share holder	K.D.D. Perera	Amounts paid	6,665
			Outstanding	188
Vallibel Plantations (Pvt) Ltd.	Control/Significant share holder	K.D.D. Perera	Amounts paid	8,757

- **38.7** Details of guarantees given in respect of related parties are given in Note 32 to the Financial Statements.
- **38.8** No provision was made in respect of related party receivables.
- 38.9 No security has been obtained for related party receivables and all related party dues are payable on demand.
- 38.10 Interest on related party dues are decided based on the inter bank lending rates, associated risk and purpose for which funds are used.
- 38.11 There are no related parties or related party transactions other than those disclosed in Note 38 to the Financial Statements.

#### 39. Discontinued Operations/ Assets Held For Sales

For the year ended 31st March	Consc	olidated
	2019	2018
	Rs.'000	Rs.'000
Assets classified as held for sale		
Property, plant & equipment	51,900	-
Trade and other receivables	1,906	1,906
Cash in hand and bank	1,115	1,115
Total assets	54,921	3,021
Liabilities directly associated with assets classified as held for sale		
Trade and other payables	332	332
Total liabilities	332	332

Civaro Freight India (Pvt) Ltd., which was set up in India, to develop an international freight management network, has now ceased operation due to the negative effect of the global recession and will be wound up.

Carbotels (Pvt) Ltd., is going to dispose its investment property (Land) in the subsequent financial period. Accordingly, the land has been classified as Assets classified as held for sale.

### Notes to the Financial Statements

#### Reconciliation for the Consolidated Statement of Financial Position as at 31st March 2018 40.

	Previously stated	Effect of Transition to SLFRS 09	Effect of Transition to SLFRS 15	Restated
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Non - current assets				
Property, plant & equipment	84,010,488	-	-	84,010,488
Investment Properties	1,948,609	-	-	1,948,609
Biological assets	404,659	-	-	404,659
Intangible assets	14,114,642	-	-	14,114,642
Investments in equity accounted investees	845,898	-	-	845,898
Other non current financial assets	290,657	-	-	290,657
Non - current Trade and other receivables	9,333,864	-	-	9,333,864
Other non current assets	2,431,175	-	-	2,431,175
Deferred tax assets	822,545	-	-	822,545
Total non-current assets	114,202,537	-	-	114,202,537
Current assets				
Inventories	22.745 / 20			22.745./20
Amounts due from equity accounted investees	32,745,630 121,106	-	_	32,745,630
Trade and other receivables		(202242)		121,106
	48,227,112	(382,342)		47,844,770
Other current assets Income tax recoverable	2,640,004		-	2,640,004
Other current financial assets	160,702	_		160,702
Short-term deposits	3,631,527			3,631,527
Cash in hand and at bank	7,495,343	_		7,495,343
Assets classified as held for sale	3,021	_	_	3,021
Total current assets	95,564,364	(382,342)		95,182,022
Total assets	209,766,901	(382,342)		209,384,559
Total assets	207,700,701	(302,342)		207,304,337
Equity and liabilities				
Stated capital	1,575,000	-	-	1,575,000
Capital reserves	887,340	-	-	887,340
Other components of equity	20,978,486	-	-	20,978,486
Revenue reserves	16,208,311	(254,848)	(168,801)	15,784,662
Total equity attributable to equity holders of the company	39,649,137	(254,848)	(168,801)	39,225,488
Non-controlling interest	20,158,629	(51,052)	(19,278)	20,088,299
Total equity	59,807,766	(305,900)	(188,079)	59,313,787

	Previously stated	Effect of Transition to SLFRS 09	Effect of Transition to SLFRS 15	Restated
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non - current liabilities				
Interest bearing borrowings	34,621,339	-	-	34,621,339
Grants	772,147	-	-	772,147
Deferred tax liabilities	4,729,365	(76,442)	(38,540)	4,614,383
Security deposit	1,199,128	-	-	1,199,128
Other Non current Liabilities	2,717,541	-	93,801	2,811,342
Other non current financial liabilities	403,056	-	-	403,056
Employee benefit obligations	7,337,659	-	-	7,337,659
Total non-current liabilities	51,780,235	(76,442)	55,261	51,759,054
Current liabilities				
Trade and other payables	28,764,332	-	43,844	28,808,176
Other current liabilities	4,023,979	-	-	4,023,979
Other current financial liabilities	6,517,031	-	-	6,517,031
Deferred Revenue	246,289	-	88,974	335,263
Income tax payable	607,274	-	-	607,274
Current portion of long term interest bearing borrowings	23,801,452	-	-	23,801,452
Short-term interest bearing borrowings	34,218,211	-	-	34,218,211
Liabilities directly associated with	-	-	_	
assets classified as held for sale	332	-		332
Total current liabilities	98,178,900	-	132,818	98,311,718
Total liabilities	149,959,135	(76,442)	188,079	150,070,772
Total equity and liabilities	209,766,901	(382,342)	-	209,384,559

#### Adoption of SLFRS 9

SLFRS 9 replaced the 'incurred loss 'model in LKAS 39 with an 'expected credit loss' (ELC) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investment at Amortised cost. The Group has determined that the application of SLFRS 9's impairment requirements at 1st April 2018 resulted in an additional impairment of Rs. 382.3 mn.

#### Adoption of SLFRS 15

The adoption of SLFRS 15 in the Consumer and Retail Sector of the Group resulted in adjustments being required to the statement of financial position of the Group as at 1 April 2018, the details of which are as follows;

Type of Performance Obligation	New revenue/cost criteria	Previous accounting policy
Extended Warranty Income	The extended warranty fee income (net of taxes) is recognised over the period of extended warranty. Unrecognised income is accounted for as deferred revenue.	The Group recognised the full warranty income as revenue over the period of extended warranty without recognising a portion of revenue upfront
Revenue on Customer Loyalty Program	Revenue is deferred at the time of earning the loyalty points based in the expected redemption rate. Based on the actual redemptions the revenue is recognised.	Loyalty points was not considered as a separate performance obligation, and no adjustment was made in relation to the revenue recognised. A provision was separately recognised by the Group, and loyalty points redeemed were accounted for as a settlement against the recognised provision.

### Notes to the Financial Statements

#### 41. **Segment Analysis**

The segment information is based on two segmental formats. The business segment is considered as the primary format and based on the management structure of the Group. The management are of the view that the Chairman is considered the Chief Operating decision maker and resources are allocated and performance assessed based on the sectors, Therefore each sector which falls under the purview of a different GMC member is considered a separate segment.

For the year ended 31st March,	Eco So	lutions	Hand Pr	otection	Purifi	cation	Text	tiles	Constr Mate		Plant	ations	Agricı	ulture
In Rs '000	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue														
Total	7,107,525	5,383,127	17,130,047	15,865,114	20,917,945	15,518,079	11,858,435	8,855,501	5,132,712	4,512,227	13,221,734	12,679,891	16,110,030	14,786,030
Intra Group	(514,538)	(871,968)	(19,223)	(13,221)	-	-	-	-	(141,252)	(112,685)	(213,536)	(70,549)	(1,142,573)	(839,315)
External	6,592,987	4,511,159	17,110,824	15,851,893	20,917,945	15,518,079	11,858,435	8,855,501	4,991,460	4,399,542	13,008,198	12,609,342	14,967,457	13,946,715
Segment results Results from operating														
activities	439,589	(15,961)	883,475	470,721	1,524,699	1,090,442	464,782	141,995	594,125	645,768	941,659	887,202	1,710,147	1,148,701
Net finance cost	(75,922)	(1,145)	(109,724)	(77,490)	(292,458)	(180,036)	(151,307)	(149,524)	(417,291)	(131,042)	(325,615)	(409,942)	(586,840)	(238,439)
Share of profit of equity accounted investees	54400	00.07			(5 ( 4 4 )	4.057					(00.504)			
(net of tax) Change in fair value of	54,129	32,867	-		(5,644)	1,956	-	-	-	-	(22,591)	-	-	-
Investment Properties	13,479	13,479	9,895	36,760			_	_	_	_	_	_	_	_
Value added tax on financial services		20,177	.,,,,,,		•		•			_				_
Profit before tax	431,275	29,240	783,646	429,991	1.226.597	912,362	313,475	(7,529)	176,834	514,726	593,453	477.260	1,123,307	910,262
								V: 11				,		
Tax expense Depreciation on	63,377	(52,892)	279,671	317,142	271,196	152,800	134,035	96,784	50,354	150,368	135,868	119,481	257,311	284,093
property, plant &														
equipment	94,847	39,306	610,211	560,961	479,140	426,255	342,642	300,186	163,611	116,190	496,827	514,211	112,098	120,485
Impairment of property, plant & equipment							15,263		33,039	_	-	_	-	-
Amortisation of	•				•						•			
intangible assets	1,010		11,840	128	41,683	32,749	15,859	22,015	-	-	383	-	12,154	-
Total assets (excel. equity accounted														
investees)	8,724,738	7,497,463	12,056,706	12,026,824	18,043,367	14,387,015	7,029,614	5,817,517	6,448,174	5,878,576	13,275,385	13,943,397	12,507,316	11,346,325
Investment in equity	70 704	/7100	200.020		04470	00.000					(000 500)			
accounted investees Additions to Property	78,721	67,130	390,920		94,178	99,822			-	-	(929,502)	-		-
Plant & equipment	391,455	71,138	148,302	339,168	484,559	494,297	560,042	371,519	1,320,961	341,370	635,635	695,617	217,327	98,786
Improvements to					•						-			
Biological assets	•		•		•				-	-	7,885	8,988	-	-
Additions to Intangible														
assets		3,025	73,690	-		39,404	991	7,505	-	-	-	-	3,384	72,038
Non Interest bearing liabilities														
Deferred tax Liability	354,827	219,336	151,473	128,146	203,891	219,199	311,327	211,645	250,760	221,551	609,583	585,701	36,221	25,946
Employee benefit obligations	311,321	314,418	707,968	623.173	561,000	464,424	446,290	316,337	111,765	108,229	2.089.327	1,743,564	628,635	565,774
Trade and other	311,321	314,410	707,700	020,170	301,000	+04,424	440,270	310,337	111,703	100,227	2,007,027	1,740,004	020,000	303,774
payables	401,460	365,343	2,027,683	2,212,203	3,492,277	2,677,042	1,677,630	1,369,751	908,170	1,014,482	1,098,448	1,201,909	2,406,703	3,702,931
Cash Flow Segment cash flows from Operating Activities	(91,728)	539,698	591,337	737,345	(536,411)	93,303	496,536	659,045	80,162	(300,316)	742,154	1,653,252	(1,883,635)	1,371,329
Segment cash flows				-		-								
from Investment Activities	(326,612)	(919,883)	469,389	(47,209)	(336,658)	(344,228)	(248,699)	(369,670)	(466,898)	(1,458,419)	(548,755)	(818,796)	(14,635)	(193,023)
Segment cash flows from Financing														
Activities	244,002	290,401	(870,533)	(979,317)	(512,243)	(661,297)	(407,006)	(400,269)	77,814	687,482	(407,466)	(70,267)	(356,686)	(593,528)

Consume	er & Retail	Leis	sure	Industry	/ Inputs	Power &	Energy	Transpo Logi	rtation & stics	Oth	ners		egment ments	То	tal
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
67,205,004	35,927,829	6,466,215 (103.328)	5,756,399	4,504,004	4,049,942	1,505,769	1,513,363	45,344,801	35,652,333	5,883,252	5,681,628 (702.379)	-	-	222,387,473	·······
67.205.004	35,927,829	6,362,887	(83,469) 5,672,930	(104,289) 4,399,715	(238,410)	1,505,769	1.513.363	45,344,801	35,652,333	(966,774) 4,916,478	4,979,249	-		(3,205,513) 219,181,960	
4.098.235						•		3,576,482		1,768,652		(4 ( ( 4 ( 4 4 )			
(3,600,748)	2,026,114 (1,209,265)	655,400 (426,286)	343,432 (395,758)	83,265 (290,824)	401,529 (195,624)	910,385 (220,250)	936,963 (226,306)	(1,171,855)	2,949,820 (697,394)	(1,781,689)	(689,897)	(1,060,798)	•	15,989,281 (10,511,607)	(5,932,022)
	•					•				•			•	•	
-	-	-	-	-	-	149,373	189,862	1,694	1,552	(865)	989	-	-	176,096	227,226
_	-	_	-	-	-	-	-	15,125	89,200	75,400	44,747	-	-	113,899	184,186
(292,156)	(119,069)											_	_	(292,156)	(119,069)
205,331	697,780	229,114	(52,326)	(207,559)	205,905	839,508	900,519	2,421,446	2,343,178	61,498	1,720,948	(2,722,412)	(3,318,818)	5,475,513	5,763,498
074/45	040055	444.000	100 700	((5 (00)	57.507	11057	(4.440.77)	4.044.000	000004	70.457	40.000	444.050	447007	0.705.507	0.404.070
274,645	349,355	111,200	108,722	(65,630)	56,507	14,057	(144,067)	1,014,803	922,831	73,456	12,099	111,253	117,837	2,725,596	2,491,060
592,101	290,876	585,817	548,327	36,747	20,690	265,703	264,203	870,460	593,619	160,779	131,948		_	4,810,981	3,927,258
-	-	-	-	-	-	-	-	-	-	4,307	_	-	-	52,609	-
04.400	47005	0,704	05.444	40.405	000	40.550	40.550	550/0	40.500	, 500	4.400			04/055	454500
21,698	17,025	26,791	25,114	10,425	208	12,552	12,552	55,360	40,590	6,500	1,139			216,255	151,520
51,921,196	47,193,336	10,987,363	11,042,673	5,665,960	4,851,807	4,289,992	4,418,146	36,031,085	28,166,314	48,684,082	47,480,943	(5,885,693)	(5,129,333)	229,779,285	208,921,003
_	-	-	-	525,000	525,000	285,450	136,077	6,308	5,532	1,516,334	12,337	-	-	1,967,409	845,898
***************************************															
921,618	344,573	1,581,346	305,754	27,087	86,261	18,867	22,156	2,303,786	844,615	117,688	280,185	-	462	8,728,672	4,295,901
-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,885	8,988
8,678	26,983	1,692	1,257	_	61,225	_	_	38,890	105,712	9,150	31,699	_	_	136,474	348,848
-															
184,073	643,177	518,108	528,109	1,386		3,343	2,843	1,794,517	1,278,542	771,513	665,170	_	-	5,191,022	4,729,365
952,210	872,849	135,858	116,556	146,360	155,812	9,114	7,368	1,292,933	1,126,793	1,107,327	922,362	-	-	8,500,108	7,337,659
7,637,957	9,133,042	875,425	878,652	988,110	635,917	67,641	74,085	5,366,762	4,031,226	1,591,970	1,467,749	-	-	28,540,236	28,764,332
(6,923,203)	(2,465,270)	723,363	404,895	(791,545)	(129,518)	872,554	845,820	(624,721)	1,571,523	(2,556,211)	946,032	11,088,414	1,523,862	1,187,067	7,451,001
(730,466)	(189,334)	(629,574)	(916,600)	344,518	(314,777)	(47,459)	(29,527)	(3,211,282)	(4,097,677)	(1,984,752)	(11,014,506)	2,471,120	2,422,330	(5,260,764)	(18,291,318)
6,339,396	(597,356)	83,326	(95,994)	2,499	(207,524)	(804,779)	(823,835)	852,045	2,077,181	1,871,332	6,404,708	(14,100,827)	(6,157,066)	(7,989,127)	(1,126,681)

#### Notes to the Financial Statements

#### 42. Financial Risk Management

The Group has exposure to the following risk from financial instruments:

- Credit risk 1
- 2 Liquidity risk
- 3 Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated Financial Statements.

#### Financial Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's financial risk management framework which includes developing and monitoring the Group's Financial risk management policies.

The Group's Financial risk management policies are established to identify, quantify and analyse the financial risks faced by the Group, to set appropriate risk limits and controls, and to monitor Financial risks and adherence to limits. Financial Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All derivative activities for risk management purposes are carried out by Group Treasury that have the appropriate skills and experience.

The Group Audit Committee oversees how management monitors compliance with the Group's financial risk management policies and procedures, and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by the Management Audit and System Review Department (MASRD). MASRD undertakes both regular and ad hoc reviews of Financial risk management policies and procedures, the results of which are reported to the Group Audit Committee.

#### Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily from trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

#### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Management; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. Outstanding customer receivables are regularly monitored at the individual sector and Group Management Committee (GMC) level. Further SLECIC cover or other forms of credit insurance is obtained for most exports or in the instance this is not obtained, specific GMC approval is obtained prior to the export.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers. Customers that are considered as "high risk" are placed on a restricted customer list and future sales are made on a prepayment basis.

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

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs. 67 bn (2018 - Rs. 58 bn) which is recorded at Note 22 to the Financial Statements.

#### Investments

Credit risk from invested balances with the financial institutions are managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

#### Treasury bills

Singer Finance (Lanka) PLC invests not less than 7.5% of the public deposits in Treasury Bills to comply with the Central Bank of Sri Lanka Direction No. 1 of 2009.

#### Cash and cash equivalents

The Group held cash in hand and at bank equivalents of Rs. 9 bn at 31 March 2019 (2018 -Rs. 7 bn) which represents its maximum credit exposure on these assets.

Respective credit ratings of banks which group cash balances held are as follows;

- People's Bank AA+(lka)
- Standard Chartered Bank AAA (Ika)
- Commercial Bank of Ceylon PLC AA(Ika)
- Sampath Bank PLC A+ (Ika)
- Nations Trust Bank PLC A( Ika)
- Pan Asia Banking Corporation PLC Bank-BBB-(Ika)
- Hatton National Bank PLC- AA-(Ika)
- Bank of Ceylon- AA+(Ika)
- DFCC Bank- AA-( lka)
- Citibank -AAA( Ika)
- Seylan Bank PLC -A-(Ika)
- National Development Bank PLC A+ (Ika)
- Union Bank of Colombo PLC-BB+ (lka)

Source - http://www.fitchratings.lk

#### Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and finance leases. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Group Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The liquidity requirements of business units and subsidiaries are met through central cash management by Group Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements. The Group Treasury monitors the cash flows in subsidiary and Group level and obtains adequate bank facilities to meet the funding requirements. The Group does not concentrate on a single financial institution, thereby minimising the expose to liquidity risk through diversification of funding sources. The Group aims to fund investment activities of the individual and group level by funding the long term investment with long term financial sources in terms of equity, debenture or long term loans. Short term investments are funded using short term loans. Group has been

### Notes to the Financial Statements

#### 42. Financial Risk Management (Contd.)

successful in arranging long term funding from overseas as measure to diversify its funding sources which enabled reducing the sole dependency on domestic market for project financing. The Group also issued a debentures in domestic market as a measure to reduce its dependency on local banking system for all its financing requirement and thereby freeing available banking lines for future projects.

The monthly liquidity position is monitored by the Group Treasury. All liquidity policies and procedures are subject to review and approval by Board of Directors. Daily reports cover the liquidity position of both the Group and operating subsidiaries .

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31st March 2019	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Consolidated	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest-bearing loans and borrowings	11,502,059	36,240,776	25,879,042	36,727,755	2,934,239	113,283,871
Trade and other payables	3,479,367	19,198,548	5,582,936	247,514	31,871	28,540,236
Security deposit	382,308	167,901	246,481	115,922	475,822	1,388,434
Other financial liabilities	397,407	2,138,615	2,660,547	791,520	13,035	6,001,124
	15,761,141	57,745,840	34,369,006	37,882,711	3,454,967	149,213,665
As at 31st March 2019	On demand	Less than 3	3 to 12	1 to 5 years	>5 vears	Total

As at 31st March 2019	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Company	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest-bearing loans and borrowings	5,378,333	1,545,881	4,637,643	11,606,827	497,270	23,665,954
Trade and other payables	454,793	-	177	-	1,902	456,872
Other current financial liabilities	-	33,452	-	-	-	33,452
	5,833,126	1,579,333	4,637,820	11,606,827	499,172	24,156,278
As at 31st March 2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Consolidated	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest-bearing loans and borrowings	9,455,332	28,169,960	20,394,370	29,417,706	5,203,634	92,641,002
Trade and other payables	5,205,390	19,958,066	2,973,077	537,990	89,809	28,764,332
Security deposit	-	39,570	141,106	531,003	487,449	1,199,128
Other financial liabilities	88,114	2,453,956	3,974,961	390,914	12,142	6,920,087
	14,748,836	50,621,552	27,483,514	30,877,613	5,793,034	129,524,549
As at 31st March 2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Company	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest-bearing loans and borrowings	3,875,370	936,975	2,810,923	9,685,101	2,497,327	19,805,696
Trade and other payables	192,620	113,489	11,271	-	1,902	319,282
Other Current financial liabilities	-	10,654	-	-	-	10,654
	4,067,990	1,061,118	2,822,194	9,685,101	2,499,229	20,135,632

#### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, financial assets designated at fair value through OCI, financial assets at fair value through profit or loss and derivative financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The sensitivity analyses in the following sections relate to the position as at 31 March 2019 and 2018.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group mainly borrows in the short term to fund its working capital requirement which are linked to floating interest rates. For other funding needs the Group maintains a proper mix of interest rate based on the basis of the predictability of future cash flows. Group Treasury closely monitors the interest rate fluctuations in the market and advices the sectors of the Group on a regular basis.

#### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

		Consolidated	Company
	Increase/decrease in base point	Effect on profit before tax	Effect on profit before tax
		Rs.'000	Rs.'000
2019	+ 150	(1,670,652)	(354,989)
	- 150	1,670,652	354,989
2018	+ 150	(1,320,533)	(292,791)
	- 150	1,320,533	292,791

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk on sales, purchases and borrowings and net investments in foreign subsidiaries that are denominated in a currency other than the respective functional currencies of the Group. These currencies primarily are the Euro, US Dollars (USD), Bangladesh Taka, Pound Sterling (GBP), Indonesia Rupiah and Thailand Baht.

The Group hedges its exposure to fluctuations on the translation of its foreign operations by holding net borrowings in foreign currencies and by using foreign currency swaps, forwards contracts and hedge accounting. Group Treasury closely monitors the exchange rate fluctuations and advices the sectors on a regular basis.

#### Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar and Euro exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

The Group's exposure to foreign currency changes for all other currencies is not material.

### Notes to the Financial Statements

#### 42. Financial Risk Management (Contd.)

		Consoli	dated	Company
		Increase/decrease in base point	Effect on profit before tax Rs.'000	Effect on profit before tax Rs:'000
2019	USD	+5%	(884,494)	(29,348)
	Euro	+ 5%	884,494	_
	USD	- 5%	970,313	29,348
	Euro	- 5%	(67,210)	-
2018	USD	+ 5%	(787,099)	(77,626)
	Euro	+ 5%	85,485	-
	USD	- 5%	787,099	77,626
	Euro	- 5%	(85,485)	-

#### Commodity Risk

The Group is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase and manufacturing process. Due to the significantly increased volatility of the price of the underlying, the management has developed and enacted a risk management strategy regarding commodity price risk and its mitigation. The sectors constantly monitor the Raw material price levels of Charcoal, Rubber, Aluminum and Yarn for downwards trends and invest in bulk purchase when low prices are prevalent. Management may revise the selling price based on the commodity prices whenever possible.

#### Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the GMC. Equity price risk is not material to the financial statements.

#### Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserves, retained earnings and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The gearing ratio at the reporting date was as follows

As at 31st March	Conso	lidated	Company		
	2019	2018	2019	2018	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Interest Bearing borrowing	39,661,994	34,621,339	12,104,097	12,182,428	
Current portion of Long term interest bearing borrowings	25,811,627	23,801,452	6,183,524	3,747,898	
Short term interest bearing borrowings	47,810,251	34,218,211	5,378,333	3,875,370	
	113,283,872	92,641,002	23,665,954	19,805,696	
Equity	61,878,467	59,807,766	18,081,114	18,478,608	
Equity and debts	175,162,339	152,448,768	41,747,068	38,284,304	
Gearing ratio	65%	61%	57%	52%	

The Regulatory Capital requirements for the Finance Companies are set by the Central Bank of Sri Lanka. The details of the computation of risk weighted assets, capital and the ratios of the Singer Finance PLC are given below:

#### Capital Adequacy of Singer Finance PLC

Capital adequacy is a measure of financial institutions financial strength and stability. This widely accepted concept tries to specify the limit up to which a business can expand in terms of its risk – weighted assets. Finance companies in pursuit of business expansion, could engage themselves in activities that regularly change their risk profile. In light of this, regulatory capital requirements have been established to avoid undue expansion beyond specified limits keeping a hold on companies' exposure to risk. Capital serves as a comfort to absorb unexpected losses, providing a degree of security to depositors and other key stakeholders.

This measure has been introduced by the Central Bank of Sri Lanka to protect the interest of the various stakeholders of the Company while ensuring the maintenance of confidence and stability of the financial system.

The capital adequacy ratio is calculated as a percentage on company's capital to its risk weighted assets as specified by the direction. No 02 of 2006, Finance Companies (Risk-Weighted Capital Adequacy Ratio) and there are two measures to defined the capital adequacy of the company namely Core capital to Risk-Weighted asset ratio and Total Capital to Risk-Weighted assets ratio.

The minimum requirement for Core Capital adequacy ratio and Total capital adequacy ratio are 5% and 10% respectively.

The core capital represents the permanent shareholders', equity and reserves created or increase by appropriations of retained earnings or other surpluses and the total capital include in addition to the core capital, the revaluation reserves, general provisions and other hybrid capital instruments and unsecured subordinated debts.

The Risk Weighted Assets have been calculated by multiplying the value of each category of asset using the risk weight specified by the Central Bank of Sri Lanka.

Details of the computation and the resulting rations are given below:

Total Risk-Weighted Assets Computation	Bala	ance	Risk-Weighted Factor	Risk-Weighted Balance	
	2019	2018		2019	2018
As at 31st March	Rs.'000	Rs.'000	%	Rs.'000	Rs.'000
Assets					
Risk Weighted Amount for Credit Risk					
Notes and Coins	99,121	-	-	-	-
Cash Items in the Process of Collection	186,978	-	20%	37,396	-
Fixed Assets	221,001	-	1.00	221,001	-
Other Assets/Exposures	518,007	-	1.00	518,007	-
Investment in Government Securities	623,372	-	0%	-	-
Bank deposits	83,324	-	20%	16,665	-
Retail claims in respect of motor vehicles and machinery	7,935,770	-	100%	7,935,770	-
Claims Secured by Gold					
Outstanding claim portion up to 70% of the market value	145,163	-	0%	-	-
Remaining outstanding claim portion over 70% of the			•		
market value	5,715	-	100%	5,714	-
Other retail claims	9,964,475	-	125%	12,455,593	-
Other Non-Performing Assets					
Specific provisions are equal or more than 20%	358,798	-	100%	358,798	-

### Notes to the Financial Statements

#### 42. Financial Risk Management (Contd.)

Total Risk-Weighted Assets Computation	Balar	nce	Risk-Weighted Factor	Risk-Weighted Balance	
	2019	2018		2019	2018
As at 31st March	Rs.'000	Rs.'000	%	Rs.'000	Rs.'000
Total Risk-Weighted Assets Computation					
Cash and Bank Balance	-	295,703	0%	-	-
Investment in Government Securities	-	671,382	0%	-	-
Bank deposits	-	81,504	20%	-	16,301
Loans against fixed deposits	-	42,550	0%	-	-
Staff Loans Secured by Provident Fund Balances	-	74,963	0%	-	-
Loans against Real Estate	-	86,416	50%	-	43,208
Loans and advances	-	3,943,772	100%	_	3,943,772
Finance lease receivable	-	11,294,077	100%	-	11,294,077
Hire purchase receivable	-	74,762	100%	-	74,762
Other investments	-	-	-	-	-
Inventories	-	-	-	-	-
Other assets	-	323,859	100%	-	323,859
Fixed assets	-	170,008	100%	-	170,008
Total Risk - Weighted Assets	20,141,723	17,058,996		21,548,944	15,865,987
Risk Weighted Amount for Operational Risk	2.040.244		150/	427 722	
	2,918,214		15%	437,732	_
Interest Expenses	(1,296,290)	_	15%	(194,444)	-
Non-interest income	445,271	-	15%	66,791	-
	2,067,195	-		310,079	
Risk-Weighted Amount for operational Risk under the Basic Indicator Approach				3,100,793	
Total Risk - Weighted Assets	22,208,918	17,058,996		24,649,737	15,865,987
Total Capital Base Computation					
Stated Capital				1,996,444	1.996.444
Reserved Fund					
				136,009	113,852
Published Retained Earnings				1,202,658	986,178
Less:-				44,000	
Other Intangible Assets (net)				46,293	0.007.475
Total Core Capital				3,288,818	3,096,475
Supplementary Capital				-	-
Total Supplementary Capital					-
Capital Base				3,288,818	3,096,475

#### Capital Adequacy ratio

		2019	2018
		Rs.'000	Rs.'000
Core Capital Ratio	Core Capital	13.34%	19.52%
	Risk- Weighted Assets	13.5470	17.5270
Total Capital Ratio	Capital Base	13.34%	19.52%
	Risk- Weighted Assets	13.34%	

The previous capital adequacy directions was adopted in 2006 for LFCs in line with the Capital Adequacy Accord recommended by the Basel Committee on Banking Supervision (BCBS) issued for banks in 1988. Under this direction risks were confined to credit risk and no capital requirements for other risks such as Market and operational risks. The new capital adequacy framework covers both credit risk and operational risk. Since the change in the basis and coverage of risks for capital adequacy impacted the tire one capital and total capital computation drastically, and for the purpose of disclosing the comparable correspondence figures, the below presentation is also noted.

	2019	2018	2018
	Based on	Based on	Based on
	Direction	Direction	Direction
	No 03 of 2018	No 03 of 2018	No 02 of 2006
Core Capital Ratio	13.34%	16.04%	19.52%
Total Capital Ratio	13.34%	16.04%	19.52%

#### Collateral

The Group has not pledged its debtors as collateral for long term borrowings at 31 March 2019 and 2018, other than those mentioned in Note 25.12 to the Financial Statements.

# Ten Year Summary

	10-Year Compound	2019	2018	2017	2016*	2015 *	2014*	2013*	2012*	2011**	2010**
	Growth (%)	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Results											
Revenue	19%	219,181,960	163,249,467	111,383,076	92,274,683	92,561,865	80,478,609	74,301,852	65,806,714	54,370,207	38,169,336
Profit before taxation	5%	5,475,513	5,763,498	7,025,162	6,951,538	6,399,915	5,082,621	4,916,576	2,488,223	2,007,207	3,293,392
Taxation	15%	(2,725,596)	(2,491,060)	(1,976,840)	(1,756,478)	(1,513,581)	(1,373,628)	(1,411,981)	(914,724)	(903,853)	(684,197
Profit after tax	1%	2,749,917	3,272,438	5,048,322	5,195,060	4,886,334	3,708,993	3,504,595	1,573,499	1,103,354	2,609,195
Non-controlling Interest	11%	(2,484,532)	(2,248,546)	(2,264,389)	(2,077,507)	(2,305,036)	(1,900,470)	(1,743,449)	(594,330)	(444,128)	(849,893
Profit attributable to owners of the											
parent	-17%	265,385	1,023,892	2,783,933	3,117,553	2,581,298	1,808,523	1,761,146	979,169	659,226	1,759,302
Funds Employed											
Stated capital***	0%	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000
Employee share trust	- 070	1,575,000	1,373,000	- 1,373,000	- 1,373,000	(148,558)	(488,261)	(489,887)	(491,439)	(492,242)	1,575,000
Treasury shares		=				(110,550)	(100,201)	(107,007)	(171,107)	(398,902)	
Capital reserves	-21%	636,039	887,340	943,608	1,067,819	1,303,980	1,429,680	1,377,676	1,222,076	1,404,887	7,047,507
Other component of equity	-Z1/0	23,072,120	20,978,486	19,013,131	11,576,897	1,503,780	8,969,910	9,000,862	6,373,692	6,164,166	/,U+/,UU/
	9%	14.958.752		•	•		······	<del>-</del>	9,633,788	6,978,079	6,592,052
Revenue reserves	7%	14,730,732	16,208,311	19,333,998	16,875,824	14,957,837	12,236,713	10,788,133	7,000,700	0,7/0,0/9	0,372,032
Equity attributable to equity holders of the parent	10%	40,241,911	39,649,137	40,865,737	31,095,540	29,261,304	23,723,042	22,251,784	18,313,117	15,230,988	15,214,559
Non-controlling Interest	10%	21.636.556	20.158.629	•	•	15,220,068	12.614.224	······································	10.056.647	······································	
-			•	17,173,230	15,817,529	29,062,183		11,173,102	······································	8,474,612	7,118,790
Borrowings (short- and long-term)	26%	113,283,872	92,641,002	44,747,594	33,123,190	29,062,183	25,825,466	23,563,413	21,728,944	16,692,083	11,337,734
Assets Employed											
Non-current assets	18%	120,767,143	•	78,161,061	60,815,269	56,060,498	46,796,361	44,657,106	37,976,929	30,131,853	23,453,761
Current assets	18%	110,979,551	95,564,364	51,840,953	42,381,041	37,595,289	34,508,725	30,086,220	27,832,013	23,732,633	21,414,944
Current liabilities net of borrowings	17%	(38,474,385)	(40,159,237)	(19,010,302)	(15,187,278)	(13,019,464)	(12,520,090)	(11,651,381)	(10,151,511)	(8,540,919)	(7,922,413
Security deposit	100%	(1,388,434)	(1,199,128)		<b></b>						
Other non current liabilities	100%	(1,448,000)	(2,717,541)		<b></b>						
Other non current financial liabilities	100%	(804,556)	(403,056)								
Provisions	17%	(13,691,130)	(12,067,024)	(7,461,764)	(7,233,096)	(6,379,273)	(5,880,186)	(5,320,425)	(4,808,050)	(4,133,016)	(2,828,159
Grants	6%	(777,850)	(772,147)	(743,387)	(739,677)	(713,495)	(742,077)	(783,222)	(777,670)	(792,868)	(447,050
Capital Employed	18%	175,162,339	152,448,769	102,786,562	80,036,259	73,543,555	62,162,733	56,988,298	50,071,711	40,397,683	33,671,083
Cash Flow											
		1,187,067	7,451,001	7,441,702	7,863,808	8,631,365	5,553,098	7,296,563	2,472,453	1,203,321	2,589,712
Net cash inflow/(outflow) from operating activities		1,187,067	7,451,001	7,441,702	7,863,808	8,631,365	5,553,098	7,296,563	2,472,453	1,203,321	2,589,712
Net cash inflow/(outflow) from operating activities Net cash inflow/(outflow) from			7,451,001 (18,291,318)		7,863,808	8,631,365 (6,339,994)	5,553,098	7,296,563 (4,684,957)	2,472,453 (5,113,667)	1,203,321 (4,661,879)	
Net cash inflow/(outflow) from operating activities Net cash inflow/(outflow) from investing activities							_	•	_	•	
Net cash inflow/(outflow) from operating activities  Net cash inflow/(outflow) from investing activities							_	•	_	•	(3,574,446
Net cash inflow/(outflow) from operating activities  Net cash inflow/(outflow) from investing activities  Net cash inflow/(outflow) from financing activities		(5,260,764)	(18,291,318)	(11,051,489)	(7,190,966)	(6,339,994)	(3,688,499)	(4,684,957)	(5,113,667)	(4,661,879)	2,589,712 (3,574,446 (1,012,142
Net cash inflow/(outflow) from operating activities Net cash inflow/(outflow) from investing activities Net cash inflow/(outflow) from financing activities Increase/(decrease) in cash and cash		(5,260,764) (7,989,127)	(18,291,318)	(11,051,489)	(7,190,966) (1,718,516)	(6,339,994)	(3,688,499)	(4,684,957)	(5,113,667)	(4,661,879)	(3,574,446
Net cash inflow/(outflow) from operating activities  Net cash inflow/(outflow) from investing activities  Net cash inflow/(outflow) from		(5,260,764) (7,989,127)	(18,291,318)	(11,051,489)	(7,190,966) (1,718,516)	(6,339,994)	(3,688,499)	(4,684,957)	(5,113,667)	(4,661,879) 1,962,119	(3,574,446
Net cash inflow/(outflow) from operating activities  Net cash inflow/(outflow) from investing activities  Net cash inflow/(outflow) from financing activities  Increase/(decrease) in cash and cash equivalents		(5,260,764) (7,989,127)	(18,291,318)	(11,051,489)	(7,190,966) (1,718,516)	(6,339,994)	(3,688,499)	(4,684,957)	(5,113,667)	(4,661,879) 1,962,119	(3,574,446 (1,012,142 (1,996,876
Net cash inflow/(outflow) from operating activities Net cash inflow/(outflow) from investing activities Net cash inflow/(outflow) from financing activities Increase/(decrease) in cash and cash equivalents  Key Indicators		(5,260,764) (7,989,127) (12,062,824)	(18,291,318) (1,126,681) (11,966,998)	(11,051,489) 1,311,974 (2,297,813)	(7,190,966) (1,718,516) (1,045,674)	(6,339,994) (233,279) 2,058,092	(3,688,499) 1,480,014 3,344,613	(4,684,957) (3,954,861) (1,343,255)	(5,113,667) (1,661,883) (4,303,097)	(4,661,879) 1,962,119 (1,496,439)	(3,574,446 (1,012,142 (1,996,876
Net cash inflow/(outflow) from operating activities Net cash inflow/(outflow) from investing activities Net cash inflow/(outflow) from financing activities Increase/(decrease) in cash and cash equivalents  Key Indicators Earnings per share (basic) (Rs.) Dividend per share (basic) (Rs.)		(5,260,764) (7,989,127) (12,062,824) 3.54	(18,291,318) (1,126,681) (11,966,998)	(11,051,489) 1,311,974 (2,297,813) 37.12	(7,190,966) (1,718,516) (1,045,674) 41.57	(6,339,994) (233,279) 2,058,092 34,42	(3,688,499) 1,480,014 3,344,613 24.11	(4,684,957) (3,954,861) (1,343,255) 23,48	(5,113,667) (1,661,883) (4,303,097)	(4,661,879) 1,962,119 (1,496,439) 8.79	(3,574,446 (1,012,142 (1,996,876 23.46 4.00
Net cash inflow/(outflow) from operating activities  Net cash inflow/(outflow) from investing activities  Net cash inflow/(outflow) from financing activities  Increase/(decrease) in cash and cash equivalents  Key Indicators  Earnings per share (basic) (Rs.)  Dividend per share (basic) (Rs.)		(5,260,764) (7,989,127) (12,062,824) 3.54 5.00 536.56	(18,291,318) (1,126,681) (11,966,998) 13,65 5,00 528,65	(11,051,489) 1,311,974 (2,297,813) 37.12 7.50 544.88	(7,190,966) (1,718,516) (1,045,674) 41.57 6.50 414.61	(6,339,994) (233,279) 2,058,092 34,42 6,00 390,15	(3,688,499) 1,480,014 3,344,613 24.11 5.00 316.31	(4,684,957) (3,954,861) (1,343,255) 23,48 4,50 296,69	(5,113,667) (1,661,883) (4,303,097) 13.06 4.00 244.17	(4,661,879) 1,962,119 (1,496,439) 8.79 4.00 203.08	(3,574,444 (1,012,142 (1,996,876 23,46 4,00 202,86
Net cash inflow/(outflow) from operating activities  Net cash inflow/(outflow) from investing activities  Net cash inflow/(outflow) from financing activities  Increase/(decrease) in cash and cash equivalents  Key Indicators  Earnings per share (basic) (Rs.)  Dividend per share (basic) (Rs.)  Net assets per share (Rs.)  Market price per share (Rs.)		(5,260,764) (7,989,127) (12,062,824) 3.54 5.00	(18,291,318) (1,126,681) (11,966,998) 13,65 5,00	(11,051,489) 1,311,974 (2,297,813) 37.12 7.50	(7,190,966) (1,718,516) (1,045,674) 41.57 6.50	(6,339,994) (233,279) 2,058,092 34,42 6,00	(3,688,499) 1,480,014 3,344,613 24.11 5.00	(4,684,957) (3,954,861) (1,343,255) 23,48 4,50	(5,113,667) (1,661,883) (4,303,097) 13.06 4.00	(4,661,879) 1,962,119 (1,496,439) 8.79 4.00	(3,574,444 (1,012,142 (1,996,876 23,46 4,00 202,86
Net cash inflow/(outflow) from operating activities  Net cash inflow/(outflow) from investing activities  Net cash inflow/(outflow) from financing activities  Increase/(decrease) in cash and cash equivalents  Key Indicators  Earnings per share (basic) (Rs.)  Dividend per share (basic) (Rs.)  Net assets per share (Rs.)  Market price per share (Rs.)  % change in market price (after		(5,260,764) (7,989,127) (12,062,824) 3.54 5.00 536.56 168.00	(18,291,318) (1,126,681) (11,966,998) 13.65 5.00 528.65 200.70	(11,051,489) 1,311,974 (2,297,813) 37.12 7.50 544.88 265.00	(7,190,966) (1,718,516) (1,045,674) 41.57 6.50 414.61 245.70	(6,339,994) (233,279) 2,058,092 34,42 6,00 390,15 300,00	(3,688,499) 1,480,014 3,344,613 24.11 5.00 316.31 285.00	(4,684,957) (3,954,861) (1,343,255) 23.48 4.50 296.69 298.70	(5,113,667) (1,661,883) (4,303,097) 13,06 4,00 244,17 360,00	(4,661,879) 1,962,119 (1,496,439) 8.79 4.00 203.08 382.10	(3,574,444 (1,012,142 (1,996,876 23,46 4,00 202,86 225,00
Net cash inflow/(outflow) from operating activities  Net cash inflow/(outflow) from investing activities  Net cash inflow/(outflow) from financing activities  Increase/(decrease) in cash and cash equivalents  Key Indicators  Earnings per share (basic) (Rs.)  Dividend per share (basic) (Rs.)  Net assets per share (Rs.)  Market price per share (Rs.)  % change in market price (after adjusting for scrip issues)		(5,260,764) (7,989,127) (12,062,824) 3.54 5.00 536.56 168.00 (16.29)	(18,291,318) (1,126,681) (11,966,998) 13.65 5.00 528.65 200.70 (24.26)	(11,051,489) 1,311,974 (2,297,813) 37.12 7.50 544.88 265.00 7.86	(7,190,966) (1,718,516) (1,045,674) 41.57 6.50 414.61 245.70 (18.10)	(6,339,994) (233,279) 2,058,092 34,42 6.00 390.15 300.00 5.26	(3,688,499) 1,480,014 3,344,613 24.11 5.00 316.31 285.00 (4.59)	(4,684,957) (3,954,861) (1,343,255) 23,48 4.50 296.69 298.70 (17,03)	(5,113,667) (1,661,883) (4,303,097) 13.06 4.00 244.17 360.00 (5,78)	(4,661,879) 1,962,119 (1,496,439) 8.79 4.00 203.08 382.10 70.00	(3,574,444 (1,012,142 (1,996,876 23,46 4,00 202,86 225,00 150,00
Net cash inflow/(outflow) from operating activities  Net cash inflow/(outflow) from investing activities  Net cash inflow/(outflow) from financing activities  Increase/(decrease) in cash and cash equivalents  Key Indicators  Earnings per share (basic) (Rs.)  Dividend per share (basic) (Rs.)  Net assets per share (Rs.)  Market price per share (Rs.)  % change in market price (after adjusting for scrip issues)  % change in All Share Price Index		(5,260,764) (7,989,127) (12,062,824) 3.54 5.00 536.56 168.00	(18,291,318) (1,126,681) (11,966,998) 13.65 5.00 528.65 200.70	(11,051,489) 1,311,974 (2,297,813) 37.12 7.50 544.88 265.00	(7,190,966) (1,718,516) (1,045,674) 41.57 6.50 414.61 245.70 (18.10)	(6,339,994) (233,279) 2,058,092 34,42 6,00 390,15 300,00	(3,688,499) 1,480,014 3,344,613 24.11 5.00 316.31 285.00	(4,684,957) (3,954,861) (1,343,255) 23.48 4.50 296.69 298.70	(5,113,667) (1,661,883) (4,303,097) 13,06 4,00 244,17 360,00	(4,661,879) 1,962,119 (1,496,439) 8.79 4.00 203.08 382.10	(3,574,444 (1,012,142 (1,996,876 23,46 4,00 202,86 225,00 150,00
Net cash inflow/(outflow) from operating activities  Net cash inflow/(outflow) from investing activities  Net cash inflow/(outflow) from financing activities  Increase/(decrease) in cash and cash equivalents  Key Indicators  Earnings per share (basic) (Rs.)  Dividend per share (basic) (Rs.)  Net assets per share (Rs.)  Market price per share (Rs.)  % change in market price (after adjusting for scrip issues)  % change in All Share Price Index  Return on average shareholders'		(5,260,764) (7,989,127) (12,062,824) 3.54 5.00 536.56 168.00 (16.29) (14.20)	(18,291,318) (1,126,681) (11,966,998) 13.65 5.00 528.65 200.70 (24.26) 6.84	(11,051,489) 1,311,974 (2,297,813) 37.12 7.50 544.88 265.00 7.86 (0.16)	(7,190,966) (1,718,516) (1,045,674) 41.57 6.50 414.61 245.70 (18.10) (10.97)	(6,339,994) (233,279) 2,058,092 34,42 6,00 390,15 300,00 5,26 14,28	(3,688,499) 1,480,014 3,344,613 24.11 5,00 316.31 285,00 (4.59) 4,06	(4,684,957) (3,954,861) (1,343,255) 23,48 4,50 296,69 298,70 (17,03) 6,00	(5,113,667) (1,661,883) (4,303,097) 13,06 4,00 244,17 360,00 (5,78) (24,99)	(4,661,879) 1,962,119 (1,496,439) 8.79 4.00 203,08 382,10 70,00 94,00	(3,574,446 (1,012,142 (1,996,876 23,46 4,00 202,86 225,00 150,00 127,00
Net cash inflow/(outflow) from operating activities  Net cash inflow/(outflow) from investing activities  Net cash inflow/(outflow) from financing activities  Increase/(decrease) in cash and cash equivalents  Key Indicators  Earnings per share (basic) (Rs.)  Dividend per share (basic) (Rs.)  Net assets per share (Rs.)  Market price per share (Rs.)  % change in market price (after adjusting for scrip issues)  % change in All Share Price Index  Return on average shareholders' funds (%)		(5,260,764) (7,989,127) (12,062,824) 3.54 5.00 536.56 168.00 (16.29) (14.20)	(18,291,318) (1,126,681) (11,966,998) 13,65 5,00 528,65 200,70 (24,26) 6,84	(11,051,489) 1,311,974 (2,297,813) 37.12 7.50 544.88 265.00 7.86 (0.16)	(7,190,966) (1,718,516) (1,045,674) 41.57 6.50 414.61 245.70 (18.10) (10.97)	(6,339,994) (233,279) 2,058,092 34,42 6.00 390.15 300.00 5.26 14,28	(3,688,499) 1,480,014 3,344,613 24.11 5.00 316.31 285.00 (4.59) 4.06	(4,684,957) (3,954,861) (1,343,255) 23,48 4.50 296,69 298,70 (17,03) 6.00 7,91	(5,113,667) (1,661,883) (4,303,097) 13,06 4,00 244,17 360,00 (5,78) (24,99) 5,35	(4,661,879) 1,962,119 (1,496,439) 8.79 4.00 203,08 382,10 70,00 94,00 4.33	(3,574,446 (1,012,142 (1,996,876 23,46 4,00 202,86 225,00 150,00 127,00
Net cash inflow/(outflow) from operating activities  Net cash inflow/(outflow) from investing activities  Net cash inflow/(outflow) from financing activities  Increase/(decrease) in cash and cash equivalents  Key Indicators  Earnings per share (basic) (Rs.)  Dividend per share (basic) (Rs.)  Net assets per share (Rs.)  Market price per share (Rs.)  % change in market price (after adjusting for scrip issues)  % change in All Share Price Index  Return on average shareholders' funds (%)  Return on average capital employed (%)		(5,260,764) (7,989,127) (12,062,824) 3.54 5.00 536.56 168.00 (16.29) (14.20) 0.66 9.76	(18,291,318) (1,126,681) (11,966,998) 13,65 5,00 528,65 200,70 (24,26) 6,84 2,58 8,94	(11,051,489) 1,311,974 (2,297,813) 37.12 7.50 544.88 265.00 7.86 (0.16) 6.81 10.58	(7,190,966) (1,718,516) (1,045,674) 41.57 6.50 414.61 245.70 (18.10) (10.97) 10.03 11.08	(6,339,994) (233,279) 2,058,092 34,42 6.00 390,15 300,00 5.26 14,28 8.82 12,54	(3,688,499) 1,480,014 3,344,613 24.11 5.00 316.31 285.00 (4.59) 4.06 7.62 12.08	(4,684,957) (3,954,861) (1,343,255) 23,48 4.50 296.69 298.70 (17.03) 6.00 7.91 12.25	(5,113,667) (1,661,883) (4,303,097) 13,06 4,00 244,17 360,00 (5,78) (24,99) 5,35 8,94	(4,661,879) 1,962,119 (1,496,439) 8.79 4.00 203.08 382.10 70.00 94.00 4.33 7.81	(3,574,446 (1,012,142 (1,996,876 23,46 4,00 202,86 225,00 150,00 127,00 11,56 13,30
Net cash inflow/(outflow) from operating activities  Net cash inflow/(outflow) from investing activities  Net cash inflow/(outflow) from financing activities  Increase/(decrease) in cash and cash equivalents  Key Indicators  Earnings per share (basic) (Rs.)  Dividend per share (basic) (Rs.)  Net assets per share (Rs.)  Market price per share (Rs.)  % change in market price (after adjusting for scrip issues)  % change in All Share Price Index  Return on average shareholders' funds (%)		(5,260,764) (7,989,127) (12,062,824) 3.54 5.00 536.56 168.00 (16.29) (14.20)	(18,291,318) (1,126,681) (11,966,998) 13,65 5,00 528,65 200,70 (24,26) 6,84	(11,051,489) 1,311,974 (2,297,813) 37.12 7.50 544.88 265.00 7.86 (0.16)	(7,190,966) (1,718,516) (1,045,674) 41.57 6.50 414.61 245.70 (18.10) (10.97)	(6,339,994) (233,279) 2,058,092 34,42 6.00 390.15 300.00 5.26 14,28	(3,688,499) 1,480,014 3,344,613 24.11 5.00 316.31 285.00 (4.59) 4.06	(4,684,957) (3,954,861) (1,343,255) 23,48 4.50 296,69 298,70 (17,03) 6.00 7,91	(5,113,667) (1,661,883) (4,303,097) 13,06 4,00 244,17 360,00 (5,78) (24,99) 5,35	(4,661,879) 1,962,119 (1,496,439) 8.79 4.00 203,08 382,10 70,00 94,00 4.33	(3,574,446

 $<sup>^{</sup>st}$  Restated in line with SLFRS/LKAS.

<sup>\*\*</sup> Including results of discontinued operations

<sup>\*\*\*</sup> Share capital and share premium previously reported have been reclassified to reflect stated capital as define in he Companies Act No. 07 of 2007.

## Indicative US Dollar Financial Statements

### Statement of Profit or Loss for information purposes only

For the year ended 31st March	Consolic	lated	Company	
	2019	2018	2019	2018
	USD'000	USD'000	USD'000	USD'000
Revenue	1,292,728	1,063,451	2,293	2,470
Cost of sales	(996,411)	(826,217)	(1,262)	(1,425)
Direct interest cost	(7,462)	(3,710)	-	-
Gross profit	288,855	233,524	1,031	1,045
Group dividend	-	-	9,412	12,195
Other income	14,721	5,924	6,402	7,362
Distribution expenses	(58,326)	(47,347)	-	-
Administrative expenses	(148,479)	(116,791)	(686)	(386)
Other expenses	(2,467)	(1,026)	(15)	-
Results from operating activities	94,304	74,284	16,144	20,216
Finance income	15,132	7,217	244	208
Finance cost	(77,130)	(45,860)	(16,103)	(10,975)
Net finance cost	(61,998)	(38,643)	(15,859)	(10,767)
Change in fair value of investment property	672	1,200	57	67
Share of profit of equity accounted investees (net of tax)	1,039	1,480	-	_
Value added tax on financial service	(1,723)	(776)	-	-
Profit before tax	32,294	37,545	342	9,516
Tax expense	(16,075)	(16,227)	(26)	(9)
Profit for the year	16,219	21,318	316	9,507
Profit for the period attributable to:				
Owners of the parent	1,565	6,670	-	-
Non-controlling interest	14,654	14,648	-	-
Profit for the year	16,219	21,318	-	-
Average exchange rate	169.55	153.51	169.55	153.51

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS.

The above should be read together with the Auditors' opinion and the notes to the Financial Statements.

### Indicative US Dollar Financial Statements

### Statement of Financial Position for information purpose only

As at 31st March	Consoli	dated	Company		
	2019	2018	2019	2018	
	USD'000	USD'000	USD'000	USD'000	
Assets					
Non-current assets					
Property, plant & equipment	493,417	539,898	1,290	2,004	
Investment Properties	11,395	12,523	400	390	
Biological assets	2,555	2,601	-	-	
Intangible assets	80,494	90,708	-	-	
Investments in subsidiaries	-	-	214,314	235,684	
Investments in equity accounted investees	11,173	5,436	8,546	-	
Other non- current financial assets	1,472	1,868	491	613	
Non- current trade and other receivables	65,942	59,985	-	-	
Other non-current assets	14,119	15,624	-	-	
Deferred tax assets	5,260	5,286	-	-	
Total non-current assets	685,827	733,929	225,041	238,691	
Current assets					
Inventories	225,694	210,441	5	7	
Amounts due from subsidiaries	_	-	19,387	11,572	
Amounts due from equity accounted investees	583	778	77	57	
Trade and other receivables	313,126	309,934	112	109	
Other current assets	13,173	16,966	66	611	
Income tax recoverable	4,416	3,470	244	81	
Other current financial assets	1,067	1,033	38	57	
Short term deposits	20,926	23,338	-	-	
Cash and cash equivalents	50,946	48,169	320	2,112	
Assets classified as held for sale	312	20	-	-	
Total current assets	630,243	614,148	20,249	14,605	
Total assets	1,316,070	1,348,077	245,290	253,296	
Equity and Liabilities					
Stated capital	20,314	20,314	20,314	20,314	
Capital reserves	3,612	5,703	75	85	
Other components of equity	119,656	124,627	(11,370)	(10,192	
Revenue reserves	84,949	104,164	93,662	108,547	
Total equity attributable to equity holders of the company	228,531	254,808	102,681	118,754	
Non-controlling interest	122,872	129,550	-	-	
Total equity	351,403	384,358	102,681	118,754	

### Statement of Profit or Loss for information purposes only

As at 31st March	Consolic	dated	Compa	iny
	2019	2018	2019	2018
	USD'000	USD'000	USD'000	USD'000
Non-current liabilities				
Interest-bearing borrowings	225,237	222,496	68,738	78,291
Grants	4,417	4,962	-	-
Deferred tax liability	29,479	30,394	-	-
Security deposit	7,885	7,706	-	-
Other non current Liabilities	8,223	17,464	-	_
Other non current financial liabilities	4,569	2,590	-	_
Employee benefit obligations	48,271	47,156	5,015	4,587
Total non-current liabilities	328,082	332,768	73,753	82,878
Current liabilities				
Trade and other payables	162,078	184,855	2,595	2,052
Other current liabilities	20,956	25,860	183	294
Deferred revenue	1,556	1,583	-	-
Other current financial liabilities	29,511	41,882	190	68
Amounts due to subsidiaries	-	-	212	259
Amounts due to equity accounted investees	26	-	18	-
Income tax payable	4,365	3,903	-	-
Current portion of long term interest-bearing borrowings	146,582	152,961	35,116	24,086
Short-term interest-bearing borrowings	271,510	219,905	30,543	24,905
Liabilities directly associated with assets classified as held for sale	2	2	-	-
Total current liabilities	636,585	630,951	68,856	51,664
Total liabilities	964,667	963,719	142,609	134,542
Total equity and liabilities	1,316,070	1,348,077	245,290	253,296
Closing exchange rate	176.09	155.60	176.09	155.6

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS.

The above should be read together with the Auditors' opinion and the notes to the Financial Statements.

## Value of Real Estate

As at 31st March 2019

Volanka (Pvt) Ltd. Ga  Chas P. Hayley & Co. (Pvt) Ltd. Ga  Ga  Lignocell (Pvt) Ltd. Ma  Ku  Ravi Industries (Pvt) Ltd. Ek	uliyapitiya	Eco Solutions			each location	Rs. Mn
Volanka (Pvt) Ltd. Ga  Chas P. Hayley & Co. (Pvt) Ltd. Ga  Ga  Lignocell (Pvt) Ltd. Ma  Ku  Ravi Industries (Pvt) Ltd. Ek						
Chas P. Hayley & Co. (Pvt) Ltd. Ga Ga Lignocell (Pvt) Ltd. Ma Ku Ravi Industries (Pvt) Ltd. Ek		"Biginhill Estate", Karagahagedara, Kuliyapitiya	3.95	45,009	13	30
Chas P. Hayley & Co. (Pvt) Ltd. Ga Ga Lignocell (Pvt) Ltd. Ma Ku Ravi Industries (Pvt) Ltd. Ek	2110	No.153/1, Robosgewatta, Matara	0.75	13,007		
Chas P. Hayley & Co. (Pvt) Ltd. Ga Ga Lignocell (Pvt) Ltd. Ma Ku Ravi Industries (Pvt) Ltd. Ek	anc	road,Magalle, Galle	1.22	30,644	7	293
Chas P. Hayley & Co. (Pvt) Ltd. Ga Ga Lignocell (Pvt) Ltd. Ma Ku Ravi Industries (Pvt) Ltd. Ek	atana	No.B 28,Divulapitiya road,				
Ga Lignocell (Pvt) Ltd.  Ma Ku  Ravi Industries (Pvt) Ltd. Ek	a carra	Dissagewatte,Katana	14.51	277,401	24	325
Ga Lignocell (Pvt) Ltd.  Ma Ku  Ravi Industries (Pvt) Ltd. Ek	alle	No.153,Robosgewatta,Matara	•			
Ga Lignocell (Pvt) Ltd.  Ma Ku  Ravi Industries (Pvt) Ltd. Ek		road,Magalle, Galle	0.55	9,795	2	178
Lignocell (Pvt) Ltd.  Ma  Ku  Ravi Industries (Pvt) Ltd.  Ek.	alle	No 161 "Thurnburn /	•			
Lignocell (Pvt) Ltd.  Ku  Ravi Industries (Pvt) Ltd.  Ek.		stores",No.195,Bandaranayake				
Lignocell (Pvt) Ltd.  Ma  Ku  Ravi Industries (Pvt) Ltd.  Ek.		Mawatha,Magalle, Galle	2.41	67,277	8	619
Ravi Industries (Pvt) Ltd. Ek	alle	No.193/2,193/2A, 193/4,Bandaranayke	-			
Ravi Industries (Pvt) Ltd. Ek		Mawatha,Magalle, Galle	1.10	13,632	4	170
Ravi Industries (Pvt) Ltd. Ek	1adampe	Sellam Pathaha, Melawagara, Madampe.	7.03	118,547	10	45
	uliyapitiya	"Biginhill	•			
		Estate",Karagahagedera,Kuliyapitiya	3.94	19,499	6	38
•	kala	252A,Kurunduwatte road,Ekala,Ja-ela.	6.19	104,675	13	396
Volanka Exports (Pvt) Ltd. Na	attandiya	Wathugahamulla,Welipannagahamulla	7.20	71,165	12	46
Rileys (Pvt) Ltd. Ek	kala	131,Minuwangoda road, Ekala, Ja-ela	3.80	91,582	12	425
Toyo Cushion Lanka (pvt) Ltd. Ka	atana	105,Thimbirigaskatuwa,Katana	3.37	20,703	13	121
		Hand Protection				
Dipped Products PLC Ko	ottawa	Brahmanagama , Kottawa	10.56	129,104	20	227
	/eliweriya	Nedungamuwa, Weliweriya	7.85	-	-	163
	/eliweriya	Nedungamuwa, Weliweriya	7.09	55,381	6	131
•	huan Niang	82/2 MOO9,Tumbon Rattapum,Amphur,				
Ltd.		Khuan Niang, Songkhla, Thailand 90220.	33.23	10,150	1	99
		Purification				
Haycarb PLC Ba	adalgama	Katana Road, Beatrice Estate, Badalgama.	23.61	230,197	14	191
•	ladampe	Kuliyapitiya road, New town, Pothuwila,	•			
		Madampe	30.20	242,155	19	187
	/ewalduwa	333/25, New road Hunuputiya Wattala.	2.45	41,463	6	273
	adalgama	Katana Road, Beatrice Estate, Badalgama.	10.84	35,090	4	87
	alu City -	Thaipa, Palu Utara, Palu, Sulawesi Tengah	-			
<b>'</b>	ndonesia	94147, Indonesia	6.98	70,181	18	96
	itung City -	Tanjung Merah, Bitung, Sulawesi Utara		,		
'	ndonesia	95547, Indonesia	8.93	103,409	8	143
	atchaburi	190/1, Moo 1, Anghin, Paktho, Ratchaburi				
Pro	rovince -	70140,Thailand.				
Th	hailand		24.49	65,980	12	122
Carbokarn Co. Ltd. Ch	honburi	35/2, Moo 3, Nareuk, Phanat Nikhom,				
	rovince	CL   : 004 40 TL 'L				
Th	rovince -	Chonburi-20140, Thailand	15.64	276,000	20	203

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn
		Textiles				•
Hayleys Fabric PLC	Neboda	Narthupana Estate, Neboda	54.30	413,873	25	530
		Construction Materials				
Alumex PLC	Makola	Off Pitigala road, Sapugaskanda, Makola	6.24	118,673	11	499
	Gonawala	Maguruwila road, Pattiwila	1.82	59,042	3	87
	Ekala	"Ekala Estate",Minuwangoda road,Ekala	6.30	91,442	5	478
Alco Industries (Pvt) Ltd.	Gonawala	Maguruwila road, Pattiwila	1.13	34,618	2	90
		Agriculture				
Hayleys Agriculture Holdings	Dambulla	Athabadiwewa, Pahalawewa, Dambulla.	4.35	5,134	2	12
Ltd.	Kottawa	No. 168/D, Brahmanagama, Kottawa,	•		-	
		Pannipitiya.	4.97	47,506	7	127
Sunfrost (Pvt) Ltd.	Alawwa	Nelumdeniya road, Alawwa Waththa Road,	-			
		Alawwa	5.18	19,112	9	75
	Padiyathalawa	Bogaharawa road, Kehelulla, Padiyathalawa	6.46	1,430	2	10
Haychem (Bangladesh) Ltd.	Mymensingh	Plot no:-B-18, B-19(part) & A-3, A-4, S-1, Mashkanda BSCIC Industrial Estate, Kotowali, Maymensingh, Bangladesh	0.69	26,383	1	74
	Dhamrai	Plot no:-16, 15(part), BSCIC Industrial	0.07	20,303		74
	Dilailiai	Estate, Kalampur, Dhaka, Bangladesh	0.16	5,235	1	15
		Consumer	0.10	3,203	<u> </u>	
Singer (Sri Lanka) PLC	Ambalantota	Main Street.Ambalantota.	0.04	1,885	1	17
	Balangoda	Ratnapura Road,Balangoda.	0.04	2,080	1	20
	Bandarawela	Main Street,Bandarawela.	0.02	2,660	1	10
	Borella	D.S.Senanayaka Mawatha,Borella.	0.03	2,310	1	70
	Chilaw	Bazaar Street.Chilaw.	0.08	4,120	1	42
	Colpetty	No 143, Galle Road, Colombo 03.	0.02	1,440	1	57
	Eheliyagoda	Ratnapuara Road,Eheliyagoda.	0.04	1,660	1	11
	Galle	Main Street, Galle.	0.02	2,250	1	11
	Gampaha	Colombo Road,Gampaha.	0.12	7,870	1	63
	Hikkaduwa	Galle Road,Hikkaduwa.	0.05	2,400	1	24
	Embilipitiya	Colombo Road,Pallegama,Embilipitiya.	0.03	2,070	1	16
	Kadawatha	Kandy Road, Kadawatha.	0.02	1,150	1	8
	Kandy- Mega	Sirimavo Bandaranayake Mawatha,Kandy.	0.06	12,840	1	37
	Katugastota	Madawala Road,Katugastota.	0.03	1,620	1	10
	Kiridiwella	Gampaha Road,Kirindiwela	0.05	2,940	1	20
	Kurunegala	Bodhiraja Mawatha,Kurunegala.	0.05	2,230	1	27
	Maharagama	High Level Road,Maharagama.	0.04	2,700	1	37
	Matara	Anagarika Dharmapala Mawatha,Matara.	0.06	3,520	1	38
	Middeniya	Katuwana Road,Middeniya.	0.05	2,670	1	15
	Mount Lavinia	Galle Road,Mount Lavinia.	0.05	1,900	1	34
	Mount Lavinia-		<u>.</u>			
	Mega		0.13	15,840	1	92
	Nawalapitiya	Kotmale Road,Nawalapitiya.	0.03	2,760	1	13
			••••••		•	•

### Value of Real Estate

Ownership			Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn
	Nuwara-Eliya	Kandy street, Nuwara-Eliya.	0.03	1,700	1	19
	Panadura	Galle Road,Panadura.	0.04	2,940	1	18
	Piliyandala	Gonamaditta Road,Piliyandala.	7.20	116,410	9	229
	Pussellawa	Nuwaraeliya Road,Pussellawa.	0.08	3,295	1	25
	Rathnapura	Colombo road,Rathnapura.	0.04	2,735	1	20
	Tangalle	Matara Road, Tangalle.	0.03	1,285	1	14
	Trincomalee	North Coast Road,Trincomalee	0.03	2,550	1	20
	Wellawatta	Galle Road, Wellawatta.	0.03	2,700	1	55
Reality (Lanka) Ltd.	Ahangama	No 24A, Matara Rd, Ahangama	0.09	1,630	1	26
	Attidiya	No.190, Main Rd, Attidiya, Dehiwala	0.04	2,260	1	19
	Moratuwa	No. 17, New Galle Rd, Moratuwa	0.08	2,990	1	39
	kandy	No 129, Kotugodella Vediya, Kandy	0.06	2,900	1	43
	Galle	No 13&15, Wackwella Rd, Galle	0.08	-	-	54
	Kadawatha	No 430/1,Ganemulla Road,Ihala- Karagahamuna,Kadawathe	0.03	-	-	10
	Kalawana	No. J63A,Watapotha Road,Nivithigala,Rathnapura.	1.62	-	-	7
-	Maradana	No.51/57,Brandiyawatta,Wellampitiya.	0.06	-		4
	Trincomalee	Nayanmarthidal, Thampalakamam, Trincomalee.	0.38	_	-	4
	Ambanpola	No.108 Yaluwewa,Ambanpola.	0.06	-	_	2
Regnis (Lanka) PLC	Ratmalana	No 52,Ferry Road, Off Borupona Road, Ratmalana.	4.41	120,615	16	423
Singer Industries (Ceylon) PLC	Ratmalana	No.02, 5Th Lane Ratmalana	2.27	75,365	10	953
Singer maustries (Ceylon) FLC	Ratmalana	No.435 Galle Raod Ratmalana	0.31	12,000	10	226
	Natilialalia	Leisure	0.31	12,000	1	220
Culture Club Resorts (Pvt)	Dambulla	Kapela , Kandalama, Dambulla				
Ltd.	Dallibulla	Kapeia , Kandalama, Dambuna	1.00	_	_	2
Kandyan Resorts (Pvt) Ltd.	Kandy	Heerassagala, Kandy	11.91	126,684	10	793
ranayan resorts (1 vt) Eta.	ranay	Industry Inputs	11.71	120,001	10	770
Hayleys Aventura (Pvt) Ltd.	Malabe	No: 59, Pothuarawa Road, Malabe	2.26	59,595	6	307
Haycolour (Pvt) Ltd.	Kalutara	Haycolour Factory, Ethanmadala, Kalutara	3.30	5,700	4	58
Traycolour (TVt) Etu.	Raidtara	Power & Energy	0.00	3,700		30
Bhagya Hydro (Pvt) Ltd.	Gomala oya	Gomala Oya Mini Hydro Power Plant,Godagampola,Rathnapura	1.38	2,246	3	3
Nelwa Cascade Hydro Power (Pvt) Ltd.	Neluwa	Lower Neluwa Mini Hydro Power Plant, Tawalama,Neluwa	3.08	2,530		7
Hayleys Neluwa Hydro Power (Pvt) Ltd.	Mawanana	Embalegedara,Neluwa	1.03	4,752	3	2
( )			2.00	1,752	0	

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn
		Transportation & Logistics				
Hayleys Advantis Ltd.	Liyanagemulla	No.710 Negombo road,				
		Liyanagemulla,Seeduwa	0.62	8,036	1	148
	Kelaniya	No 408 A, Nungamugoda, Kelaniya	7.72	175,000	6	988
	Welisara	No. 309/18 & No. 317, Negombo road,				
		Welisara	3.63	2,050	1	610
	Welisara	No. 309/15, Negombo road, Welisara	3.15	17,644	7	545
	Sedawatta	No. 148B, Nawalokapura, Sedawatta,	•			
		Wellampitiya	2.49	11,610	1	499
	Sedawatte	No. 148/A1, Nawalokapura Sedawatte,				
		Welampitiya	2.00	8,879	3	416
	Kotugoda	No.193,Minuwangoda road,Kotugoda	15.81	356,895	2	1,138
	Colombo 2	No. 46/12, Sayuru Sevana, Nawam	•			
		Mawatha, Colombo 2	0.24	45,980	1	443
		Others				
Darley Property Holdings	Colombo	Foster Lane Colombo 10				
(Pvt) Ltd.	_		1.56	65,240	3	3,326
World Export Centre Ltd.	Colombo	Deans Rd. Colombo 10	4.48	Nil	Nil	13,118
Eastern Hotels (Pvt) Ltd.	Trincomalee	Nilakarai Estate, Nilaweli, Trincomalee	23.48	600	3	657
Unisyst Engineering PLC	Kotugoda	41B, Sasanathilaka road, Opatha, Kotugoda	2.39	35,785	3	39
Hayleys PLC	Bentota	Kaluwamodara, Bentota	0.28	Nil	Nil	70
Carbotels (Pvt) Ltd.	Elkaduwa	Weyagala Estate, Elkaduwa, Matale	65.06	Nil	Nil	52

# Quarterly Analysis

	Quart	er 01	Quar	ter 02	Quart	er 03	Quart	ter 04
	2019	2018	2019	2018	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue from contracts with								
customers	50,600,986	29,158,697	52,443,878	33,262,670	59,685,270	49,930,334	56,451,826	50,897,766
Profit before tax	798,100	407,737	996,813	981,105	1,710,381	1,550,500	1,970,149	2,824,156
Tax expense	(538,052)	(346,281)	(487,836)	(323,799)	(599,328)	(738,715)	(1,100,310)	(1,082,265)
Profit after tax	260,048	61,456	508,977	657,306	1,111,053	811,785	869,839	1,741,891
Profit attributable to owners of the								
parent	(261,205)	(149,674)	(143,419)	168,349	439,428	177,943	230,580	827,274
Profit attributable to non-								
controlling interest	521,253	211,130	652,396	488,957	671,624	633,842	639,259	914,617
Total comprehensive income for								
the period, net of tax	66,433	271,909	947,172	747,084	1,801,145	856,096	2,471,523	3,139,983
Non Current Assets	114,943,110	78,481,841	116,637,845	104,615,718	117,484,659	105,719,975	120,767,143	114,202,537
Current Assets	102,319,475	53,812,730	107,482,611	84,388,552	115,448,610	91,925,554	110,979,551	95,564,364
Non current liabilities	52,887,484	28,931,656	58,962,266	46,494,217	60,236,316	46,180,270	57,771,964	51,780,235
Current liabilities	105,090,554	45,858,551	105,267,629	79,943,650	111,474,239	91,504,887	112,096,263	98,178,900

								1
	Quar	ter 01	Quar	ter 02	Quar	ter 03	Quar	ter 04
	2019	2018	2019	2018	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Market Value of Shares								
Closing share price	213.80	296.10	186.70	270.00	187.00	241.00	168.00	200.70
Basic earnings per share	(3.48)	(2.00)	(1.91)	2.24	5.86	2.37	3.07	11.03
Diluted earnings per share	(3.48)	(2.00)	(1.91)	2.24	5.86	2.37	3.07	11.03
Highest price recorded for the					***************************************		•	
three months ending	227.00	302.80	219.00	299.00	225.00	290.00	209.90	240.00
Lowest price recorded for the			-					
three months ending	200.00	262.00	175.00	270.00	180.00	240.00	167.00	191.00
Market capitalisation (Rs. Mn.)	16,035	22,208	14,003	20,250	14,025	18,075	12,600	15,053
Share Trading Information								
No. of transactions	652	880	1,217	1,605	1,722	2,196	2,424	3,609
No. of shares traded	356,656	655,028	677,308	1,122,673	775,244	3,409,251	1,003,815	3,867,355
Value of shares traded (Rs)	76,638,646	187,822,552	140,846,037	321,966,427	159,586,920	1,058,032,864	201,521,436	1,158,322,203

## Share Information

No. of shareholders as at 31st March 2019 -6,153 (as at 31st March 2018 - 6,190)

	Re	esidents		Non Residents			Total		
No. of shares held	No.of Shareholders	No.of Shares	%	No.of Shareholders	No.of Shares	%	No.of Shareholders	No.of Shares	%
1 - 1,000	4,738	928,476	1.24	61	18,767	0.03	4,799	947,243	1.27
1,001 - 10,000	1,043	2,942,108	3.92	36	146,708	0.20	1,079	3,088,816	4.12
10,001 - 100,000	193	5,804,201	7.74	39	896,016	1.19	232	6,700,217	8.93
100,001 - 1,000,000	33	9,452,954	12.60	5	1,689,341	2.25	38	11,142,295	14.85
OVER 1,000,000	5	53,121,429	70.83	-	-	-	5	53,121,429	70.83
	6,012	72,249,168	96.33	141	2,750,832	3.67	6,153	75,000,000	100.00
Category									
Individuals	5,727	60,469,495	80.62	126	2,372,841	3.16	5,853	62,842,336	83.78
Institutions	285	11,779,673	15.71	15	377,991	0.51	300	12,157,664	16.22
	6,012	72,249,168	96.33	141	2,750,832	3.67	6,153	75,000,000	100.00

#### First Twenty Shareholders as at 31.03.2019

	Name of the Shareholder	No. of Shares as at 31.03.2019	%	No. of shares as at 31.03.2018	%
1	Mr.K.D.D.Perera	37,829,697	50.44	37,829,697	50.44
2	Trustees of the D.S.Jayasundera Trust	8,698,017	11.60	8,698,017	11.60
3	Employees Provident Fund	3,776,621	5.04	3,776,621	5.04
4	L O L C Holdings PLC	1,700,004	2.27	1,700,004	2.27
5	Hayleys Group Services (Pvt) Ltd No.02 A/C	1,117,090	1.49	1,117,090	1.49
6	Mrs.A.M.L.Johnpulle & Mr.B.J.M.Johnpulle	783,160	1.04	882,165	1.18
7	Commercial Leasing & Finance PLC	734,144	0.98	734,144	0.98
8	Mrs.R.N.Ponnambalam	595,645	0.79	590,645	0.79
9	Mr.N.K.A.D.De Silva	570,166	0.76	570,166	0.76
10	Mrs.R.M.Spittel	564,697	0.75	564,697	0.75
11	Mr.R.H.S.Phillips	520,727	0.69	520,727	0.69
12	Mrs.Y.M.Spittel	465,561	0.62	465,561	0.62
13	Mrs.P.M Godamunne	443,447	0.59	443,447	0.59
14	Mr.A.C Wikramanayake	442,204	0.59	462,204	0.62
15	Mrs.S.D. Wickramasinghe	440,281	0.59	440,281	0.59
16	Sri Lanka Insurance Corporation Ltd-Life Fund	397,418	0.53	397,418	0.53
17	Mr.G.N. Wikramanayake (Deceased)	370,422	0.49	370,422	0.49
18	Associated Electrical Corporation Ltd	361,000	0.48	361,000	0.48
19	Renuka Capital PLC	330,155	0.44	330,155	0.44
20	Akbar Brothers Pvt Ltd A/C No.01	316,739	0.42	321,931	0.43
	TOTAL	60,457,195	80.60	60,576,392	80.78

### **Share Information**

#### Directors Shareholding as at 31.03.2019

Name of Director	No. of Shares as at 31.03.2019	No. of shares as at 01.04.2018
Mr.A.M.Pandithage	125,357	125,357
Mr.K.D.D.Perera - 37,829,697 (L B Finance PLC - 1,666)	37,831,363	37,831,363
Mr.S.C Ganegoda	23,414	23,414
Mr.H.S.R.Kariyawasan	9,427	9,427
Mr.L.T Samarawickrama - 3,988 (People's Leasing & Finance PLC/Mr.L.T Samarawickrama - 3,500)	7,488	7,488
Mr.L.R.V. Waidyaratne	37,930	37,930
Ms. J. Dharmasena	21,095	21,095
Dr.H.Cabral	Nil	Nil
Mr.M.H.Jamaldeen	Nil	Nil
Mr.M.Y.A.Perera	Nil	Nil
Mr.N.L.S.Joseph	Nil	Nil

#### Market Value of Shares

The market value of an ordinary shares of Hayleys PLC was as follows:

	As at 31.03.2019	As at 31.03.2018
Closing Price on	168.00	200.70
Highest Price recorded for the twelve months ending (22.05.2018)	227.00	302.80
Lowest Price recorded for the twelve months ending (28.03.2019)	167.00	191.00
Highest Price recorded for the three months ending (25.01.2019)	209.90	240.00
Lowest Price recorded for the three months ending (28.03.2019)	167.00	191.00
Market Capitalisation (Rs. mn)	12,600	15,053
Share Trading From 1st April 2018 to 31st March 2019		
No. of Transactions	2,424	3,609
No. of shares traded	1,003,815	3,867,355
Value of shares traded (Rs.)	201,521,435.60	1,158,322,203
The public Holding percentage	37.66%	37.62%
Total number of Shareholders representing the Public Holding	6,142	6,178

Float-adjusted market capitalisation - Rs.4,745,160,000/-

The Company complies with option 4 of the Listing Rules 7.13.1 (a) which requires 10% minimum Public Holding.

#### **Listed Debentures**

## Details regarding the listed debentures are as follows;

#### Debenture 1

Listed, rated, senior, unsecured, redeemable Dedentures at 7.60% p.a. payable semi annually and redeemed on 6th March, 2019.

### Debenture Trading Information for the Three Months Ended - 31.03.2019

There were no transactions during the period.

#### Debenture 2

Listed, rated, senior, unsecured, redeemable Debentures at 7.85% p.a. payable semi annually and redeemable on 6th March, 2020.

Interest rate of comparable Government Securities as at 31st March, 2019, 9.46%

### Debenture Trading Information for the Three Months Ended - 31.03.2019

There were no transactions during the period.

#### Debenture 3

Listed, rated, senior, unsecured, redeemable, debentures at floating rate (6 month (Gross) treasury bill rate + 1.25%) p.a. payable semi annually and redeemable on 31st May 2019.

Interest rate of comparable Government Securities as at 31st March,2019, 8.83%

### Debenture Trading Information for the Three Months Ended - 31.03.2019

There were no transactions during the period.

#### Debenture 4

Listed, rated, senior, unsecured, redeemable, debentures,

Type A- Fixed rate at 12.50% p.a. payable semi annually redeemable on 31st July 2023

Type B- Floating rate AWPLR+1% p.a. payable semi annually redeemable on 31st July 2023 Interest rate of comparable Government Securities as at 31st March, 2019, 10.44%

### Debenture Trading Information for the Three Months Ended - 31.03.2019

There were no transactions during the period.

### Debenture Trading Information for the Twelve Months Ended - 31.03.2019

No. of Transactions	21
No. of Debentures traded	83,040
Highest Price (Rs.)	99.00
Lowest Price (Rs.)	97.50
Yield to maturity - Last traded	13.18%
Interest yield - Last traded	11.03%

#### Utilisation of Fund via Capital Market

Debenture	1 1	Objectives as per Prospectus	Amount Allocated as per Prospectus Rs. mn	Proposed Date of Utilisation as per Prospectus	Amount allocated from Proceeds Rs. mn	% of Total Proceeds	Amounts Utilised Rs. mn	% of Utilisation against Allocation	Clarification if not fully utilised including where are the funds invested (e.g. whether lent to related party/s etc.).
Debenture 4	1	Refinance short term borrowings at HNB	1,893	19-Sep-18	1,893	53.68%	1,893	100%	N/A
	2	Refinance short term borrowings at NDB	1,000	9-Aug-18	1,000	28.35%	1,000	100%	N/A
	3	Refinance short term borrowings at Commercial Bank	900	9-Aug-18	633.82	17.97%	633.82	100%	N/A

# History of Dividends and Scrip Issues

Year ended 31st March	Issue	Basis	No. of shares	Cum. No. of shares '000	Dividend	Dividend Rs. '000
1952	Initial Capital		20	20		
1953	First dividend			20	80%	160
1954	Rights (at Rs. 10)	1:02	10	30	55%	165
1955		•	-	30	50%	150
1956	Bonus	5:06	25	55	33%	179
1957	Bonus	3:11	15	70	38%	330
1958	Bonus	3:07	30	100	20%	200
1959				100	10%	100
1960				100	18%	180
1961	Bonus	1:02	50	150	8%	262
1962	Bonus	1:03	50	200	15%	300
1963				200	15%	300
1964	Bonus	1:04	50	250	15%	375
1965				250	20%	500
1966				250	18%	450
1967				250	15%	375
1968				250	13%	313
1969				250	15%	375
1970			_	250	15%	375
1971				250	15%	375
1972				250	11%	275
1973				250	11%	275
1974	Bonus	1:01	250	500	11%	275
1975				500	18%	450
1976				500	10%	442
1977				500	11%	460
1978				500	15%	584
1979	Bonus	1:02	250	750	15%	852
1980				750	16%	958
1981	Bonus	1:03	250	1,000	20%	1,863
1982	Bonus	1:04	250	1,250	21%	2,385
1983	Bonus	1:05	250	1,500	25%	3,451
1984				1,500	27%	3,774
1985				1,500	28%	3,525
1986	Bonus	1:03	500	2,000	33%	6,600
1987	Bonus	1:02	1,000	3,000	33%	9,900
1988	Bonus	1:03	1,000	4,000	33%	13,200
1989	Bonus	1:04	1,000	5,000	33%	16,500
1990	Bonus	1:05	1,000	6,000	33%	19,800
1991	Bonus	1:04	1,500	7,500	33%	24,750
1992	Bonus	1:05	1,500	9,000	33%	29,700
1993	Bonus	1:06	1,500	10,500	30%	31,500
1994	Bonus	4:21	2,000	12,500		
	Rights (at Rs. 160)	1:05	2,500	15,000	30%	40,500

Year ended 31st March	Issue	Basis	No. of shares	Cum. No. of shares '000	Dividend	Dividend Rs. '000
1995	Bonus	1:05	3,000	18,000	30%	54,000
1996	Bonus	1:09	2,000	20,000	30%	60,000
1997	Bonus	1:10	2,000	22,000	30%	66,000
1998	Bonus	1:11	2,000	24,000		
	Share Trust (at Rs. 210)		2,400	26,400	30%	79,200
1999	Bonus	1:06	4,400	30,800	30%	92,400
2000	Bonus	1:14	2,200	33,000	30%	99,000
2001	Rights (at Rs. 10)	1:11	3,000	36,000	35%	126,000
2002	Rights (at Rs. 15)	1:09	4,000	40,000	35%	140,000
2003	Rights (at Rs. 20)	1:08	5,000	45,000	35%	157,500
2004	Rights (at Rs. 20)	1:09	5,000	50,000	35%	175,000
2005	Rights (at Rs. 20)	1:10	5,000	55,000	-	-
	Bonus	4:11	20000	75,000	35%	262,500
2006			-	75,000	35%	262,500
2007			-	75,000	Rs.3.50 p.s	262,500
2008				75,000	Rs.3.00 p.s	225,000
2009			-	75,000	Rs.3.00 p.s	225,000
2010			-	75,000	Rs.4.00 p.s	300,000
2011				75,000	Rs.4.00 p.s	300,000
2012			-	75,000	Rs.4.00 p.s	300,000
2013			-	75,000	Rs.4.50 p.s	337,500
2014				75,000	Rs.5.00 p.s	375,000
2015			-	75,000	Rs.6.00 p.s	450,000
2016				75,000	Rs.6.50 p.s	487,500
2017				75,000	Rs.7.50 p.s	562,500
2018				75,000	Rs.5.00 p.s	375,000
2019		•	•	75,000	Rs.5.00 p.s	375,000

## Country Report

Vital Statistics	
Population (2018)	21.7 Million
Land Area	65,610 Sq km
Languages	Sinhalese, Tamil and English
Per capita GDP (2017)	USD 4,310
Currency (2018)	Sri Lankan Rupee (LKR 162.5 : 1 USD)

#### Background

Since the end of 30 year war against terrorism, Sri Lanka has begun focusing on long-term strategic and structural development challenges as it strives to transition to an upper middle income country. Sri Lanka's economy is worth USD 93.45 bn with a per capita GDP of USD 4,310 for 2018 and has continued its momentum of recording strong growth rate in recent years. Over the period of 2003 - 2012, the Country's economy has seen a robust annual growth of 6.4%, which is well above its Asian peers. On per capita GDP, Sri Lanka is ahead of countries in the South Asian Region. The main economic sectors contributing to growth include tourism, agricultural products such as tea and rice production along with sectors such as textile and apparel. In addition to these economic sectors, foreign employment contributed highly to the inflow of foreign exchange, with 90% of the Sri Lankan expatriate concentrated in the Middle Fast

Sri Lanka has experienced a major decline in poverty during 2002-2009 from 23% to 9% of the population. The population living below the poverty line is recorded at 4.1% in 2016, significantly lower than regional peers such as India and Bangladesh. As per the latest report published by ADB, the proportion of employed population below the USD 1.9 purchasing parity a day is 0.8% for Sri Lanka.

#### Political Climate

Sri Lanka is a multi-ethnic and multi-religious Democratic Republic with an elected national parliament and President along with provincial and local governments which are responsible for certain subjects at sub-national level. Following the election in 2015 a coalition government was elected to power on the platform of ensuring

good governance. The latter part of 2018 was clouded by political turmoil and uncertainty which raised concerns amongst global investors and credit rating agencies, of the near term economic health of the Country. The Rupee depreciated sharply due to increased outflows from the capital markets on the backdrop of these events. Controlling measure to curtail the depreciation included the country imposing a raft of measures to restrict imports in an effort to curb USD outflows. The political climate regained normalisation with the judicial ruling, whereby the ousted Prime Minister was rightfully re-instated along with most of his cabinet ministers.

In recent years, the country has introduced tax reforms and foreign exchange relaxation through new laws along with financial disciplines in government institutions, reforms of loss making state owned enterprises and a fuel price formula that is adjusted monthly. The execution of these reforms may experience a slowdown due to political developments and security concerns in the Country. A likely negative impact on Sri Lankan assets in the short run may be experienced due to the expected presidential elections to take place by end 2019, with the expectancy of a strong recovery in the medium to long term.

#### Recent Economic Development

GDP growth was recorded at 3.2% in 2018, compared to 3.4% in the previous year. This growth was largely supported by services activities that expanded by 4.7% mainly due to the robust growth in the financial services sub sector which expanded 8.2% in the current year compared to 6.7% in 2017. The wholesale and retail trade grew by 5.0% in 2018, supported by the growth in the agriculture sector but showed a slowdown towards the latter part of the year due to the impact on imports from the depreciating Rupee.

The recovery in agriculture activities, which recorded a growth of 4.8%, indicated a recovery from the effects of extreme weather conditions experienced in the previous year. Production in several agriculture crops increased during 2018, while tea, rubber, fisheries and sugar production recorded a decline.



Industry activities slowed down, dampening economic growth, due to delay in implementation of structural reforms along with policy uncertainty due to the instability of the political environment. Industry activities grew marginally by 0.9% in 2018 compared to a growth of 4.1% in 2017. The main slowdown of 5.1% was recorded under the mining and quarrying sector, which is the largest contributor to the industry activities. Benefitting from the substantial recovery in the agriculture activities and improvements in textile industries, manufacturing activities grew by 3.0% in 2018 compared to 3.3% in 2017.

In contrast to the monetary policy in the previous year, 2018 the Central Bank signalled an end to the monetary tightening cycle and remained at a neutral stance during most part of 2018. CBSL reduced policy rates twice during the financial year along with a reduction of the Statutory Reserve Ratio (SRR) with the objective of improving depleted liquidity levels in the market. Most instances the policy rate reductions and the reduction in SRR was carried out simultaneously to maintain a neutral policy stance by the CBSL. At the end of 2018 the policy rates, Standard Deposit Facility Rate (SDFR) was at 8.0% and Standard Lending Facility Rate (SLFR) stood at 9.0%. Following

the narrowing, SRR ended the year at 8.5%. Despite measures carried out by CBSL to ease monetary policy through the SRR reduction Average Weighted Prime Lending Rate (AWPLR) increased by 111bps to 12.23% as at 31st March 2019 from 11.12% in 2018 due to low liquidity levels in the market.

Gross official reserves declined to USD 6.9 bn in 2018 despite steps taken by CBSL to build up reserves in the first half of the year. With the changes in the global market condition which prompted outflows from the CSE together with debt repayments caused the reduction of gross official reserves. Following significant inflows through 2 International Sovereign Bonds, inflows from the long lease of the Hambantota Port, the Balance of Payments (BoP) was a deficit of USD 1,103 mn for 2018 compared to the surplus of USD 2,068 mn in 2017.

The Rupee depreciated by 12% during 2018 against the greenback by end of the financial year.

#### **Policy Direction**

According to the government policies, Sri Lanka plans to transform the Country into the hub of the Indian Ocean as a strategically important global economic center concentrated in the main areas of maritime, aviation, commercial, energy, knowledge and tourism, safeguarded by a knowledge-based, highly competitive, export oriented economy which would promote overall growth of the Island. The creation of several business and technology development areas island-wide specialised in various sectors has been planned. The government policies are aimed at creating an economy firmly based on foreign and domestic private investment, driven by a dynamic and forward - looking private sector.

#### **Economic Outlook**

Sri Lankan economic growth has moderated between 3.2%-4.5% levels over the period of 2016-2018 and the economy is expected to grow by 3.6% for 2019 and 3.8% in 2020, as per forecasted published by ADB. Inflation rates for Sri Lanka have been forecasted at 3.5 % in 2019 and 4% in 2020.

The economic growth is likely to rebound in 2019, after recording a 17 year low in quarter 4 of 2018 with the subsiding of the constitutional crisis and improvements in foreign investor sentiments. Tourism sector notably recovered, posting healthy visitor and earnings growth, while industrial production picked up, primarily due to strong growth in March 2019. Unfortunately the gruesome terror attack which took place on 21st April 2019 dealt a decisive blow to nascent economic recovery.

# **Group Companies**

Sub sector	Company	Nature of the Business
Eco Solutions	Ravi Industries Ltd	Industrial and household brushware
	Rileys (Pvt) Ltd	Cleaning devices
	Haymat (Pvt) Ltd	Coir fibre mats
	Creative Polymats (Pvt) Ltd	Moulded rubber products
	Hayleys Fibre PLC	Value added coir-based products
	Bonterra Lanka Ltd	Value added coir-based products
	Ravi Marketing Services (Pvt) Ltd	Services
	Chas P. Hayley & Company (Pvt) Ltd	Coir and treated rubber timber products
	Volanka (Pvt) Ltd	Investments
	Volanka Exports Ltd	Coir-based products and essential oil
	Toyo Cushion Lanka (Pvt) Ltd	Needled and rubberised coir products
	Lignocell (Pvt) Ltd	Coir fibre pith
	Charles Fibres (Pvt) Ltd	Trading in coir-based products
Hand protection	Dipped Products Group	General purpose and speciality rubber gloves
Purification products	Haycarb Group	Activated Carbon and Environmental Purification Solutions
Textiles	Hayleys Fabric PLC	Knitted fabric
Construction material	Alumex Group	Aluminium extrusions
Plantations	DPL Plantations (Pvt) Ltd	Plantation Management
	Hayleys Plantation Services (Pvt) Ltd	Plantation Management
	Kelani Valley Plantations PLC	Processed tea and rubber
	Talawakele Tea Estates PLC	Processed black and green tea
	Kelani Valley Instant Tea (Pvt) Ltd	Manufacture of ready- to - drink tea powder
	Mabroc Group	Export of bulk and retail packed tea
	Martin Bauer Hayleys (Pvt) Ltd	Manufacturing instant tea and tea extract
	Kelani Valley Resorts (Pvt) Ltd	Operating & managing Hotels and providing services.
Agriculture	Hayleys Agriculture Holdings Ltd	Crop production and protection materials, agricultural equipment and animal health products
	Agro Technica Ltd	Agricultural machinery and equipment
	Haychem (Bangladesh) Ltd	Crop protection chemicals
	Sunfrost (Pvt) Ltd	Fresh/processed vegetables
	HJS Condiments Ltd	Retailed-packed, processed vegetables
	Hayleys Agro Farms (Pvt) Ltd	Planting material
	Hayleys Agro Biotech (Pvt.) Ltd	Horticultural tissue culture products
	Quality Seed Company (Pvt) Ltd	Hybrid flower seeds
	Hayleys Agro Fertilizers (Pvt) Ltd	Fertiliser
	Hayleys Aquagri (Pvt) Ltd	Growing/ exporting dry seaweed for carrageenan
Consumer & retail	Hayleys Consumer Products Ltd	Lighting products and solutions, photo imaging, health care and FMCG products
	Hayleys Electronics Lighting (Pvt) Ltd	Lighting products and solutions
	Hayleys Electronics Group	Import, market and repair electronic and electric Items.
	Singer (Sri Lanka) PLC	Retail and wholesale marketing of consumer products

Sub sector	Company	Nature of the Business
	Singer Industries (Ceylon) PLC	Assembly of sawing machines & manufacture cabinets and stands for sawing machines
	Regnis (Lanka) PLC	Manufacture of Refrigerators and bottle coolers.
	Singer Finance (Lanka) PLC	Finance leasing, Mobilisation of Fixed & savings deposits, Financing consumer durables under loan schemes, factoring business including invoice discounting, granting loans including Micro Loans and credit card business.
	Regnis Appliances (Pvt) Ltd	Manufacture and assemble home appliances.
	Reality Lanka Ltd	Acquire, lease, sell and develop properties and contractors for constructions.
	Digital Media (Pvt) Ltd	Marketing mobile phones
	Singer Business School (Pvt) Ltd	Retail training education relating to business activities.
	Domus Lanka (Private) Limited	Designing, manufacturing and trading furniture
Leisure	The Kingsbury PLC	Leisure
	Amaya Leisure PLC	Leisure
	Culture Club Resorts (Pvt) Ltd	Leisure
	Kandyan Resorts (Pvt) Ltd	Leisure
	Sun Tan Beach Resorts Ltd	Leisure
	Lake Lodge (Pvt) Ltd	Leisure
	Luxury Resorts Pvt Ltd	Leisure
	Hayleys Tours (Pvt) Ltd	Travel Agency and Destination Management
Industry Inputs and	Hayleys Aventura (Pvt) Ltd	Engineering and projects, power generation, pigments and industrial raw materials
Power & Energy	Hayleys Lifesciences (Pvt) Ltd	Supplying health care equipment
	Haycolour (Pvt) Ltd	Textile dyestuff and binders
	Hayleys Engineering (Pvt) Ltd	Marketing of power generating equipment
	Bhagya Hydro (Pvt) Ltd	Hydropower
	Neluwa Cascade Hydro Power (Pvt) Ltd	Hydropower
	Hayleys Hydro Energy (Pvt) Ltd	Hydropower
	Nirmalapura Wind Power (Pvt) Ltd	Windpower
	TTEL Somerset Hydro Power (Pvt) Ltd	Hydropower
	TTEL Hydro Power Company (Pvt) Ltd	Hydropower
	Hayleys Neluwa Hydro Power (Pvt) Ltd	Hydropower
	Hayleys Power Ltd	Hydropower investments
	Kiriweldola Hydro Power (Pvt) Ltd	Hydropower
	Aninkanda Hydro Power (Pvt) Ltd	Hydropower
	Neluwa Upper Hydro Power (Pvt) Ltd	Hydropower
	Kalupahana Power Company ( Pvt) Ltd	Hydropower
	Lindula Power Company (Pvt) Ltd.	Hydropower
	Solar One Ceylon (Pvt) Ltd	Solar power
	Beta Power (Pvt) Ltd	Windpower
	Joule Power (Pvt) Ltd	Windpower

## Group Companies

Sub sector	Company	Nature of the Business				
Transportation & Logistics	Hayleys Advantis Group	Shipping agency, international freight forwarding, express freight, bunkering, husbanding and port agency, ship chartering, ocean container repairing and conversion, container yard operation, inland logistics, energy logistics, warehousing and third-party logistics, marine & shipping.				
Others	Dean Foster (Pvt) Ltd	Investments				
	Hayleys Business Solutions International	Business Process Outsourcing and Centralised Shared Services				
	(Pvt) Ltd					
	Hayleys Group Services (Pvt) Ltd	Secretarial/Investments				
	Volanka Insurance Brokers (Pvt) Ltd	Insurance Brokering				
	Carbotels (Pvt) Ltd	Hotel Investment				
	Haylex Group	Marketing				
	Hayleys Aviation & Projects (Pvt) Ltd	Investments and Hotel Management				
	Air Global (Pvt) Ltd	Airline representation				
	North South Lines (Pvt) Ltd	Airline representation				
	Millennium Transportation (Pvt) Ltd	Airline representation				
	Hayleys Travels (Pvt) Ltd	Travel Agency and Destination Management				
	Darley Property Holdings( Pvt) Ltd	Property holding and development				
	Unisyst Engineering PLC	Architectural Aluminium joinery systems				
	S&T Interiors (Pvt) Ltd	Interior fitout contractors				
	Eastern Hotels Ltd	Leisure				
	Fentons Group	Solutions provider for building systems infrastructure and information communication technology infrastructure				
	World Export Centre Ltd	Construction of "A" grade Office Space				

# Group Value Addition and Distribution

	Consolidated							
For the year ended 31st March	2019		2018		2017			
		Rs. mn		Rs. mn		Rs. mn		
Value Created								
Revenue from contracts with customers		219,182		163,249		111,383		
Other income		2,496	-	909	-	1,024		
Change in fair value of investment properties		114	•	184	•	249		
Share of profit of equity accounted investees	176		-	227	-	213		
Finance income	2,566		-	1,108		719		
Cost of materials and services bought in		(173,775)	•	(127,180)	•	(85,047		
		50,759		38,497		28,541		
	Share		Share		Share			
Value Distributed								
To Employees as remuneration	50%	25,828	54%	20,434	53%	15,207		
To Government revenue	14%	7,034	13%	5,158	8%	2,389		
Of Sri Lanka		6,664		4,692		2,126		
Overseas		370		466		263		
To Shareholders as dividend	1%	375	1%	375	2%	563		
To Lenders of capital	26%	12,997	21%	8,181	19%	5,376		
Interest on borrowings		10,512		5,932		3,112		
Non- Controlling interest		2,485		2,249		2,264		
	91%	46 234	89%	34 148	82%	23 535		

Value retained for expansion & growth						
Depreciation	10%	4,811	10%	3,927	11%	2,998
Profit retained	-1%	(286)	1%	422	7%	2,008
	9%	4,525	11%	4,349	18%	5,006
	100%	20.759	100%	38.497	100%	28.541

## Glossary of Financial Terms

#### **Actuarial Gains and Losses**

Gain or loss arising from the difference between estimates and actual experience in a company's pension plan.

#### Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

#### Available for Sale

Non derivative financial asset that are designated as available for sale or are not classified as loans and receivable, held to maturity investment or financial assets at fair value through profit and loss.

#### **Biological Asset**

A living animal or plant

#### Capital Employed

Shareholders' funds plus non-controlling interests and interest bearing borrowings.

#### **Capital Reserves**

Reserves identified for specific purposes and considered not of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity available for distribution.

#### **Cash Equivalents**

Liquid investments with original maturity periods of three months or less.

#### Contingent Liability

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

#### **Current Ratio**

Current assets divided by current liabilities. A measure of liquidity.

#### **Current Service Cost**

Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

#### **Deferred Taxation**

The tax effect of timing differences deferred to/ from other periods, which would only qualify for inclusion on a tax return at a future date.

#### **Dividend Cover**

Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

#### **Dividend Payout**

Dividend per share as a percentage of the earnings per share.

#### Dividend Yield

Dividend per share as a percentage of the market price. A measure of return on investment.

#### **EBIT**

Earnings before Interest and tax.

#### **Effective Tax Rate**

Income tax expense divided by profit before tax.

#### Equity

The value of an asset after all the liabilities or debts have been paid.

#### Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

#### Fair Value Through Profit and Loss

A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term.

#### Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

#### Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

#### **Financial Liability**

Any liability that is a contractual obligation to deliver cash or another financial asset to another

#### Gain on Bargain Purchase

The amount of the identifiable assets acquired and liabilities assumed exceeds the aggregate consideration transferred.

#### Gearing

Proportion of total interest bearing borrowings to capital employed.

#### Interest Cover

Profit before tax and net finance cost divided by net finance cost. Measure of an entity's debt service ability.

#### Key Management Personnel (KMP)

KMP are those persons having authority and responsibility for planning directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

#### Market Capitalisation

Number of shares in issue multiplied by the market value of a share at the reported date.

#### **Net Assets Per Share**

Total equity attributable to equity holders divided by the weighted average number of ordinary shares in issue. A basis of share valuation.

#### Non-controlling Interest

Equity in subsidiary not attributable, directly or indirectly, to a parent.

#### Other comprehensive income

An entry that is generally found in the shareholders' equity section of the balance sheet.

#### **Price Earnings Ratio**

Market price of a share divided by earnings per share as reported at that date.

#### **Related Parties**

A person or entity that is related to the entity that is preparing its Financial Statements.

#### Return on Capital employed

Profit before tax and net finance cost divided by average capital employed.

#### Revenue Reserves

Reserves considered as being available for distributions and investments.

#### Segments

Constituent business units grouped in terms of similarity of operations and location.

#### SoRP

Statement of Recommended Practice.

#### Value Addition

The quantum of wealth generated by the activities of the Group measured as the difference between turnover and the cost of materials and services bought in.

#### Working Capital

Capital required to finance day- to-day operations, computed as the excess of current assets over current liabilities.

## Independent Assurance Report



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Independent Assurance Report to Hayleys PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report-2018/19

#### Introduction and scope of the engagement

The management of Hayleys PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting criteria presented in the annual report- 2018/19 ("the Report").

- Reasonable assurance on the information on financial performance as specified on pages 254 to 257 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: 'In accordance' - Core guidelines.

#### Basis of our work and level of assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("ICASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI Standards 'In accordance' - Core guideline

publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

#### Management of the Company's responsibility for the Report

The management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustainability reporting process in line with the GRI Sustainability Reporting Guidelines.

#### Ernst & Young's responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative, GRI Standards: 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 24th May 2019. We disclaim any assumption of responsibility for any reliance on this report

to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the ICASL.

#### Key assurance procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Interviewing relevant the company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 March 2019
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: 'In accordance' -Core guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

### Limitations and considerations

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

### Conclusion

Based on the procedures performed, as described above, we conclude that;

- The information on financial performance as specified on pages 190 to 191 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2019.
- Nothing has come to our attention
  that causes us to believe that other
  information presented in the Report
  are not fairly presented, in all material
  respects, in accordance with the Company's
  sustainability practices and policies some
  of which are derived from Sustainability
  Reporting Guideline, GRI Standards- 'In
  accordance' Core.

Ernst & Young

Chartered Accountants

17 May 2019 Colombo



# GRI Content Index Tool

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GRI 101: Foundatio	n 2016 (does not include any disclosures)					
General Disclosures						
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Disclosures 2016	102-2 Activities, brands, products and services	16-19				
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GRI 103:	103-1 Explanation of material topics and its boundaries	400	
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practices			
Raw materials			
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Energy			
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Management	103-2 The Management Approach and its components	228	
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GRI 302: Energy	302-1 Energy consumption within the organization	229	
2016	302-4 Reduction of energy consumption	229	
Water			
GRI 103:	103-1 Explanation of material topics and its boundaries	400	
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Approach	103-3 Evaluation of the Management Approach	229	
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Bio diversity			
GRI 103:	103-1 Explanation of material topics and its boundaries	400	
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Biodiversity 2016	areas of biodiversity value outside protected areas		
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# GRI Content Index Tool

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Management	103-2 The Management Approach and its components	230	
Approach	103-3 Evaluation of the Management Approach	230	
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and Waste 2016	306-2 Waste by type and disposal method	230	
Environmental Com	pliance		
GRI 103:	103-1 Explanation of material topics and its boundaries	400	
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Employment			
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Management	103-2 The Management Approach and its components	205	
Approach	103-3 Evaluation of the Management Approach	205	
GRI 401:	401-1 Employee hires and turnover	205	
Employment 2016			
Labour Managemer	nt Relations		
GRI 103:	103-1 Explanation of material topics and its boundaries	400	
Management	103-2 The Management Approach and its components	209	
Approach	103-3 Evaluation of the Management Approach	209	
GRI 402: Labour Management Relations	402-1 Minimum notice periods regarding operational changes	209	
Health and Safety			
GRI 103:	103-1 Explanation of material topics and its boundaries	400	
Management	103-2 The Management Approach and its components	208	
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GRI 403: Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	208	

GRI Standard	Disclosure	Page number	Omission
Training and educat	ion		
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Management	103-2 The Management Approach and its components	206	
Approach	103-3 Evaluation of the Management Approach	206	
GRI 404: Training	404-1 Average hours of training per year per employee	206	
and education	404-2 Programs for upgrading skills and transition assistance programmes	207	
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	reviews		
Non-discrimination			
GRI 103:	103-1 Explanation of material topics and its boundaries	400	
Management	103-2 The Management Approach and its components	203	
Approach	103-3 Evaluation of the Management Approach	203	
GRI 406: Non-	406-1 Incidents of discrimination and corrective actions taken	203	
discrimination 2016			
Freedom of Associa	tion and Collective Bargaining		
GRI 103:	103-1 Explanation of material topics and its boundaries	400	
Management	103-2 The Management Approach and its components	213	
Approach	103-3 Evaluation of the Management Approach	213	
GRI 407: Freedom	407-1 Operations and suppliers in which the right to freedom of association and collective	213	
of Association	bargaining may be at risk		
and Collective			
Bargaining 2016 Local Communities			
GRI 103:	100.1 Euplanation of material tanian and its boundaries	400	
Management	103-1 Explanation of material topics and its boundaries	400	
Approach	103-2 The Management Approach and its components	214	
	103-3 Evaluation of the Management Approach	214	
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	214	
Marketing and label	· ·		
GRI 103:	103-1 Explanation of material topics and its boundaries	400	
Management Management	103-2 The Management Approach and its components	212	
Approach	103-3 Evaluation of the Management Approach	212	
CDI 417: Markatina	- 17		
and labelling	417-3 Incidents of non-compliance concerning marketing communications	212	
Socio economic com	pliance		
GRI 103:	103-1 Explanation of material topics and its boundaries	400	
Management	103-2 The Management Approach and its components	214	
Approach	103-3 Evaluation of the Management Approach	214	
GRI 419: Socio	419-1 Non-compliance with laws and regulations in the social and economic area	214	
economic			
compliance			

# Detailed Material Matters

Material issue and why it is material to us	Topic boundary and change in boundary	Materiality in comparison to 2017/18
Customer Satisfaction     Satisfied customers are critical to ensure customer retention and sustaining our competitive edge	The impacts of this topic arise from external stakeholders across all our sectors and geographical locations.	No change
2) Product service/quality Superior quality of our products is a key source of advantage to several of our sectors and vital in maintaining customer relationships	The responsibility we have towards maintaining product quality extends to our business partners and end-consumers who would be impacted by any related concerns.	No change
3) Employment Attracting and retaining the right employees is vital in driving our strategic agenda and fulfilling our customer promise	Our human capital management relates primarily to the Group's direct employees, both in Sri Lanka and overseas.	No change
4) Principal relationships  As a distributor to several leading global brands, maintaining meaningful and long-term relationships with our principals is vital to achieving sustainable growth	While the impacts occur externally, our inability to maintain healthy principal relationships could significantly impact the Group's financial performance.	No change
5) Training and education  The intensified shortage of labour and challenges in retaining employees have increased the emphasis placed on strengthening our training proposition to employees	While the impacts occur externally, our inability to maintain healthy principal relationships could significantly impact the Group's financial performance.	No change
6) Operational efficiencies With significant interests in the manufacturing sector, operational, product and process efficiencies are vital in sustaining profitability	Challenging external conditions have compelled several sectors to focus on lean initiatives - this is likely to support our financial performance to a certain extent.	No change
7) Innovation As a global player, continuous innovation is critical in maintaining our market share and competitive advantage	Innovative capabilities are driven internally through our R&D strengths and significant intellectual capital.	No change
8) Compliance Compliance to all relevant labour and environmental regulations are a prerequisite for business continuity	Non-compliance to regulations and laws could have potential legal liability and significantly affect our reputation and continuity of operations.	No change
9) Manufacturing Capabilities As a Group with significant interests in manufacturing, the efficiency and quality of our manufacturing capabilities determine the quality of our products, cost efficiencies and uninterrupted supply	The topic boundary covers the Group's local and overseas manufacturing operations.	No change
10) Raw materials  The quality of our raw materials determines the quality of our final product	Applicable to all the Group's supply chains and production processes.	No change

Material issue and why it is material to us	Topic boundary and change in boundary	Materiality in comparison to 2017/18
11) Exposure to commodity prices Price fluctuations in commodity prices have a direct impact on the profitability margins and competitiveness of our products, which rely on commodities as inputs	Applicable across the Group's manufacturing operations which rely on commodities.	
12) Exposure to exchange rate fluctuations Given the Group's reliance on imported raw materials and its interests in the export sector the Group is exposed to fluctuations in exchange rates	Applicable across the Group's manufacturing operations which rely on commodities.	<b>A</b>
13) Best practices along the supply chain  Access to a secure and high- quality supply of raw material is essential to the continuity of our operations, particularly in sectors while rely on agricultural raw materials	Impacts of this topic occur across our extensive supply chain covering numerous agricultural produce and other raw materials.	No change
14) Economic impacts  Hayleys has substantial socio economic impacts through direct and indirect employment generation, tax contribution and capacity development among others	Applicable across all our business sectors and supply chains.	No change
15) Preserving natural resources Our operations consume a range of natural resources, and as a responsible corporate citizen we are committed to increase the efficiency of our usage to ensure their preservation	Applicable across all our business sectors and supply chains.	No change
16) Effluents and waste  Our operations generate/emit a range of solid waste and effluents and we are committed to the responsible disposable of the same	The topic boundary relates to all the Group's operations across its sectors in Sri Lanka and overseas.	No change
17) Emissions Given the increasingly more pronounced impacts of climate change, we are committed to play our part to reduce the discharge of emissions	The topic boundary relates to all the Group's operations across its sectors in Sri Lanka and overseas.	No change

# Corporate Information

### Name of Company

Hayleys PLC

(A public limited company, incorporated in Sri Lanka in 1952)

### Company Number

PQ 22

### Stock Exchange Listing

The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka

### Registered Office

Hayley Building,

P.O. Box 70, 400, Deans Road,

Colombo 10, Sri Lanka

Telephone: (94-11)2627000 Facsimile: (94-11)2699299

Website: http://www.hayleys.com

### Directors

A M Pandithage - Chairman & Chief Executive KDD Perera - Co-Chairman (Non Executive)

S C Ganegoda

HSR Kariyawasan

Dr. H Cabral, PC

L R V Waidyaratne

M H Jamaldeen

MYA Perera

N L S Joseph

Ms. J Dharmasena

Dr. K I M Ranasoma (resigned w.e.f 01.07.2018)

LT Samarawickrama (retired w.e.f 31.03.2019)

### **Group Management Committee**

A M Pandithage - Chairman & Chief Executive

S C Ganegoda

HSR Kariyawasan

LRV Waidyaratne

Ms. J Dharmasena

S J Wijesignhe

Dr. W G R Rajadurai

ERPGoonethileke

Ms. D Talpahewa

C De Silva (appointed w.e.f 01.07.2018)

N R Ranatunge (appointed w.e.f 01.07.2018)

DWPN Dediwela (appointed w.e.f 01.07.2018)

H Prematillake (appointed w.e.f 01.10.2018)

Ng Soon Huat (appointed w.e.f 15.10.2018)

M H Wijewardene (appointed w.e.f 01.11.2018)

Dr. K I M Ranasoma (resigned w.e.f 01.07.2018)

LDEADeSilva (resigned w.e.f 31.08.2018)

A Pieris (resigned w.e.f 31.10.2018)

LT Samarawickrama (retired w.e.f 31.03.2019)

Dr. A Sivagananathan (resigned w.e.f 30.04.2019)

### **Audit Committee**

MYA Perera - Chairman

Dr. H Cabral, PC

M H Jamaldeen

### Remuneration Committee

Dr. H Cabral, PC - Chairman

KDDPerera

M H Jamaldeen

MYA Perera

### **Nomination Committee**

AM Pandithage - Chairman

KDDPerera

Dr. H Cabral, PC

### Related Party Transaction Review Committee

Dr. H Cabral, PC - Chairman

S C Ganegoda

MYA Perera

### Secretaries

Hayleys Group Services (Private) Limited

400, Deans Road, Colombo 10, Sri Lanka

Telephone: (94-11)2627650

Facsimile: (94-11)2627645

E-mail: info.sec@hayleys.com

Please direct any queries about the

administration of shareholdings to the Company

Secretaries

### **Investor Relations**

Please contact Strategic Business Development

Telephone: (94-11)2627662

E-mail: info@cau.hayleys.com

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<sup>&</sup>quot;This report is printed on 'FSC' certified materials sourced from responsible forestry and other controlled sources"

# Notes

# Notice of Meeting

### **HAYLEYS PLC**

Company Number PQ 22

NOTICE IS HEREBY GIVEN that the Sixty Eighth Annual General Meeting of Hayleys PLC will be held at Balmoral Ballroom, The Kingsbury Hotel, No.48, Janadhipathi Mawatha, Colombo 01, Sri Lanka on Friday, 28th June 2019 at 3.00 p.m. and the business to be brought before the Meeting will be:

- To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2019, with the Report of the Auditors thereon.
- To elect Mr. Rohan J.Karunarajah who has been appointed by the Board with effect from 1st June 2019, a Director.
- To re-elect Dr. H.Cabral, who retires by rotation at the Annual General Meeting, a Director.
- To re-elect Mr. M.Y.A.Perera, who retires by rotation at the Annual General Meeting, a Director.
- To re-elect Mr. N.L.S. Joseph, who retires by rotation at the Annual General Meeting, a Director.
- To authorise the Directors to determine contributions to charities for the financial year 2019/20.
- To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants who are deemed to have been reappointed as Auditors, for the financial year 2019/20.
- To consider any other business of which due notice has been given.

Note: A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at No.400, Deans Road, Colombo 10, Sri Lanka by 3.00 p.m. on 26th June 2019.

By Order of the Board **HAYLEYS PLC** HAYLEYS GROUP SERVICES (PRIVATE) LIMITED Secretaries

Colombo 31st May 2019

# Form of Proxy

### **HAYLEYS PLC**

Company Number PQ 22

I/We*		(full name of sharehold	er**)	
NIC	C No./Reg. No. of Shar	eholder (**)		
of				
bei	ing Shareholder/Share	eholders* of HAYLEYS PLC hereby appoint,		
1			(full name of proxyhold	er**)
NIC	C No. of Proxyholder (	**)		
of.			or failing him/h	ner
2.	to attend, speak and	DHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the I d vote as indicated hereunder for me/us* and on my/our* behalf at the Sixty Eighth Annua June 2019 and at every poll which may be taken in consequence of the aforesaid meetin	al General Meeting of the Company to b	
			For Aga	ainst
1.		I Report of the Board of Directors and the Statements of Accounts for the year ended 31 $^{\rm 10}$ Report of the Auditors thereon.	lst	
2.	To elect Mr. Rohan	J.Karunarajah who has been appointed by the Board with effect from 1st June 2019, a Di	irector.	
3.	3. To re-elect Dr. H.Cabral, who retires by rotation at the Annual General Meeting, a Director.			
4.	4. To re-elect Mr. M.Y.A.Perera, who retires by rotation at the Annual General Meeting, a Director.			
5.	5. To re-elect Mr. N.L.S.Joseph, who retires by rotation at the Annual General Meeting, a Director.			$\equiv$
6.	6. To authorise the Directors to determine contributions to charities for the financial year 2019/20.			
7.	7. To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants who are deemed to have been reappointed as Auditors, for the financial year 2019/20.			
(**	*) The proxy may vote	as he thinks fit on any other resolution brought before the Meeting of which due Notice	has been given.	
As	witness my/our* hand	s thisday of2019.		
Wi	tnesses: Signature :			
Na	ime :			
Ad	dress :	Signature of Shareholder		
NIC	C No :	·		

### Notes:

- (a) \*Please delete the inappropriate words.
- (b) A shareholder entitled to attend and vote at the Annual General meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the company.
  - \*\* Full name of shareholder/proxy holder and their NIC Nos and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed. Reg. No. Should be given in the case of corporate shareholders.
- (c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
- (d) Instructions are noted on the reverse hereof.
- (e) This Form of Proxy is in terms of the Articles of Association of the Company.

## Form of Proxy

### **INSTRUCTIONS AS TO COMPLETION:**

- 1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd at No.400, Deans Road, Colombo 10, Sri Lanka not less than 48 hours before the start of the Meeting.
- 2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly sign and fill in the date of signing.
- 3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at (1) overleaf. The proxy need not be a member of the Company.
- 4. Please indicate with an X in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (\*\*\*) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
- 5. In the case of a Company /Corporation the proxy must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association.
  - In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.
- 6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
- 7. In the case of Marginal Trading Accounts (slash accounts), the form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

# Investor Feedback Form

To request information or submit a comment / query to the Company, please complete the following and return this page to -Strategic Business Development Unit Hayleys PLC P.O Box 70, No.400, Deans Road, Colombo 10, Sri Lanka. Telephone: (94-11)2627662 E-mail: info@cau.hayleys.com Name : Permanent Mailing Address Contact Numbers - (Tel) County Code Area Code Number - (Fax) County Code Area Code Number E-mail Name of Company (If Applicable) : Designation (If Applicable) Company Address (If Applicable) : Queries / Comments