

# Layers Of Value





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Scan to access the integrated  
Annual Report



# Layers Of Value

For over three decades, Hayleys Fabric PLC has grown into a vibrant, multi-textured entity offering an ambitious array of innovative textiles, manufactured to deliver value across our value chain.

Residing at the forefront of textile manufacturing, technological innovation and sustainability, the Company has mastered the complexities of its industry – harnessing the changing tides, out-maneuvering the slippery slopes and performing steadily through every challenge.

As we recalibrate for a future of possibilities, Hayleys Fabric PLC is confident that the distance covered in the year under review, as reported in the pages within, proves our commitment to sustainability, ethical production and valuable growth. And we stand well positioned to harness unyielding value in the vast plains ahead, layered with the textures of perseverance, commitment and proficiency.



# CONTENTS

We are pleased to present the 10th Integrated Annual Report of Hayleys Fabric PLC, setting out the performance for the financial year ending 31st March 2024. The report adopts a capitals approach in line with the IR Framework and is a concise and balanced representation of how we have nurtured our capitals to deliver sustainable value to our stakeholders.

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# ABOUT OUR INTEGRATED REPORT

## REPORT PROFILE

This Integrated Annual Report documents both financial and non-financial performance of the Hayleys Fabric PLC Group, essentially providing a clear and concise account of the steps taken to achieve the Group's strategic vision while balancing the expectations of all stakeholders.

The current report is the 10th integrated report prepared by Hayleys Fabric PLC, since the Group commenced its integrated reporting journey in 2014/15. All previous integrated reports including the most recent report for the FY 2022/23 is available on the corporate website - [www.hayleysfabric.com](http://www.hayleysfabric.com) for viewing and download.

## TARGET AUDIENCE

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

The Hayleys Fabric PLC integrated annual report for FY 2023/24 secured the carbon neutral certificate, marking the 7th successive year that the Group has accomplished this feat.



**2014-15**

1



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

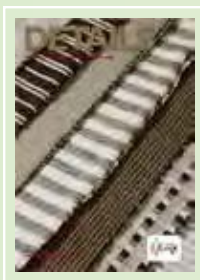
**2016-17**

3



**2015-16**

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



**2017-18**

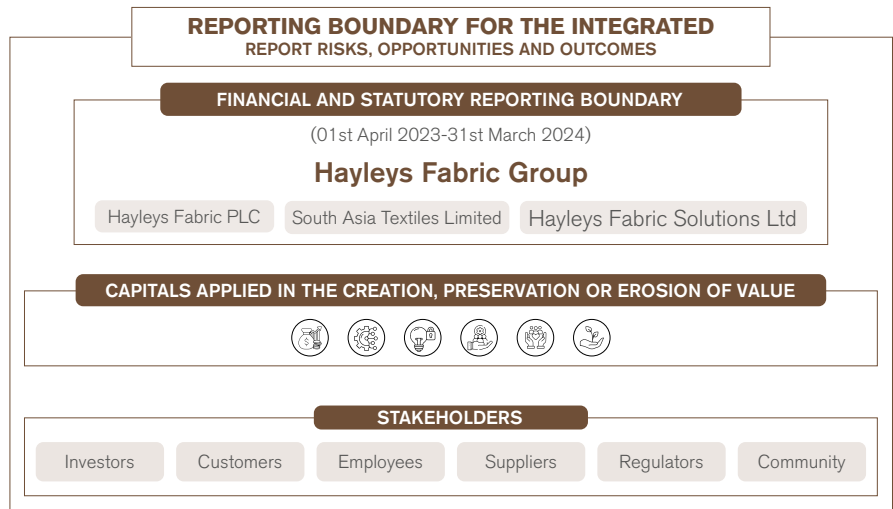
Won the Bronze Award for the 3rd consecutive year in the Manufacturing Sector above Rs.5 Bn Revenue category at the Annual Report Awarding Ceremony -2017 organised by CA Sri Lanka and the Colombo Stock Exchange.



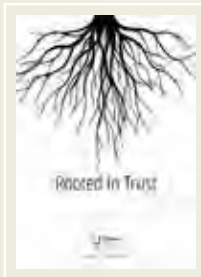
## SCOPE AND BOUNDARY

This report spans the Group's financial reporting period from 1st April 2023 to 31st March 2024 and comprehensively covers the core business activities of Hayleys Fabric PLC, its fully owned subsidiary, South Asia Textiles Limited and Hayleys Fabric Solutions Ltd, a partly owned subsidiary for the said period.

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

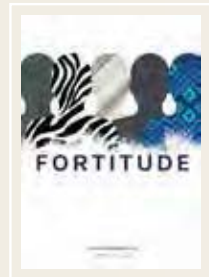


Bronze award under the Asia's Best Integrated Report (Design) category at the Asia Sustainability Reporting Awards 2019, organised by CSRWorks International - Singapore



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

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

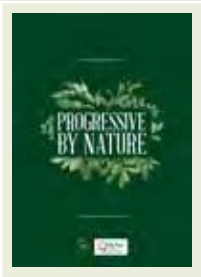


**2019-20**

**2021-22**

**2018-19**

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



**2020-21**

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



**2022-23**

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

# ABOUT OUR INTEGRATED REPORT

## REPORTING FRAMEWORKS

Integrated Reporting (V)	
» The International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)	
Sustainability Reporting (V)	
» Global Reporting Initiative (GRI) standards - 'In Accordance', issued by Global Sustainability Standards Board	
» United Nations Sustainable Development Goals (SDGs)	
» Sustainability Accounting Standard for the Apparel, Accessories and Footwear sector standard of the Sustainability Accounting Standards Board (SASB)	
» Recommendations of the Task Force on Climate Related Financial Disclosures (TCFD)	
» United Nations Global Compact (UNGC)	
» UNGC CEO Water Mandate	
» Gender Parity Reporting Framework of CA Sri Lanka	
» SLFRS S 1 and S 2 (early adoption)	
Financial Reporting (M)	
» Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka	
» Companies Act No. 07 of 2007	
» Listing Rules of the Colombo Stock Exchange	
Governance, Compliance and Risk Reporting	
» Code of Best Practice for Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (V)	
» Corporate Governance Requirements stipulated under the Listing Rules of the Colombo Stock Exchange (CSE) - (M)	
M - Mandatory Requirements	V - Voluntary Adoption

## INTEGRATED REPORTING PROCESS

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

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

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

Draft content reports are subject to stringent scrutiny by the working Group

and where relevant further reviewed by appropriate Board Committees. The draft integrated report is provided to the Board for review and their feedback, with suggestions then incorporated into the final report.

## MATERIALITY

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

## SIX CAPITALS

The current and future prospects of the Hayleys Fabric Group hinges on the effective mobilising of capital resources for the purpose of creating value for stakeholders. To demonstrate how this is achieved, this report contains a section detailing how the Group uses the various forms of capital to derive value-based outcomes to meet stakeholder expectations.

## PRECAUTIONARY APPROACH

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

## ASSURANCE

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

The Group's external auditors: Ernst & Young, have provided independent assurance reports regarding the financial statements for the year ending 31st March 2024. Independent assurance has also been obtained confirming the Group's adherence to GRI standards and the SASB



standards as well as the compliance with the <IR> Integrated Reporting Framework. These reports are shown on pages 179 and 141 respectively.

### FORWARD-LOOKING STATEMENTS

The report contains, where applicable or helpful, plans for the future. These statements reflect the Hayleys Fabric Group's position and beliefs as at the time of writing. However, since the Group operates in a dynamic and fast-evolving environment surrounded by uncertainties and new developments that could cause actual results or actions to differ from those stated in these forward-looking statements.

As such, Hayleys Fabric PLC does not undertake any obligation to update any revisions to these statements publicly after the date of this report. Therefore, readers are cautioned to refrain from assigning too much weightage to such forward-looking statements.

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

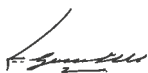
### BOARD RESPONSIBILITY STATEMENT

The Board of Directors of Hayleys Fabric PLC acknowledges its responsibility for

ensuring the completeness, accuracy and integrity of this report. The Board confirms that it collectively reviewed the contents of the report in conjunction with the assurance reports obtained from our various internal and external assurance providers.

On this basis, the Board is satisfied that the Integrated Report for FY 2023/24 addresses all the Material issues that affect the Group's ability to create and sustain stakeholder value over the short, medium and long term.

The report was unanimously approved by the Board on 15th May 2024 and is signed on its behalf by,



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






**Ruwan Rohitha Bandara**  
Director- Finance & ESG

### FEEDBACK

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

#### Mr. Ruwan Rohitha Bandara

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

 0094 -34- 2297100  [rohitha.bandara@hayleysfabric.com](mailto:rohitha.bandara@hayleysfabric.com)  [www.hayleysfabric.com](http://www.hayleysfabric.com)

Scan QR code to refer to the feedback form

The date of the most recent report was 31st March 2023 and is available on our website ([www.hayleysfabric.com](http://www.hayleysfabric.com)). / Scan QR code to refer to our 9th Integrated Annual Report.



### NAVIGATION ICON

-  Financial Capital
-  Social and Relationship Capital
-  Human Capital
-  Intellectual Capital
-  Manufactured Capital
-  Natural Capital

# PURPOSE, VISION, MISSION, AND VALUES



## PURPOSE

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

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## VISION

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



## MISSION

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

# ABOUT US

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

We continuously strive to be socially responsible and carry out our activities following best practices on sustainability, environment, health and safety. Our unwavering commitments, combined with our strong innovation capabilities and high service levels, have earned us the continued trust and confidence of our buyers.

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

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

## Our Values



### Integrity

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



### Quality

We deliver excellent standards consistently.



### Accountability

We hold ourselves responsible to deliver what we promise.



### People

We build our team to create value to stakeholders.



### Innovation

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



### Service

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



### Good Citizenship

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

## ABOUT US

### Our Wide Product Portfolio

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



Single Jersey



Interlock



Pique



Rib



Fleece



Polar Fleece



French Terry



Terry

### Group Structure

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

### Where We Operate

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



#### Narthupuna Estate, Neboda

8,851 MT of Fabric Produced  
USD 96.18 Mn Revenue  
1,738 Employees



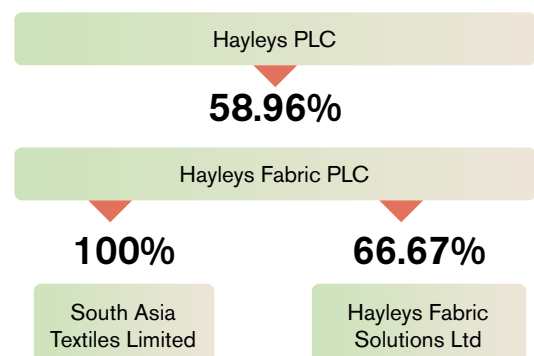
#### Wagawatte Knitting Factory

2,038 MT of Greige Produced  
89 Employees



#### South Asia Factory in Pugoda

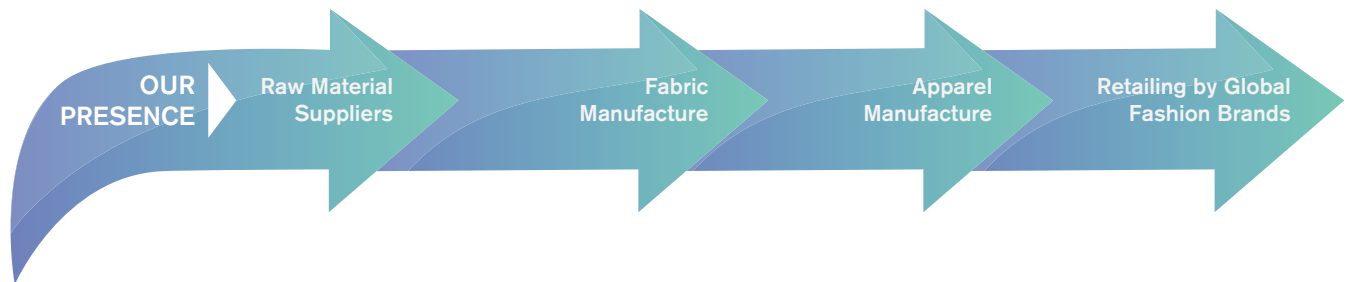
7,563 MT of Fabric Produced  
USD 61.96 Mn Revenue  
1,458 Employees



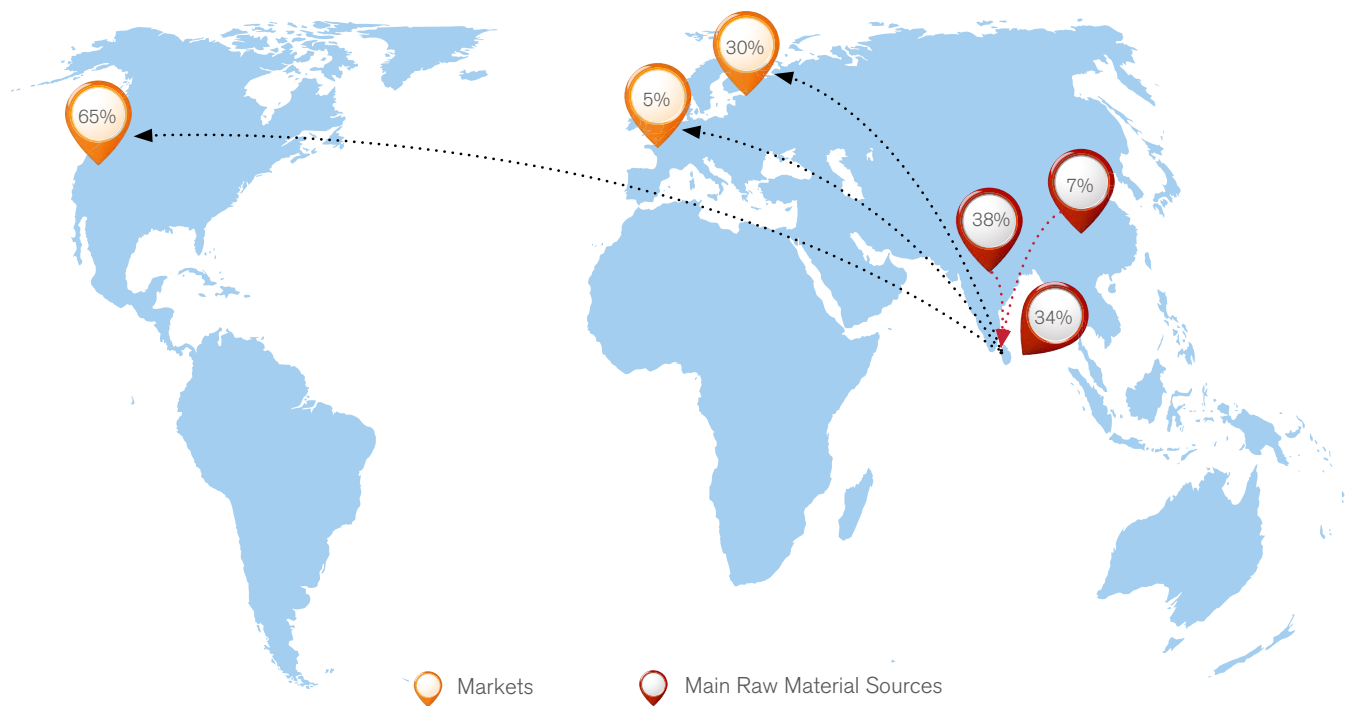


# Our Presence along the Value Chain

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



## Diverse Growing Markets and Sources





# ABOUT US

## Our Partners



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







## Inno Design Center

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

### ACTIVE COLLECTION



- SUPER STRETCH
- MOLDABLE
- FREE CUT
- SUPPORTIVE
- SUPERIOR COMFORT
- BREATHABLE & MOISTURE WICKING





**WINNING THREE AWARDS ISPO ISPO TEXTRENDS FALL/WINTER 2023/24**

**Hayleys inno**

#### ECO STRETCH

- ENVIRONMENTAL IMPACT IS GETTING REDUCED
- EXCELLENT STRETCH AND RECOVERY
- COMFORT AND FLEXIBILITY FOR ALL-DAY WEAR
- ENSURING A PERFECT FIT

#### AQUA SOFT

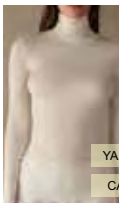

- UV PROTECTION
- RESISTANCE FOR CLOTHING IN SEA WATER
- COTTON COMFORT
- WASH & WEAR DURABILITY
- COLOR ACHIEVABILITY

#### MOISTURE OSMOS




- QUICK DRY
- EXCEPTIONAL MOISTURE MANAGEMENT
- BREATHABLE
- COMFORT & FEEL FRESH



### SPECIAL YARN BLENDS



- NEPS & MARL YARN
- SILK YARN
- LUREX
- TENCEL
- YARN DYED | SPACE DYED
- CASHMERE | WOOL YARN



# STRIVING FOR EXCELLENCE

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

## PRODUCT



### GLOBAL RECYCLED STANDARD

Voluntary product standard for tracking and verifying the content of recycled materials in a final product.



### THE GLOBAL ORGANIC TEXTILE STANDARD

Defines world-wide recognised requirements for organic textiles.



### STANDARD 100 by OEKO-TEX

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



### OCS BLENDED – ORGANIC CONTENT STANDARD

OCS covers the processing, manufacturing, packaging, labelling, trading and distribution of a product that contains at least 5 percent certified 'organic' materials



### OCS100- ORGANIC CONTENT STANDARD

Defines world-wide recognised requirements for organic textiles.



## ENVIRONMENT



### ISO 14001: ENVIRONMENTAL MANAGEMENT SYSTEMS

One of the most popular accreditations for environmental management systems



### ISO 50001: ENERGY MANAGEMENT SYSTEMS

Hayleys Fabric PLC, obtained the ISO 50001 Energy Management System, certified by SGS Italy.



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



**CLEANCHAIN**  
AN ADEC INNOVATION



## SOCIAL



### ISO 45001: OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEMS

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



# BOARD OF DIRECTORS



1

**A.M. PANDITHAGE**

Chairman  
Executive Director



2

**E. R. P. GOONETILLEKE**

Managing Director / CEO  
Executive Director



3

**MS. K.A.D.B. PERERA**

Non-Executive Director



4

**S.C. GANEGODA**

Non-Executive Director



5

**H. SOMASHANTHA**

Independent Non-Executive Director



6

**N. EKANAYAKE**

Senior Independent Director



7

**M.N.R. FERNANDO**

Independent Non-Executive Director



8

**A.A. MASON**

Independent Non-Executive Director



9

**MRS. S. AMARASEKERA, PC**

Independent Non-Executive Director



10

**I.B.R.R. BANDARA**

Executive Director



11

**M. H. JAYASINGHE**

Executive Director



12

**K. P. C. P. K. PATHIRANA**

Executive Director



# BOARD OF DIRECTORS

1

## **A.M. PANDITHAGE**

Chairman  
Executive Director

Appointed - July 2007

Mr. Mohan Pandithage currently serves as the Chairman and Chief Executive of Hayleys PLC, a position he has held since his appointment in July 2009.

As an accomplished industry veteran and respected leader in the field of transportation and logistics, he was honoured with the prestigious 'Best Shipping Personality' Award by the Institute of Chartered Shipbrokers, in recognition of his outstanding contributions to the industry. Additionally, he was presented with a Lifetime Achievement Award by the Seatrade-Sri Lanka Ports, Trade and Logistics (SLPTL). He was the first Sri Lankan to be awarded the Pinnacle Lifetime Award by the Chartered Institute of Logistics and Transport (CILT). He was also inducted as a 'Legend of Logistics' by the Sri Lanka Logistics and Freight Forwarding Association, in acknowledgement of his invaluable services to Sri Lanka's logistics industry.

Mr. Pandithage serves as Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. He is a Fellow of the Chartered Institute of Logistics and Transport (UK) and a Member of the Advisory Council of the Ceylon Association of Shipping Agents (CASA). He also serves as a Council Member of the Employers' Federation of Ceylon.

As an Executive Chairman of multiple companies within the Hayleys Group,

Mr. Pandithage possesses extensive leadership experience across a broad spectrum of industries. Presently, he holds the position of Executive Chairman at Dipped Products PLC, Haycarb PLC, Hayleys Fibre PLC, Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC, Horana Plantations PLC, Alumex PLC, Singer (Sri Lanka) PLC, The Kingsbury PLC and Hayleys Leisure PLC.

2

## **E. R. P. GOONETILLEKE**

Managing Director / CEO  
Executive Director

Appointed - March 2013

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

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

3

## **MS. K.A.D.B. PERERA**

Non-Executive Director

Appointed - October-2022

Ms. Brindhiini Perera has earned a Masters in Mechanical Engineering from Imperial College London. Her studies included comprehensive coverage of subjects such as Manufacturing Technology and Management, Entrepreneurship, Corporate Finance, Statistics, and Mathematics.

She serves as a Non-Executive Director in several companies listed on the Colombo Stock Exchange including Haycarb PLC, Dipped Products PLC, The Kingsbury PLC, Hayleys Leisure PLC, Singer (Sri Lanka) PLC, Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, and The Fortress Resorts PLC. She also serves on the Board of Eurocarb Products Ltd (UK), Delmege Limited, Otwo Biscuit (Private) Limited, The Canbury Biscuit Company Limited, Manatee Clothing Company (Pvt) Ltd and Dhammika & Priscilla Perera Foundation.

4

## **S.C. GANEGODA**

Non-Executive Director

Appointed - November 2009

Fellow Member of the Institute of Chartered Accountants of Sri Lanka (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. Held several Senior Management positions in large Private Sector Entities in Sri Lanka as well as overseas.



Has responsibility for the Strategic Business Development Unit and Group Information Technology of the Hayleys Group.

Appointed as the Deputy Chairman of Alumex PLC in October 2020. He serves on the Boards of Hayleys PLC, Unisyst Engineering PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Singer (Sri Lanka) PLC, The Kingsbury PLC, Hayleys Leisure PLC and Horana Plantations PLC.

5

### **H. SOMASHANTHA**

Independent Non-Executive Director

Appointed - February 2012

Mr. Haresh Somashantha counts over 24 years of dynamic leadership career with a rich mix of finance and operations. He possesses an intimate knowledge of internal/ external processes, business planning and development, strategic and financial management. He is an expert with a track record in executing team driven process improvements with innovative solutions to increase revenue, operational efficiency, customer satisfaction and overall profitability.

He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, a Fellow member of the Institute of Certified Management Accountants of Sri Lanka and an Associate member of CPA Australia, further to holding B.Sc. in Mathematics.

He is the Director Finance of Royal Ceramics Lanka PLC (Rocell Group). Mr. Somashantha also serves as a Director/Audit Committee Member on the Boards of Vallibel Power Erathna PLC and Unidil Packaging Limited. His further Directorships include several subsidiary companies in the Delmege Group.

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### **N. EKANAYAKE**

Senior Independent Director

Appointed - January 2024

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

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

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

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

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

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

7

### **M.N.R. FERNANDO**

Independent Non-Executive Director

Appointed - January 2024

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

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

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

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

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

# BOARD OF DIRECTORS

8

## A.A. MASON

Independent Non-Executive Director

Appointed - January 2024

Mr. Andrew Mason has vast experience in the textile industry and is a strategic leader with a global perspective. He has end-to-end expertise in retail and supply chain management with the ability to connect long term strategy and medium term goals with successful short term execution.

He was Senior Vice President Technical Services - Mast Global, USA, Director Raw Materials - Mast Industries Inc. Reynoldsburg, Ohio, USA, where he led a Global Team of Technical Designers & Raw Material Developers across all lingerie, sleepwear & apparel for Victoria's Secret & Pink brands.

During his tenure as Vice President Global Raw Materials - Mast Global, USA he led a team of 100 global associates in 7 countries where he was responsible for total raw material sourcing and quality for L- Brands Lingerie & Apparel Divisions - Victoria's Secret Lingerie and Sport, Pink, and La Senza.

He was the Senior Vice President Technical Services - VS & Co, HCMC, Vietnam. He headed the product development teams in 4 regional offices covering 12 countries as Senior Vice President Technical Services - Victoria Secretes (VS & Co, HCMC), Vietnam. He led a global initiative for end-to-end cotton sourcing from farm to garment with a focus on cotton grown regeneratively.

He has extensive knowledge in the Fabric Industry and has worked in Sri Lanka for many years in the position of General Manager – Ocean Lanka Limited, a Sri Lankan fabric manufacturer, prior to leaving to the USA to work for Victoria's Secret.

Mr. Mason professes extensive experience in Executive Leadership, where he has followed programs including, International Business and Culture, Managing Global Teams, Finance & Budgeting.

Mr. Mason holds BSc in Applied Chemistry (Textiles) from the Scottish College of Textiles, Galashiels, Scotland.

9

## MRS. S. AMARASEKERA, PC

Independent Non-Executive Director

Appointed - January 2024

Mrs. Saumya Amarasekera, Attorney-at-Law, counts over 35 years in active legal practice mainly in Civil Law practising in the Original, Appellate and the Supreme Court. Her extensive knowledge and practice center around the areas of Property Law, Family Law, Testamentary Law, Trust and Condominium Law. In addition, she has a wide exposure and practice in handling litigation on behalf of Finance Companies, Banks, etc., in respect of money recovery cases. She has also participated in many arbitrations both local and international, as a Counsel as well as an Arbitrator.

She holds a degree in Master-of-Laws (LLM) from the University of Pennsylvania with particular emphasis on Insurance Law and the law of Defamation and Privacy.

Mrs. Amarasekera was appointed a President's Counsel in the year 2018.

She served as a Non-Independent, Non-Executive Director on the Board of Sampath Bank PLC and was thereafter appointed as its Deputy Chairperson and served as such until her retirement from Sampath Bank PLC in June 2020.

Mrs. Amarasekera presently serves as the Chairperson of the Advisory Committee appointed by the Ministry of Justice, for the review of the

Registration of Title Act. She is currently serving as an Independent Non-Executive Director on the Board of WindForce PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, and as a Member of the Board of the Data Protection Authority of Sri Lanka.

10

## I.B.R.R. BANDARA

Executive Director

Appointed - May 2018

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

He has undergone several corporate leadership training programs including Corporate Leadership Program conducted by HIDA, in Japan.

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

**M.H. JAYASINGHE**

Executive Director

Appointed - April 2019

Mr. Malith Jayasinghe joined Hayleys Fabric PLC as a Management trainee, assumed duties with increased responsibilities in Sales and Marketing functions during his career. He counts for over 18 years of experience at Hayleys Fabric.

He was appointed to the Board of Hayleys Fabric PLC in 2019 and to the Board of South Asia Textiles Limited. in 2021.

Mr. Jayasinghe holds a B.Sc. Degree from the University of Colombo

**K.P.C.P.K. PATHIRANA**

Executive Director

Appointed - August 2020

Mr. Prasanna Pathirana is a Graduate in Business Management (Human Resource) Special from the University of Kelaniya. In addition, he holds a Diploma in Psychology from Sri Lanka Psychological Institute. He has over 16 years' experience in the field of Human Resource Management at leading local and multinational companies.

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

# MANAGEMENT TEAM - HAYLEYS FABRIC PLC



1

**E. R. P. GOONETILLEKE**

Managing Director / CEO  
Executive Director



2

**R. ROHITHA BANDARA**

Executive Director - Finance & ESG



3

**M. H. JAYASINGHE**

Executive Director - Marketing



4

**K. P. C. P. K. PATHIRANA**

Executive Director  
– Human Resources & Administration



5

**S. S. PULASINGHE**

General Manager  
– Engineering & Special Projects



6

**W.A.S.A.G. JANSZ**

General Manager  
– Production



7

**P. M. P. PERERA**

Deputy General Manager  
– Engineering



8

**C. P. WANASINGHE**

Deputy General Manager  
– Production Planning



9

**K. D. C. R. GUNARATNE**

Deputy General Manager  
– Knitting



10

**SALIYA THILAKARATHNA**

Deputy General Manager  
– Supply Chain



11

**DINUSHA SOMASIRI**

Deputy General Manager  
– Product Development & Innovation



12

**RANGA HIRANTHA**

Deputy General Manager  
– Sales & Marketing



# MANAGEMENT TEAM - HAYLEYS FABRIC PLC

1

## **E. R. P. GOONETILLEKE**

Managing Director / CEO

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

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

2

## **R. ROHITHA BANDARA**

Director-Finance & ESG

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

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

3

## **M. H. JAYASINGHE**

Director - Sales & Marketing

Mr. Malith Jayasinghe joined Hayleys Fabric PLC as a Management trainee, assumed duties with increased responsibilities in Sales and Marketing functions during his career. He counts for over 18 years of experience at Hayleys Fabric. He was appointed to the Board of Hayleys Fabric PLC in 2019 and to the Board of South Asia Textiles Limited. in 2021.

Mr. Jayasinghe holds a B.Sc. Degree from the University of Colombo.

4

## **K. P. C. P. K. PATHIRANA**

Director-Human Resources & Administration

Mr. Prasanna Pathirana is a Graduate in Business Management (Human Resource) Special from the University of Kelaniya. In addition, he holds a Diploma in Psychology from Sri Lanka Psychological Institute. He has over 22 years' experience in the field of Human Resource Management at leading local and multinational companies.

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

5

## **S. S. PULASINGHE**

General Manager - Engineering & Special Projects

Mr. Saliya Pulasinghe holds a National Diploma in Engineering Sciences from Institute of Engineering Technology, an MBA from University of Wales, UK and is a Member of the Certified Management Accountants of Australia.

He had undergone extensive training in Lean Management (PIPF Osaka), Operations Management (PPOM-Yokohama) and Corporate Management (LKCM13- Chubu) from The Association of Overseas Technical Scholarship, Japan. He has over 28 years of experience in manufacturing & construction sectors.

6

## **W.A.S.A.G. JANSZ**

General Manager – Production

Mr. Athula Jansz holds a B.Sc. Engineering at University of Moratuwa, a Post Graduate Diploma in Manufacturing Management at University of Colombo, Executive Diploma in Employment Relations at EFC/ ICT(ILO), Diploma of Business (Front Line Management) from T+B Solutions (Australia) Pty Ltd. and is an associate member of the IESL.

He has undergone extensive training in Process performance engineering with the certified Process Performance Engineer from Holcim Ltd (Switzerland), Cement Manufacturing in Holderbank, Switzerland, ISO 45001 Lead auditor (SGS UK), Energy management (SLSEA) and Management at University of St. Gallen, Switzerland.

He has over 22 years of experience in Cement manufacturing industry in multi-disciplinary leading management roles of Production, Energy & special projects, Health & Safety and HR & Administration during this tenure.

He was appointed as General Manager – Production in February 2023.

7

## **P. M. P. PERERA**

Deputy General Manager – Engineering

Mr. Mahesh Perera holds a National Diploma in Mechanical Engineering from the University of Moratuwa. He has over 26 years' experience in the field of engineering and 17 years' experience in textile manufacturing industry.

8

## **C. P. WANASINGHE**

Deputy General Manager – Production Planning

Mr. Chinthaka Wanasinghe holds a BSc. in Industrial Management from the University of Kelaniya, MSc. In Operational Research from the University of Moratuwa and in addition he also holds a National Diploma in Engineering Science from the Institute of Engineering Technology (IET). He has over 13 years' experience in overall planning, SAP - ERP and information systems.

9

**K. D. C. R. GUNARATNE**

Deputy General Manager – Knitting

Mr. K. D. Gunaratne has over 25 years' experience in Knitting Technology and Production at Hayleys Fabric PLC. He has advanced technical trainings on Knitting technology in larger scale knitting mill - Australia.

12

**RANGA HIRANTHA**Deputy General Manager  
– Sales & Marketing

Mr. Ranga Hirantha has over 18 years of working experience in Apparel and Textile industry in both Sri Lanka and Overseas while owning the exposure of many leading apparels manufactures and apparel brands.

10

**SALIYA THILAKARATHNA**

Deputy General Manager – Supply Chain

Mr. Saliya Thilakarathna hold MBA from London Metropolitan university of UK. He is with over 20 years' experience in Textile & Apparel industry in local & overseas.

He joined Hayleys Fabric PLC in 2021-April as Head of Supply chain and previously he has attached to two large scale Fabric mills in Sri Lanka. He has also served in overseas as Senior Manager Production Planning & Supply Chain for 6 years who has perfected the art of lace fabric knitting mills located in both China & Thailand.

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

He started his career at MAS Holding and joined Hayleys fabric Sales and Marketing team in August 2022.

He holds a B.Sc Special Degree in Marketing Management from the University of Sri Jayewardenepura.

11

**DINUSHA SOMASIRI**Deputy General Manager  
– Product Development & Innovation

Mr. Dinusha Somasiri holds a B.Sc Engineering degree in textile and clothing, specialised in textiles from University of Moratuwa. He joined Hayleys fabric as Senior manager for product development & innovation on 2020 and prior to joining Hayleys fabric he has over 13 years of experience in material development & material innovation with leading local & overseas companies.



## MANAGEMENT TEAM - SOUTH ASIA TEXTILES LIMITED



- |                          |                                  |
|--------------------------|----------------------------------|
| ① Ms. Nirmalee Maddumage | - Assistant General Manager- R&D |
| ② Udan Wedamunilame      | - Manager- Supply Chain          |
| ③ Champika Liyanage      | - Senior Manager- Knitting       |
| ④ Lakshitha Munaveera    | - Manager - Finishing            |
| ⑤ Sameera Jayasinghe     | - Manager- Planning              |
| ⑥ Buddhika Perera        | - Financial Controller           |



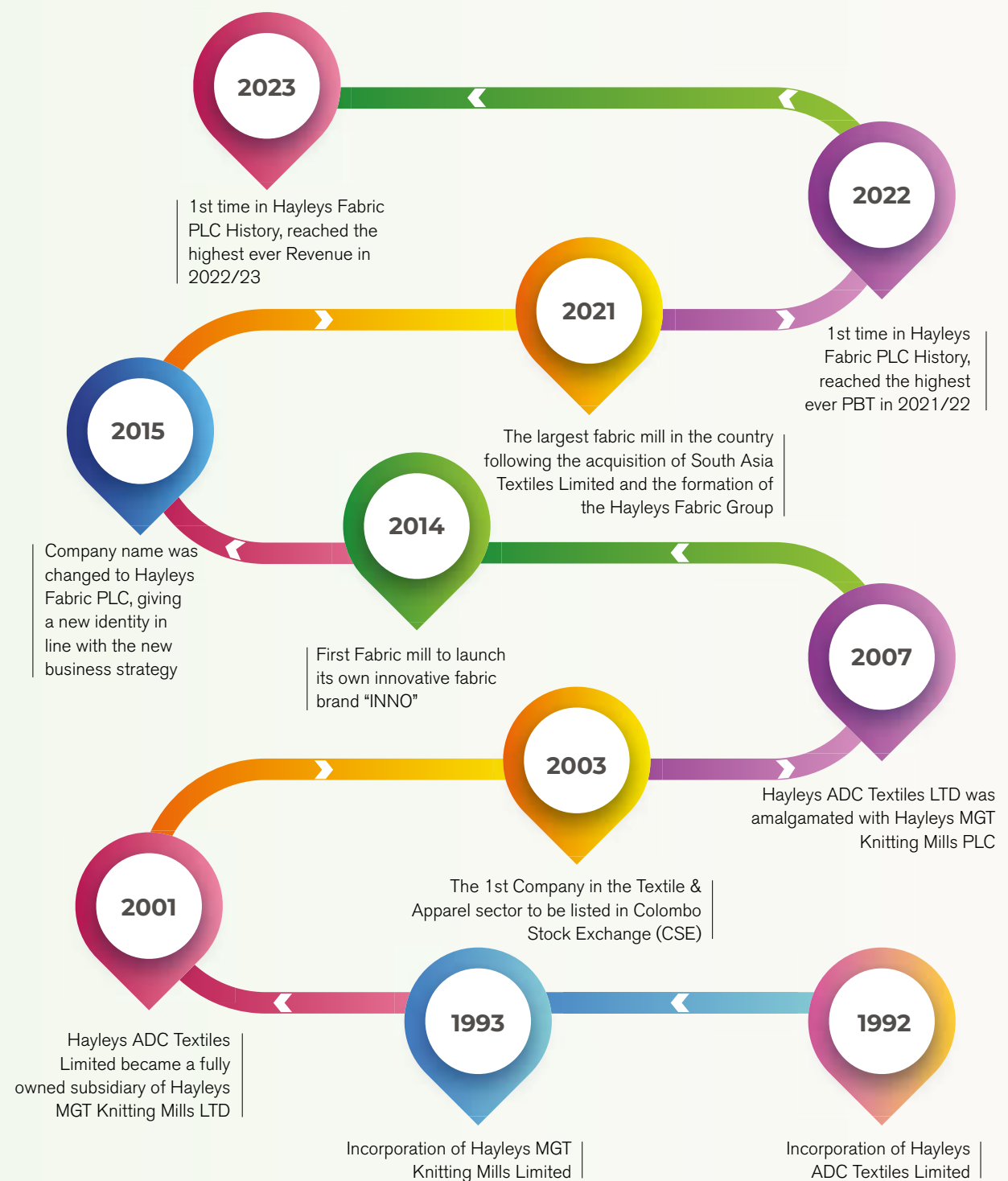


- 7 Kumudu Kodagoda
- 8 Indika Chandrarathne
- 9 Jagath Kariyawasam
- 10 Nalin Wickramarathne
- 11 Shyam Jayasundara

- General Manager - Production
- Senior Manager- Dye House
- Manager HR & Administration
- General Manager - Marketing
- Manager- Engineering

# THE EVOLUTION OF A PIONEER

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





# Layers Of Perseverance

As we look back on the year under review, we present a clear and concise picture of the company's performance, its successes, its challenges and its unwavering commitment towards sustaining business, people and the environment.



## THE YEAR AT A GLANCE

■ Financial Highlights	28
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■ Socio-Economic Impact	32
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■ Awards and Accolades	34
■ Chairman's Message	36
■ Managing Director's Review	38

# FINANCIAL HIGHLIGHTS

## FINANCIAL PERFORMANCE

		Group		Company	
		2024	2023	2024	2023
Revenue	USD '000	155,327	166,631	96,180	103,594
Gross Profit	USD '000	29,177	21,396	20,880	14,370
Gross Profit Margin	%	19%	13%	22%	14%
Results from operating activities	USD '000	17,212	10,818	12,542	7,347
Profit Before Tax	USD '000	11,748	8,383	9,551	7,861
Profit Before Tax Margin	%	8%	5%	10%	8%
Profit After Tax	USD '000	7,865	1,133	6,609	2,100
Cash Profit	USD '000	19,670	11,999	14,591	9,210
Interest Cover	No. of times	4.0	2.2	5.4	3.1
Return on Equity	%	24%	4%	23%	8%
Pre-tax return on capital employed (ROCE)	%	25%	16%	24%	18%

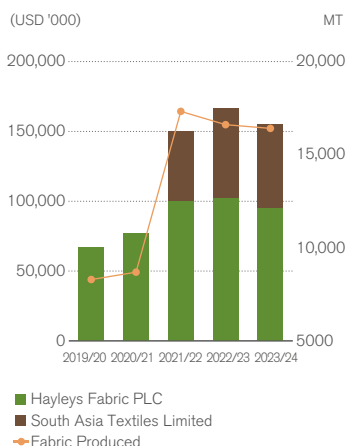
## FINANCIAL POSITION

		Group		Company	
		2024	2023	2024	2023
Total Assets	USD '000	116,267	118,950	82,120	80,791
Total Debt	USD '000	38,384	42,959	24,670	24,610
Inventory Holding Days	No. of days	85	89	83	79
Debtors' Days	No. of days	38	37	24	37
Total Shareholders' Funds	USD '000	32,809	28,299	29,297	26,040
No. of Shares in Issue		415,481,776	415,481,776	415,481,776	415,481,776
Net Assets per Share	USD	0.08	0.07	0.07	0.06
Debt /(Equity+Debt)	%	54%	60%	46%	49%
Total Debt / Total Assets	%	33%	36%	30%	30%

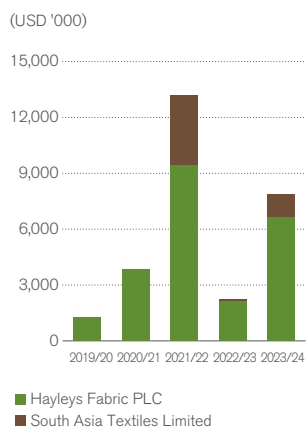
## SHAREHOLDER INFORMATION

		Group		Company	
		2024	2023	2024	2023
Market Price of Share as at 31st March	Rs.	-	-	41.10	25.20
Market Capitalisation	Rs. Mn	-	-	17,076.30	10,470
Dividend per Share	Rs.	2.60	2.50	2.60	2.50
Dividend yield	%	6%	10%	6%	10%

### Revenue



### Profit After Tax



### CASH PROFIT (2022/23) - USD 11.9 Mn



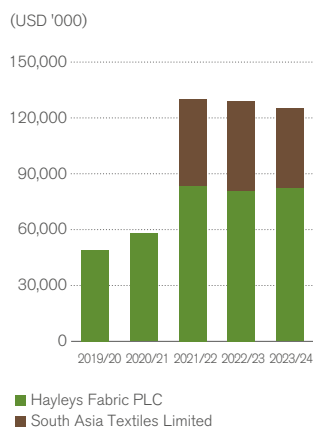
### EBITDA MARGIN (2022/23) - 9%



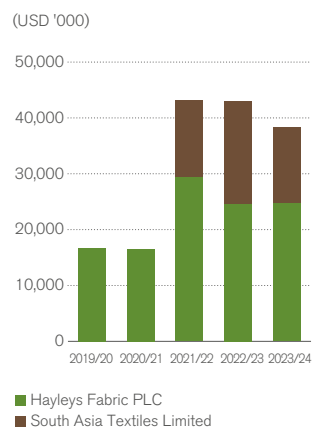
### EARNINGS PER SHARE (2022/23) - USD 0.003



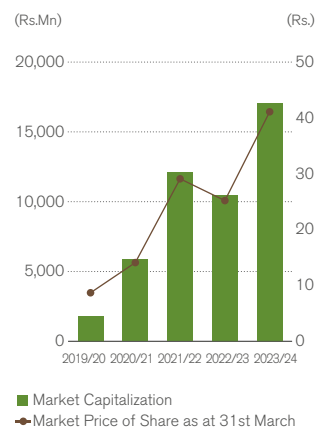
### Total Assets



### Total Debt



### Shareholder Information



### INTEREST COVER (2022/23) - 2.2



### RETURN ON CAPITAL EMPLOYED (2022/23) - 16%



### RETURN ON EQUITY (2022/23) - 4%



# NON-FINANCIAL HIGHLIGHTS

## SOCIAL HIGHLIGHTS

	Group		Company	
	2024	2023	2024	2023
No of employees	3,285	3,088	1,827	1663
Employee retention rate (%)	69%	76%	86%	89%
Employee Productivity (%)	19	25	21	29
Salaries and Wages (USD '000)	11,370	9,510	7,661	6,408
Investment in Training (USD)	14,224	10,358	8,843	6,073
Training coverage of employees (excluding casual) (%)	192%	92%	249%	158%
Percentage of employees receiving performance reviews (%)	100%	100%	100%	100%
Incidents of child labour (Our operations and suppliers)	Nil	Nil	Nil	Nil
Incidents of forced labour (Our operations and suppliers)	Nil	Nil	Nil	Nil
Investment in CSR (USD)	39,472	29,711	36,273	27,093
No. of persons impacted	Over 6,800	Over 6,700	4,000	Over 3,550
Proportion of businesses analysed for risk of corruption (%)	Nil	Nil	Nil	Nil
Significant fines for violation of laws/ regulations (USD)	Nil	Nil	Nil	Nil
Proportion of labels carrying ingredients used (%)	100%	100%	100%	100%
Payments made to suppliers (USD Mn)	130	151	79	85
Proportion of local suppliers (%)	34%	27%	35%	31%
Suppliers assessed for environmental and social compliance (%)	91%	90%	89%	91%

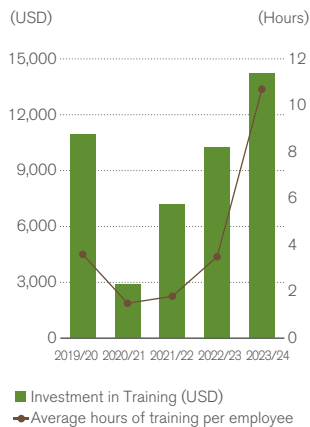
## ENVIRONMENTAL HIGHLIGHTS

	Group		Company	
	2024	2023	2024	2023
Total raw material consumption (MT)	28,579	28,933	16,177	17,495
Recycled raw materials as a percentage of total material consumption (%)	6%	7%	7%	7%
Direct energy consumption (GJ)	1,456,654	1,496,982	759,961	834,843
Energy intensity (GJ/ MT of production)	80.38	82.29	77.36	81.03
Indirect energy consumption (GJ)	35,306	36,422	21,539	22,186
Indirect energy intensity (GJ/ MT of production)	1.95	2.00	2.19	2.15
Renewable energy (%)	73%	69%	61%	60%
Water withdrawal (M3)	2,664,381	3,084,760	1,507,961	1,894,795
Water Consumption (M3)	2,669,620	3,089,964	1,513,200	1,899,999
Water intensity (M3 '000/ MT of production)	0.15	0.17	0.15	0.18
water Recycled (M3)	675,578	379,167	398,647	262,559
Water discharged to the river (M3)	2,396,032	2,834,187	1,413	1,828,111
Water Quality- Incidents of non-compliance with standards	Nil	Nil	Nil	Nil
Total carbon footprint (tCO2e)	43,954	54,001	29,595	35,742
Direct: Scope 1 (tCO2e)	21,515	27,857	16,813	19,848
Indirect: Scope 2 (tCO2e)	16,260	19,461	9,356	11,756
Other Indirect: Scope 3 (tCO2e)	6,179	6,683	3,426	4,138
Emission Intensity (tCO2e/ MT of production)	2.43	2.97	3.01	3.47
Waste recycle or incinerated %	62%	56%	65%	60%
Waste to land re-fill %	Nil	Nil	Nil	Nil
Trees planted (No)	175	225	35	175

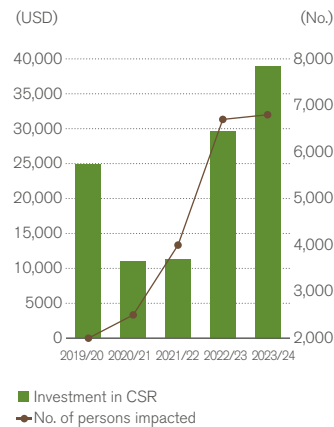
## OTHER HIGHLIGHTS

	Group		Company	
	2024	2023	2024	2023
Production (MT)	16,413	16,613	8,851	9,236
Factory Capacity (%)	>90%	>90%	>90%	>90%
No. of accreditations/ certifications and memberships from fashion brands	51	47	38	38
Sales from Inno and product development (%)	97%	98%	96%	97%
Investment in R & D	162,167	117,392	24,944	21,989
On time delivery %	90%	91%	91%	91%
Lead time (Days)	3 days	3 days	3 days	3 days
Property, plant and equipment – USD '000	44,489	44,660	25,689	26,538
CAPEX during the year – USD '000	3,977	4,704	1,645	932
Capacity Utilisation	>90%	>90%	>90%	>90%

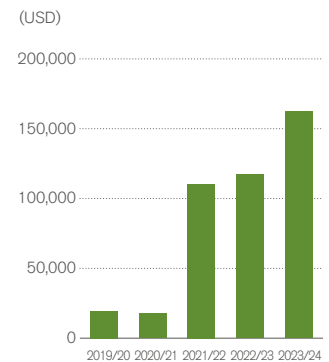
### Training



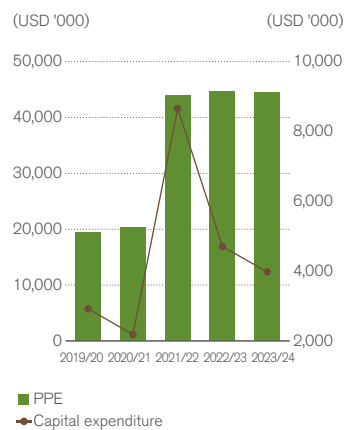
### CSR



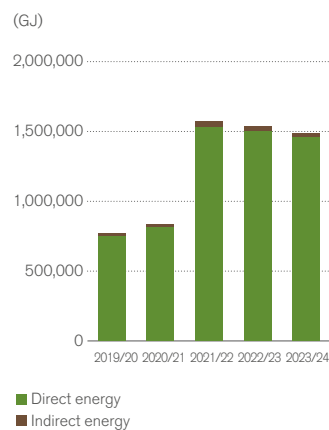
### Investment in R & D



### Capital Expenditure



### Energy Consumption



### EMPLOYEE RETENTION (2022/23 - 76%)

 **69%**

### CARBON FOOTPRINT (2022/23 - 54,001 tCO<sub>2</sub>e)

 **43,954 tCO<sub>2</sub>e**

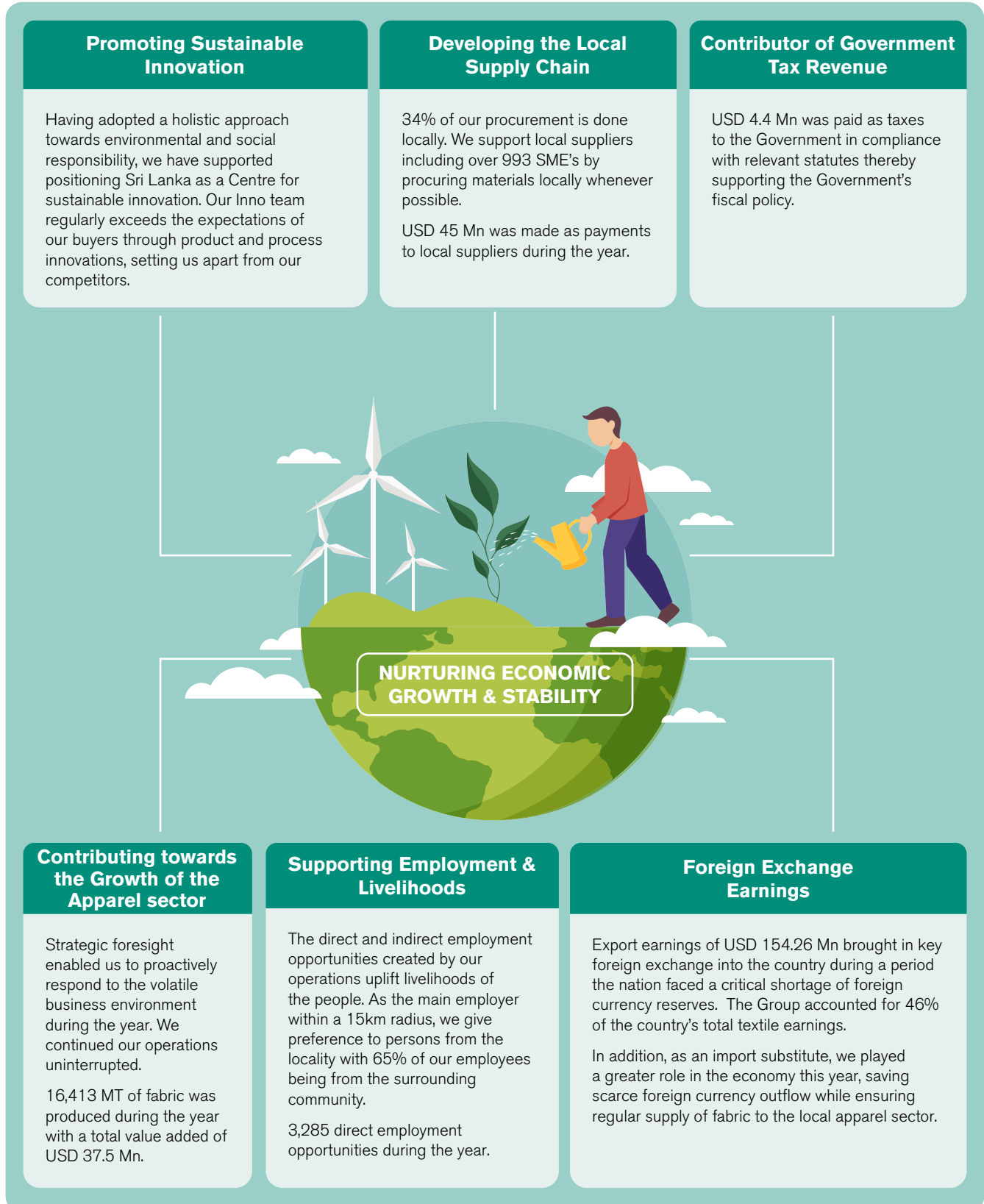
### WATER INTENSITY (2022/23 - 0.17)

 **0.15**



# OUR SOCIO-ECONOMIC IMPACT

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

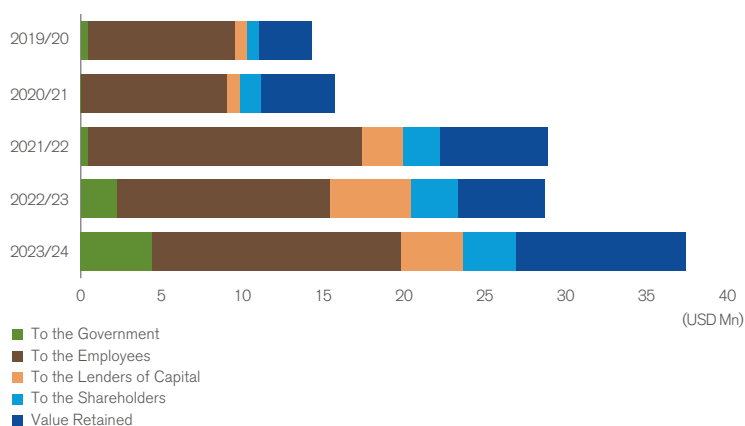


# ECONOMIC VALUE-ADDED STATEMENT

Total value added accounted for USD 37.5 Mn during the year. The highest amount of value was distributed amongst our employees accounting for 41% of the total. The increase in remuneration from USD 13.2 Mn to USD 15.4 Mn is an affirmation of our commitment to the well-being of our employees, particularly in times of economic stress ( Refer human capital – page 93).

Financial Performance (Group)	2023/24		2022/23	
	USD Mn	%	USD Mn	%
Revenue	155.3		166.6	
Cost of Production and other OH	(118.4)		(138.6)	
Value Added by Operating Activities	37.5		28.7	
Distributed as follows to;				
Employees: Salaries, wages & other benefits	15.4	41.1%	13.2	46%
Government: Taxes	4.4	11.7%	2.2	7.8%
Lenders of capital: Interest	3.8	10.2%	5	17.3%
Shareholders: Dividends	3.3	8.8%	2.9	9.9%
Gross Value Retained	10.5	28.1%	5.4	18.9%
Total Distribution	37.5	100%	28.7	100%

## Sustainable Growth in Value Created for Stakeholders



# AWARDS AND ACCOLADES



No	Company	Award/ Achievement	Description
①	Hayleys Fabric PLC	ACCA Sri Lanka Sustainability Reporting Awards 2023	Winner in the Retain and Trading Category
②	Hayleys Fabric PLC	Astrid Awards 2023	Silver Winner - Online: Sustainability & ESG Reporting (Annual Report 2021/22)
③	Hayleys Fabric PLC	Questar Awards 2023	Silver Award- Corporate Social Responsibility Report (Annual Report 2021/22)
④	Hayleys Fabric PLC	ARC Awards 2023	Bronze Winner - Combined Annual and Sustainability Report (Annual Report 2021/2022)
⑤	Hayleys Fabric PLC	iNOVA Awards 2023	Bronze Award - Online Annual Reports : Manufacturing Category (Annual Report 2022/23)
⑥	Hayleys Fabric PLC	CA Sri Lanka Tags Awards 2023	Compliance Certificate - Manufacturing Sector (Group Turnover Above LKR 10Bn)
⑦	Hayleys Fabric PLC	Asia's Top Sustainability Super Women 2022	Leonie Vass - Head of Sustainability and Sustainable Innovations
⑧	Hayleys Fabric PLC	Presidential Environmental Awards 2021 - 2022	Silver Award in Textile and Textile Processing Industries Category

9



10



11



12



13



14



15



No	Company	Award/ Achievement	Description
9	Hayleys Fabric PLC	NCE Export Awards 2023	Silver Award - Textile and Apparel Sector
10	Hayleys Fabric PLC	ESG World Summit & GRIT Awards 2023	Best SDG Impact Award
11	Hayleys Fabric PLC	Presidential Export Awards 2021-2022	Merit Award - Knitted Fabric Category
12	Hayleys Fabric PLC	Presidential Export Awards 2022-2023	Merit Award - Knitted Fabric Category
13	Hayleys Fabric PLC	ISPO (Germany) Textrends Awards Fall/Winter 2025/26	Best Product Innovation - Base Layer Category for ECO STRETCH
14	Hayleys Fabric PLC	ISPO (Germany) Textrends Awards Fall/Winter 2025/26	Top 10 product Innovations - Performing Finished Category for AQUA SOFT
15	Hayleys Fabric PLC	Clarix Development Awards 2023	For Filemaker Developments

# CHAIRMAN'S MESSAGE

## Dear Shareholders

It is with much pleasure and pride that I present to you, the 10th Integrated Annual Report and financial statements of Hayleys Fabric PLC for the financial year ended 31 March 2024.

I find that the Hayleys Fabric Group's journey over the past twelve months is nothing short of remarkable, which I am inclined to think is because of our fundamental value driven approach that compelled us to focus on not just meeting but significantly exceeding the expectations of every one of its stakeholders.

## DEFYING THE ODDS

That said, I have to admit, it was a tough year as the world headed towards an imminent recession influenced by weak economic activity and investment on the back of widespread conflict escalation in different parts of the world, the most recent being the Israel-Palestine war that erupted in October 2023. Amidst this backdrop, demand from leading fashion markets also visibly shrank, leaving global fashion brands on edge and even prompting many to activate contingency plans in the interest of self-preservation.

As a textile exporter heavily reliant on global fashion trends, the pressure on our order book was quite telling. Nonetheless, our results for the year stand as a testament to the incredible optimism and determination of our teams at both Hayleys Fabric PLC and South Asia Textiles Limited. In fact, I credit our outstanding performance to our teams who, by their actions, have proven Sir Winston Churchill's declaration that optimists are those who have the vision to see opportunity in every challenge.

The turnabout in the domestic economy is also worthy of mention. After six consecutive quarters of progressive de-growth, the Sri Lankan economy appeared to have finally recalibrated to set itself to move back on the path to recovery as both inflation and interest rates declined to single digit levels by end 2023. Moreover, strong revival in the tourism sector alongside sustained improvements in remittance flows to the Country helped to strengthen the local currency, resulting in the LKR appreciating by 11%+ against the USD in 2023, in contrast to the unprecedented 82% depreciation we witnessed in 2022. GDP contraction was also curtailed to 2.3% in 2023, a marked improvement from the 7.3% de-growth reported in 2022, which clearly suggests it is only a matter of time before the Country recaptures its pre-pandemic growth momentum.



“ In the year under review, we once again reasserted our dominance in the sustainability sphere by becoming the only local textile manufacturer to be on-boarded to the Science Based Targets initiative (SBTi), a leading global coalition set on leading the world towards net zero status by 2050. ”

## EXCEEDING EXPECTATIONS

The Hayleys Fabric Group registered Consolidated Gross Profit USD 29.2 Mn in FY 2023/24, a commendable 36% improvement notwithstanding the Revenue decline attributed to the erosion in the order book. However, the revenue shortfall was largely offset by improved margins, which saw Group PBT growing to USD 11.7Mn in the year under review, up by a remarkable 40% from USD 8.4 Mn in the previous year. What is more impressive is that these PBT results are despite the significant impact of exchange losses arising from the sharp LKR appreciation in first and fourth quarters.

With no impact from deferred tax adjustments, PAT increased from USD 1.1

Mn in the previous year to USD 7.9 Mn for FY 2023/24. Bolstered by higher profits, ROCE shot up to 25% in FY 2023/24 from 16% in the previous year. This was mirrored in the ROE as well, which at 24% for the current year reflects a substantial improvement from the 4% reported for the previous financial year.

Eager to share its outstanding results with shareholders, the Hayleys Fabric PLC Board approved an interim dividend of Rs 2.50 per share for FY 2023/24. Consequently, the dividend payout of USD 3.2 Mn, denotes another landmark achievement as it represents the largest dividend payout by the Group over a decade.



## DRIVING PARTNERSHIPS FOR ESG

Being part of the Hayleys' PLC Group, Environmental, Social, and Governance (ESG) principles are emblematic of our corporate ethos, and as such serves as the inspiration for us to contribute to broader national agendas relating to the environment and social value creation.

As you are well aware, the Hayleys Fabric Group is at the forefront of the industry in environmental sustainability, having been recognised both nationally and internationally for excellence in this sphere. In the year under review, we once again reasserted our dominance in the sustainability sphere by becoming the only local textile manufacturer to be on-boarded to the Science Based Targets initiative (SBTi), a leading global coalition set on leading the world towards net zero status by 2050. With this achievement, Hayleys Fabric also joins the elite few Sri Lankan corporates pledging their support towards this global effort.

By pursuing partnerships with multiple organisations we have over the years remained at the forefront of environmental conservation efforts, often leading the charge for the protection of natural habitats and ecosystems around the Country.

In the year under review, Hayleys Fabric partnered with a number of stakeholders, including government bodies and academia for the purpose of advancing biodiversity conservation. We continued to support the Central Environmental Authority and also tied up with leading state universities including the University of Peradeniya, Wayamba University of Sri Lanka and University of Sri Jayewardenepura in attempt to create a cohesive framework to drive ecosystem protection and restoration efforts around the Country.

## STRENGTHENING GOVERNANCE

Strong corporate governance is the bedrock of sustainable value creation at Hayleys Fabric, and during the year we adopted measures to strengthen governance mechanisms and procedures in line with the new Corporate Governance rules issued by the CSE for listed entities. Striving for early adoption of the new rules, we made excellent progress in reconstituting our Board Committees, strengthening policy frameworks and enhancing risk oversight.

Board refreshment was another key priority. Over the past year, the Hayleys Fabric Board underwent thorough refreshment aimed at enhancing its effectiveness and ensuring alignment with the Group's

strategic goals. Recognising the importance of fresh perspectives and diverse expertise, we have welcomed several new Board members who bring a range of skills, expertise and wealth of industry knowledge that I firmly believe complement the Group's strategic endeavours and strengthen our resilience in an ever-changing business landscape. On that note, I wish to welcome our newly-appointed Directors Mr. N. Ekanayake, Mr. M.N.R. Fernando, Mr. A.A. Mason and Ms. S. Amarasekara PC who were all appointed to the Board as independent Directors on 3rd January 2024. I look forward to working with the newly-reconstituted Board in steering the Hayleys Fabric Group onward and upward in the coming years.

## LOOKING AHEAD

Having achieved our best performance during a period of extreme adversity, I believe serves as a testament to the agility of our business model as well as the adaptability, innovation and tacit knowledge of our teams. It is from this position of strength that we look forward to the future.

I am convinced our scalability as the largest fabric manufacturer in Sri Lanka and possibly South Asia, will also be a definite advantage in the Hayleys Fabric Group's onward journey. Equally importantly, our reputation for sustainable innovation and commitment to environmental advocacy will no doubt hold us in good stead as we embark on our future agenda.

Further, with early signs indicating a resurgence in global economic activity, experts are now suggesting normalisation is likely to occur sooner rather than later - all positive signs that bode well for the future of the Hayleys Fabric Group. Amidst this backdrop, I am confident that the Group is well-positioned to significantly accelerate in its growth trajectory to claim a spot among Sri Lanka's top export earners in the years ahead.

## APPRECIATIONS

On behalf of the Board, I wish to extend my heartfelt appreciation to Mr. Rohan Goonetilleke - the Hayleys Fabric Group Managing Director and his corporate management team for their exceptional leadership and the team for their unwavering commitment and exemplary dedication to ensure the Group's success amidst numerous challenges.

I would like to thank my esteemed colleagues on the Board for their diligence, invaluable contributions, and wise counsel. I also wish to place on record my deep

## RETURN ON CAPITAL EMPLOYED

25%

## PROFIT BEFORE TAX

11.74  
USD Mn

## MARKET PRICE

Rs. 41.10

gratitude to the outgoing Directors Dr. N.S.J. Nawaratne, Mr. A.S. Jayatilleka and Mr. M.W.R.N. Somaratne for their dedicated service to the Hayleys Fabric Group over the years. I wish you well in all your future endeavours.

The Board joins me in thanking our loyal customers and global partners for their confidence in our ability to prioritise their needs at all times. Additionally, we wish to express sincere gratitude to our valued shareholders for their ongoing support and trust in the Hayleys Fabric Group. We eagerly anticipate your continued support as we journey onward to realise our plans for an empowered future.



A.M. PANDITHAGE

Chairman  
15th May 2024

# MANAGING DIRECTOR'S REVIEW

## Dear Shareholders

If I were to sum up the past twelve months in just one word - "perseverance" comes to mind. In what has been an extremely volatile year, the perseverance and fortitude with which our teams at both Hayleys Fabric PLC and South Asia Textiles Ltd came together to battle against the slew of challenges we encountered in the year under review, stands as a testament to how the power of cohesive thought and action can defy the odds.

At this point, I must also acknowledge the anchoring role played by the Board of Directors in steering the Group forward to achieve unprecedented success. That said, I wish to take this opportunity to thank the outgoing Board for their visionary leadership that was instrumental in positioning the Hayleys Fabric PLC Group to record its best financial results in FY 2023/24, a feat that is even more impressive as it comes amidst extreme headwinds.

## NAVIGATING HEADWINDS

We entered the current financial year with the idea that the challenges encountered as a result of Sri Lanka's economic crisis of 2022, was firmly behind us. While this proved to be true, it was indeed very disconcerting to find ourselves facing further uncertainty, this time as a consequence of global recessionary conditions driven by rising inflation and widespread disruptions due to escalating geopolitical tensions.

Fuelled by these uncertainties, leading global apparel brands were seen downscaling their order books in a bid to rationalise their inventories and cut their losses amid weak consumer demand. Reacting in a similar manner, our top tier customers too struggled to provide firm commitments, which meant we were compelled to accept drastic cutbacks that left our production facilities often underutilised. Keen to offset cost pressures resulting from capacity under utilisation, we made some tough calls, sometimes even resorting to a temporary suspension of plant operations for short periods in between production runs.

Meanwhile, despite setbacks when large volumes of exports had to be suspended due to global shipping issues, we remained firm in maintaining open capacity to safeguard



“ The effectiveness of our mindful and sometimes bold decisions taken through the year is evidenced by the Hayleys Fabric Group's stellar performance for FY 2023/24. ”

the customer against the fallout from the plant closure. Prioritising production efficiency and speed of delivery to fulfil order commitments, we focused on further reducing lead times. We leveraged supply chain synergies to build higher inventories alongside focused efforts to offset shipping delays by mobilising air freight capacity at a higher cost. These conscious, albeit sometimes costly business decisions, were motivated by the deep commitment to our customers and bearing in mind the importance of preserving customer trust.

Moreover, confronted with acute shortages precipitated by global market dynamics, we mobilised multiple approaches to tackle supply side constraints for key raw materials such as yarn. Working proactively to strengthen ties with yarn suppliers across all major sourcing destinations, we were able to successfully leverage our volume advantages to improve the agility of our supply chain and minimise price volatility.

## STELLAR RESULTS

The effectiveness of our mindful and sometimes bold decisions taken through the year is evidenced by the Hayleys Fabric Group's stellar performance for FY 2023/24. For instance, improved GP margins in the year under review, is the result of sustained cost advantages derived through our stringent sourcing strategies. With these cost efficiencies helping to offset broad based increases in personnel expenses, energy and freight costs, GP margin shot up to 19% in the year under review, compared to 13% registered in the previous financial year.

Improved operating results translated into a strong bottom line, with EBITA recording an impressive 43% increase from USD 15.4 Mn in FY 2022/23 to USD 22.0 Mn in the year under review. Strong EBITA results coupled with a conscious effort to capitalise on the declining policy interest rates to streamline finance costs saw PBT crossing the landmark USD 10 Mn to reach USD 11.7 Mn for FY 2023/24

It is important to note that these unprecedented results come almost the backdrop 7% year-on-year revenue drop which is attributed to the contraction in the order book.

Meanwhile, with no significant changes in the tax structures applicable to the Hayleys Fabric PLC in the current financial year, the Group reported tax liabilities of USD 3.9 Mn for FY 2023/24, with PAT showing a 594% year-on-year improvement from USD 1.1 Mn in the previous year to USD 7.9 Mn in the year under review.

The Group's liquidity position also improved substantially with net cash flow from operating activities reporting a fourteen fold increase from USD 1.3 Mn in FY 2022/23 to USD 19.0 Mn in the year under review, supported by lower inventory, debtors and a 631% year-on-year increase in cash and cash equivalents.

## SUSTAINABLE INNOVATION

Our belief in the symbiotic relationship between sustainability and innovation has encouraged us to look beyond concentration to develop solutions that meet the evolving needs of the global apparel industry while strengthening the environmental integrity of the fabric.

Underscoring our dedication to lead industry transformation by producing textiles that benefit both the industry and the planet, we launched several groundbreaking products in the year under review. The first, Eco Stretch, is a pioneering material that breaks new ground with its remarkable ultra stretch profile and made out of eco-friendly materials, that offers a recyclable solution that ensures neither performance nor comfort is compromised.

Our Moisture Osmosis material with its exceptional one-way moisture transference quality and outstanding durability, guarantees the wearers remain dry and comfortable, heralding a new era for performance apparel.

Similarly, Aqua Soft, which was developed in response to the global trend for longer lasting apparel wear, is a high-performance fabric that combines technological advancement with the natural comfort of cotton while offering unparalleled UV protection for ultimate user comfort, while durability of the fabric supports greater environmental sustainability.

## ADVANCING ESG

The Hayleys Fabric Group has always led from the front in its championship of sustainability by aligning with the environmental, social and governance targets established under the UN Sustainable Development Goals. Having adopted 14 of the 17 Goals as the basis of our sustainability roadmap - purpose-led framework outlining strategies and targets to underpin our efforts to create a sustainable future for all. Through our roadmap, we have already made some notable progress in certain areas.

For instance, we take great pride in completely eliminating the use of emission-intensive furnace oil at South Asia Textiles Limited and are now targeting to ensure both plants are furnace oil free by 2025. Early investments in solar & biomass boilers have allowed the Group to generate almost 74% of its current annual energy requirement through renewable energy. Keen to further build on these efforts, we initiated a pioneering new project in partnership with Hayleys Fentons to set up a 35kW floating solar project. The project, which is set for completion by 2024, will represent one of the first few floating solar investments in the Country.

## REVENUE

**155.33**  
USD Mn

## RENEWABLE ENERGY

**73%**

## EMPLOYEES

**3,285**

I am also very pleased to announce that Hayleys Fabric PLC became the first textile manufacturer in Sri Lanka and only the fourth local corporate entity to receive formal acknowledgement confirming that our emission management programme is in conformance with the SBTi Criteria and Recommendations (version 5). Following extensive investigations conducted by the SBTi's Target Validation Team's throughout 2023, the Group's scope 1 and 2 target ambitions were determined to be in line with the SBTi's decarbonisation roadmap for achieving the global net-zero target.

Water is a material resource for the manufacture of textiles, with our daily requirements of approximately 7,314 (M3) extracted from natural water bodies in and around our plants. Eager to offset our heavy dependence on water resources we remain intent on addressing and managing water-related risks, underscored by our longstanding commitment to UN Global Compact's CEO Water Mandate. I am indeed pleased to report that these water sustainability initiatives are bringing us closer to our ambition to reduce water intensity to 145 L/Kg by 2025, from base line (2021/22) 188 L /Kg



# MANAGING DIRECTOR'S REVIEW



We continued to pursue various collaborations for the purpose of broadening the focus on environmental sustainability. To that end, our tie-up with Pro Green Laboratories of the University of Moratuwa signifies a ground-breaking partnership to explore upcycling of industrial waste such as dye waste, fabric waste, and fly ash generated as a consequence of our manufacturing operations, to develop a range of eco-friendly, low cost construction solutions for the local market to be commercialised under the FaBriEco label.

Another area we have always been quite passionate about is women's empowerment. In 2020 we established Sri Lanka's first and only knitting plant with a 100% female-led workforce, an initiative that has not only helped in strengthening the Group's overall gender balance, but to-date continues to deliver immense benefits in terms of efficiency and productivity. Encouraged by these results, we are now consciously driving greater female participation in the mainstream workforce at our other plants as well.

As always, we continued to reinforce our commitment to the wellbeing of communities, allocating a collective total of

USD 39,472 towards donating school books and constructing school infrastructure as well as contributing to various projects that support healthcare needs of vulnerable communities.

## EMPOWERING THE TEAM

An empowered team is an integral part of our ethos for building a sustainable business. Led by our holistic approach to people development, we continue to invest in skill development and create career growth opportunities to inspire our employees to align their personal career ambitions to the Group's growth trajectory. Additionally, with the last few years proving to be usually stressful for everyone amidst the backdrop of various economic challenges, we further reinforced our commitment to team empowerment by distributing dry rations valued at USD 119,095 to employees in the year under review. Moreover, we spent close to USD 12,667 for the purpose of providing school books and stationery items for over 1,600 children of employees.

## SLFRS ADOPTION

The Hayleys Fabric Group upheld its position as a leader in climate action advocacy by voluntarily adopting the

SLFRS S1 and S2 standards ahead of the scheduled mandatory implementation timeline set to commence in FY 2024/25. To determine the scope of reporting in the current financial year, the Group conducted a series of scenario analyses to assess both the physical and transitional risks stemming from climate change impacts. The initial risk assessment findings underscored the importance of prioritising transitional risks in the short term and consequently, the decision was made to conduct scenario analyses for two transitional risks (Policy & Legal and Market Changes) and one physical risk (Water Availability) as part of the preliminary S2 analysis. These findings will serve as the foundation for more deeper assessments to comply with the full scope of the S1 and S2 disclosures in the next financial year.

## AWARDS AND ACCOLADES

It is indeed very pleasing when our hard work is recognised. In the year under review, the Hayleys Fabric Group continued to be awarded for its performance and progress across various facets of the business.

All three of the pioneering innovations launched in 2023 clinched top awards at the prestigious ISPO Textrends Spring/

Summer 2026. Eco Stretch was recognised as the Best Product in the Base Layer category, which is a nod to its recyclable technology. The Moisture Osmosis technology was ranked among the Top 10 Chemical Finishes, while Aqua Soft was ranked among the Top 30 fabrics globally, recognising its quick wicking & dry time and resistance as well as its unique and highly desirable cotton comfort.

Hayleys Fabric PLC was honoured with the highly-coveted Best SDG Impact Award at the ESG World Summit and Growth, Resilience, Innovation and Talent (GRIT) Awards, which I believe is a testament to our team's drive and commitment to stay at the forefront of the sustainability sphere through the strong alignment with 14 of the 17 United Nations Sustainable Development Goals (UNSDGs) vis-a-vis our ESG Roadmap.

Hayleys Fabric PLC was also honoured with the prestigious Silver Award for the Textile and Textile Processing Industries Category at the Presidential Environment Awards 2021/22, which further solidifies our position as a frontrunner in sustainable fabric manufacturing. The accolade also acknowledges efforts in integrating environmental responsibility into its manufacturing processes, and its significant contribution through innovation, partnerships and collaborations, to improving the footprint of the industry

## **FUTURE OUTLOOK**

Having manoeuvred through extreme headwinds and performed exceptionally well against all odds, I believe has not only proven the agility of our business model and the robustness of our strategy, but also provided the impetus for the Hayleys Fabric Group to strive for more ambitious goals in the coming years.

We remain confident in our ability to not just sustain the current momentum but substantially accelerate in the future. Consolidating our core strengths, including our superior knowhow and unparalleled innovation capabilities and continually refining economies of scale, we will seek to capitalise on new opportunities for value creation to affirm our status quo as the leading manufacturer within the global apparel value chain.

Despite already being well ahead of the curve, we do not wish to rest on these laurels and instead want to focus on combining innovation, new technologies, fresh ideas and new perspectives to advance our core commitments to ESG.

Simply put, we want to transform into a robust yet resilient entity that consistently outperforms industry peers, while delivering sustained value creation year-on-year.

## **ACKNOWLEDGEMENTS**

I wish to extend my heartfelt gratitude to the Executive Directors, senior management team, and staff for their invaluable contributions to the achievements outlined in this report. I am profoundly thankful to the Chairman and the Board for their guidance and counsel during a year fraught by severe uncertainty. I wish to take this opportunity to show my sincere appreciation to our valued customers who have continued to place their trust in the Group over the years. Additionally, I acknowledge the support from our supply chain partners who by working closely with us to drive innovation and agility, truly exemplify the spirit of collaboration. Lastly, I want to express my gratitude to our shareholders for their unwavering confidence in our capacity to generate sustainable value. I encourage you to remain invested in the future of Hayleys Fabric PLC as the Group prepares to dive into a new phase of unparalleled growth in the year ahead.



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

15th May 2024.







# Layers Of Innovation

We showcase our unwavering dedication to waste reduction and the promotion of a circular economy through constant innovation in repurposing fabric offcuts.



## STRATEGIC REVIEW

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# OUR BUSINESS MODEL

## INPUTS



### Financial Capital

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

- » **Total Equity: USD 32.81 Mn**
- » **Borrowings: USD 38.38 Mn**



### Intellectual Capital

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

- » **Certifications/ accreditations: 47**
- » **Investment in R&D: USD 162,167**



### Human Capital

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

- » **3,285 employees**
- » **31,310 training hours**



### Social & Relationship Capital

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

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



### Manufactured Capital

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

- » **PP&E: USD 44.49 Mn**
- » **CAPEX: USD 3.98 Mn**

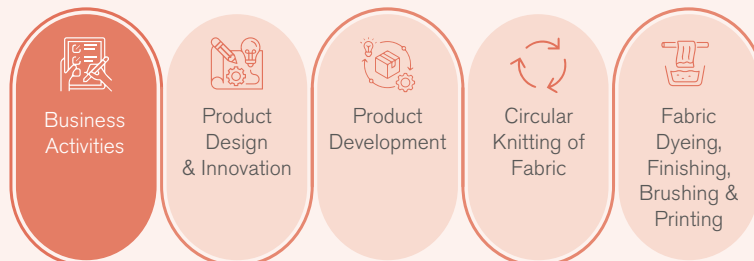


### Natural Capital

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

- » **Water consumption: 2.67 Mn (M3)**
- » **Energy intensity (GJ/MT) of production: 80.38**

## HOW WE CREATE VALUE

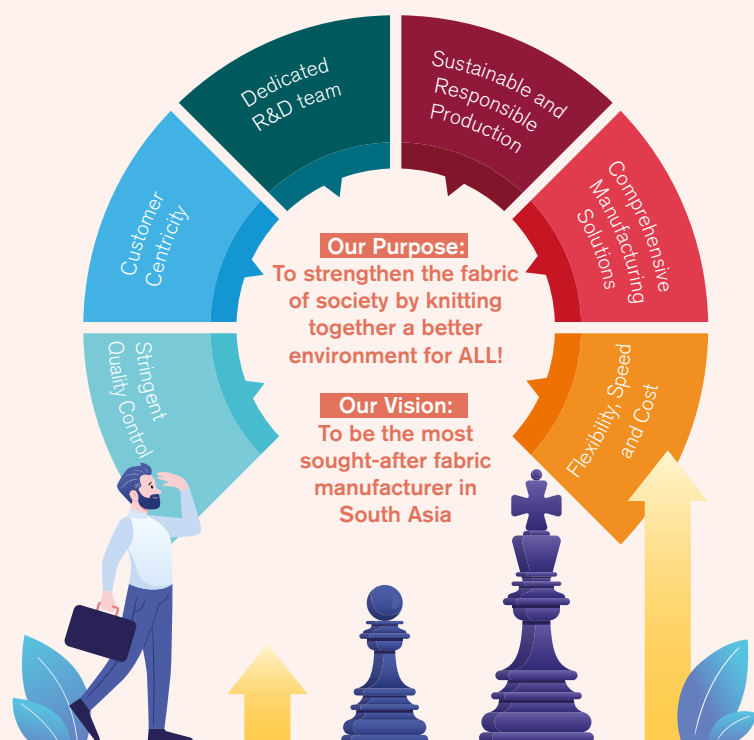


### Quality Assurance

Creating innovative and sustainable fabric that satisfy the evolving needs of our customers through our dedicated research and development team

Sustainable and responsible production throughout the value chain from sourcing of raw materials to conscious consumption of water and energy and ensuring conducive work conditions for our people

End-to-end manufacturing solutions using advanced technologies operated by a skilled team



Customer centric service levels that meet the expectations each high-end fashion brand

Strict compliance with customer specifications and stringent quality control checks right across the value chain

Lean workflows within the facilities and strong relationships throughout the value chain enable us to compete on availability, flexibility, speed and cost

### Corporate Governance & Risk Management

## OUTPUTS



**Production Volume of Fabric**

**16,413 MT**



**Solid Waste Generated**

**6,310 MT**



**Carbon Footprint**

**43,954 TCO2E**

1. Excellence in Service Levels
2. Inspired and Dedicated Team
3. Crafting a Seamlessly Integrated Supply Chain
4. Operational Excellence
5. Sustainability and Climate Action

## OUTCOMES

### Financial Capital (Page 76)

Generating sustainable shareholder value.

- » Revenue - USD 155.3 Mn
- » Profit After Tax - USD 7.9 Mn
- » Dividend - USD 3.3 Mn

### Intellectual Capital (Page 88)

- » Revenue from INNO and developments: USD 150 Mn
- » Cumulative innovations and product developments: 1,761

### Human Capital (Page 93)

- » Value addition to employees: USD 15.4 Mn
- » Enhanced employee productivity
- » Training and development opportunities
- » Competitive rewards and opportunities

### Social and Relationship Capital (Page 102)

- » Payments to suppliers: USD 130.24 Mn
- » Investment in CSR: USD 39,472
- » Indirect jobs created: Over 6,800
- » Enhanced customer satisfaction: 90% (OTD)

### Manufactured Capital (Page 83)

- » RFT >95%
- » Investment in CAPEX: USD 3.98 Mn

### Natural Capital (Page 108)

- » Zero hazardous waste
- » 3% increase in renewable energy
- » 25% water recycled

## CAPITAL TRADEOFFS

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

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

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

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

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

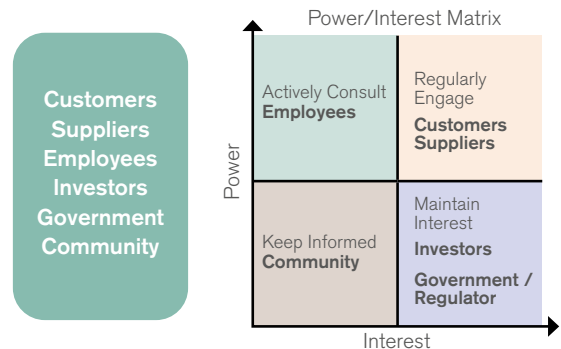
Our investment in natural capital utilises financial capital. It is vital to protect resources for the sustainability of our business and for future generations.





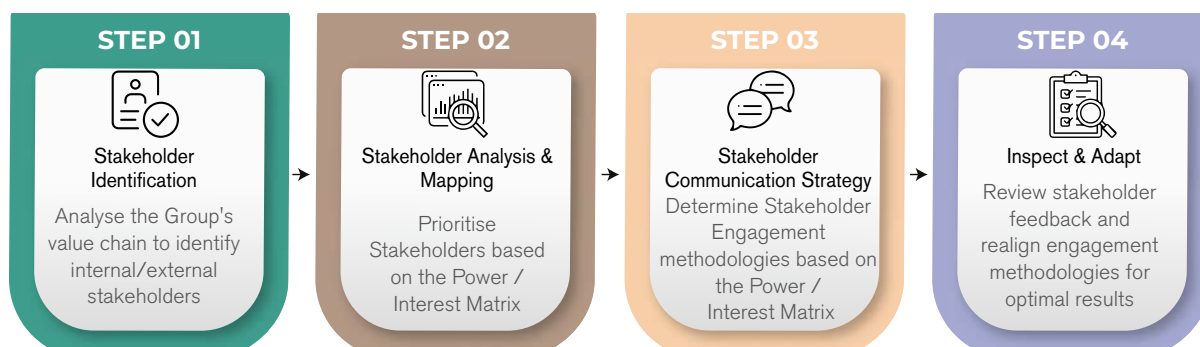
# STAKEHOLDER ENGAGEMENT

The Hayleys Fabric Group acknowledges that engaging regularly with stakeholders adds immeasurable value to the business. Actively engaging with stakeholders allows the Group to not only understand and respond to the needs and concerns of diverse stakeholders, but also foster greater collaboration in order to harness their insights and expertise to drive innovation, thereby improving decision-making. Moreover, by forging strong relationships built on trust and mutual respect, the Group strives to build resilience to challenges and seize opportunities for long-term value creation. At Hayleys Fabric, Stakeholder Engagement is therefore not just a practice; but a strategic imperative that fuels the Group's journey toward continued success and sustained value creation over time.



Stakeholder	Engagement Mechanisms and Frequency of Engagement	Key Concerns Raised
<b>Customers</b> Global tier 1 Brand owners and apparel manufacturers	» Multi layered relationship management (O) » Visits (as needed) » Virtual meetings (O) » Trade Exhibitions & Fairs (as needed) » Customer survey (O) » Quality & Performance Review (O)	» Product quality and reliability » Lead times » Environmental footprint » Ethical labour practices » Innovations » Sustainable supply chain » Competitive pricing
<b>Suppliers</b> Large-scale suppliers are typically selected from a pool accredited by brand owners and assessed for environmental and social practices	» Supplier site visits » Relationship management (as needed) » Written communication and feedback (O) » Supplier appraisals (O) » Evaluation of new suppliers (as needed) » Due diligence to verify of business practices and ethics (A)	» Timely payments and ease of transacting » Constructive feedback » Guidance on social and environmental conformity » Opportunities for economic development and business growth
<b>Investors</b> Providers of equity and debt capital to support day-to-day operations and drive business expansion	» Annual General Meeting (A) » Investor forums and discussions (as needed) » Annual Report (A) » Quarterly financial results (Q) » CSE Announcements (as needed) » Press releases (as needed)	» Business expansion » Share price and liquidity » Business continuity » Corporate governance and risk management practices » Return on investment (ROI) » Social and environmental impact
<b>Employees</b> 3,285 employees at both Hayleys Fabric PLC and South Asia Textiles Limited	» Performance appraisals (A) » Open door policy (O) » Meetings with trade unions (O) » Training sessions (O) » Employee engagement activities (O)	» Attractive remuneration and reward schemes » Opportunities for training and career development » Safe and conducive workplace » Job security and career progression
<b>Government / Regulators</b> Key facilitators of a conducive environment for entities to carry out business activities	» Written communications (as needed) » Face to face interactions (as needed) » Annual returns (A) » Monthly Returns (O) » Site Visits (ad-hoc) » Data submission and reporting (as needed)	» Compliance with all applicable regulatory requirements » Timely payment of regulatory dues and taxes » Contribution to economic growth » Environmental and social implications
<b>Community</b> Communities living in and around the vicinity of the Group's factories	» CSR activities (as needed) » Community grievance mechanisms (O) » Community awareness programs (O)	» Opportunities for socio-economic development » Employment opportunities » Livelihood and community development » Environmental preservation » Infrastructure development

O - Ongoing | A - Annual | Q - Quarterly



Hayleys Fabric Group Response	Strength of Relationship
<ul style="list-style-type: none"> <li>» Investment in research and development</li> <li>» Upgrading machinery</li> <li>» Obtaining and maintaining certifications and accreditations</li> <li>» Employee training and development</li> <li>» Maintained good industrial relations.</li> <li>» Strengthened supply chain Enhanced biodiversity and environmental practices</li> </ul>	<b>Strong</b> 90% Customer Satisfaction Score (OTD) Further reading - Social and Relationship Capital on page 102
<ul style="list-style-type: none"> <li>» Centralised procurement for the Hayleys Fabric Group</li> <li>» Working closely with suppliers to help them align with the Hayleys Fabric Group's sustainability parameters.</li> <li>» Providing opportunities for local suppliers</li> </ul>	<b>Good</b> 91% supplier base screened for social and environmental criteria in 51 new suppliers on-Boarded Further reading - Social and Relationship Capital on page 102
<ul style="list-style-type: none"> <li>» Pursue new markets and Increased penetration with existing buyers</li> <li>» Optimal capacity utilisation</li> <li>» Improved productivity and cost efficiencies</li> <li>» Improved social and environmental practices.</li> <li>» Compliance and adherence to global best practices.</li> <li>» Awards and accolades</li> </ul>	<b>Strong</b> 24% ROE 7% ROA Further reading - Financial Capital on page 76
<ul style="list-style-type: none"> <li>» Create a robust, yet challenging work environment to empower employees to achieve the personal and professional growth</li> </ul>	<b>Strong</b> 69% Employee Retention rate USD 14,244 Investment in training 98% Employee Satisfaction Score Further reading - Human Capital on page 93
<ul style="list-style-type: none"> <li>» Established processes to ensure full compliance to all relevant regulatory requirements.</li> <li>» Timely payment of taxes and other dues to regulatory bodies</li> <li>» Direct and indirect job creation</li> <li>» Investment in climate action</li> </ul>	<b>Good</b> ZERO incidents of non-compliance of regulations Further reading - Financial Capital on page 76, Corporate Governance Report on page 146
Earn the trust and respect of the wider society through consistent efforts to uplift the quality of life for the community	<b>Good</b> ZERO community grievances reported. Further reading - Social and Relationship Capital on page 102

# DETERMINING MATERIAL ISSUES

Materiality highlights the crucial matters that impact the Hayleys Fabric Group's capacity to generate and maintain value over time. Consequently, the Board pays special attention to understanding these Material matters that have an impact on the Group's strategic planning and risk management processes.

A formal Materiality assessment is carried out annually to evaluate the validity of existing Materiality topics and determine

potentially new areas that may be relevant in the current context. To that end, multiple approaches are employed for the purpose of determining materiality, all involving careful scrutiny of both the internal and external environments within which the Group operates in order to determine common matters important to the Group as well as its stakeholders.

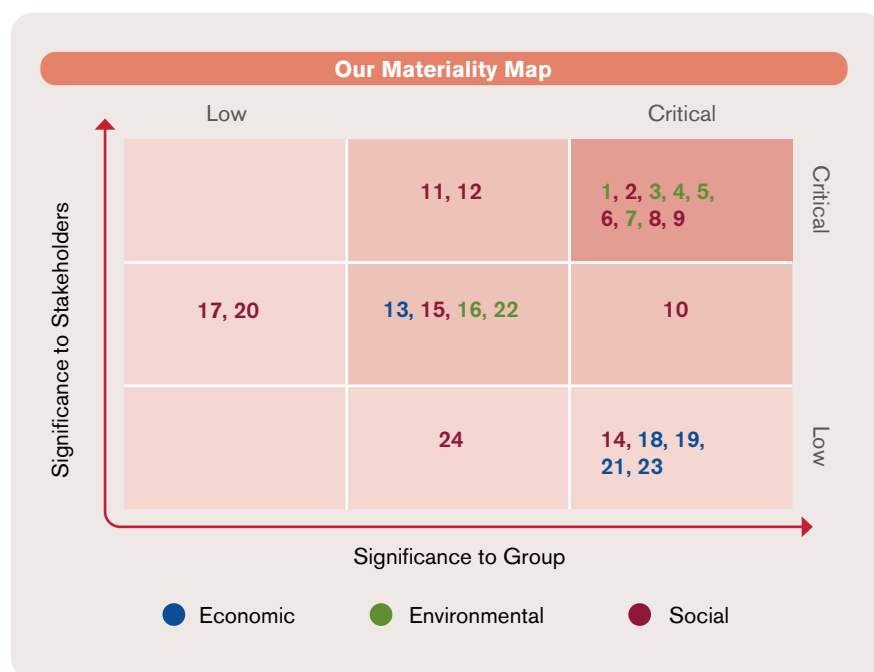
In determining Material matters for the current year, the scope and boundary of

the Materiality assessment was further broadened with the application of the "Double Materiality" filter. This approach is consistent with the methodology adopted by the Hayleys PLC Group to take into account economic, social and environmental impacts. On this basis, the list of Material matters for the Hayleys Fabric Group changed in FY 2023/24, with 05 topics from the previous year removed, while 07 new topics were added on, with the total number of Material matters for the current year standing at 24.

## Changes to Material Topics - 2023/24

Topics Removed	Reason for Removal
Pandemic-led disruptions	With the conclusion of the pandemic, the related uncertainties have also abated enabling the resumption of business as usual
Local Macroeconomic vulnerabilities	Greater macroeconomic stability in Sri Lanka has helped to resolve the uncertainties experienced in the previous year, thereby reducing the impact of inflation, exchange rate volatility etc.
Import Restrictions	The resolution of political instability and subsequent removal of import restrictions means it no longer poses a challenge for the Hayleys Fabric Group
Demand in Consumer Markets	Given that consumer demand can be volatile and subject to external factors beyond the Group's control, it was decided that it is more important to focus on managing risks and opportunities to safeguard against such impacts
Managing Environmental Impacts	The Group's decision to give more priority to addressing specific environmental areas relevant to the business, led to the move away from this generalised approach.
New Topics Added	Reason for Inclusion
Material & Chemical management	The Group's decision to give more priority to addressing specific environmental areas relevant to the business
Emission & Air quality	The Group's decision to give more priority to addressing specific environmental areas relevant to the business
Climate change adaptation	The Group's decision to give more priority to addressing specific environmental areas relevant to the business
Energy Cost	The Group's decision to give more priority to addressing specific environmental areas relevant to the business
Manufacturing Capabilities	Manufacturing capabilities are critical for fabric manufacturing because they drive operational efficiency, innovation, sustainability, and resilience. By evaluating and improving these capabilities, the Hayleys Fabric Group can enhance its competitiveness, reduce risks, and create value for stakeholders while advancing sustainability goals
On-Time-Delivery (OTD)	On-time delivery is critical in fabric manufacturing as it directly impacts customer satisfaction, supply chain efficiency, and overall business performance. Assessing on-time delivery metrics helps Hayleys Fabric to identify operational effectiveness, customer service levels, and areas for improvement, ensuring competitiveness and stakeholder value
Product Quality	Product quality is crucial in fabric manufacturing as it directly impacts customer satisfaction, brand reputation, and market competitiveness. Assessing product quality metrics helps to identify areas for improvement, ensuring adherence to standards, customer expectations, and sustainable business growth

1. Material & Chemical management
2. Supplier social & Environment assessment
3. Procurement Practices
4. Human Rights & Social Compliance
5. Water and effluents
6. Regulations and compliance
7. Emissions & Air quality
8. Customer health and safety
9. Energy consumption
10. Climate change adaptation
11. Customer satisfaction
12. Employee wellbeing & proposition
13. Technology and product innovations
14. Energy cost & uninterrupted energy
15. Government policy
16. Waste
17. Freedom of association and collective bargaining
18. Manufacturing capabilities
19. On time delivery (OTD)
20. Principal relationships
21. Operational efficiency and productivity
22. Biodiversity
23. Product Quality
24. Local Communities



Material Topics	Topic Boundary	Link to Strategy	Capitals Impacted	GRI Relevance
1. Material & Chemical management	Impacts arising from the Group's manufacturing operations	» Operational Excellence » Sustainability and Climate Action		GRI 301
2. Supplier social & Environment assessment	Relates to the Group's products and service delivery commitments	» Excellence in Service Levels » Crafting a Seamlessly Integrated Supply Chain » Sustainability and Climate Action		GRI 414 GRI 308
3. Procurement Practices	Relates to the Group's products and service delivery commitments	» Excellence in Service Levels » Crafting a Seamlessly Integrated Supply Chain » Sustainability and Climate Action		GRI 204 GRI 205



# DETERMINING MATERIAL ISSUES

Material Topics	Topic Boundary	Link to Strategy	Capitals Impacted	GRI Relevance
4. Human Rights and Social Compliance	Considers the impact on all employees of the Group	» Sustainability and Climate Action » Operational Excellence		GRI 403 GRI 405 GRI 406 GRI 408 GRI 409 GRI 202
5. Water and Effluents	Impacts arising from the Group's manufacturing operations	» Operational Excellence » Sustainability and Climate Action		GRI 303
6. Regulations and compliance	Statutory requirements and best practices covering environmental, social and governance aspects	» Operational Excellence » Sustainability and Climate Action » Financial Growth	 	GRI 201 GRI 207
7. Emissions and Air Quality	Impacts arising from the Group's manufacturing operations	» Operational Excellence » Sustainability and Climate Action		GRI 305
8. Customer Health and Safety	Relates to the Group's products	» Excellence in Service Levels » Operational Excellence		GRI 416 GRI 417
9. Energy Consumption	Impacts arising from the Group's manufacturing operations	» Operational Excellence » Sustainability and Climate Action		GRI 302
10. Climate change adaptation	Impacts arising from the Group's entire value chain	» Operational Excellence » Sustainability and Climate Action	 	GRI 301 GRI 302 GRI 303 GRI 304 GRI 305 GRI 306 GRI 308 GRI 414 GRI 201
11. Customer satisfaction	Relates to the Group's products and service delivery commitments	» Excellence in Service Levels » Crafting a Seamlessly Integrated Supply Chain » Operational Excellence » Financial Growth	   	GRI 418
12. Employee Wellbeing & proposition	Considers the impact on all employees of the Group	» Sustainability and Climate Action		GRI 401 GRI 404 GRI 202
13. Technology and product innovations	Considers all manufacturing processes and product research	» Excellence in Service Levels » Inspired and Dedicated Team » Sustainability and Climate Action » Financial Growth	   	
14. Energy cost & un interrupted energy	Impacts arising from the Group's entire value chain	» Operational Excellence » Sustainability and Climate Action » Financial Growth		GRI 302

Material Topics	Topic Boundary	Link to Strategy	Capitals Impacted	GRI Relevance
15. Government policy	Affects the Group's performance	» Sustainability and Climate Action » Financial Growth	     	GRI 207
16. Waste	Impacts arising from the Group's manufacturing operations	» Operational Excellence » Sustainability and Climate Action		GRI 306
17. Freedom of association and collective bargaining	Considers the impact on all employees of the Group	» Inspired and Dedicated Team » Sustainability and Climate Action	 	GRI 407
18. Manufacturing capabilities	Considers all manufacturing processes	» Excellence in Service Levels » Inspired and Dedicated Team » Operational Excellence » Sustainability and Climate Action » Financial Growth	    	
19. On time delivery (OTD)	Impact on the Group's Tier 1 customers	» Excellence in Service Levels » Inspired and Dedicated Team » Crafting a Seamlessly Integrated Supply Chain » Operational Excellence » Financial Growth	    	
20. Principal relationships	Local and global partnerships across the Group's value chain	» Crafting a Seamlessly Integrated Supply Chain » Sustainability and Climate Action » Financial Growth	  	
21. Operational efficiency and productivity	Considers all manufacturing processes and employees	» Excellence in Service Levels » Inspired and Dedicated Team » Crafting a Seamlessly Integrated Supply Chain » Operational Excellence » Financial Growth	    	
22. Biodiversity	Impacts arising from the Group's entire value chain	» Sustainability and Climate Action		GRI 304
23. Product Quality	Impact on the Group's Tier 1 customers	» Excellence in Service Levels » Inspired and Dedicated Team » Crafting a Seamlessly Integrated Supply Chain » Operational Excellence » Financial Growth	    	
24. Local Communities	Consider the environmental impact of the local community	» Sustainability and Climate Action » Community engagement & stakeholder relation		GRI 413 GRI 203

# OUR STRATEGY

The strategic roadmap of Hayleys Fabric Group serves as a guiding framework enabling the Group to navigate the complexities of the textile industry in order to achieve sustainable growth and secure a competitive advantage. The roadmap which stems from the Group's vision, mission, and core values is meticulously crafted through a comprehensive process that integrates market insights, stakeholder input, alongside a deep dive to understand internal strengths and weaknesses and assess external dynamics, including opportunities and threats. The strategy development process is complemented by clear and ambitious strategic objectives that are SMART (Specific,

Measurable, Achievable, Relevant, and Time-bound). These objectives serve as the guiding principles for the development of actionable initiatives and projects, each supported by defined timelines, resource allocations, and performance metrics.

Throughout the strategy implementation phase, regular reviews and feedback loops are established to monitor progress, identify course corrections, and ensure orientation with the overarching strategic direction set out by the Board. This iterative approach enables Hayleys Fabric Group to adapt and respond effectively to evolving market conditions while staying focused on its long-term vision and goals.

## STRENGTHS



Largest textile manufacturing facility in South Asia with the capability to switch between natural and synthetic fabric manufacture

Best in-class technical skills

Superior R & D and innovation capabilities supported by collaborations with customers and suppliers

Strategic partnerships with global apparel brands

Economies of scale derived through scalable manufacturing capacity and alignment with global standards

Strong energy mix comprising 73% renewable energy

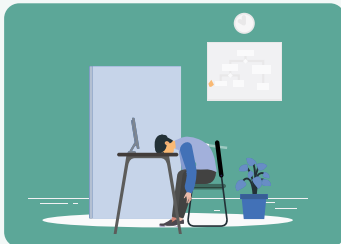
Group synergies derived as a member of Hayleys PLC

Reputation as climate action pioneer, including being the only fabric manufacture in Sri Lanka to adopt the SBTi

Largest local textile manufacturer and a net exporter contributing USD 154 Mn + annually to Sri Lanka's export earnings

Only local textile manufacturer in Sri Lanka to operate a knitting plant with 100% female workforce

## WEAKNESSES



High dependency on global fashion trends

Water - intensive operations causing a high dependency on water

Influence of global socio economic and political developments on the demand from key markets

## OPPORTUNITIES



Improve scalability of operations at South Asia Textiles Limited.

Technical capability to develop new product lines

Management & financial strengths to pursue overseas expansion.

Innovate to penetrate premium niche markets

## THREATS



Possible labour shortages to the overseas migration of technical specialists

Topline pressure owing to the exposure to exchange rate volatility

### Excellence in Service Levels






Central to the Group's relentless pursuit of 100% customer satisfaction, the strategy represents the Hayleys Fabric Group's integrated approach to not just meeting but exceeding customer expectations through On-Time-Delivery, superior product quality, and responsive customer support.

### Risk Factors

- » Labour shortages induced by skilled migration overseas.
- » Erosion of confidence and loss goodwill to the inability to meet customers' quality and delivery expectations

### Stakeholders Impacted





Customers  
Employees

Excellence in Service Levels	Resource Allocation		Performance against Strategy
Optimise production capacity to improve flexibility and customer responsiveness along with quality enhancement, speed of delivery	Investment Production Technology - USD. 3,542,865	 	Customer feedback ratings - (RFT) > 95%
	Investment IT Infrastructure and Systems - USD. 219,963		Quality rejects < 2% Customers' returns » Customer Satisfaction On-Time-Delivery - Over 90%
	31,310 hours training		
Improve the product mix from top Tier-1 customers through R&D -led New product developments	Investment R & D - USD 162,167	 	» Launch of 273 new products under the INNO label » 97% of total sales from INNO + new product development
	Launch of the Hayleys Fabric Innovation Centre		» Submitted a patent for recycled yarn launched under the "INNO" label » Secured Eco Label Certification for weft knitted fabrics
Focus for FY 2024/25 and Beyond	Capacity expansion at South Asia Textiles Limited.		
	Focus on value added innovative fabrics and functional products under the "INNO" label to grow market share among Tier 1 customers		
	Develop business intelligence systems to enable real time monitoring of operational KPI's		



# OUR STRATEGY

Inspired and Dedicated Team	Risk Factors	Stakeholders Impacted
Recognising that its workforce is its most valuable asset, the Hayleys Fabric Group places a strong emphasis on fostering an inspired and dedicated team. By investing in employee development, empowerment, and fostering a culture of innovation and collaboration, the Company ensures that its team members are motivated to deliver their best	<ul style="list-style-type: none"> <li>» Labour shortages induced by skilled migration overseas.</li> <li>» Employee health and safety attributed to the manufacturing operation</li> </ul>	Employees

Key Focus Areas for FY 2023/24	Resource Allocation		Performance against Strategy
Retain key skills especially among technical staff	31,310 training hours	 	» Employee Retention rates: 69% » 8% women in leadership positions
	Special knowledge sharing workshops		
	109 employees promoted		
	USD. 12,667 incurred on book donations to children of employees		
Improve gender diversity in the workforce	Increasing the number of females on the production floor	 	
	Workshops on women's health and wellbeing		
Focus for FY 2024/25 and Beyond	Invest in alternative learning tools to develop multi skilled teams		
	Recognise and reward technical staff for innovation		
	Increase the percentage of female representation in the workforce to 25% by 2025		

### Crafting a Seamlessly Integrated Supply Chain




The Hayleys Group dealings with leading global apparel brands underscores the critical need for a seamlessly integrated supply chain. By forging strong partnerships with suppliers, leveraging technology to facilitate order planning and streamline procurement and logistics, and the Group strives to ensure a smooth flow of materials and products throughout the supply chain

### Risk Factors

- » World-wide recessionary conditions and rising inflation, globally
- » High degree of exchange rate volatility marked by frequent appreciation and depreciation of the LKR against the USD
- » Adverse weather conditions, both locally and globally attributed to climate change
- » Heightened global awareness of climate adaptation and mitigation
- » Geopolitical issues including the war in Ukraine and Red Sea crisis






### Stakeholders Impacted

Suppliers  
Customers

Key Focus Areas for FY 2023/24	Resource Allocation		Performance against Strategy
Improving sourcing efficiency	Negotiate bulk pricing advantages	  	Supplier audit ratings 91%
	Engage Tier 1 raw material suppliers through forward contracts for 3 months		Shortest lead times: 3 days
	Leverage Hayleys Group synergies to expand supplier networks, both locally and overseas		163 new products owing to collaborations.
Optimise Inventory	Streamline procurement planning in line with the customer order forecasts		Saving on inventory holding and ordering right quantities at right time
	Collaborate with Tier 1 suppliers to improve lead times		Increase in customers' satisfaction
Reinforce quality and best practices among key suppliers	Quality assurance audit conducted for Tier 1 suppliers (new and existing)		
	New product development in collaboration with suppliers		
Focus for FY 2024/25 and Beyond.	Leverage AI technology to further streamline supplier assessment and enhance monitoring of contracted suppliers.		
	Upgrade to a fully automated vendor management to provide enable end to end support and enhance supplier visibility		

# OUR STRATEGY

Operational Excellence	Risk Factors	Stakeholders Impacted
Operational excellence is a cornerstone of Hayleys Fabric Group's strategy, driving efficiency, productivity, and cost-effectiveness across all operational processes. Through continuous improvement initiatives, lean manufacturing practices, and rigorous quality control measures, the Group strives to enhance its competitive advantage and delivers value to its customers	<ul style="list-style-type: none"> <li>» Labour shortages induced by skilled migration overseas.</li> <li>» Employee health and Safety attributed to the manufacturing operation</li> <li>» Erosion of confidence and loss goodwill to the inability to meet customers' quality and delivery expectations</li> </ul>	Customers Employees Suppliers

Key Focus Areas for FY 2023/24	Resource Allocation		Performance against Strategy
Drive operational and cost efficiencies	USD. 5,451,089 on maintenance and upkeep of machinery and equipment	  	Capacity utilisation: >90%  Customer feedback ratings - (RFT) > 90%  Quality rejects < 2%  Increase in GP margin 6%
	Investment IT Infrastructure and Systems - USD. 219,963		
	Training and upskilling		
Compliance with global quality standards certifications	100% compliance with all standards and certifications	 	
Focus for FY 2024/25 and Beyond	Upgrade Hayleys Fabric and South Asia Textiles Limited ERP systems to the SAP HANA multi-model database model		
	Explore overseas expansion opportunities		

### Sustainability and Climate Action






Since the inception the Hayleys Fabric Group has sought to position itself as a sustainability champion by integrating sustainability and climate action into its day to day operations. From reducing carbon emissions and water usage to sourcing eco-friendly materials and promoting circular economy principles, the Group strives to lead by example minimising its environmental footprint while contributing to a more sustainable future.

### Risk Factors

- » Adverse weather conditions, both locally and globally attributed to climate change
- » Heightened global awareness of climate adaptation and mitigation

### Stakeholders Impacted





Customers  
Suppliers

Key Focus Areas for FY 2023/24	Resource Allocation		Performance against Strategy	
Holistic action to integrate climate action to the core business	Alignment with the SBTi		19% year on year reduction in the Group's carbon footprint	
	Comprehensive GHG Inventory Report supported by independent assurance in line with ISO standards		6.3% recycled polyester yarn	
	Environmental and social screening of Tier 1 suppliers (new and existing)		73% average annual energy requirement met through renewable energy	
	Pursue collaboration to promote waste circularity		91% existing suppliers found to be compliant with environment and social compliant criteria	
Improve the percentage of renewable energy in the overall energy mix	USD. 864,555 invested for biomass conversion		100% new suppliers screened for environment and social compliant criteria	
	Commenced the floating solar project in partnership with Hayleys Solar			
Emphasis on environmental advocacy	Pursue collaborations to support the national environmental agenda			
	USD. 44,849 towards environmental projects			
Focus for FY 2024/25 and Beyond	Target to phase out heavy fuel oil (HFO) by 2025			
	Target to reduce its water intensity from the current 188 M3/kg to 145 M3/kg by 2025			
	Invest in a fully fledged biological wastewater treatment plant for South Asia Textile Limited			



# OUR STRATEGY

Financial Growth	Risk Factors	Stakeholders Impacted
Financial growth serves as the ultimate objective, underpinning all other strategic priorities. By maintaining a focus on profitability, revenue growth, and prudent financial management, the Hayleys Fabric Group ensures its long-term viability and ability to reinvest in its people, processes, and technologies to sustain growth and create value for all stakeholders.	<ul style="list-style-type: none"> <li>» World-wide recessionary conditions and rising inflation, globally</li> <li>» High degree of exchange rate volatility marked by frequent appreciation and depreciation of the LKR against the USD</li> <li>» Fluctuating interest rates with the First part of the FY marked by 30%+ AWPLR and latter part of the year seeing a drastic reduction of the AWPLR to mid-single digits.</li> <li>» Increase in SOFR (Secured Overnight Financing Rate) rate globally</li> <li>» New tax regime involving higher corporate taxes (from 14% to 30%) and the increase in VAT (from 15% to 18%)</li> </ul>	Shareholders

Key Focus Areas for FY 2023/24	Resource Allocation		Performance against Strategy
Stringent management of variable costs	Drive employee productivity to operational efficiencies		40% year on year improvement in PBT
	Cost containment strategies to lower operational costs		ROA - 7%
	Negotiate with suppliers for bulk pricing advantages		Gearing Ratio - 54% (60%- 2022/23)  Average cost of funds - 9.14% (13.49%- 2022/23)
Reduce Cost of Funds	Leverage Hayleys Group synergies to strengthen liquidity management measures		67% year on year increase in dividend declared to shareholders
	Rate negotiations with Banks and providers of funds		EPS - USD 0.019 (USD 0.003- 2022/23)
Minimise exchange loss owing	Negotiations with overseas Banks in partnership with the Hayleys Treasury Unit	 	
Focus for FY 2024/25 and Beyond	Enhance the profitability by doing more value added fabric		
	Reduce the cost of funding & foreign exchange risk further		
	Increase the return to shareholders		

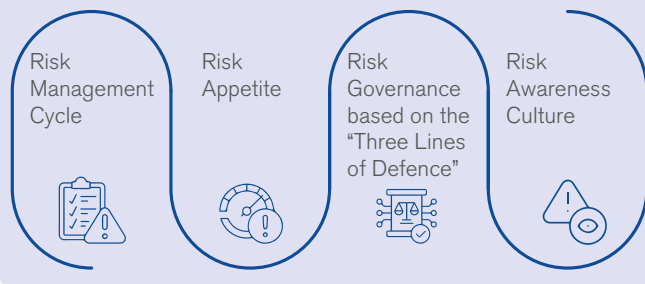
# RISKS AND OPPORTUNITIES

Given the highly dynamic and ever evolving environment in which Hayleys Fabric PLC is required to operate in, the Group is constantly exposed to a multitude of risks. The Group recognises that effective management of such risks is vital to the continued success of its business.

## HAYLEYS FABRIC PLC APPROACH TO RISK MANAGEMENT

Guided by the best practices adopted by the broader Hayleys Group, Hayleys Fabric PLC maintains an integrated approach based on the Enterprise Risk Management (ERM) Framework to ensure all key risks are managed in alignment with corporate strategy, thereby creating the foundation to guide the day-to-day operations in support of business objectives. This highly structured ERM approach is designed to empower the Hayleys Fabric Group to effectively manage risks, while creating the space to leverage opportunities that will position the Group for sustained growth, thereby generating consistent value for all stakeholders over time.

### Hayleys Fabric Group Risk Management Framework



### Risk Management Cycle

The Risk Management Cycle consists of five interconnected activities, namely: Identification, Measurement, Management, Monitoring and Reporting.



The first step - Risk identification, is an ongoing process aimed at detecting emerging risks and determining changes in controllable risks. This is followed by Risk measurement, where each identified risk is measured to determine its likelihood of occurrence and impact and then assigned an overall risk rating of either High, Moderate or Low. Based on the risk rating, appropriate control measures are implemented to manage risks. This is accompanied by continuous and ongoing monitoring to assess the efficacy of risk control measures, while the final step - reporting - aims to inform the Group's leadership on risk performance.

### Risk Appetite

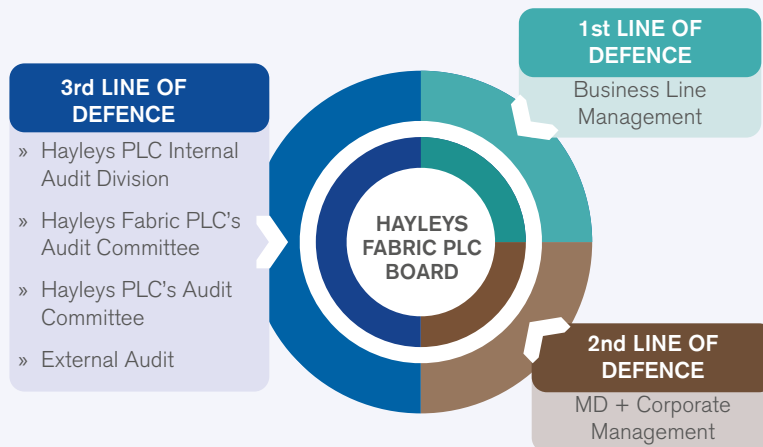
Risk Appetite, which refers to the risk tolerance level the Group is willing to take in pursuit of its strategic objectives, plays

an anchoring role in the effective management of risks faced by Hayleys Fabric PLC and its subsidiary South Asia Textiles Limited. The risk appetite is reviewed by the Board annually with due consideration of the Group's capital position, liquidity levels, regulatory environment, and the prevailing economic conditions.

### Risk Governance based on the "Three Lines of Defence"

The Three Lines of Defense serves as the cornerstone of the Hayleys Fabric Group's risk governance process, whereby each line has been assigned a specific role and defined responsibilities in such a way that the execution of tasks is separated from the control and monitoring of risks.

### THREE LINES OF DEFENCE



The **1st line of defence** comprises business line management in charge of the day-to-day operations. Their primary duty is to follow the appropriate risk policies and control procedures established in line with the Board-approved risk appetite to ensure a conducive control environment to carry out business activities under their purview. They are also required to proactively monitor all risk factors that could potentially affect their business decisions.

The **2nd line of defence** consists of Hayleys Fabric PLC's Corporate Management led by the Group Managing Director, who are collectively responsible for ensuring that all business units are functioning in accordance with the established policies and standard operating procedures. In its capacity as the 2nd line of defense, the corporate management is also tasked with conducting regular PESTLE analysis to monitor the Group's risk

# RISKS AND OPPORTUNITIES

landscape and reporting to the Board Audit committee on any changes.

The **3rd line of defence** comprises four distinct components.

- » The Hayleys PLC Internal Audit Division is tasked with providing assurance regarding the proper implementation of established risk management procedures at an operational level.
- » The Hayleys Fabric Board Audit









Committee works closely with the corporate management to identify and manage risks and recommend to the Board appropriate changes to standard operating procedures, as needed. The Hayleys Fabric Board Audit Committee also liaises with the Hayleys PLC Internal Audit Division to identify gaps in the risk management framework. The Hayleys Fabric Board Audit Committee is required to keep the Hayleys PLC Audit Committee apprised of any developments.













- » The Hayleys PLC Audit Committee is tasked with formulating the overarching risk policies and principles applicable to all Group subsidiaries and guiding the Audit Committees of subsidiary companies to ensure consistent implementation of policy frameworks at subsidiary level.
- » External Auditors provide independent assurance on the Hayleys Fabric Group risk management practices

## Risk Culture

The success of the "Three Lines of Defense" is intertwined with the strong risk awareness culture, where the Hayleys Fabric Board holds the corporate management accountable for ensuring business line management operates in accordance with established risk management principles and that all employees practice responsible risk taking at all times.





## MANAGING RISKS AND OPPORTUNITIES OBSERVED THROUGH THE PESTEL ANALYSIS CONDUCTED IN FOR FY 2023/24

	Overall Risk Rating	Implications to Hayleys Fabric Group	Managing Risks and Opportunities		Outlook and Way Forward
			Risk Mitigation Approaches	Identified Opportunities	
<p>World-wide recessionary conditions and rising inflation, globally</p> <p><b>LIKELIHOOD </b> <b>IMPACT </b></p>		<ul style="list-style-type: none"> <li>» Increase in cost of production and higher variable costs due to inflationary conditions.</li> <li>» Loss of revenue owing to lower demand from key export markets</li> <li>» Capacity underutilisation due to lower volumes</li> </ul> <p><b>CAPITAL IMPACTED</b></p> 	<ul style="list-style-type: none"> <li>» Strengthening partnerships with global fashion brands, to fill order book</li> <li>» Prioritise cost containment to safeguard the bottom line</li> <li>» Close supervision of wastage and production losses to enhance productivity</li> </ul>	<ul style="list-style-type: none"> <li>» Pursue diversification by contracting to supply global brand owners across a wider range of geographical markets including growth markets such as China and India</li> <li>» Emphasis on innovation to penetrate niche markets</li> </ul>	With current signs indicating that recessionary conditions worldwide, are set to further worsen 2024, the associated impacts to the Hayleys Fabric Group are expected to further intensify, calling for proactive strategies to protect the Group's financial position and maintain optimal asset utilisation
<p>High degree of exchange rate volatility marked by frequent appreciation and depreciation of the LKR against the USD</p> <p><b>LIKELIHOOD </b> <b>IMPACT </b></p>		<ul style="list-style-type: none"> <li>» Inconsistencies in PBT attributed to unrealised exchange gains and losses at different times.</li> <li>» Fluctuation of prices of imported goods procured locally.</li> <li>» Impact to LKR denominated borrowings and local operational expenses</li> </ul> <p><b>CAPITAL IMPACTED</b></p> 	<ul style="list-style-type: none"> <li>» Continuous and ongoing monitoring of exchange rate movements and quantifying the potential impact on the Hayleys Fabric Group</li> <li>» Proactive negotiations of rates and apply hedging instruments when necessary with Banks in partnership with the Hayleys Group Treasury Unit</li> </ul>	<p>Take advantage of the LKR depreciation against the USD to optimise the funding mix by increasing the share of LKR borrowings</p> <p>Leverage exchange gains resulting from the LKR depreciation to boost cashflows</p>	As the health of the Sri Lankan economy continues to gradually improve, the exchange rate is also expected to regain a measure of stability. Although rate fluctuations will remain, they are not expected to be as drastic as that experienced in the recent past. Amidst this backdrop, Hayleys Fabric will stay vigilant and continue with its current risk management programme.

	Overall Risk Rating	Implications to Hayleys Fabric Group	Managing Risks and Opportunities		Outlook and Way Forward
			Risk Mitigation Approaches	Identified Opportunities	
<p>Geopolitical issues including the war in Ukraine and Red sea crisis</p> <p><b>LIKELIHOOD </b> <b>IMPACT </b></p>	<b></b>	<ul style="list-style-type: none"> <li>» Failure to meet customer deliverables owing to disruption to supply chains.</li> <li>» Inflationary conditions leading to Increase in the price of main raw materials.</li> <li>» Rising global oil prices pushing up domestic energy costs</li> <li>» Freight capacity shortages leading to a significant increase in freight charges.</li> <li>» Cash flow constraints attributed to export shipment delays.</li> </ul> <p><b>CAPITAL IMPACTED</b></p> 	<ul style="list-style-type: none"> <li>» Maintain alternative suppliers for key raw material.</li> <li>» Forward booking to hedge prices.</li> <li>» Regular engagement with strategic suppliers to secure preferential access.</li> <li>» Effective procurement planning in collaboration with key suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>» Focus on building a network of local suppliers.</li> <li>» Develop global supply chains based on nearshoring.</li> <li>» Invest in backward integration to ensure supply chain security.</li> <li>» Leverage Hayleys Group synergies to explore cost effective alternative shipping routes</li> </ul>	<p>The nature of geopolitical issues is such that, they cannot be predicted with any degree of certainty. Therefore, constant vigilance and proactive strategies will be the key for Hayleys Fabric to build resilience against such unforeseen occurrences.</p>
<p>Fluctuating interest rates with the First part of the FY marked by 30%+ AWPLR and latter part of the year seeing a drastic reduction of the AWPLR to mid-single digits.</p> <p><b>LIKELIHOOD </b> <b>IMPACT </b></p>	<b></b>	<ul style="list-style-type: none"> <li>» Profit inconsistency attributed to unplanned deviations in finance cost associated with LKR denominated borrowings.</li> </ul> <p><b>CAPITAL IMPACTED</b></p> 	<ul style="list-style-type: none"> <li>» Proactive monitoring of interest rate developments and negotiating with Banks in partnership with the Hayleys Treasury Unit to minimise rate sensitivity of borrowings.</li> </ul>	<ul style="list-style-type: none"> <li>» Explore various hedging instruments to reduce rising costs while maintaining a sound hedging profile.</li> <li>» Invest in high yielding government securities to mitigate adverse rate impact</li> </ul>	<p>As the monetary policy reforms introduced as part of the IMF-led structural reform programme continue to gather momentum in 2024, experts predict that interest rates too will remain at mid-single digit levels for the next 12 - 18 months, thus providing a conducive environment for the Hayleys Fabric Group to manage rate sensitivity of its exposures</p>
<p>Increase in SOFR(Secured Overnight Financing Rate) rate globally</p> <p><b>LIKELIHOOD </b> <b>IMPACT </b></p>	<b></b>	<ul style="list-style-type: none"> <li>» Fluctuation of profits due the changes in SOFR based interest rates related to USD short term and long term borrowings.</li> <li>» Delay in CAPEX due to high rates on USD term loan borrowings</li> </ul> <p><b>CAPITAL IMPACTED</b></p> 	<ul style="list-style-type: none"> <li>» Proactive monitoring of interest rate and negotiating with overseas Banks for fixed rates or SOFR + x% rate</li> </ul>	<ul style="list-style-type: none"> <li>» Explore various hedging instruments to reduce rising costs while maintaining a sound hedging profile.</li> </ul>	<p>Based on the forecast that published by "Econforecasting", SOFR is likely to experience a declining trend from April 2024 onwards and thereafter reduction up to 4.09% by end-April 2026. Hayleys Fabric PLC will monitor this behaviour and take borrowing decisions accordingly.</p>




# RISKS AND OPPORTUNITIES

	Overall Risk Rating	Implications to Hayleys Fabric Group	Managing Risks and Opportunities		Outlook and Way Forward
			Risk Mitigation Approaches	Identified Opportunities	
<p>Adverse weather conditions, both locally and globally attributed to climate change</p> <p><b>LIKELIHOOD</b>  <b>IMPACT</b> </p>		<ul style="list-style-type: none"> <li>» Disruptions to manufacturing operations owing to extreme weather events such as floods.</li> <li>» Loss of customer goodwill due to product quality concerns owing to poor water quality extracted for production purposes.</li> <li>» Increase in Cotton yarn prices due to lower production in cotton growing regions around the world, especially India.</li> </ul> <p><b>CAPITAL IMPACTED</b></p> 	<ul style="list-style-type: none"> <li>» Business Continuity Planning, including crisis management framework to ensure continuity of operations.</li> <li>» Use of chemicals to reduce salinity and maintain ideal PH balance of water.</li> <li>» Build a geographically widespread supplier base to reduce the dependency on a few suppliers.</li> </ul>	» Explore collaborations and partnerships to strengthen business resilience.	Erratic weather patterns will be a critical concern in the years ahead, implying preemptive action is the way forward.
<p>New tax regime involving higher corporate taxes (from 14% to 30%) and the increase in VAT (from 15% to 18%)</p> <p><b>LIKELIHOOD</b>  <b>IMPACT</b> </p>		<ul style="list-style-type: none"> <li>» Adverse impact to the bottom line and cash flow due to unforeseen increase in corporate taxes Cost increases for items sourced locally from vendors not registered for SVAT</li> </ul> <p><b>CAPITAL IMPACTED</b></p> 	<ul style="list-style-type: none"> <li>» Stringent cost containment strategies to reduce variable operating costs</li> </ul>	» Pursue diverse avenues for business expansion, including overseas investment in regions offering tax holidays and concessionary tax rates	The new tax regime will likely remain in force for the foreseeable future. However, the Presidential election in 2024 raises concerns about further changes.
<p>Labour shortages induced by skilled migration overseas.</p> <p><b>LIKELIHOOD</b>  <b>IMPACT</b> </p>		<ul style="list-style-type: none"> <li>» Disruptions to business operations due to the loss of key personnel</li> </ul> <p><b>CAPITAL IMPACTED</b></p> 	<ul style="list-style-type: none"> <li>» Consistent investment in training and development to retain skilled employees</li> </ul>	Explore the possibility of AI-based technology	Improving economic conditions in Sri Lanka alongside aggravated global recessionary conditions will lead to a slowdown of skilled labour migration from the Country. The Hayleys Fabric Group will continue to focus on retaining key staff.

	Overall Risk Rating	Implications to Hayleys Fabric Group	Managing Risks and Opportunities		Outlook and Way Forward
			Risk Mitigation Approaches	Identified Opportunities	
<p>Heightened global awareness of climate adaptation and mitigation</p> <p><b>LIKELIHOOD <span>H</span></b> <b>IMPACT <span>H</span></b></p>	<b>M</b>	<p>» Fines and litigation associated with non-compliance with environmental regulations.</p> <p>» Failure to meet customer standards for managing the Group's environmental footprint.</p> <p><b>CAPITAL IMPACTED</b></p> 	<p>» Full compliance with all applicable environmental regulations</p> <p>» Voluntary adoption of global standards and best practices</p> <p>» Fully integrated environmental management system to manage the environmental impact of the manufacturing operation.</p> <p>» Invest in renewable energy to reduce direct emissions (73% of Group energy sources are currently renewable)</p>	<p>Align with SBTi targets to systematically address climate change related risks associated with the Group operations. Develop innovative technology to support responsible consumption and promote waste circularity. Pursue collaborations and partnerships to demonstrate environmental leadership</p>	<p>As climate change concerns further intensify in the years ahead, the Hayleys Fabric Group will aim to demonstrate its commitment to environmental advocacy through sustained efforts towards climate adaptation and mitigation.</p>

#### MANAGING CONTROLLABLE RISKS INHERENT TO THE HAYLEYS FABRIC Group BUSINESS MODEL

	Overall Risk Rating	Implications to Hayleys Fabric Group	Risks Mitigation Approaches
<p>Employee health and Safety attributed to the manufacturing operation</p>	<b>L</b>	<p>» Disruptions to manufacturing operations owing to trade union action or as a result of injuries / fatalities / absenteeism.</p> <p>» Fines or legal action owing to non-compliance with or breaches of Health and Safety requirements.</p> <p><b>CAPITAL IMPACTED</b></p> 	<p>» Regular and ongoing communication with trade unions to ensure worker welfare matters are understood and addressed proactively.</p> <p>» ISO 45001 Occupational Health and Safety Management Standard Certification</p> <p>» Safety Governance Structure, including cross functional Safety Teams to promote the safety awareness culture.</p> <p>» Workmen's compensation and other insurance covers for employees</p> <p>» Continue to drive the Hayleys Life Code – meeting targets and ensuring stringent policies and ethical work practices are in place to foster a conducive work environment.</p> <p>» Regular safety training for all employees</p> <p>» Voluntary adoption of global standards and certifications such as WRAP, BSCI and ETI to align with global best practices for human rights</p>
<p>Erosion of confidence and loss goodwill to the inability to meet customers' quality and delivery expectations</p>	<b>L</b>	<p>» Direct impact to the topline due to loss of business volumes</p> <p>» Loss of reputation in the fabric manufacturing industry</p> <p><b>CAPITAL IMPACTED</b></p> 	<p>» Strict focus on quality based on Right-First Time (RFT) and 90% OTD (On-Time-Delivery)</p> <p>» Stringent monitoring of production related KPIs such as On time delivery, Quality, Order fulfilment and Plan Vs Actual performances</p> <p>» Independent review and ranking by customers based on a scorecard model</p>

#### RISK RATING

**H** High

**M** Medium

**L** Low

# APPROACH TO SUSTAINABILITY

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

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

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

Hayleys Fabric recognised on global stage: Awarded Best SDG Impact at ESG World Summit and GRIT Awards

Hayleys Fabric PLC achieved yet another key milestone in its sustainability journey when it was honoured with the Best SDG Impact Award at the esteemed ESG World Summit and Growth, Resilience, Innovation and Talent (GRIT) Awards held in August 2023 in Thailand.

Organised by Corpstage, a premier sustainability consultancy in the region, and the ESG Research Foundation, the Awards aim to advance responsible capitalism and green initiatives while recognising outstanding companies making strides towards a sustainable world through impactful environmental, social and governance (ESG) practices.



## ENVIRONMENTAL COMMITMENTS

### TARGET

7	7.2 - 7.3
8	8.4
12	12.2 - 12.4 - 12.6
13	13.2 - 13.2.2



### Energy & Emissions Management

ESG Strategies	2030 Target	Performance FY 2023/24	Target for 2024/25
Reliance on sustainable and renewable energy sources	90% sustainable and renewable energy applications by 2030 100% Sustainable biomass	73% Sustainable and renewable energy applications 100% Sustainable biomass achieved	75% Renewable Energy Maintaining 100% Sustainable biomass
Reduction in energy efficiency through improving operational efficiencies	30% energy intensity reductions by 2030 30% reduction in absolute carbon emissions of scope 1 & 2 by 2030	2.3% energy intensity reduction. 20% reduction in absolute carbon emissions of scope 1 & 2	78 GJ/MT Achieve 9.2% reduction from base year (2021/22) - Maintaining 21,065.22 tCO2eq
HFO Phase out plan	Maintain the 100% achievement	87% Eliminated	Eliminate 100%

### TARGET

6	6.3 - 6.4 - 6.5 - 6.6
12	12.4



### Water Management

ESG Strategies	2030 Target	Performance FY 2023/24	Target for 2024/25
Application of Sustainable Water Resources	30% sustainable water sourcing (rain water / water recoveries / recycled water use) across the Group by 2030	25% sustainable water sourcing (rain water / water recoveries / recycled water use)	27.5% Sustainable Water Sourcing
Reduction in water efficiency through improving operational efficiencies	30% water intensity reductions by 2030	13% water intensity reductions	Maintain 146 L/Kg

**TARGET**

8	8.4
12	12.2 - 12.4 - 12.5 - 12.6
14	14.1


**Material and Waste Management**

ESG Strategies	2030 Target	Performance FY 2023/24	Target for 2024/25
Value additions to, all waste generations	Zero waste to landfill	Zero waste to landfill	Maintain Zero waste to landfill
Ensure responsible consumption of natural resources and sustainable production across the Group	Application of green production initiatives across 30% products / services volumes by 2030	Application of green production Initiatives across 20% products/ services volumes	Application of green production Initiatives across 20% products/ services volumes

**TARGET**

3	3.9
6	6.3
8	8.8
12	12.4


**Chemical Management**

ESG Strategies	2030 Target	Performance FY 2023/24	Target for 2024/25
Ensure best chemical management practices across the supply chain	100% Aligning with safe chemical management practices within the Group operations	99% ZDHC Level 1/ OEKOTEX 99%	100% ZDHC Level 1 Oekotex 100%
	10% of total green chemical consumption applications by 2030	5% of total green chemicals consumption applications (Natural + Energy efficient + Water saving options)	Wastewater comply with ZDHC foundation level 80% achieved
	30% of supply chain to implement chemical management practices	60% of Bluesign Certified chemical suppliers in supply chain	Achieve 80%

**TARGET**

12	12.2 - 12.4 - 12.5 - 12.6
14	14.1
15	15.1


**Biodiversity Conservation**

ESG Strategies	2030 Target	Performance FY 2023/24	Target for 2024/25
Biodiversity conservation and preservation relation to our core business	Increase the biodiversity enhancing program to cover 5 times the area occupied by the Group	Maintain Green: Building ratio 1:1	Maintain Green: Building ratio 1:1

**SOCIAL COMMITMENTS**
**TARGET**

4	4.4 - 4.5
5	5.5
8	8.1 - 8.2 - 8.5


**Employment**

ESG Strategies	2030 Target	Performance FY 2023/24	Target for 2024/25
Developing a diverse team	5% Attrition rate across entire Group by 2030	31% Attrition rate across entire group	25% Attrition rate across entire Group
	2% new hire attrition rate across entire Group by 2030	42% New hire attrition	44% New hire attrition rate
Provide opportunities for continuous learning	Each employee to receive an average of 40 training hours per annum	Each employee received an average of 10 hrs and 40 mins per annum	Each employee receive an average of 15 hrs per annum
Create a performance driven conducive work culture	100% performance evaluation process across the Group	100% Performance evaluation process across the group	Maintain 100% performance evaluation across the Group
Leadership and supervisory deployment plan	10,000-man hours of leadership and supervisory development programs covering all sectors by 2030	4,876-man hours of leadership and supervisory development programs covered	Achieve 10,000 + man hours of leadership and supervisory development programs



# APPROACH TO SUSTAINABILITY

## TARGET

3	3.8
8	8.8



## Health and Safety

ESG Strategies	2030 Target	Performance FY 2023/24	Target for 2024/25
Ensure the health, safety and wellbeing of all employees	Safest workplace with zero workplace injuries / occupational diseases	Injuries has been reduced by 28% and training coverage for Health & safety programs is 123%.	Injuries has been reduced by 69% and training coverage for Health & safety programs is 100%.

## TARGET

10	10.2
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## Community Relationships

ESG Strategies	2030 Target	Performance FY 2023/24	Target for 2024/25
Uplifting livelihoods and empowering communities	Increase CSR beneficiaries by 50% by 2030	Over 6,800 beneficiaries	Increase CSR beneficiaries up to 7,500

## GOVERNANCE COMMITMENTS

## TARGET

12	12.8
16	16.3



## Customer Management

ESG Strategies	2030 Target	Performance FY 2023/24	Target for 2024/25
Exceed customer expectations through identifying and responding to customer needs	All sectors to conduct customer satisfaction surveys with a customer coverage of at least 25%	Customer satisfaction survey with customer coverage of 100% achieved	Customer satisfaction survey with customer coverage of 100% to be maintained
	All sectors should implement a systematic customer grievance handling procedure, which is clearly communicated to all customers	All complains were acknowledged. Attended within 2-5 days on time, investigated every complain with a visit , video call or with technical details and solutions were given same time.	All complains were acknowledged. Attended within 2-5 days on time, investigated every complain with a visits, video call or with technical details and solutions were given same time and maintain
Adopt responsible marketing practices	40% of all products and services include relevant product information, which enables customers to make informed purchasing decisions.	100% of the produces (hanger presentations) have product information	100% of the produces (hanger presentations) have product information.

**TARGET**

8	8.7 - 8.8
10	10.3


**Non-Discrimination**

ESG Strategies	2030 Target	Performance FY 2023/24	Target for 2024/25
Build and inclusive and equitable organisational culture	All employees to undergo training and awareness on anti-discrimination	All employees to undergo training and awareness on anti-discrimination upon the induction	Continuously conduct the training and awareness on anti-discrimination upon the induction

**TARGET**

8	8.3
16	16.1


**Procurement Practices**

ESG Strategies	2030 Target	Performance FY 2023/24	Target for 2024/25
Propagate good environmental and social practices across our supply chain	Achieve 40% social and environmental screening of total suppliers	91% social and environmental screening of total suppliers	Achieve 100% social and environmental screening of total suppliers
Implementation of strategic supplier development programmes across key supply chains	All Sectors to establish at least one long term supplier development program	No of 163 Supplier supported development program	Conduct supplier development programs for 100% of suppliers

**DEMONSTRATING CLIMATE ACTION LEADERSHIP THROUGH THE VOLUNTARY EARLY ADOPTION OF SLFRS S1 & S2 REPORTING**

In the current financial year, the Hayleys Fabric Group continued to demonstrate its leadership for climate action advocacy through the voluntary early adoption of the SLFRS S1 and S2. Taking the first steps in this regard, the Group conducted a series of scenario analysis, to measure the physical and transitional risks to which the Group is exposed owing to the impacts of climate change. The findings from these initial risks assessment revealed the need for more focus on transitional risks in the near term.

Hence it was decided to perform scenario analysis for 2 transitional risks and 1 physical risk for preliminary S2 analysis.

**PHYSICAL SCENARIO ANALYSIS: WATER AVAILABILITY**

Given that water is deemed the most widely used natural resource for a textile manufacturer, it was decided that the Hayleys Fabric Group's operations could be adversely affected by water scarcity owing to climate change. Adequate water

is crucial for various stages of fabric production, and changes in water availability or quality can significantly disrupt the supply chain, leading to increased costs or production disruptions. Hence it was decided to use water availability as the topic for the scenario analysis to assess the potential physical risk. Accordingly different emission scenarios were applied to measure the impact on Water Availability for Fabric Production (IPCC).

Scenario 1 (Low increase in emissions)		C3/SSP 1-2.6 Low Emission Scenario (2°C Warming by 2100):
Assessment Summary		Water availability for fabric production will remain relatively stable, with some localised challenges due to climate variability. Amidst this backdrop, investments in water management technologies and sustainable practices will be required to help mitigate the impacts of water scarcity. Moreover fabric manufacturers will need to adapt by implementing water-efficient production processes and diversifying sourcing to regions with better water resources. Overall, while challenges persist, the fabric industry manages to maintain operational stability with proactive measures to ensure water access.
Financial Impact	Short Term	Potential impacts on cash flows due to the cost involved in commissioning water management technologies
	Medium Term	High prices owing to climate induced supply chain disruption, in particular low cotton production in India due to lack of adequate rainfall High cost involved in upgrading to in water efficient equipment
	Long Term	Costs involved in pursuing innovation

# APPROACH TO SUSTAINABILITY

Scenario 2 (Moderate increase in emissions)		C6/SSP 2-4.5 Intermediate Emission Scenario (3°C Warming by 2100):
Assessment Summary		Water scarcity becomes more pronounced, resulting in more pressure on the fabric manufacturing industry. Supply side disruption will prove to be a major issue as cotton cultivation faces challenges from changing precipitation patterns and increased water stress, in turn affecting raw material availability. Fabric manufacturers are also likely to struggle to maintain consistent production due to erratic water supplies, leading to increased costs and occasional production disruptions. Moreover it is anticipated that efforts to implement water management practices will be hampered by the magnitude of the water stress, resulting in less effective adaptation measures compared to the low emission scenario.
Financial Impact	Short Term	Increase in cost of production due to the higher cost of water
	Medium Term	Inadequate cotton harvest in the region will lead to severe scarcity which will drive up raw material prices, thereby causing a substantial increase in the cost of production resulting in lower profitability for fabric manufacturers
	Long Term	<p>The product mix will also have to be changed if necessary due the lack of adequate cotton in the market, in turn driving up cost of production</p> <p>More investments will have to be made to purchase water and energy saving machinery and funding will be at higher cost due to extra facilities required</p> <p>Loss of orders due to uncompetitive pricing attributed to the increase in cost of materials and utilities such as electricity</p>
Scenario 3 (High increase in emissions)		C7/SSP3-7.0 High Emission Scenario (4°C Warming by 2100):
Assessment Summary		Water scarcity will reach critical levels in many regions, severely impacting fabric production, while cotton cultivation will face widespread failures due to extreme weather events, leading to acute shortages in raw materials. Consequently, fabric manufacturers will struggle to operate as water supplies become increasingly unreliable, leading to frequent production disruptions and supply chain breakdowns. The situation will be further exacerbated as a result of regulatory restrictions on water withdrawal. The fabric manufacturing industry as a whole will encounter significant economic losses, and some manufacturers will be forced to cease operations or relocate to regions with better water resources. Overall, the fabric industry will experience a massive crisis, with long-term viability threatened by the combination of water scarcity and climate impacts
Financial Impact	Short Term	Massive impact on the operational cost due to sharp increase in cost of water
	Medium Term	Impact on revenue and profitability owing to the need to change in product mix and tilt towards nylon and synthetic fabric production as a result of the shortage of cotton
	Long Term	<p>Cost of changing the product mix by shifting to producing nylon or synthetic fabrics due to severe scarcity of cotton materials</p> <p>Significant CAPEX requirements to facilitate infrastructure requirements to migrate to the production of nylon and synthetic fabric</p>

### TRANSITIONAL SCENARIO ANALYSIS 1 : POLICY AND LEGAL

Assesses the implications to the Hayleys Fabric Group due to increasing legal and regulatory requirements that will be imposed by regulatory bodies in response to global endeavour to achieve net zero greenhouse gas emissions by mid-century (Net Zero Emission by 2050).

Financial Implications to the Hayleys Fabric Group		
Short Term	Medium Term	Long Term
Fine and penalties from the authorities for non-compliances	<ul style="list-style-type: none"><li>» Additional CAPEX requirements for renewable energy sources</li><li>» Impact on profitability and cash flows owing to higher cost of borrowing will increase</li><li>» Loss of orders and inability to attract new customers owing to reputational damage caused by non-compliance</li></ul>	Possible savings coming from renewable energy sources also can attribute to have a healthy profitability

### TRANSITIONAL SCENARIO ANALYSIS 2 : MARKET CHANGES

Assesses the implications to the Hayleys Fabric Group due to changes in customer perception and the increased demand for increased demand for sustainable and eco-friendly products, including fabrics, in line with the global endeavour to achieve net zero greenhouse gas emissions by mid-century (Net Zero Emission by 2050).

Financial Implications to the Hayleys Fabric Group		
Short Term	Medium Term	Long Term
Impact on revenue and profitability due to the loss of orders due to the inability to respond fast enough to the customer demand for eco friendly products	<ul style="list-style-type: none"><li>» High CAPEX requirements associated with new technology adoption to facilitate the production of eco friendly fabrics</li><li>» Higher cost of capital to facilitate investment</li></ul>	Improved revenue and profitability due to new methods of manufacturing and associated cost savings



# Hayleys Fabric PLC commits to meaningful climate change action through alignment with the **Science-Based Target Initiative (SBTi)**



Expressing a strong willingness to reorient its emission management programme in line with global standards, Hayleys Fabric made a strategic decision in 2020 to adopt the Science-Based Target Initiative (SBTi). The effort marks a significant milestone for the Group, as it positions Hayleys Fabric PLC as the first textile manufacturer in Sri Lanka and only the fourth local manufacturer to add its name to a growing list of major global corporations committing to SBTi for reducing Greenhouse Gas (GHG) emissions and limiting global warming at 1.5°C.

The Group has since worked to align with SBTi's net zero targets by committing to reduce absolute Scope 1 and Scope 2 GHG emissions by 42% over the 9 year period from FY2021 to FY2030. The Group has also committed to reduce absolute Scope 3 GHG emissions from purchased goods and services and processing of sold products by 25% during the same period. The target boundary includes land-related emissions and removals from bioenergy feedstocks.

As per SBTi commitment Hayleys Fabric Group is to reduce the Scope 1&2 emission by 6% annually whereas Group was able to bring it down by 8% compared to 2022/23 due to commitment made towards the achievement of set target.

# Layers Of Empowerment

At Hayleys Fabrics, we believe in investing in our people as the cornerstone of our success. Through fair labour practices, inclusive policies, and continuous upskilling initiatives, we empower our workforce to reach new heights of personal and professional development.

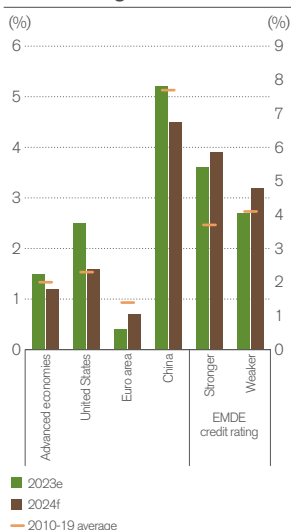


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# OPERATING ENVIRONMENT

## Growth by Economy and EMDE credit rating



(Source: Global Economic Prospects January 2024)

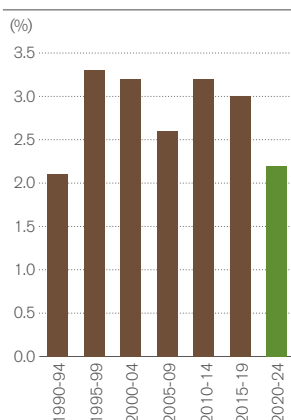
## GLOBAL CONTEXT

Global economic activity continued to soften in 2023 amid the effects of tight monetary policies, restrictive financial conditions, and weak global trade growth. After a sharp slowdown in 2022 global GDP declined further to 2.6% in 2023.

Aggregate growth in advanced economies moderated in 2023, though to a lesser extent than previously anticipated, largely due to the resilient performance of the US economy, where consumer spending remained robust, supported by expansionary fiscal policy. However, in the euro area, growth slowed sharply to an estimated 0.4% as high energy prices, mainly linked to Russia's invasion of Ukraine, dampened household spending and business activity, especially in manufacturing. The situation further worsened following the eruption of the Israel/Palestine conflict and Red Sea crisis in the latter part of the year.

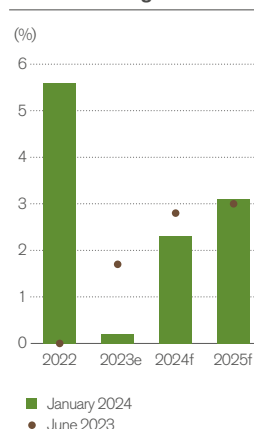
Growth in Emerging Markets and Developing Economies (EMDE) is estimated to have accelerated to 4% in 2023. However, when excluding China, EMDE growth decelerated to 3.2%, reflecting subdued demand for goods in advanced economies, which led to weaker exports from EMDEs.

## Global Growth



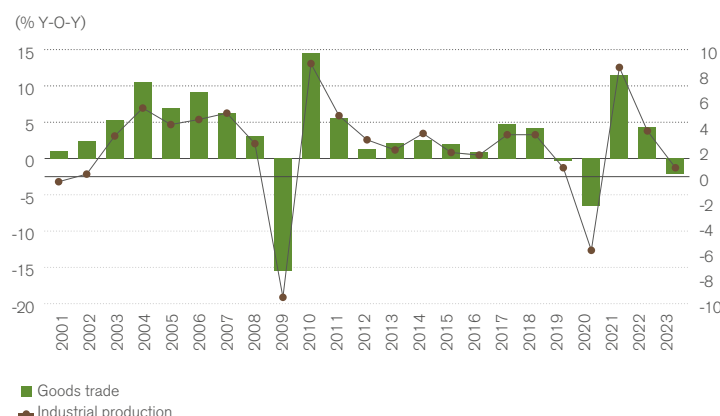
(Source: Global Economic Prospects January 2024)

## Global trade growth



(Source: Global Economic Prospects January 2024)

## Growth of global goods trade and industrial production



(Source: Global Economic Prospects January 2024)

In 2023, global trade growth experienced what is thought to be its slowest pace outside of global recessions in the past 50 years with substantial contractions witnessed in goods trade amidst sluggish global industrial production.

## OUTLOOK FOR 2024 AND BEYOND

Global growth is projected to decelerate further in 2024, marking the third consecutive year of slowdown. This trend reflects the persistent impact of tight monetary policies aimed at curbing decades-high inflation, along with restrictive credit conditions, and sluggish global trade and investment. Near-term prospects

appear to indicate major economies will see subdued growth while emerging market and developing economies (EMDEs) with strong fundamentals are likely to experience improved conditions in 2024. Prospects for EMDEs facing significant vulnerabilities remain precarious, given their elevated debt levels and rising financing costs. Meanwhile experts predict downside risks to be a key factor influencing global growth in 2024 as further conflict escalation is likely to result in soaring energy prices, with broader repercussions for global economic activity and inflation.

(Source: Global Economic Prospects (World Bank Publication) - Jan 2024)

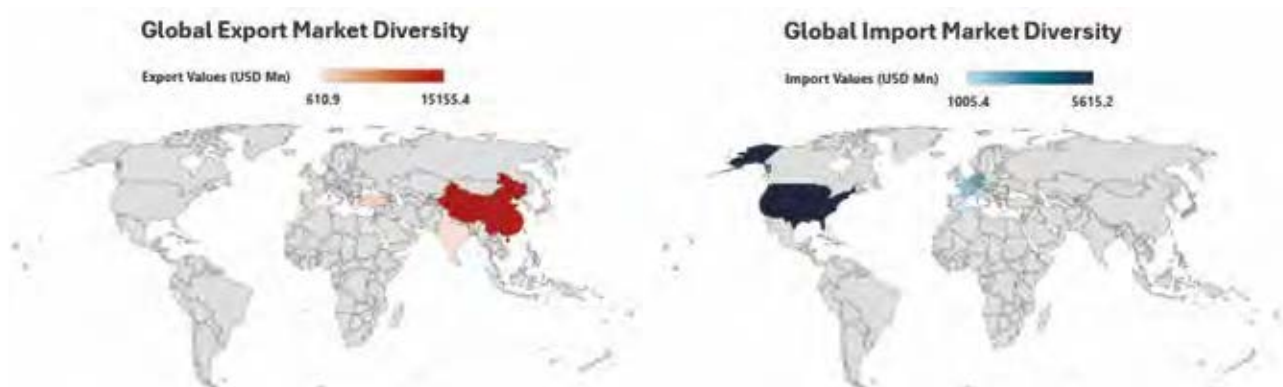


Risks and Opportunities for Hayleys Fabric Group from the Global Context	Risks		Opportunities	
	Recessionary Conditions in advanced economies	Shortage of raw material owing to lower industrial production resulting in causing high degree of price volatility	Growing demand for cost efficient and durable innovations	Increased focus on sustainability causing end consumers and brands to demand greater action from manufacturers, to improve traceability and transparency
Impact	Contraction in order book leading to a decline in revenue and capacity underutilisation	Supply chain disruptions affecting the continuity of production resulting in the inability to meet deadlines	Ability to boost revenue by offering customised solutions	Ability to secure the commitment of Tier 1 Customers to support consistent order generation over time
Strategic Response	Stringent cost management to drive production efficiencies and improve output	heightened emphasis on supply chain efficiencies supported by proactive engagement with suppliers to negotiate bulk purchasing advantages	Focus on R & D-led new product development under the Group's Inno label	Long standing advocacy for sustainability alongside continuous efforts to lead by example championing sustainability

## GLOBAL TEXTILE AND APPAREL INDUSTRY

According to a report by P. Smith, a researcher specialising in retail, published on January 26, 2024, on the website "Statista," United States was the leading importer of clothing accessories from the rest of the world, with an import value of over USD 5.6 Bn in 2022. Germany was ranked second, with imports of approximately USD 2.5 Bn worth of clothing accessories for the year 2022.

Considering the export market trends China emerged as the top exporter of clothing accessories globally, with exports valued at approximately USD 15.16 Bn in 2022. Italy secured the second position, exporting over USD 2.5 Bn worth of clothing accessories during the same period.



(Source: Statista)

## GLOBAL FASHION INDUSTRY TRENDS AND OUTLOOK FOR 2024 AND BEYOND

The fashion industry appears to be heading toward uncertain times in 2024. The most prominent sentiment among fashion leaders is "uncertainty," according to the McKinsey State of Fashion 2024. Causes for concern include geopolitical events, weakened economies and the continuing impact of high interest rates. Persistent global economic uncertainties will also likely impact consumer confidence in 2024,

in turn adversely influencing spending behaviour.

Yet, industry experts suggest there are some reasons for optimism in specific markets and segments, as global travel activity continues to surge, driven by shifting values post-pandemic, with shopping emerging as a priority. Consequently, brands and retailers will be required to adapt distribution and category strategies to meet travellers' expectations by strategically reorienting in response to changes in consumer demand.

Further, with climate risks intensifying globally, the fashion industry as a whole faces increasing pressure to build resilience in supply chains and mitigate emissions. Moreover, with the era of self-regulated sustainability in the fashion industry coming to end and new regulations impacting both consumers and industry players, brands and manufacturers will need to adapt their business models to align with emerging regulatory changes in 2024.

(Source: McKinsey & Company)



# OPERATING ENVIRONMENT

## LOCAL CONTEXT

### Domestic Economic Environment

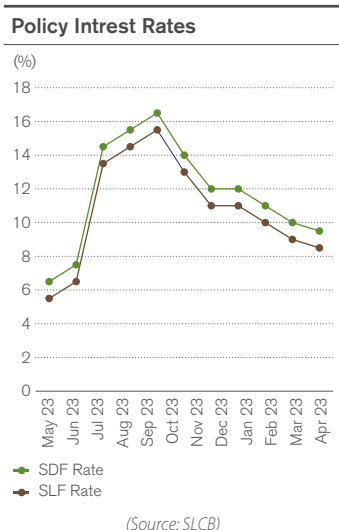
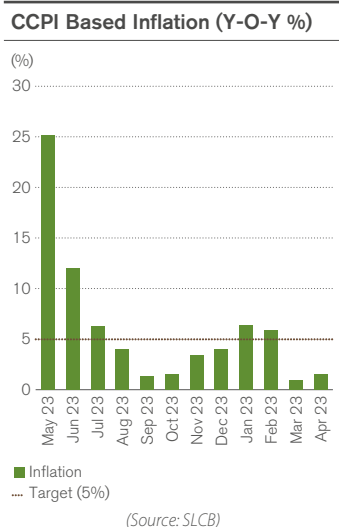
In 2023, the Sri Lankan economy began its journey towards recovery after facing its most severe economic crisis the year before resulting in six consecutive quarters of economic contraction. This recovery was supported by swift disinflation, enhanced external resilience, reinforced fiscal balances, and maintained stability in the financial system.

Inflation after reaching an all-time high in September 2022, returned to single-digit levels and remained close to the target by the end of 2023. The Central Bank's adoption of an accommodative monetary policy stance from mid-2023, along with reduced risk premiums following the completion of the Domestic Debt Optimisation (DDO) process, led to a significant decline in market interest rates, including yields on government securities, throughout 2023.

In addition, swift policy measures implemented by the government and the Central Bank, in conjunction with the structural reform agenda attached to the International Monetary Fund's Extended Fund Facility (IMF-EFF) arrangement, helped to further bolster macroeconomic stability leading to a firmer economic rebound. In all, the Sri Lankan economy registered a moderate contraction of 2.3%, in comparison to a significant de-growth of 7.3% in 2022.

The Agricultural sector rebounded strongly to record 2.6% expansion in 2023, marking a significant turnaround from the 4.2% contraction in 2022. The industry sector meanwhile remained under pressure as the subdued demand conditions, worldwide, hampered industrial activities resulting in a 9.2% contraction in 2023. The services sector contracted by 0.2% in 2023.

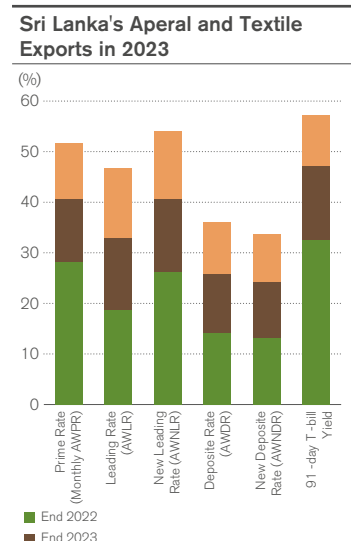
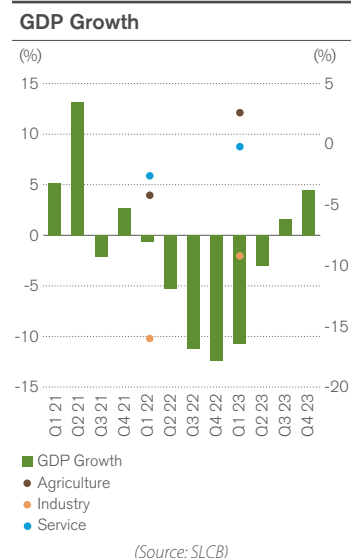
The Country's external sector registered a strong revival. Buttressed by a healthy increase in worker remittances and robust improvements in tourism related earnings, the external current account recorded a surplus in 2023. The merchandise trade deficit for 2023 recorded its lowest since 2010, as the substantial increase in service-related export earnings helped to offset expenditure on merchandise imports.



## OUTLOOK FOR 2024 AND BEYOND

The Sri Lankan economy is poised for further recovery and growth in the foreseeable future, benefiting from improved macroeconomic stability. This positive trajectory is anticipated to be sustained through the continuation of robust reforms and economic adjustments, facilitated by the Extended Fund Facility (EFF) program of the International Monetary Fund (IMF). Stability is anticipated across various dimensions as a result.

Inflation having undergone a rapid moderation process in 2023, is projected to hover around the 5% target on average throughout 2024, notwithstanding



occasional fluctuations due to supply-side disruptions amid subdued demand. Over the medium term, inflation is anticipated to stabilise around this target, bolstered by appropriate policy interventions. Although there may be a potential expansion in the trade deficit due to the resurgence of imports accompanying heightened economic activity, the external sector is expected to further capitalise on the positive trends observed in 2023. This optimism is fuelled by the rejuvenated tourism sector, heightened levels of workers' remittances, and anticipated inflows that do not add to the Country's debt burden.

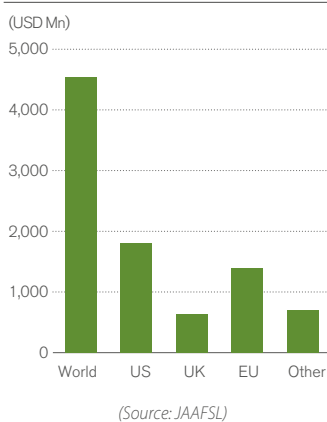
(Source: Annual Economic Review 2023 - Central Bank of Sri Lanka )

## THE SRI LANKAN APPAREL AND TEXTILE INDUSTRY

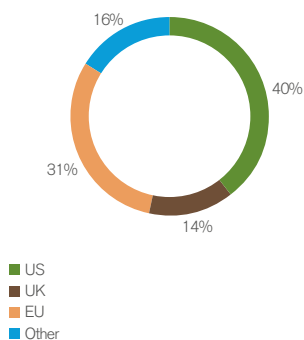
### Export Performance

The vast majority of Sri Lanka's Textile Exports head to the United States which accounts for approximately 40% of the Country's textiles exports, followed by the EU region which accounts for 30% share. In 2023, earnings attributed to apparel and textile exports declined on the back of a notable contraction in demand from key markets around the world.

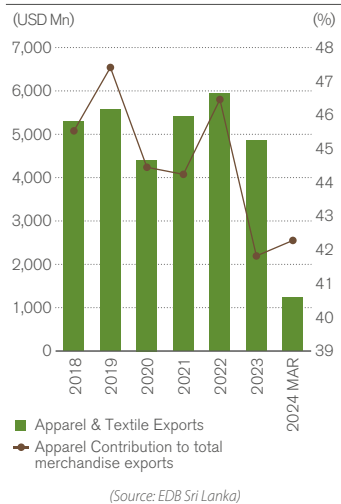
#### Sri Lanka's Apparel and Textile Exports in 2023



#### Sri Lanka's Apparel and Textile Exports share in 2023



### Export Performance



### KEY DYNAMICS SHAPING THE OPERATING LANDSCAPE OF THE APPAREL AND TEXTILE INDUSTRY IN SRI LANKA

The local apparel and textile industry has fully embraced the principles of green manufacturing and social sustainability,

Numerous factories in Sri Lanka are showcasing a notable dedication to environmental sustainability through the adoption of zero-carbon initiatives and the implementation of zero-waste policies. These factories have tactically incorporated waste management systems to repurpose waste, often within the apparel sector itself. Moreover, there is a unified endeavour to embrace sustainable and renewable energy sources like solar, wind, and hydro power through ongoing investments. Additionally, a considerable number of factories have joined the Sustainable Apparel Coalition and employ the Higg Index to assess and enhance their sustainability practices, underscoring a holistic commitment to environmental stewardship and ethical business conduct.

With a workforce of nearly half a million, the Sri Lankan apparel industry has successfully positioned itself as a pioneer for the

adoption of fair labour practices and safe working conditions across its manufacturing operations and for establishing the "garments without guilt" certification programme. This initiative underscores Sri Lanka's commitment to promoting positive and ethical working environments for garment factory workers while also educating the global fashion community about the Country's efforts to enhance environmental and labour conditions. Notably, Sri Lanka holds the distinction of being the only apparel manufacturing nation in Asia to ratify all 27 International Labour Organisation (ILO) conventions.

Furthermore, the integration of certifications such as the Global Organic Textile Standard (GOTS), Worldwide Responsible Apparel Production, Fair Trade Certification, Global Security Verification (C-TPAT), ISO 9001:2015, and Certificate of Conformity highlights a steadfast commitment to sustainable and responsible practices within the textile industry. These certifications encompass a wide array of aspects, including production, processing, manufacturing, packaging, labelling, export, import, and distribution of natural Fibers, ensuring strict adherence to environmental and ethical standards. Furthermore, the utilisation of tools like the Higg Index, developed by the Sustainable Apparel Coalition, adds to transparency and accountability in evaluating sustainability performance throughout the supply chain. Through these certifications and initiatives, organisations exhibit their dedication to fostering sustainability, ethical labour practices, and bolstering consumer trust in the global textile market.

Underpinned by the strong commitment to ethical practice, Sri Lanka is widely regarded as a preferred choice for global brands seeking ethically produced, high-quality apparel and textiles. Leveraging this reputation, the Country continues to attract renowned brands such as Patagonia, Nike, and Tommy Hilfiger.

(Source: JAAFSL)



# Financial Capital

Financial Capital refers to the monetary resources in the form of equity and debt, to enable the business operations and support business expansion.

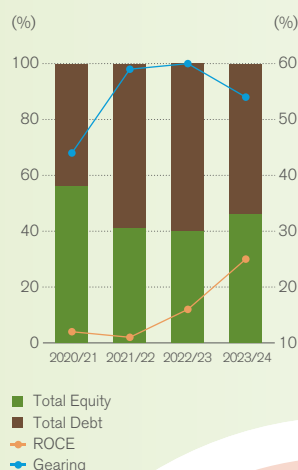
## Financial Capital Profile

The Hayleys Fabric Group's Capital Structure comprised equity of USD 32.81 Mn, along with USD long term interest bearing borrowings of USD 17.08 Mn and short term interest bearing borrowings of USD 21.30Mn, representing 28%, 15% and 18% respectively of the Group's total assets as at 31st March 2024.

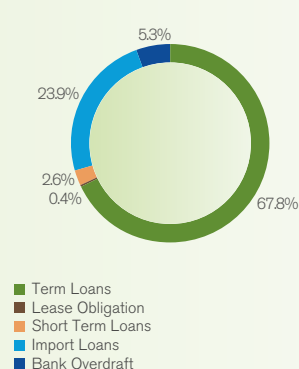
Gearing levels improved to 54% in FY 2023/24 from 60% in the previous year due to the combined impact of higher equity owing to improved operating results as well as the higher volume of loan settlements

Return on Capital Employed (ROCE) also improved notably, from 16% in the previous year to 25% in the current financial year.

**Capital Structure**



**Debt Structure %**



## Value Transformation through Financial Capital

### LINK TO STRATEGY

- » Financial Growth
- » Operational Excellence

## Value Outcomes

- » LKR 2.50 per share interim dividend (LKR 1.50 - 2022/23)
- » LKR 42% Dividend Payout (USD 252% - 2022/23)
- » Dividend cover 2.37 (times) (0.40 (times)- 2022/23)
- » USD 0.019 EPS (USD 0.003 - 2022/23)
- » 24% Return on Equity (4% - 2022/23)
- » 25% ROCE (16% - 2022/23)
- » USD 0.08 Net Assets per share (USD 0.07 - 2022/23)
- » LKR 41.10 Market price per share (LKR 25.20 - 2022/23)
- » P/E ratio 6.71 (times) (25.26 times - 2022/23)

## Impact on Other Capitals

- + Healthy profitability together with a strong balance sheet helps to bolster the Group's reputation
- + Strong financial planning effectively ensures appropriate resources are mobilised in a timely manner to support scheduled CAPEX activities
- + Higher returns for equity shareholders and consistent serving of debt obligations helps to earn the trust of shareholders and providers of debt capital

## Management Approach

Given that the management and utilisation of financial capital is fundamental to the Hayleys Fabric Group's ability to create sustained value, the Group adopts multi pronged approaches to safeguard profitability while strengthening the balance position. The fundamental principles of this approach are:

- » -Driving top-line growth coupled with efficient cost management strategies to ensure sustained earnings and profitability, to improve return on equity.
- » Maintaining a healthy financial position and positive cash flows to secure adequate liquidity and solvency as a going concern
- » Following prescribed best practices and standards in accounting, auditing, and management.
- » Complying with rules and regulations set by relevant statutory and regulatory bodies.
- » Adopting focused risk management techniques and internal controls to ensure responsible financial management.
- » Adherence to a clear tax policy
- » Obtaining independent assurance by both internal auditors and external auditors regarding the financial statements and financial reporting processes and internal control systems. Additionally, local and international awards for excellence in integrated reporting offer further confidence in the approach.

## Tax Policy

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

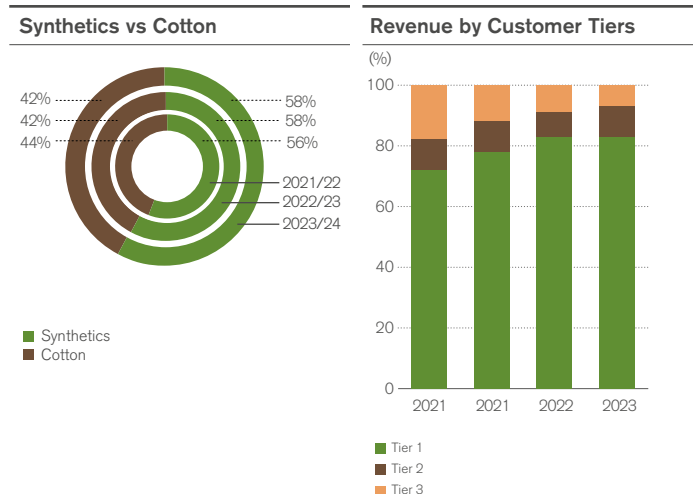
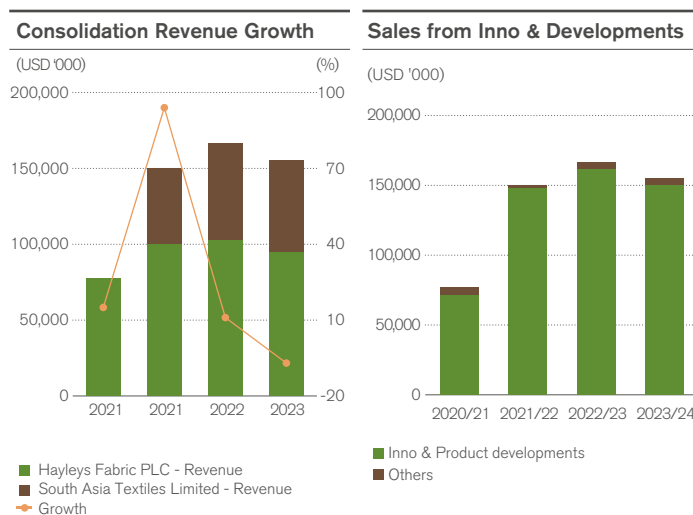


## REVENUE

The Hayleys Fabric PLC Group reported consolidated Revenue of USD 155.33 Mn for FY 2023/24, reflecting a 6.78% decline from the USD 166.63 Mn reported in the previous financial year. The Revenue drop was the result of volume erosion experienced by both Hayleys Fabric PLC and South Asia Textiles Limited amidst the backdrop of lower demand from key export markets causing stress on the order books of both entities in the year under review.

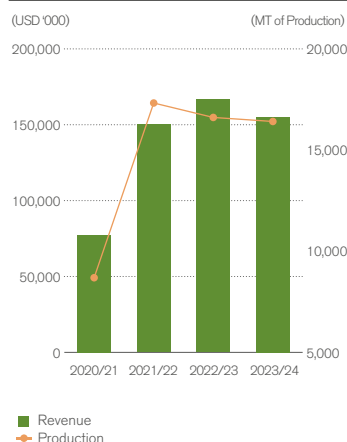
Meanwhile the Group's Inno brand and developments continued to account for 96.6% of total Revenue, a testament to the strong acceptance of Inno's trademark of high quality - high performance fabric profile by Tier 1 Customers.

Product-wise Revenue composition remained broadly similar to the previous year, with Athleisure dominating the mix, accounting for over 60% of consolidated Revenue for FY 2023/24.

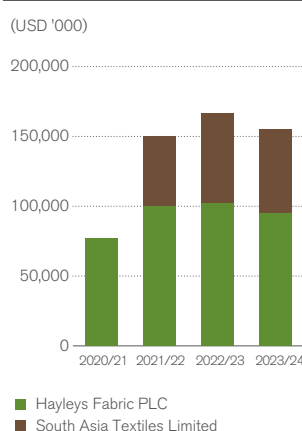


# FINANCIAL CAPITAL

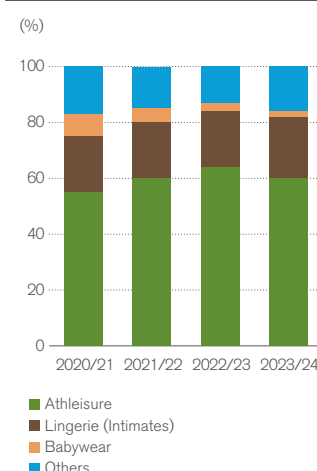
## Revenue vs Production



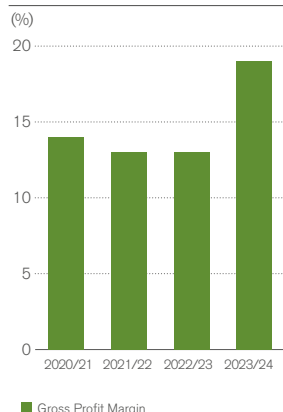
## Revenue



## Revenue Mix



## Gross Profit Margin



## COST OF SALES AND GROSS PROFIT MARGIN

Cost of sales declined to USD 126.15 Mn in the year under review, down by a solid 13% from USD 145.24 Mn recorded in the previous financial year. The commendable reduction in cost of sales is largely due to substantial cost advantages derived as a result of tactical procurement strategies being followed by the top management to reduce the prices of raw materials mobilised to offset the contraction in the order book.

Sustained cost efficiencies owing to higher labour productivity, optimal machine output and lower production waste also contributed to notable reductions in energy, labour and other variable production costs.

Buttressed by the substantial improvement in Cost of Sales, the Hayleys Fabric Group recorded an impressive Gross Profit of USD 29.18 Mn in FY 2023/24, up an improvement of 36% from USD 21.39Mn in the previous financial year. Consequently, GP Margin also shot up to 18.78% in the year under review from 12.8% in FY 2022/23.

## OTHER OPERATING INCOME

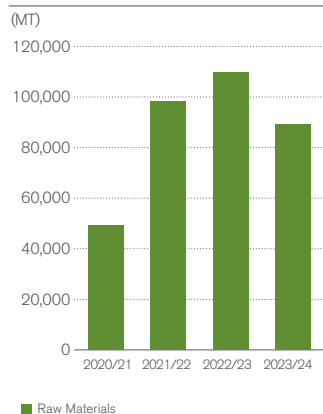
Other operating income increased marginally from USD 0.70 Mn in the previous year to USD 0.72 Mn in the current year.

## OPERATING EXPENSES

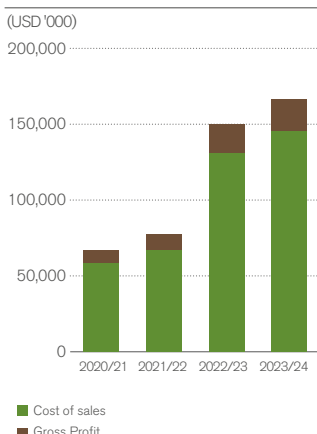
Operating Expenses of the Group grew by 13.30% reflecting the adverse impact on exchange conversion of LKR denominated operating expenses as a consequence of the 12% appreciation of the LKR against the USD during the current year. However if the exchange impact is disregarded, the real increase stands at 1.3% year on year.

Meanwhile Distribution expenses reduced by more than half, declining from USD 1.26 Mn in the previous financial year to USD 0.58 Mn in the current financial year, denoting a 54% decline attributed to the customer related expenses as a consequence of proactive negotiations with Tier 1 customers. Other expenses increased marginally in the current year owing to impairment provisions booked on account of unusable and idle machinery.

## Raw Materials



## Cost of Sales vs Gross Profit



## NET FINANCE INCOME / EXPENSE

Finance income showed a substantial improvement year on year, owing to strategic investments to optimise earnings.

Finance Expenses reduced significantly in the current financial year, supported by successful renegotiations with Banks to leverage the progressive decline in the AWPLR stemming from monetary policy easing measures implemented by the government as part of the IMF-led structural reform programme. Interest on long term loans increased the current year was driven by higher USD and LKR borrowings by South Asia Textiles Limited to fund their planned CAPEX activities.



Meanwhile the exchange loss incurred by the Group on their LKR denominated borrowings, as a result of the appreciation in the LKR against USD caused the Group to incur a net finance expense of USD 6.1 Mn in FY 2023/24.

Despite a notable increase in finance expenses attributed to long term borrowings and the exchange loss on LKR denominated borrowings, the Group's weighted average cost of capital declined from 14% in the previous year to single digit levels of around 9% in FY 2023/24, a testament to the success achieved through negotiations with Banks.

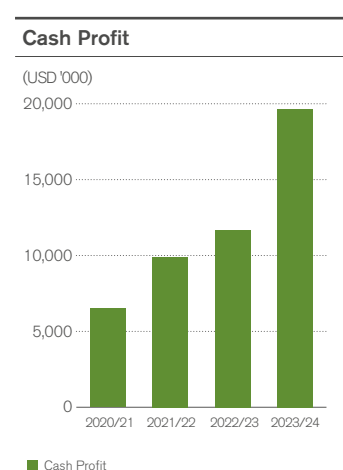
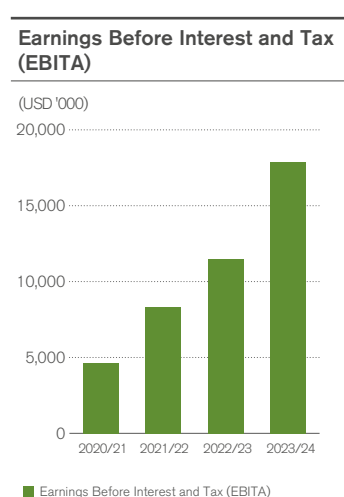
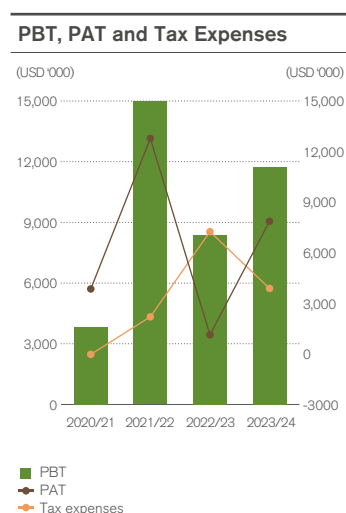
### PROFIT BEFORE TAX (PBT)

Bolstered by healthy Gross Profits, the Hayleys Fabric Group's PBT accelerated significantly in the current financial year to cross the USD 10 Mn landmark. The Group tabled PBT of USD 11.75 Mn in FY 2023/24, a robust 40.14% improvement from the USD 8.38 Mn registered in FY 2022/23. Consequently the Group's PBT margin also moved up 250 basis points from 5% in FY 2022/23 to 7.5% in the year under review.

### TAXATION

The Group's tax expenses declined by 46.44% year on year. The decline is as a

result of the corporate tax rate increasing from 14% to 30% in the previous financial year resulting in the significant upward revision in the deferred tax computation at the higher rate including to the opening differed tax liability. The resulting implication saw the Group's tax expenses climbing to USD 7.25 Mn in the previous year. However with no such additional adjustments applicable in the year under review, the tax expense for FY 2023/24 stood at USD 3.88 Mn. Consequently, the effective tax rate of the Group was 33.05% in the current financial year compared to 86.48% in the preceding year.



### PROFIT AFTER TAX (PAT)

Group PAT for FY 2023/24 reflected a nearly 7-fold increase from USD 1.13 Mn in the previous year to USD 7.86 Mn in FY 2023/24. The remarkable improvement is owing to the combined impact of strong PAT results and the one-off tax implications as explained above.

### Vertical Analysis of Income Statement - Group

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

# FINANCIAL CAPITAL

## Horizontal Analysis of Income Statement - Group

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

Key Ratios	FY 2023/24	FY 2022/23	FY 2021/22
Interest Cover (Times)	4	2.2	3
Debt to / EBITA (Times)	1.75	2.79	3.66
EBITA / Total Revenue (%)	14.10%	9.20%	7.80%
ROA (%)	7%	1%	10%
Current Ratio (Times)	1.12	1.00	0.99
Quick Asset Ratio (Times)	0.55	0.41	0.44

### DIVIDEND

Given the strong results tabled by the Group for the FY 2023/24, the Board announced an interim Dividend of LKR 2.50 per share, a 1.7 -fold improvement from the LKR 1.50 per share paid in the previous financial year. Mirroring this trend, the total Dividend payout amounted to USD 3.31 Mn, denoting a 16% increase over the 2022/23 payout.

### CAPITAL EXPENDITURE

Capital expenditure directed towards investments in Property Plant and Equipment amounted to USD 3,98Mn, including acquisition of a special dye machines and other machinery and equipment to streamline production efficiency and improve output . Out of the

total capital expenditure, approximately USD 2.82Mn worth of plant and machinery was capitalised as at 31st March 2024, with the remaining shown under work-in-progress in the statement of financial position.

### CASH FLOW AND LIQUIDITY

The Group's cash flow and liquidity position improved substantially in the year under review, on the back of strong operating results. Net cash inflow from operating activities improved from USD 1.34 Mn in the previous year to USD 18.99 Mn as at 31st March 2024. Net cash outflow from investing activities amounted to USD 3.15 Mn mainly due to the capital expenditure incurred on account of the aforementioned capacity enhancements, while net cash flow from financing activities amounted to

an outflow of USD 8.05 Mn from increased short-term borrowings and dividend payments

The Group's net working capital position improved significantly from USD 0.09 Mn in the previous year to USD 6.39Mn in the year under review supported by mainly lower inventory and trade receivables coupled with a with a 2.42 fold increase in cash and cash equivalents from USD 4.56 Mn in FY 2022/23 to USD 11.04 Mn in the current financial year.

Trade and payables, short term borrowings as well as other non-financial liabilities, all declined in the current year, further augmenting the Group's working capital position.

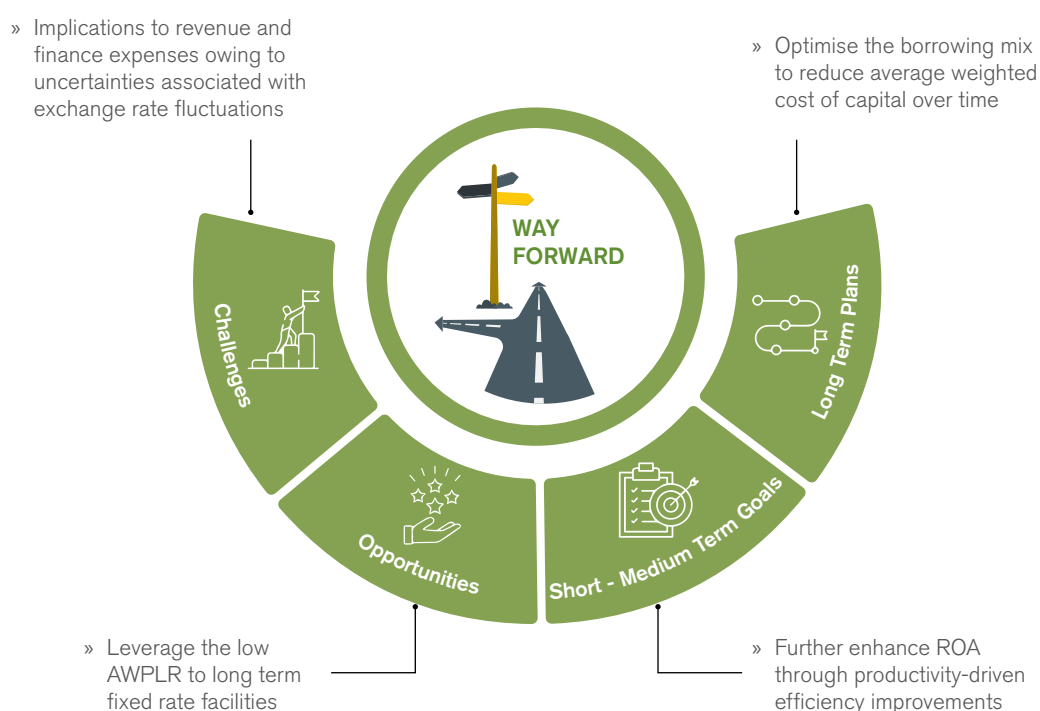
Vertical Analysis of Statement of Financial position - Group

	2023/24		2022/23		2021/22	
	USD '000	%	USD '000	%	USD '000	%
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property, plant and equipment	44,489	38%	44,660	38%	43,920	36%
Right of use assets	803	1%	832	1%	844	1%
Intangible assets	590	0%	709	0%	364	0%
Goodwill	10,440	9%	10,440	9%	10,440	9%
Other non current receivables	-		-		327	0%
	56,323	48%	56,641	48%	55,895	46%
<b>Current Assets</b>						
Inventories	30,414	26%	36,717	31%	36,794	30%
Trade receivables	15,947	14%	18,030	15%	16,159	13%
Other receivables	624	1%	1,480	1%	1,398	1%
Advances and prepayments	1,917	2%	1,521	1%	1,921	2%
Cash and cash equivalents	11,043	9%	4,561	4%	9,876	8%
	59,945	52%	62,309	52%	66,148	54%
<b>Total Assets</b>	<b>116,267</b>	<b>100%</b>	<b>118,950</b>	<b>100%</b>	<b>122,043</b>	<b>100%</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Capital and Reserves</b>						
Stated capital	17,562	15%	17,562	15%	17,562	14%
Revaluation reserve	515	0%	515	0%	632	1%
Retained earnings	14,733	13%	10,222	9%	12,263	10%
Total Equity	32,809	28%	28,299	24%	30,457	25%
<b>Non-Current Liabilities</b>						
Interest bearing loans and borrowings	17,083	15%	15,870	13%	17,446	14%
Deferred tax liabilities	8,957	8%	9,526	8%	4,205	3%
Retirement benefit obligations	3,866	3%	3,032	3%	2,942	2%
	29,905	26%	28,429	24%	24,592	20%
<b>Current Liabilities</b>						
Trade and other payables	25,288	22%	27,269	23%	35,451	29%
Interest bearing loans and borrowings	21,301	18%	27,088	23%	25,700	21%
Amounts due to Hayleys PLC	266	0%	74	0%	339	0%
Other non financial liabilities	6,698	6%	7,791	6%	5,504	5%
	53,553	46%	62,222	52%	66,994	55%
<b>Total Equity and Liabilities</b>	<b>116,267</b>	<b>100%</b>	<b>118,950</b>	<b>100%</b>	<b>122,043</b>	<b>100%</b>

# FINANCIAL CAPITAL

## Horizontal Analysis of Statement of Financial Position- Group

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





RECYCLED POLYESTER

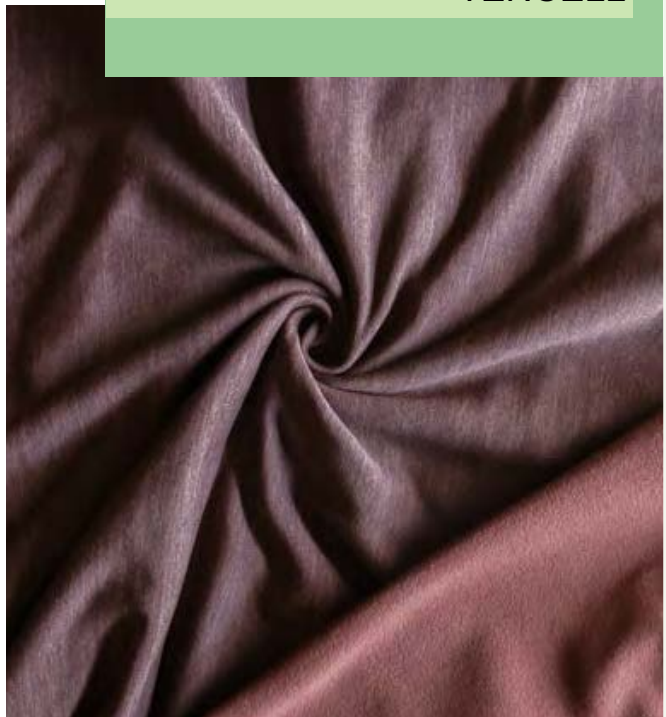
ORGANIC COTTON

DOPE DYED

MAHOGANY DYE/ TEA DYE

SEACELL

TENCEL







# Manufactured Capital

Manufactured capital refers to production-oriented facilities, including Property, Plant and Equipment (PP&E) and ICT platforms that together serve as the bedrock of our operations.

## Manufactured Capital Profile

### Hayleys Fabric PLC -Narthupana

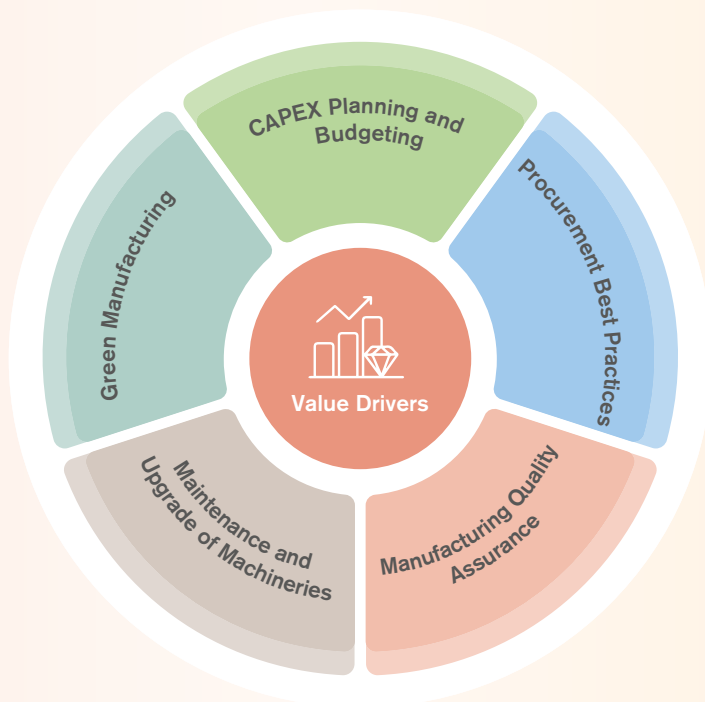
- » Main Plant - Neboda, Horana
- » Capabilities - Knitting, Dyeing, Finishing, Printing, Brushing & Sueding
- » Current Capacity: 950 MT per month
- » Capacity Utilisation: 90%+
- » Investment in PP&E (to-date) - USD 1,645,146
- » ERP System - SAP ECC6 as its ERP on AWS cloud infrastructure, Fast React planning tool and File Maker
- » Operate only on Bio mass and LPG and eliminated the use of Furnace oil

### Hayleys Fabric PLC -Wagawatte

- » Knitting Plant - Wagawatta- Horana Industrial Zone.
- » Investment in PP&E (to date) – USD. 21,383
- » Current knitting Capacity: 175 MT per month
- » Capacity Utilisation: 90%+

### South Asia Textiles Limited

- » Main Plant – Felix R. Dias Bandaranayake Mawatha , Pugoda.
- » Capabilities - Knitting, Dyeing, Finishing, Printing, Brushing & Sueding
- » Current Capacity: 860 MT
- » Capacity Utilisation: 90%+
- » Investment in PP&E (to date) - USD. 2,331,584
- » ERP System - IFS Application 9.1, hosted on the robust infrastructure of Microsoft Azure cloud & Fast React planning tool
- » 100% Bio Mass operation



## Value Outcomes

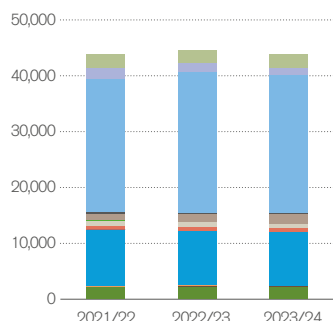
- » State-of-the-art, turnkey solutions with customised end-to-end solutions from design to finish
- » Access to fully fledged Brand accredited in-house laboratory services
- » On time Delivery with shorter lead times
- » Best in-class quality assurance across the value chain in compliance with customer specifications
- » Guarantee of low carbon manufacturing systems

## Impact on Other Capitals

- + Improved long term profitability by generating business volumes and enhanced cost efficiencies
- Short-term cash outflow owing to CAPEX
- + Enhances reputation and industry standing
- More focus and attention given to the concept of circularity
- + Builds customer trust and reinforces stakeholder loyalty across the value chain
- + Helps mitigate climate change by reducing the percentage of GHG emissions
- Reduction in water consumption through the continuous process improvement
- + Creating more job opportunities and uplift of living standard of employees and other stakeholders of the Hayleys Fabric Group

## PP&E Composition

(USD '000)



## Value Transformation through Manufactured Capital

### Link to Strategy

- » Excellence in Service Levels
- » Operational Excellence
- » Sustainability and Climate Action
- » Financial Growth

### Management Approach

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



## CAPEX PLANNING AND BUDGETING

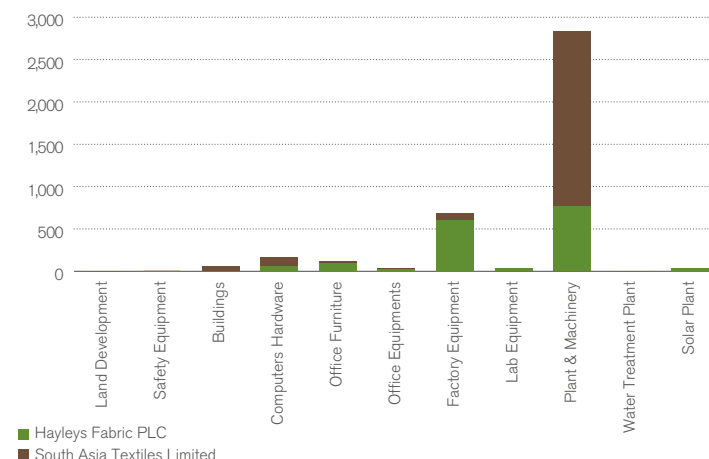
CAPEX planning and budgeting provides a basic foundation for developing an efficient and effective Manufactured Capital base to support the Hayleys Fabric Group's strategic objectives. The Board provides strategic direction regarding large scale expansion plans, after careful consideration of technical, social, environmental and financial criteria to ensure alignment with the overall Group strategic objectives and to create value for all stakeholders.

Meanwhile routine CAPEX planning and budgeting is undertaken hand in hand with the annual budgeting cycle. Accordingly, towards the conclusion of

a financial year all departments are called upon to table their CAPEX requirements for the next financial year based on the Board-approved strategic plan. Similarly, IT requirements for departments are also identified. Information collated in this way is finalised through detailed discussions with the MD/CEO, executive directors and with relevant senior managers. The finalised CAPEX budget is then presented for approval of the Board Chairman and thereafter presented to the Hayleys PLC Board for final approval by the Non-Executive Directors of the Company. This structured mechanism offers the assurance that investments in Plant and Equipment are planned ahead and made in a timely, and relevant manner to support the Hayleys Fabric Group's current and future needs.

## CAPEX in 2023/24

(USD Mn)



## PROCUREMENT BEST PRACTICES

Hayleys Fabric PLC and South Asia Textiles Limited have a strict policy of purchasing Plant and Equipment only from reputed global original equipment manufacturers. The Hayleys Group Procurement Policy sets out the principle approach towards procurement of Plant and Equipment. Accordingly, it is the responsibility of the respective business head to call for a minimum of 3 quotations with all shortlisted suppliers subjected to strict screening based on quality, price and delivery and after-sales service support. Where necessary comprehensive technical evaluations are carried out for further assurance. In line with the Hayleys Group's sustainable procurement practices, a range of due diligence protocols are also conducted to assess energy / water efficiency parameters of machinery and equipment that is being sourced.

Meanwhile, the Hayleys Fabric and South Asia Textiles IT units seeks the support of the Hayleys Group IT to procure software licenses and service partners.

## MANUFACTURING QUALITY ASSURANCE

All plants operated by Hayleys Fabric and South Asia Textiles have been certified under the highest global standards applicable to the respective businesses, including ZDHC, Global Organic Textile Standards, Organic Content Standards, Global Recycled Standard, Oeko-tex 100, ISO Standards etc.

In addition, the Group's manufacturing plants are subject to customer-specific compliance standards stipulated by leading global apparel brands. Similarly, in-house lab and testing facilities at both plants have also been accredited by Tier 1 customers of Hayleys Fabric.

# MANUFACTURED CAPITAL



A comprehensive schedule of due diligence audits ensures operations at all plants operate in compliance with the aforementioned standards, certifications and accreditations. This includes quality control checks at each stage of the production process in compliance with specifications and delivery timelines.

These efforts are further augmented by SMART manufacturing technology, including the ERP system supported by 'Fast React' planning tool and 'File Maker' that seamlessly integrate all operations, while Artificial Intelligence (AI) is used to minimise inventory and better forecast raw material requirements.

## MAINTENANCE AND UPGRADES

Given the highly complex and sophisticated nature of the Hayleys Fabric



Group plants, regular maintenance and upgrades are vital to ensure operational efficacy of plant and equipment. A collective total of USD 6,518,288 was incurred on maintenance and upgrades in the current financial year. Key projects undertaken at the Neboda plant include;

- » Efficiency improvements at the dye house
- » Improving the performance of the washing operations
- » Scaling up equipment at the finishing department
- » Enhancing the capacity of the sedimentation tanks
- » Implementation of real time monitoring of electricity consumption by installing "Sensorfact" software through a collaboration with leading Tier 1 customer

Activities undertaken at the South Asia Textile plant in Pugoda were mainly focused on enhancing operational capacity by minimising equipment downtime and improving energy efficiency.

## GREEN MANUFACTURING

Given that all Hayleys Fabric Group operations rely heavily on energy-intensive machinery, recent efforts have focused on increasing the ratio of renewable energy-enabled machinery and equipment. The Group invested in installing additional biomass boilers at South Asia Textiles Limited which is now showcased as a model plant for renewable energy usage. In addition the investment of a 4.5 Mw rooftop solar deck set up in 2021 and 35 kW floating solar system set up in 2023 with the support of Fentons Limited at the Hayleys Fabric Neboda plant are also significant milestones in the green manufacturing programme.

### GREEN MANUFACTURING PROJECTS - FY 2023/24

#### HAYLEYS FABRIC PLC

Partnered with Fentons Ltd to commence work on a 35 kW floating Solar project

Backwash water recovery project at the Water treatment plant

Installed a new 160 kW Inverter type compressor for Energy saving in Plant

#### SOUTH ASIA TEXTILES

Overhaul of the conventional boiler to convert it into a biomass enabled unit at a cost of Rs.50Mn

Invested USD 852,000 to commission 2 new biomass boilers

Partnered with Fentons Ltd to commence work on a rooftop Solar system with generation capacity of 3 Mw

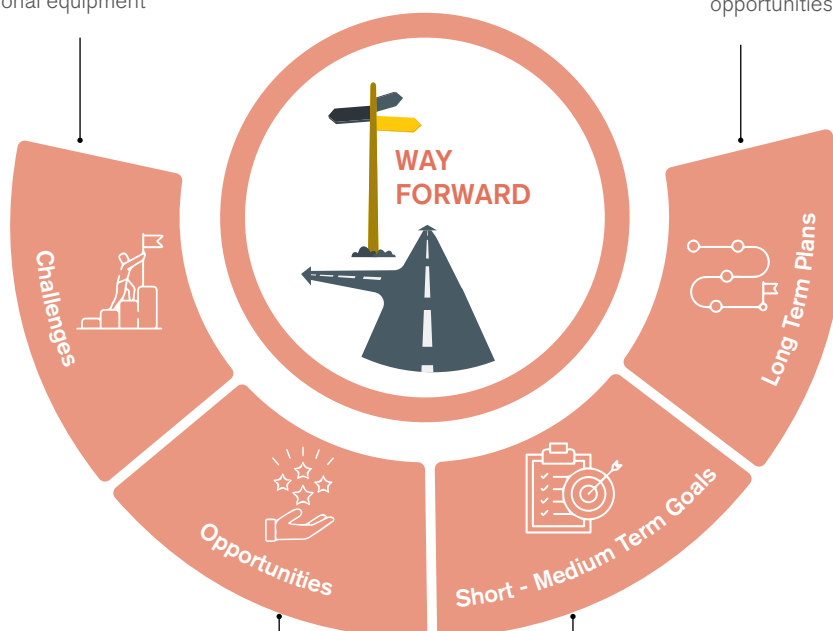
Installation of an energy efficient pump at the Water treatment plant

Biomass efficiency improvement projects

Implementation of a smart energy saving system for Stenter machines

- » Higher energy demand and costs, lower efficiency and increased maintenance costs associated with ageing conventional equipment

- » Capacity expansion at South Asia Textiles
- » Exploring overseas expansion opportunities



- » Migrate to renewable energy driven equipment for greater efficiency and sustained performance in compliance with Tier-1 customers' sustainable KPIs

- » Increase biomass capacity at Hayleys Fabric PLC
- » Phase out the Fossil Fuel usage by 2025





# Intellectual Capital

Intellectual capital is essentially a collection of intangible assets that defines our unique identity and underpins our ability to grow consistently and sustainably over time.

## Value Transformation through Intellectual Capital

### LINK TO STRATEGY

- » Excellence in Service Levels
- » Inspired and Dedicated Team
- » Operational Excellence
- » Sustainability and Climate Action
- » Financial Growth

### MANAGEMENT APPROACH

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



## Value Outcomes

- » Leader in Innovation with International (ISPO- Germany) Awards
- » Innovative natural fabric dyes recognised internationally (ISPO- Germany).
- » 90%, customer satisfaction on delivery (OTD)
- » Guarantee of best in class products underscored by global standards and certifications
- » 445 new products

## Impact on Other Capitals

- + Ability to secure a higher share of the Tier 1 customers to drive revenue & profit growth
- Short-term impact cost outlays on account of investments in R & D and employee training
- + Rewards and recognition associated with successful innovations helps to boost employee satisfaction and motivation
- + Fruitful collaborations and partnering with high tech institutions & universities for innovation builds confidence among Tier 1 customers
- + Resilient and robust IT infrastructure and Business Intelligence Systems enhances the operational efficiency of PP&E





## BRAND REPUTATION

The reputation of the Hayleys Fabric Group revolves around several factors, key among them the distinct honour of being the largest and fully integrated manufacturer in Sri Lanka supplying high quality and innovative fabrics to leading global apparel brands, Hayleys Fabric and its subsidiary South Asia Textiles are recognised as A-grade suppliers in the global apparel value chain.

On this basis, the Hayleys Fabric Group has for the past three decades contributed towards strengthening Sri Lanka trade balance. In the FY 2023/24 the Group generated export earnings of approximately USD 154.26 Million, thus reinforcing its reputation as a key player in the Country's economic progress.

Aside from being the largest and most advanced fabric manufacturer in Sri Lanka,

Hayleys Fabric PLC is likewise known as a champion for sustainable manufacturing. Since its inception in 1993, Hayleys Fabric PLC has proven itself as a trailblazer in the global textile industry, renowned for its unwavering commitment to sustainability with eco-friendly production and 360 degree innovation forming the fundamental principles that underpin the Group's efforts to transition into a fully sustainable fabric manufacturer.

## R & D AND INNOVATION

R & D and innovation have remained key enablers that provide Hayleys Fabric with a strategic competitive advantage. The Group has invested in building a fully fledged research arm comprising a 24-member team of designers and textile engineers, all graduates from leading textile institutes and universities in Sri Lanka and around the world. Each year the Group invests

considerable resources in supporting research activities and updating the research team's knowledge on the latest trends. The year 2014 saw the launch of the Hayleys Fabric Innovation Centre - a dedicated workspace to facilitate greater collaboration for the purpose of advancing research.


The "Inno" brand was a groundbreaking development credited to the Innovation Centre. "Inno", synonymous with fashionable, value added and functional fabric has been well received by all existing Tier 1 customers of the Hayleys Fabric Group and has also paved the way for the Group to make inroads into new markets. For the first time in its history, Hayleys Fabric applied for a patent for recycled yarn launched under the "Inno" label.

## HAYLEYS FABRIC PLC

### Leading the charge in textile Innovation




#### AWARDS




### AQUA SOFT

BASE LAYER CATEGORY

- UV PROTECTION
- RESISTANCE FOR CHLORINE & SEA WATER
- COTTON COMFORT
- WASH & WEAR DURABILITY
- COLOUR RETAINABILITY



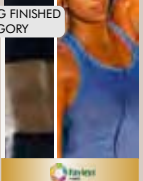
Best wicking & dry time and the best level of pilling resistance with highly desirable cotton comfort.




### MOISTURE OSMOS

PERFORMING FINISHED CATEGORY

- QUICK DRY
- EXCEPTIONAL MOISTURE MANAGEMENT
- BREATHABLE
- COMFORT & FEEL FRESH




Reversible fabrics for women's knit tops, allowing for the optimal moisture absorption and quick dry features combined with an versatile structure for excellent aesthetic appeal



### ECO STRETCH

BASE LAYER CATEGORY

- ENVIRONMENTAL IMPACT IS GETTING REDUCED
- EXCELLENT STRETCH AND RECOVERY
- COMFORT AND FLEXIBILITY
- ENSURING A PERFECT FIT FOR ALL-DAY WEAR



High performance, breathable fabric with strong aesthetic appeal for all day comfort

### Secures Eco Label Sri Lanka certification

Hayleys Fabric PLC was awarded the Eco Label Sri Lanka certification for its weft knitted fabrics under the Textile & Apparel category. The latest in a long line of sustainability accreditations, this certification recognises Hayleys Fabric's commitment to sustainable practices and environmentally-friendly manufacturing processes.

The Eco Label Sri Lanka certification grants Hayleys Fabric the right to display the 'ECO LABEL-SRI LANKA' mark on their weft knitted fabric products for a period three years, subject to annual surveillance audits to ensure continued compliance with eco-friendly standards. Receiving the Eco Label certification is seen as an important step in the Group's journey towards fostering a greener economy in Sri Lanka and consolidating its status as the leading sustainable apparel manufacturer in South Asia.

The Eco-Labeling scheme of Sri Lanka developed to meet the requirement of ISO 14024:2018, signifies that Hayleys Fabric has met stringent criteria set forth by the Eco Label Sri Lanka governing council, demonstrating adherence to eco-friendly practices throughout the manufacturing process. By earning this certification, the manufacturer joins a select Group of companies committed to promoting environmental responsibility within the textile industry. Moreover, the Eco Label Sri Lanka certification which is strengthened by independent third-party assurance, will help boost market recognition for environmentally friendly products.

# INTELLECTUAL CAPITAL

## STRATEGIC COLLABORATIONS

At Hayleys Fabric, the commitment to innovation is further strengthened by strategic collaborations. Product development and innovation teams of Tier 1 customers - all leading global apparel brands such as Nike, Victoria's Secret, Decathlon, Intimissimi and PVH, work closely with the Hayleys Fabric R & D teams to create, enhance and develop new

value added products. Recent efforts in this regard have culminated in some landmark innovations that have been successfully commercialised, among them; Moisture Osmos - reversible fabric, Eco Stretch - leggings fabric and Aqua Soft fabric for beachwear. All three products recently clinched top awards at the global ISPO Textrends awards dedicated to recognising innovative sports and activewear solutions.

Beyond product innovation, Hayleys Fabric Group collaborates with Tier 1 suppliers as well as procurement partners and other downstream stakeholders across the value chain to refine and transform internal processes architecture, primarily for the purpose of deriving cost efficiencies and supporting the achievement of the Group's ESG targets.



## STANDARDS AND CERTIFICATIONS

In its pursuit of manufacturing excellence, both Hayleys Fabric PIC and South Asia Textiles Limited have voluntarily adopted a range of standards and certifications, which add value to various aspects of the business and demonstrates the Group's commitment to emulate global best practices. The stringent audit and due diligence protocols attached to these standards and certifications provides independent assurance regarding the efficacy of the Group's systems in line with global best practices.

## TEAM KNOWLEDGE AND EXPERTISE

The knowledge and expertise of teams - engineers, technicians and skilled machine

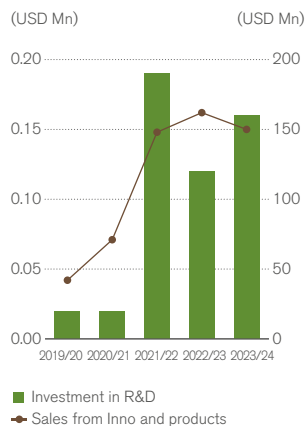
operators at Hayleys Fabric and South Asia Textiles have always been a key contributor in driving productivity improvement and maintaining the Group's leadership in innovation. It is why since the inception, the Group has prioritised training and capacity building to augment team skills, coupled with the selective infusion of fresh talent from time to time to develop new competencies as needed, to stay ahead of peers.

## IT INFRASTRUCTURE AND BUSINESS INTELLIGENCE SYSTEMS

Hayleys Fabric Group has invested in world-class Business Intelligence Systems to create a robust yet reliable ecosystem to safeguard the continuity of business

operations. Hayleys Fabric has established cutting-edge infrastructure, featuring a state-of-the-art Primary Server Room and a dedicated Disaster Recovery (DR) Server Room. The DR Server Room ensures continuous operation in a case of a disaster, maintaining uninterrupted functionality. Virtualisation Technology is implemented at both sites to optimise scalability & operational efficiency. Steady connectivity with external entities is ensured through multiple communication channels, including ILL/VPN links. The internal network is fortified with a robust Firewall cluster for security, and physical security is enhanced with Environment Monitoring Systems, Fire Suppression Systems, CCTV Cameras, and Access Control Systems. In the current financial year, the Company

### The Strength of R & D



made significant investments in enhancing IT Security & infrastructure moved from standard-alone virus solution to a next generation anti virus solution capable of handling intruders and other security vulnerabilities, while AI-based predictive analytics tools were rolled out to help to detect and prevent malware attacks.

The Hayleys Fabric PLC's core ERP system is SAP ECC6 on AWS cloud infrastructure, combined with advanced cloud-based Disaster Recovery configuration, ensuring rapid and efficient transitions for seamless operational continuity during unexpected disruptions. In addition, the Company has adopted Fast React, a globally recognised planning tool used by a majority of Tier 1 customers, to enable proactive demand visibility in order to facilitate seamless planning, encompassing efficient and on-time sourcing of raw materials and smooth raw material flows to the production floor based on just-in-time principles. Further, the Filemaker system enables proactive monitoring of WIP and record keeping purposes for the quality assurance and traceability. In the current financial year, a pilot project was initiated in partnership with NIKE - a key Tier 1 customer, to implement AI based SMART dashboards (Sensorfact) for real time data capture on machinery uptime, downtime, productivity etc. with the ultimate objective of optimising operational technology (OT) across the production floor. Another notable SMART project undertaken during the years was the development of dashboards using Power BI tools to showcase the progress on sustainability targets.

Meanwhile, South Asia Textiles Limited has strategically fortified its Primary Server Room and Disaster Recovery Server Room with resilient features, including fire-

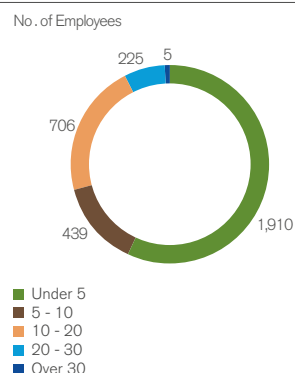
### KEY HIGHLIGHTS - HAYLEYS FABRIC PLC

- » Implemented AI based SMART dashboards for real time data capture on machinery uptime, downtime, productivity etc
- » Implemented dashboards using Power BI tools to showcase the progress on sustainability targets
- » Installed next generation antivirus solution
- » Implemented AI-based predictive analytics tools to detect and prevent malware attacks

### KEY HIGHLIGHTS - SOUTH ASIA TEXTILES

- » Enhancing the security of the Office 365 system using AI-embedded tools
- » Developed the production dashboard using power BI and linked to Managers' mobile phones to monitor daily production status and their KPIs

### Tenure Analysis



resistant ceilings, raised floors, Environment Monitoring Systems, fire equipment, and Access Control Units. This robust infrastructure ensures seamless operation during disasters, guaranteeing uninterrupted functionality. The Company's commitment to adaptability and scalability is evident through the integration of Virtualisation Technology, optimising critical systems' efficiency and availability. The three-layered network architecture, along with clustered firewalls, ensures secure authentication for all end users. South Asia Textiles prioritises

cyber security by using exclusive licensed software, prohibiting end-of-support software, and employing Next Gen Antivirus for enhanced defence against emerging threats. Physical security of the factory premises is upheld through a well-equipped CCTV monitoring system.

South Asia Textiles also uses a dedicated ERP system - IFS Application 9.1, hosted on the robust infrastructure of Microsoft Azure cloud, featuring a sophisticated cloud Disaster Recovery setup for swift operational continuity during disruptions. Another new initiative undertaken in the current financial year focused on enhancing the security of the Office 365 system using AI-embedded tools, to reinforce the overall integrity and security posture of the organisation's data and information systems.

### GROUP SYNERGIES

Being a member of the Hayleys Group allows Hayleys Fabric and South Asia Textiles both to benefit from some notable Group synergies across the value chain, from cost and quality benefits through centralised bulk sourcing of selected items to effective freight capacity management for exports. In addition, alignment with the Hayleys Group ESG framework has also proven to be instrumental in elevating Hayleys Fabric's market positioning among local and regional peers.

### MEMBERSHIPS AND AFFILIATIONS

As an industry leader in the textile manufacturing sector, the Hayleys Fabric Group subscribes to a range of memberships of industry Groups and other business associations. These connections are an important source of business intelligence that allow the Group to stay abreast of trends, latest regulatory developments, technology and sustainability trends. These memberships also offer opportunities to collaborate and collective action for the advancement of the textile manufacturing sector as a whole.

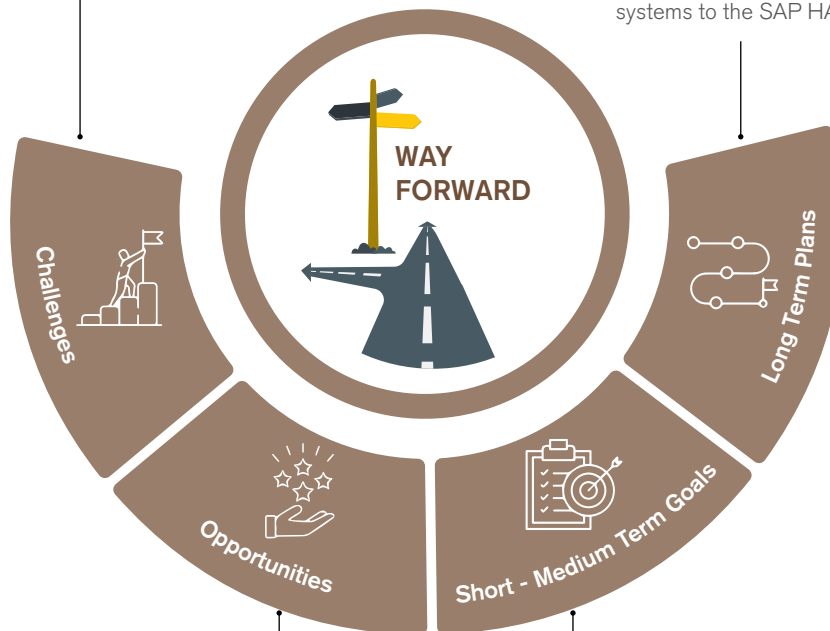
- » Ceylon Chamber of Commerce
- » Fabric & Apparel Accessory Manufacturers Association (FAAMA)
- » United Nations Global Compact
- » Federation of Chambers of Commerce and Industry of Sri Lanka
- » Import Export Control Department
- » Department of Commerce
- » Export Development Board
- » National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



# INTELLECTUAL CAPITAL

- » High cost involved in upgrading IT infrastructure and Business Intelligence Systems

- » Innovate and develop next generation fabrics to spearhead efforts to penetrate premium value niche markets
- » Upgrade Hayleys Fabric and South Asia Textiles ERP systems to the SAP HANA multi-model database model



- » Pursue strategic partnerships with Tier 1 customers to drive product and process innovation on an ongoing basis

- » Focus on value added innovative fabrics and functional products under the "Inno" label to grow market share among Tier 1 customers
- » Develop business intelligence systems to enable real time monitoring of operational KPI's





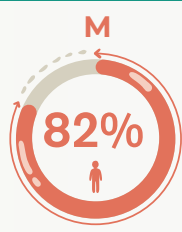
# Human Capital

As a manufacturing Organisation, human capital is at the heart of our business. It is the knowledge and collective capabilities of our team that drives the Hayleys Fabric Group to achieve its strategic ambitions.

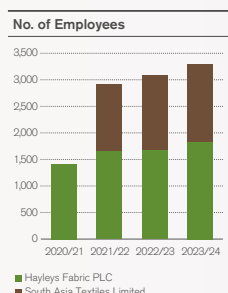
## Human Capital Profile



**Permanent - 499**  
**Contract - 99**



**Permanent - 2,449**  
**Contract - 228**



Hayleys Fabric Group						
Employee Grade	Executive and above total	Manual Grade	Clerical, Supervisory & Allied	Casual	Total	% Composition
Total	401	2,076	446	362	3,285	100%
Distance From Work						
< 15 Km	72	1,545	346	188	2,151	65%
> 15 Km	329	531	100	174	1,134	35%
Gender						
Male	319	1,694	401	273	2,687	82%
Female	82	382	45	89	598	18%
Age						
Below 30	94	1,074	121	330	1,619	49%
30-50	258	940	296	32	1,526	47%
>50	49	62	29	-	140	4%

\*All employees are on Full-Time basis

## Value Transformation through Human Capital

### LINK TO STRATEGY

- » Excellence in Service Levels
- » Inspired and Dedicated Team
- » Operational Excellence
- » Financial Growth

### MANAGEMENT APPROACH

Given the crucial role attributed to Human Capital in the day to day operational functions of Hayleys Fabric and South Asia Textiles, the Group aims to attract, develop, and retain the most talented people by providing them with a distinctive employee value proposition that includes a challenging and inspiring work environment complemented by fair and equitable opportunities to thrive and grow both personally and professionally.

### VALUE DRIVERS

- » HR Governance
- » Strategic Recruitment
- » Remuneration and Benefits
- » Diversity and Inclusion
- » Performance Management
- » Training and Development
- » Employee Relations and Grievance Management
- » Health, Safety and Wellbeing
- » Employee Engagement
- » Work-life Balance
- » Career opportunities to grow from non-executive to management level

## Value Outcomes

- » Zero Retrenchment
- » Zero Down sizing
- » USD 15.4 Mn distributed as monetary benefits to employees
- » 109 employees promoted
- » 8% women in leadership positions
- » 1:1 - ratio of basic salary between men and women for entry level positions
- » ZERO incidents of Child Labour / Forced or Compulsory Labour
- » ZERO Incidents of discrimination or workplace harassment
- » ZERO trade union actions
- » ZERO Major injuries and work related ill-health

## Impact on Other Capitals

- + Improved employee productivity leading to greater cost efficiencies
- Impact on short term profitability stemming from investments in training and development and higher personnel expenses attributed to performance-based rewards
- + Greater employee satisfaction elevates the Hayleys Fabric Group reputation as an employer of choice
- + Higher employee retention builds trust among customers and business partners
- + Motivated employees drive innovation to improve efficiency of asset utilisation





# HUMAN CAPITAL

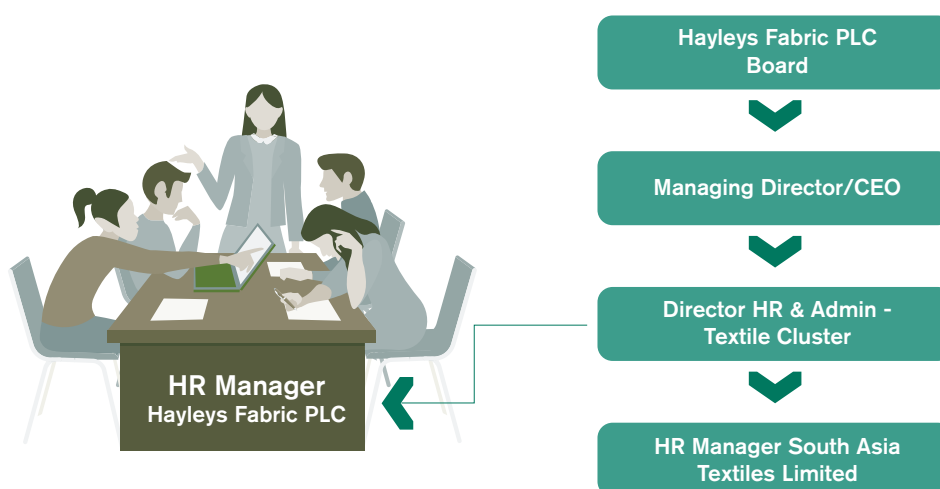
## HR GOVERNANCE

A two-tier structure underpins HR Governance activities at the Hayleys Fabric Group. Matters relating to compliance and policy implementation are managed centrally under the stewardship of the Executive Director of HR & Administration-

Hayleys Fabric Group who works with the HR Manager at each factory to ensure compliance with all applicable labour laws and provide oversight for the implementation of the Hayleys Group policy framework pertaining to human capital matters.

Meanwhile, the top management of Hayleys Fabric and South Asia Textiles play an active role in all strategy driven HR processes, such as workforce planning, on-boarding, performance management and employee relations.

## HR GOVERNANCE STRUCTURE



## Hayleys Fabric and South Asia Textiles - Human Capital Management Framework

### REGULATORY COMPLIANCE

Shop and Office Employees Act of 1954

Wages Board Ordinance Amendment Act

Factories Ordinance No. 45 of 1942.

Social Security Act

Women, young persons & children Act 1920

### VOLUNTARY BEST PRACTICES

UNGC Principle 3: freedom of association and the effective recognition of the right to collective bargaining

UNGC Principle 4: elimination of all forms of forced and compulsory labour

UNGC Principle 5: effective abolition of child labour

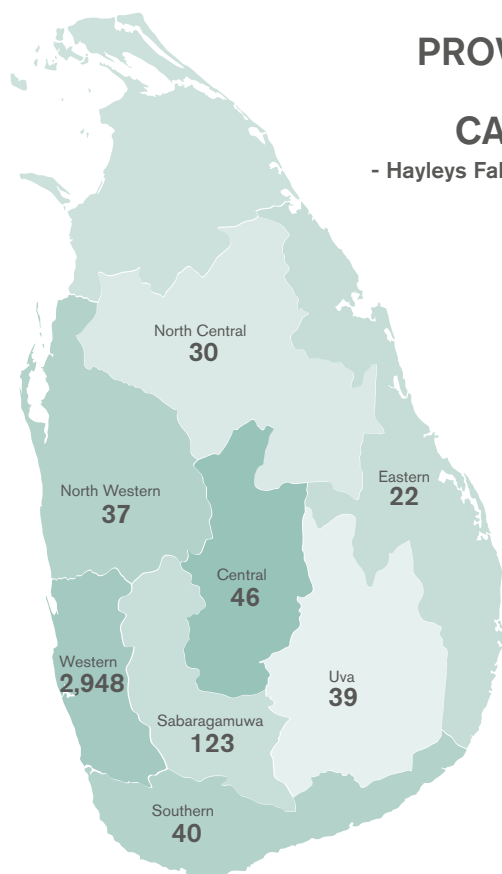
UNGC Principle 6: elimination of discrimination in respect of employment and occupation.

ISO 45001 Occupational Health and Safety Management Systems

Global certifications such as WRAP, SEDEX, ETI

### INTERNAL POLICIES AND PROCEDURES

- » HR manual
- » Recruitment and Selection Policy
- » Disciplinary Procedure Policy
- » Maternity Leave policy
- » Benefit Structure
- » Grievance handling policy procedure
- » Compensation policy
- » Work hours Policy
- » Communication Policy
- » Suggestion Box Policy
- » Freedom of Association Policy
- » Anti-corruption & Bribery Policy
- » Salary Advance Policy
- » Facility Management & work place Rules
- » Manpower Subcontractor Policy
- » Hayleys Lifecode
- » Hayleys Way



Central		
	Female	3
	Male	43
Eastern		
	Female	2
	Male	20
North Central		
	Female	3
	Male	27
North Western		
	Female	2
	Male	35
Sabaragamuwa		
	Female	26
	Male	97
Southern		
	Female	8
	Male	32
Uva		
	Female	2
	Male	37
Western		
	Female	550
	Male	2398

## STRATEGIC RECRUITMENT

At Hayleys Fabric and South Asia Textiles, recruitment is undertaken with the aim of attracting talent that are best fit for the Group with all new hires based on the pre-approved workforce plan.

All vacancies are advertised and notified internally in a bid to give eligible employees the opportunity for career growth by applying for vacant positions that may arise from time to time. In keeping with the Hayleys Group guidelines, a fair and consistent approach is adopted towards recruitment and selection, thus ensuring all internal and external applicants are treated equally and evaluated as per predetermined criteria with appointments made purely on merit. All executive-level candidates are subject to several rounds of interviews as part of the impartial selection process. While walk-in interviews are the main source of non-executive recruitments, here too selections are strictly merit-based.

In the current financial year, organic attrition stood at 31% across both Hayleys Fabric and South Asia Textiles. However, both Company's experienced a higher degree of skilled attrition especially among technical staff. This was mainly as a consequence of the economic difficulties in the Country influencing skilled employees to seek more lucrative employment opportunities overseas.

## WORKFORCE PLANNING

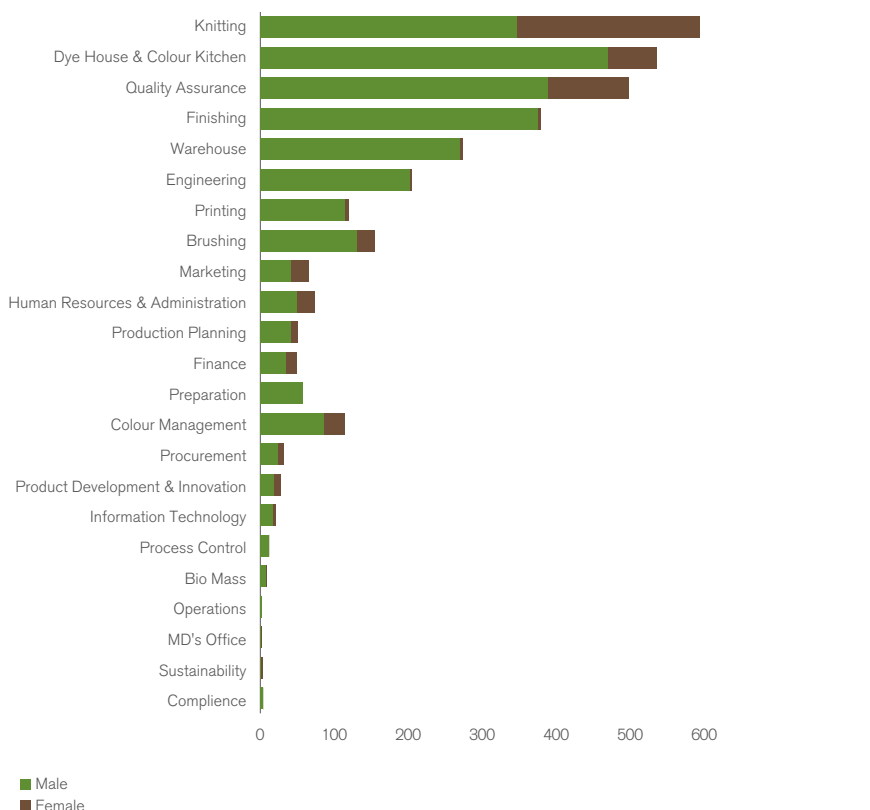
Workforce planning creates the foundation to support strategic recruitment at Hayleys Fabric and South Asia Textiles. The annual workforce plan is prepared as part of the annual budgeting cycle, identifies workforce demands for the forthcoming financial. The workforce plan is reviewed and approved by the Hayleys Fabric Group Managing Director.

Details of Manpower related workers who are not employees as at 31st March 2024.

Type of non employees	Group Head count
Clerical & Supervisory	42
Manual Grade	279
Total	321

# HUMAN CAPITAL

Composition of Male: Female by Departments



Retention rate at  
Hayleys Fabric PLC

86%

Average Industry  
Retention Rate

85%

Retention rate at South Asia  
Textiles Limited

55%

## ON-BOARDING

On-Boarding serves as an important tool in building trust with new recruits. For this reason, all new recruits of Hayleys Fabric and South Asia Textiles are guided through a 1 day orientation to help them understand the Company, business, customer requirements and expectations, health and safety etc. At the orientation, all employees are issued their letters of appointment, the employee handbook and expected to complete other routine requirements.

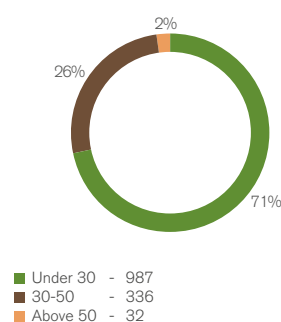
Once on-boarded, all new recruits in the Executive Cadre, Clerical and Supervisory grades will remain on probation for a period of 3 months and are absorbed into the permanent cadre subject to the performance review by the respective Head of Department.

## REMUNERATION AND BENEFITS

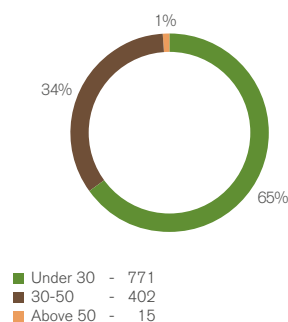
Underscored by the Hayleys Group Remuneration Policy, Hayleys Fabric and South Asia Textiles aims to ensure all employees are remunerated fairly, equitably and without bias. Accordingly, salaries are determined solely on merit considering the skills and competencies required to perform the duties and responsibilities associated with a particular job role. On this basis, comparative salary scales are offered to men and women performing similar roles, either at entry level positions or across the Group's hierarchy.

During local and global recession times, we continued with our remuneration policies and salary increments and Bonuses were given accordingly.

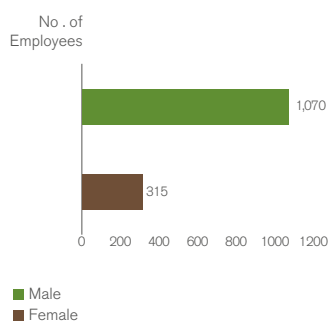
Recruitment by Age Group



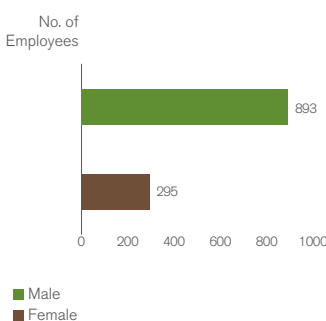
Turnover by Age Group

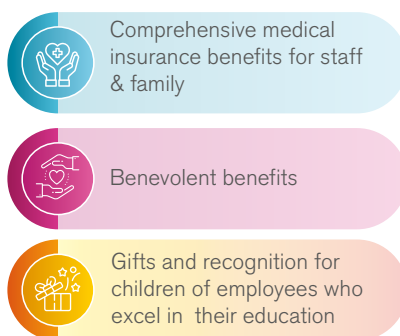


Recruitment by Gender



Turnover by Gender

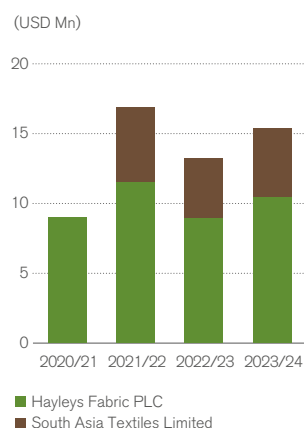




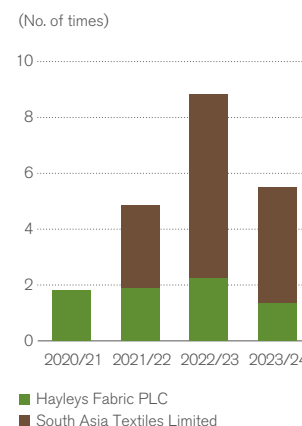
Regular salary reviews are carried out to determine appropriateness of the Group's structures vis-a-vis industry norms. In the year under review, existing salary structures were comprehensively reviewed considering the challenges arising out of the 2022 economic crisis with broad based salary revisions introduced with a view to retaining key technical staff in the production departments.

The support of the unions were also sought to carry out a salary survey among factory employees.

#### Remuneration

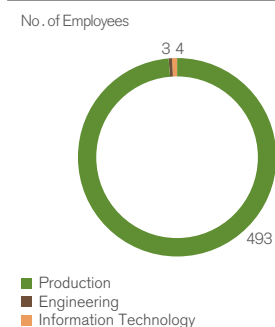


#### Rate of Injury



Injuries are consist with first aid injuries.

#### Proportion of Women in IT, Engineering and Production Related Activities



In the current financial year several new initiatives were launched targeting female employees, in particular a series of Counselling workshops focused on women's health and wellbeing.

#### Salary Ratios of Permanent Employees - 2023/24

		Executive and above	Clerical Supervisory and Allied	Manual Grade	Total
Hayleys Fabric	M:F	Depending on position, experience & qualifications	1:1	1:1	1:1
South Asia Textiles	M:F	Depending on position, experience & qualifications	1:1	1:1	1:1

#### DIVERSITY AND INCLUSION

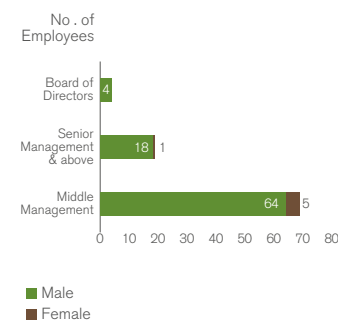
As a Group's flagship initiative, the 100% female operated knitting plant in Wagawatta demonstrates a non-discriminatory and equal opportunity employer. The Hayleys Fabric Group expresses a strong commitment to improve diversity and inclusion in the workplace, and continues to strive to improve gender representation within its traditionally male dominated workforce.

Apart from this, conscious efforts have been made in recent years to increase female representation in the overall workforce, including through special development programmes aimed at promoting females in leadership.

Type	Group
No of employees entitled for parental leave	598
No of employees who took parental leave	9
No of employees returned to work after parental leave	4
No of employees remained more than year after arrived	19

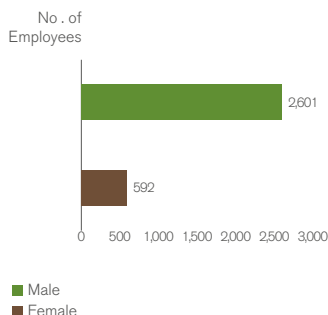
#### GENDER PARITY INDICATORS

##### Gender Representation Across Middle Management and Above



# HUMAN CAPITAL

## Gender Representation Across Below Middle Management



## PERFORMANCE MANAGEMENT

Operating in a highly competitive sector, it is imperative that Hayleys Fabric and South Asia Textile employees remain fully performance-driven. To support this objective, a two-pronged performance

management system is in place to ensure all permanent employees of both companies have the opportunity to have their performance assessed at least once every year.

The performance of executives is evaluated bi-annually through the mid-year review and again at the Annual Performance Review - both formal processes that focus on reviewing employee progress on quantitative targets and qualitative goals, thereby providing a vital link between the performance of individuals and teams in relation to stated objectives of the Company as well as the broader Hayleys Fabric Group. Training needs assessments also forms an important part of the mid-year and annual appraisal process, while decisions regarding increments and promotions are made based on the results of the annual performance appraisal process.

Meanwhile increments for non-executive employees are defined at the point of renewing the collective bargaining agreement every three years. Nonetheless, keen to imbibe the performance-driven culture among non-executives, they are issued both qualitative & quantitative performance targets which are monitored continuously by the respective line manager to assess how employees operate individually and as part of the team. Line managers are expected to maintain ongoing conversations with employees to discuss any performance gaps and identify training needs. Findings are formally reviewed by the respective department Head with the HR manager in the presence of the employee on an annual basis.

In the year under review, the performance of all permanent employees (executives and non-executives) of both Hayleys Fabric and South Asia Textiles were reviewed at least once during the course of the year.

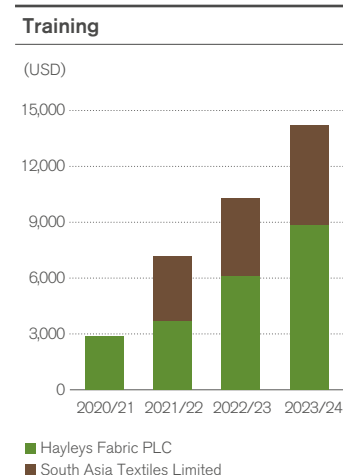
## Performance Evaluation of Permanent Employees - 2023/24

		Executive and above Clerical		Supervisory and Allied		Manual Grade		Total	
Hayleys Fabric	M	174	100%	235	100%	1,089	100%	1,498	100%
	F	55	100%	18	100%	256	100%	329	100%
South Asia Textiles	M	145	100%	166	100%	878	100%	1,189	100%
	F	27	100%	27	100%	215	100%	269	100%

## TRAINING AND DEVELOPMENT

Hayleys Fabric Group training approach is aimed at delivering high quality learning opportunities to enable employees to sharpen their skill set in order to support the Group objectives while special employee development and continuous learning opportunities enable employees to advance their career prospects. Training needs of executive level employees are established during the performance review process or through recommendations made by employees / department heads. Similarly, training for non-executives takes the form of on-the-job process falling under the purview of the respective line managers.

All training activities undertaken based on the assigned training budget. Planned training activities for the current financial year included a focused session to refresh the knowledge and skills of the production employees at both Hayleys Fabric and South Asia Textile. The programme was conducted under several pillars encompassing department-wise production training, updates on HR procedures, rules and regulations, Compliance and customer expectations and requirements, and the importance of Health & Safety covering other aspects such as self-development and team building exercises. The programme which ran for 199 days involved a total of 31,310 + training hours and saw the participation of many majority employees at both Companies.





### Training Focus - FY 2023/24

Programme Description	Target Group	No. of Participants
Technical Training	Technical Staff (Engineers, IT, Compliance, etc.)	879
Personal Development Workshops	Executives & Non-Executives (Direct Staff)	388
Health Awareness	Executives & Non-Executives (Direct & Indirect Staff)	2,424
Hostile Work Environment & Anti-Harassment Awareness	Executives & Non-Executives (Direct & Indirect Staff)	1,246
Fire & First-aid	Executives & Non-Executives (Fire team , Medical team, First aid team etc.) Direct & In-direct Staff	310
Other training inclusive of Webinars, induction & women related programs	Executives & Non-Executives (Direct & Indirect Staff)	377

Average Training Hours by Gender	
Male	10.43
Female	12.06

Average Training Hours by Category	
Manager	7.84
Executive	8.26
Others	11.12

### EMPLOYEE RELATIONS AND GRIEVANCE MANAGEMENT

The Group has always maintained an open door policy with the aim of establishing cordial relations with the three trade unions that represent approximately 20% of Group employees.

As a manufacturing organisation, the Hayleys Fabric Group strives to build and maintain strong relations with employees at its factories. Factory leadership is

encouraged to foster good relations with their respective team members through regular meetings and team briefing sessions. In the current financial year, the collective bargaining agreement was renewed for a further period of three years with effect from 1st April 2023 based on mutual agreement of all terms and conditions.

Meanwhile, executive employees are informed of operational changes by email, while factory employees are informed through the notice Board. A minimum of 2-4 weeks notice is provided prior to operational changes being implemented.

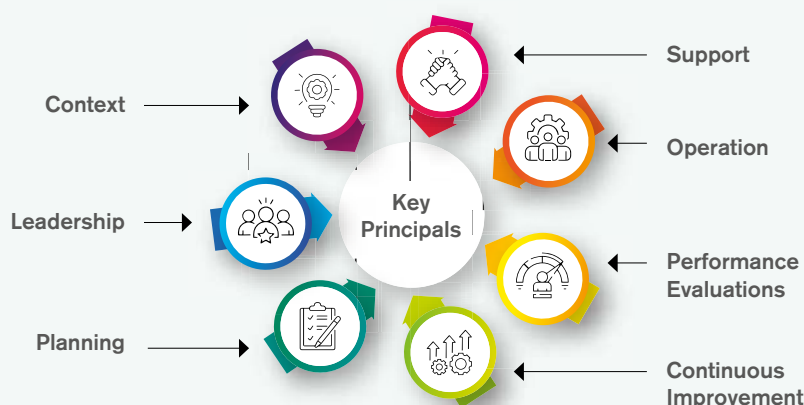
In addition, the Hayleys Fabric Group Grievance Handling Mechanism allows employees to formally seek resolutions for any work-related grievances. A Grievance Register is maintained to document all the relevant issues related to grievance management.

Suggestion boxes are also available for factory employees to register any grievance or make a complaint or suggestions, should they wish to do so anonymously. Boxes are opened by the grievance team officials every two weeks with an investigation report raised for each case.

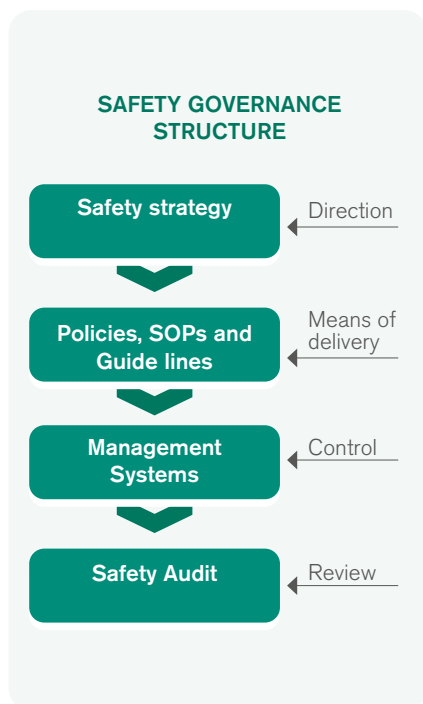
### OCCUPATIONAL HEALTH AND SAFETY

In the interest of the safety and wellbeing of employees and visitors to the factory premises, the Hayleys Fabric Group complies with all applicable safety regulations as set out under the Factory Ordinance No 45 of 1942, and its amendments thereto, the Urban Councils Ordinance, Municipal Council Ordinance and the Pradeshiya Sabhas Act. No. 15 of 1987. Going beyond compliance, the Group has voluntarily obtained the ISO 45001 Occupational Health and Safety Standard certification in order to emphasise the importance of 360 degree safety management at both Hayleys Fabric and South Asia Textiles.

### ISO 45001 Occupational Health and Safety Standard Certified Safety Management Programme



# HUMAN CAPITAL



In addition all factory employees are subject to an annual medical test and have access to comprehensive medical insurance coverage.

## SAFETY TEAMS

Under the leadership of a highly qualified H&S professional having over 34 years of experiences in large establishments Safety Teams have been appointed at each factory to oversee the implementation of the Occupational Health & Safety (OHS) System, including Hazard identification and assessment of risks and opportunities, establishing OHS objectives and formulating appropriate plans to achieve these targets and implementing processes for the Job Safety Analysis (JSA) work permit system to measure performance against targets and facilitate continuous improvement of safety systems. Safety Teams comprise a cross functional teams represented by both the Management cadre and Non executive cadre, including male and female workers at all levels as well as Union representatives.

Safety Teams are primarily responsible for ground level safety implementation and monitoring employee behaviour through monthly inspection focused on workplace safety conditions including equipment and machinery safety. The Accident / Incident Investigation process also comes under the purview of the Safety Team.

The root cause analysis conducted as part of the accident investigation process is considered a key source for continuous improvement. The safety audit programme which provides independent assurance regarding the efficacy of the OHS programme also further supports continuous improvement of the key processes involved in the production of fabric - Knitting, Dyeing, Finishing, Printing, Brushing, Sueding, occupational health and safety risks arise as a result of chemical handling in the dying process. Other key safety risks include hazards caused by moving parts of mechanical equipment, and the noise and heat within the manufacturing area.

## Potential Safety Risks at Hayleys Fabric and South Asia Textiles

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

## SAFETY TRAINING

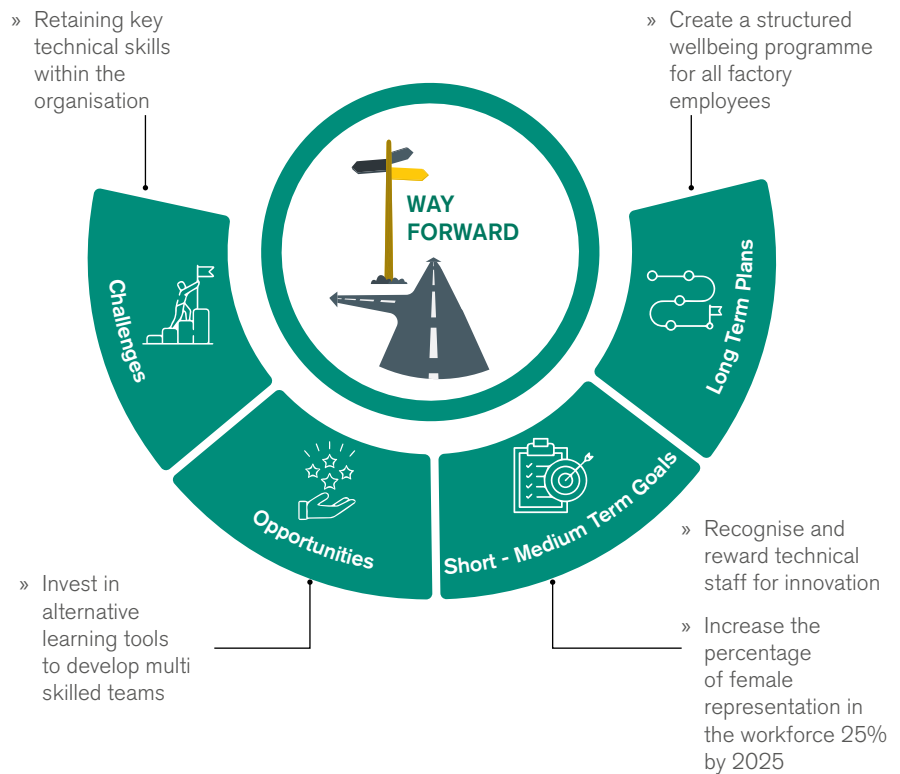
Safety training is carried out by a dedicated full time professional as this is seen as a key imperative in reinforcing safety practices and building a safety-centric culture across the organisation. The safety teams at both Hayleys Fabric and South Asia Textiles regularly conduct safety awareness programmes on various topics to strengthen employee vigilance in these areas.

Training Topics	No of participants
Confined Space	41
Contractor Safety Management	80
Defensive Driving	109
Fire Fighting	144
First Aid	97
Fork Lift	48
Industrial Safety	123
Training for Isolation Officer	11
JSA Training	16
LPG & Gas	29
P.P.E	184
Radiation	6
Safe Chemical Handling & spill prevention	48
Scaffolding Training	52
Fire Extinguishing and Casualty Handling	58
Asbestos	64
Boiler Explosion	14
Emergency Response & Casualty Handling	93
Ergonomics	62
Maintenance Safety	21
General safety	2,307

## EMPLOYEE ENGAGEMENT

A range of targeted employee engagement initiatives provide employees of Hayleys Fabric and South Asia Textiles the opportunity to enhance their wellbeing and that of their families.

- » Dry Ration Packs for Year-end and Sinhala & Tamil New Year
- » IDPL – Cricket Tournament among employees
- » Annual Pirith Ceremony
- » Blood Donation Programs
- » Medical Check-ups and Camp for Employees (Vision, Health etc.)
- » Book Donations for employees' children (gift pack include essential stationary items and books to support education)
- » Essential gift packs for employees' children who excelled at Grade 05 scholarship examination, Ordinary Level (9As) and Advance Level (3As)
- » Best Shift Performances Gift for Production departments





# Social and Relationship Capital

Social and Relationship represents key relationships with external stakeholders that provides the foundation for operational continuity and underpins our ability to grow consistently and sustainably over time.

## Social and Relationship Capital Profile

Duration	Strength of the relationship with Tier 1 Customers	Strength of the relationship with Tier 1 Suppliers
<2 years	Nil	10% of Tier 1 suppliers
2 - 5 years	Nil	15% of Tier 1 suppliers
> 5 years	100% of Tier 1 Customers	75% of Tier 1 suppliers

## Value Transformation through Social and Relationship Capital

### LINK TO STRATEGY

- Excellence in Service Levels
- Crafting a Seamlessly Integrated Supply Chain
- Operational Excellence
- Sustainability and Climate Action
- Financial Growth

### MANAGEMENT APPROACH

Promulgate the principle of shared value to form long term strategic partnerships with key customers and major suppliers, and create opportunities for socio economic progress for the communities in the vicinity of the Group's manufacturing footprint.



## Value Outcomes

- » 90% OTD (On-Time-Delivery) across all processes resulting in improved reliability and assurance of on-time delivery for customers
- » Amount paid to Suppliers - Five year trend
- » USD 39,472 invested in CSR

## Impact on Other Capitals

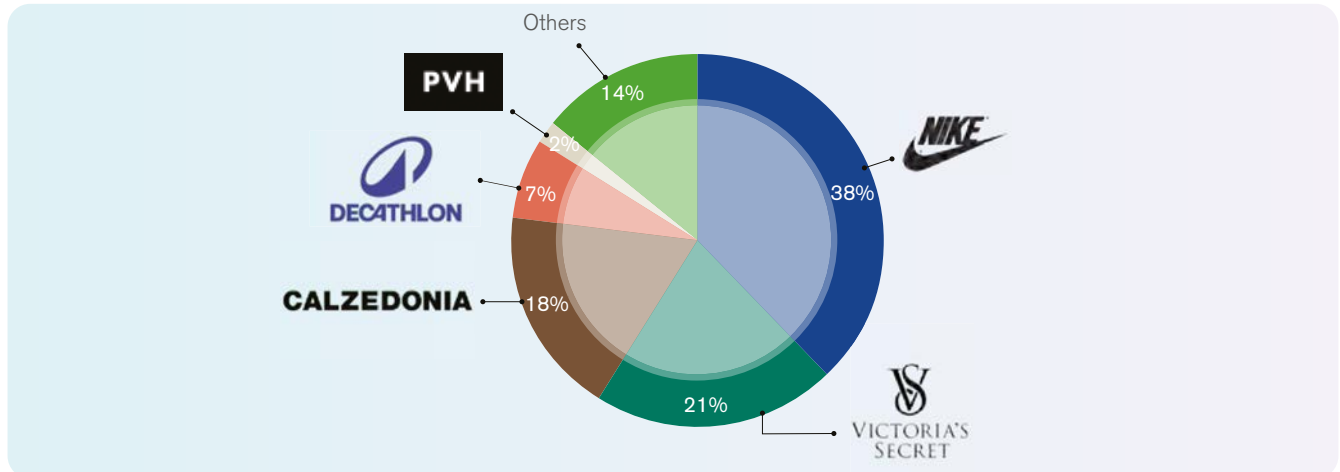
- + Higher satisfaction and confidence among Tier 1 customers contributes towards driving revenue and profit growth
- + Reliable supply chain supports customer deliverables to enhance brand reputation
- + Good standing in the community strengthens reputation as a good corporate steward
- + Feedback received from customers and the community serve to facilitate ongoing improvement of plant operations
- + Ability to collaborate with Tier 1 suppliers improves employee competencies



## CUSTOMER

As a large-scale fabric manufacturer, the Hayleys Fabric Group caters mainly to large global apparel brands who are classified internally as Tier 1 customers. Tier 1 customers account for 83% share of annual Group Revenue and for approximately 83% of total annual manufacturing capacity utilisation. Hence Tier 1 customers are deemed to be the most material customer segment for the Hayleys Fabric Group.

### Capacity Utilisation by Brand



## 360 DEGREE QUALITY ASSURANCE

Working with global brands, product quality assurance remains a top priority for the Hayleys Fabric Group. To that end, the Group follows an integrated approach to quality assurance involving all aspects of the entire value chain. This 360 degree approach has positioned the Hayleys Fabric Group as a pioneer responsible for transforming Sri Lanka's textiles manufacturing sphere through the delivery of end-to-end solutions from design to manufacture.

The Group's Planning teams work closely with Tier 1 customer representatives to disseminate product specifications and order fulfilment timelines while coordinating with procurement and production teams to facilitate order planning and manage downstream and upstream timelines accordingly. Moreover, production is strictly aligned to customer quality specifications across all processes, from knitting, dyeing, finishing and final inspection with each stage undertaken on the basis of RFT (Right First Time) - the main indicator of quality measurement. The Hayleys Fabric Group has consistently maintained 95% RFT across all processes which has helped to boost customer confidence and satisfaction.

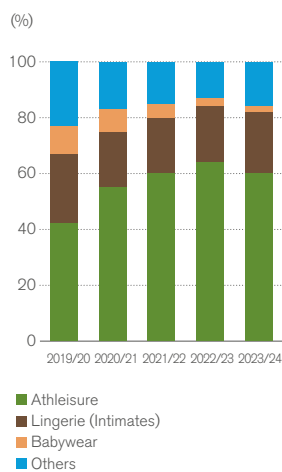
## CUSTOMER ENGAGEMENT AND FEEDBACK

Hayleys Fabric is fully committed to engage proactively with its Tier 1 customers to identify their evolving needs as well as to

receive feedback on their expectations regarding new product development. Routine factory visits by Tier 1 customers also serve as an opportunity for obtaining insights regarding new trends, future projections etc.

Apart from this, all Tier 1 customers conduct weekly/ monthly performance reviews using a scorecard to rank Hayleys Fabric based on the achievement of KPI'S such as on time delivery, Quality, Order fulfilment etc.

### Sales Product Categories



## DATA PRIVACY

Dealing with global brands, data privacy is protected by Non Disclosure Agreements (NDA) between Hayleys Fabric and the customers.

## COMMITMENT TO INNOVATION

Innovation is at the heart of the Hayleys Fabric customer value proposition. The Group's product innovation and business development teams typically strive to create innovative, fit-for-purpose solutions in response to the latest seasonal trends. These dedicated efforts have resulted in several award winning innovations, including at the recently concluded ISPO Textrends Spring/Summer 2026 - the German platform that showcases breakthrough advancements of the world's most innovative and high-performance fabrics, where three of Hayleys Fabric latest innovations clinched top awards.

There were no reported incidents relating to the breach of data privacy clauses outlined by the NDA's.

## COMPLAINT MANAGEMENT

A dedicated Customer Care Team is in place to ensure customer complaints are resolved efficiently and effectively. To support the speedy resolution of complaints, the Customer Care Team often engages in one-on-one meetings with customers. All customer complaints along with the resolutions provided are formally documented, with the data used to drive



# SOCIAL AND RELATIONSHIP CAPITAL

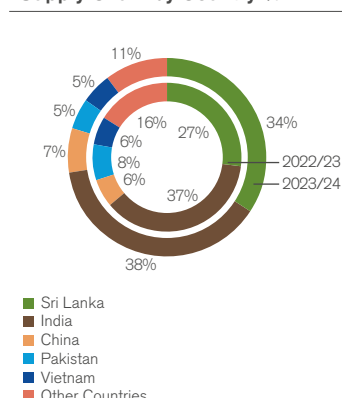
continuous improvement of internal systems and processes with a view to enhancing the overall customer experience.

## SUPPLIER

The Hayleys Fabric Group supply chain comprises a combination of local and overseas suppliers. Local suppliers from Sri Lanka account for approximately 34% of the average annual procurement spend, while overseas suppliers from India, Asia and Europe account for the remaining 66%.

Yarn & Greige	India China Vietnam Pakistan
Dyes & Chemicals	Sri Lanka India China Vietnam Singapore Taiwan
Machinery & Spare Parts	Italy Germany
General Items,- Stationary, IT hardware and software	Sri Lanka

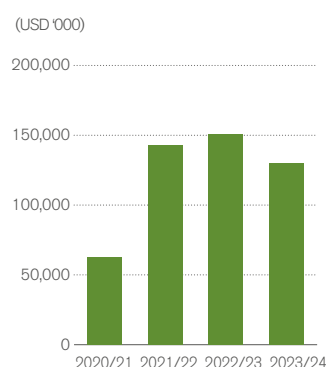
Supply Chain by Country %



Amount Paid to Suppliers - 2023/24

	Hayleys Fabric	South Asia Textiles	Total
Payments to Local Suppliers (LKR)	27.89 Mn	16.87 Mn	44.76 Mn
Payments to International Suppliers (USD)	50.70 Mn	34.78 Mn	85.48 Mn

Amount Paid for Suppliers



## PROCUREMENT BEST PRACTICES

All procurement requirements for Hayleys Fabric and South Asia Textiles handled centrally through a weekly review of raw materials by the Managing Director with 2 executive Directors in Finance and Marketing and execution is carried out by the head of Supply chain. In line with the established Procurement Guidelines Hayleys Fabric, all procurements are broadly categorised into Raw Materials Yarn & Greige, Dyes & Chemicals, Machineries & Spare parts and General Purchases- Stationary & IT related items. Of this, Tier 1 suppliers who supply Raw Materials Yarn & Greige as well as Dyes & Chemicals account for between 80 - 90% of the total annual procurement value.

Given the crucial role they play in the value chain of Hayleys Fabric and South Asia Textiles, the Group maintains a structured approach to screening and on-Boarding Tier 1 suppliers. Category-wise Standard Operating Procedures are in place to provide clear guidelines for selecting, on-Boarding and managing Tier 1 suppliers. As per the SOP's all new suppliers are subject to stringent assessment programme to determine their capability and credentials, including capacity, quality standards, legal and regulatory compliance, financial stability, delivery track record etc. As part of the assessment programme, suppliers are further required to submit a self-declaration to prove their commitment to environmental and social sustainability best practices. Customised self declaration formats developed in line with the SASB (Sustainability Accounting Standards Board) Framework serves as the basis for evaluating suppliers environmental and social sustainability credentials. Meanwhile Yarn & Greige suppliers are required to disclose additional information in adherence to the Group's traceability indicators.

These efforts are complemented by due diligence activities including site visits by the Hayleys Fabric Management Team and verification of certifications and traceability by the Hayleys Group Compliance Team. Annual audits, spot audits and unannounced site visits are also conducted by the Procurement team as part of continuous

monitoring of contracted suppliers. Based on an overall rating assigned, the Group extends additional support to B and C rated suppliers to improve their performance. Technical support and knowledge sharing also forms an important part of the Hayleys Fabric Group's efforts to strengthen relationships with contracted suppliers. In this regard, Planning teams work closely with Tier 1 suppliers of Raw Materials Yarn & Greige, Dyes & Chemicals to help them align with the evolving requirements of Tier 1 customers.

## COMMUNITY

With approximately 65% of the Group's employees residing in the vicinity of the Hayleys Fabric and South Asia Textiles factories, these communities are considered to be important stakeholders of the Group.

### COMMUNITY ENGAGEMENT

The Hayleys Fabric Group MD/CEO and Executive Director HR & Administration together play an active role in interacting with the community by connecting regularly with community leaders, local councils and other interest Group's. These engagements have proven to be a key channel for understanding community grievances and identifying challenges and formulating solutions to tackle the challenges faced by these communities.

### COMMUNITY EMPOWERMENT

Community empowerment remains the underlying theme of all community initiatives undertaken by the Hayleys Fabric Group. Supported by the Board approved annual CSR budget, the Group allocates resources towards impactful community projects focused on education, healthcare, and community welfare.

### Community Empowerment Initiatives undertaken in 2023/24

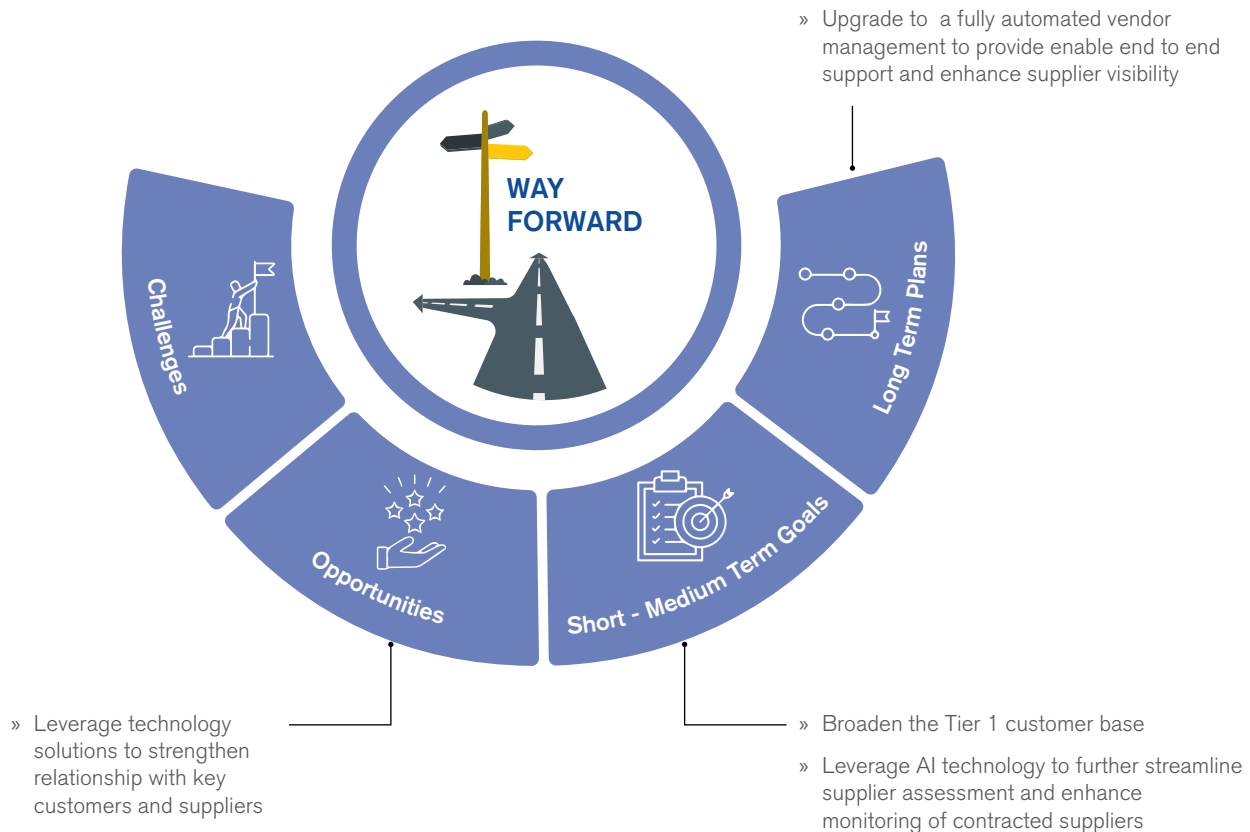
- » USD 1,767 spent on renovating schools in the Warakagoda Area
- » Equipment amounted to USD 1,655 donated to the Colombo General Hospital and the Lady Ridgeway Children's Hospital
- » Donation of USD 1,200+ to HelpAge Sri Lanka,
- » Blood Donation campaigns in collaboration with NBTS (297 donors)
- » The Rathmalgahawewa Project - An ongoing project by Hayleys Group undertaken in partnership with Puritas (Pvt) Ltd, the initiative focuses on providing . potable water to CKD affected communities in Rathmalgahawewa, Anuradhapura District. As part of this same effort, Hayleys Fabric also supported local schools in the areas by providing books and stationery items to students.

### COMMUNITY WELFARE

Sponsorship cultural and religious events held in the community

### BEST PRACTICES

The Hayleys Fabric Group pledges its support to the community in other ways as well. The Group is committed to adhere to all environmental regulations to minimise the negative impact to the community caused by the discharge of water, dust and air emissions. Taking inspiration from the Hayleys Lifecode - the umbrella ESG framework of the Hayleys Group, Hayleys Fabric has collaborated with the local agricultural office to launch an organic farming project, by designating an area at the Narthupana factory to encourage the local community to take up organic farming. Another key project is the "Tharuwara Uyana" initiative - a sustainable agriculture project at the Pugoda plant.



## SOCIAL AND RELATIONSHIP CAPITAL

Donation for 20 eye surgeries at Helpage



Annual blood donation program



Medical assistance for employee's son

Annual medical free checkup awareness for female employees by Kalutara MOH

Vision and hearing testing for employees



Hayleys Fabric Annual Pirith ceremony



Celebration of National Women's Day



Vesak Bathi Gee at Hayleys Fabric PLC



Sinhala Tamil New Year celebration



Shoes & Clothing for Hayleys Fabric cricket team







Gift of schoolbooks for employee's children



Annual book donation at Karannagoda School, Warakagoda, Horana



Anuradhapura Rathmalgahawewa annual book distribution ceremony



Winners of Grade five scholarship examination - children of employees



Opening of Hayleys Fabric Library





# Natural Capital

Natural Capital is vital for the Hayleys Fabric Group's day to day business, as a textile manufacturer however given that such resources are finite in nature, the Group remains resolute in minimising the loss of Natural Capital.

## Value Transformation through Natural Capital Profile

### LINK TO STRATEGY

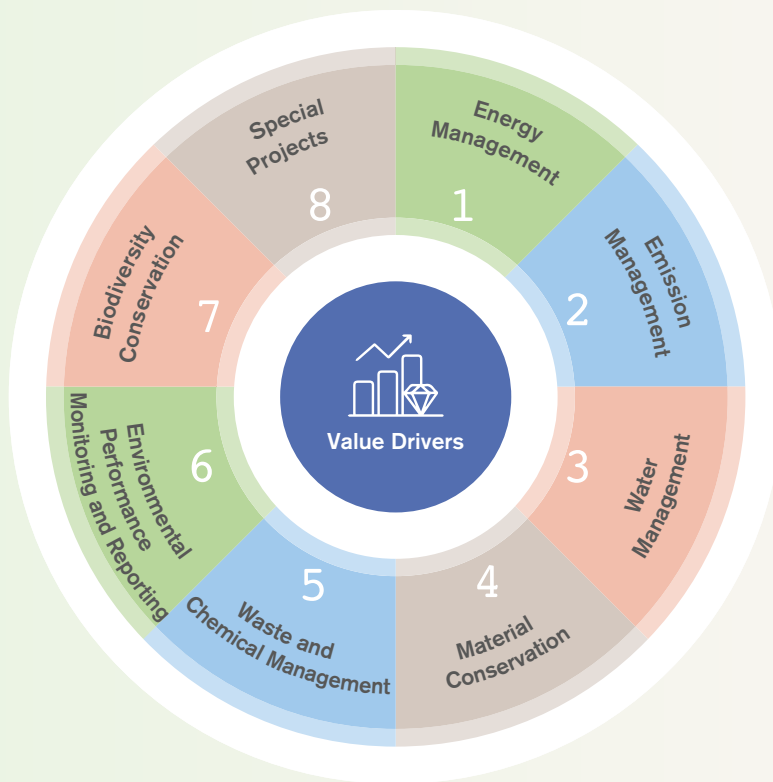
- » Excellence in Service Levels
- » Operational Excellence
- » Sustainability and Climate Action
- » Financial Growth

### MANAGEMENT APPROACH

The Hayleys Fabric Group's approach to managing Natural Capital begins with the firm commitment to comply with all regulatory requirements applicable to the business. Going beyond compliance, the "Hayleys LifeCode" serves as the overarching mandate that defines the Hayleys Fabric Group's principle approach towards managing Natural Capital and creates a platform for setting clear targets and action plans for driving environmental aspirations.

These efforts are further supplemented by the Group's endeavour to adopt global best practices to counteract the adverse impact caused to the environment due to the core business and also find ways to systematically increase the net positive impact over time.

## Natural Capital Profile



## Stakeholder Outcomes

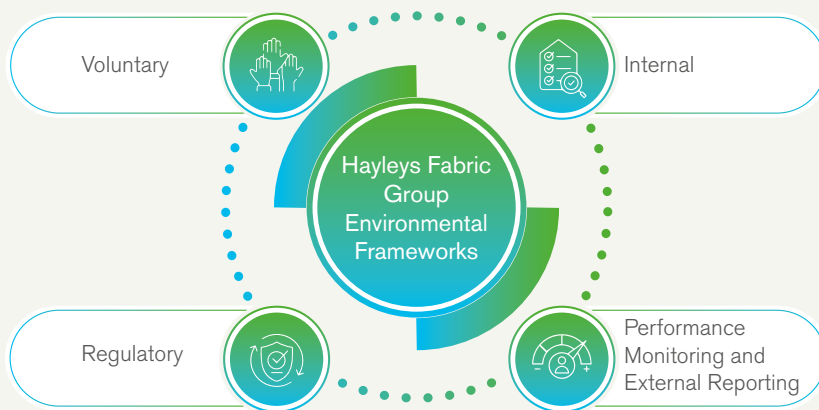
- » 2.3% reduction in energy intensity
- » 18% reduction in emission intensity
- » 13% reduction in water intensity
- » ZERO incidents pertaining to non-compliance of regulatory or voluntary requirements, in the current financial year.
- » ZERO instances of significant spills to water bodies

## Impact on Other Capitals

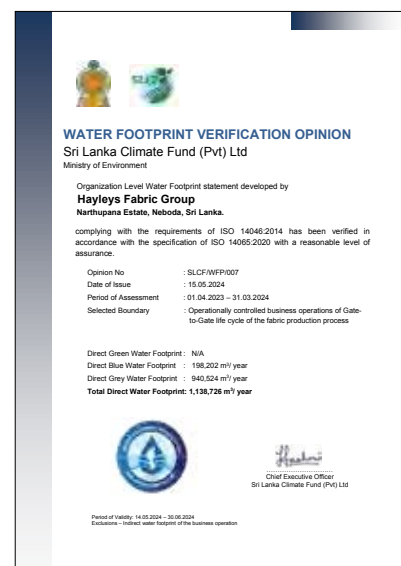
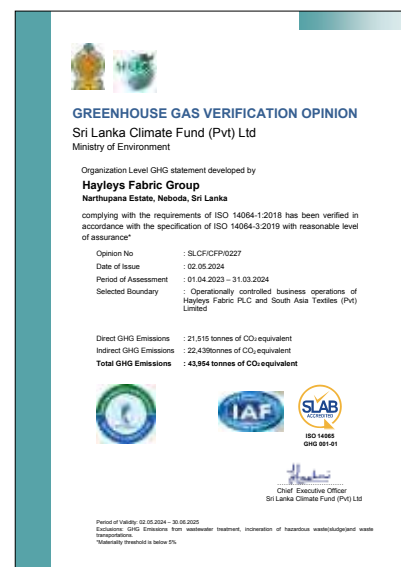
- + Adoption of environmental best practices contributes towards efficacy improvement and lower costs
- + Continuous improvement in physical infrastructure ensures optimal utilisation
- + Enhances the Hayleys Fabric Group reputation as an environmental champion
- + Builds trust among Tier 1 customers and key suppliers







<b>Regulatory</b>	Environmental Protection License (Renewed Annually) Scheduled Waste Management License (Renewed Annually)
<b>Internal</b>	Hayleys LifeCode Hayleys Fabric Environmental Policy Hayleys Fabric Waste Management Policy
<b>Voluntary</b>	ISO 14001:2015 – Environmental Management Standard ISO 50001:2018 – Energy Management Standard Global Recycled Standard Global Organic Textile Standard Standard 100 by OEKO-Tex OSC Blended Organic Content Standard OCS100 - Organic Content Standard Responsible Sourcing Network ECO Label Certification Forest Stewardship Certificate IREC Science Based Targets Initiative ZDHC
<b>Performance Monitoring and External Reporting</b>	ISO 14001:2015 – Environmental Management Standard ISO 50001:2018 – Energy Management Standard Science Based Targets Initiatives (SBTi) Higg Facility Environmental Module (Higg FEM) CEO Water Mandate Carbon footprint verification in line with ISO 14064-1: 2018 standard Water footprint verification Independent Waste Audit United Nations Sustainable Development Goals United Nations Global Compact



## NATURAL CAPITAL



### ECO CHAMPIONS AWARDS 2023

The Hayleys Fabric Group's 1st edition of the Eco Champion Awards at The Kingsbury Hotel Colombo on December 2023. The award platform which reflects the Group's enduring commitment to minimise its ecological footprint, was meticulously designed to recognise the impactful eco-friendly projects undertaken by the Group's internal teams.





**OVERALL WINNER:**  
**FEMFLEXTEX BY SOUTH ASIA TEXTILE LIMITED**

FemFlexTex addresses the demand for menstrual care products by introducing a skin-friendly fabric pack for period-proof underwear. This innovation prioritises absorbency while eliminating harmful PFA chemicals. Aligned with UN SDGs 3, 5, and 12, it promotes well-being, gender equality, and responsible consumption.



**1ST RUNNER-UP:**  
**COTTON CIRCULATORY PROJECT BY HAYLEYS FABRIC PLC**

Collaborating with MAS Kreedaa, this project collects fabric cut waste, transforming it into recycled cotton yarn. The yarn returns to Hayleys Fabric for eco-friendly fabric production, promoting circularity and aligning with UN SDGs 12 and 13.



**2ND RUNNER-UP:**  
**ENERGY EFFICIENCY PUMPS REPLACEMENT BY HAYLEYS FABRIC PLC**

Focused on enhancing energy efficiency, this project replaces oversized water pumps and modifies the piping system. Addressing design faults and optimising flow rates, it aligns with UN SDGs 7 and 12 by promoting clean energy and reducing excess consumption in water pumping items.



# NATURAL CAPITAL

## MATERIAL MANAGEMENT

The process of textile manufacture involves several raw materials, key among them being yarn which accounts for more than 50% of the total volume of materials consumed by the Hayleys Fabric Group.

Apart from yarn other materials such as dyes and chemicals are also used from time to time, at various stages of the manufacturing process. Yarn, dyes and chemicals are all classified as non-renewable materials.

In an effort to offset its non-renewable material footprint, the Hayleys Fabric Group has in recent years begun working closely with Tier 1 customers to explore the use of recycled yarn certified under the Global Recycled Standard. Since then the Group has tied up with "Eco-spindles", a local recycled yarn producer who specialises in producing recycled polyester yarn produced from recycled ocean waste collected from the shores of Sri Lanka. This ongoing partnership has enabled the Hayleys Fabric Group to systematically increase maintain the same level of percentage of recycled polyester yarn used in the manufacturing process during the year, which has inspired the Group to aim for more ambitious targets in the years ahead. It should however be noted that the Group's flexibility in the selection of materials is limited, given that the ultimate decision lies with the customer.

### Hayleys Fabric receives Eco Label Sri Lanka Certification

In February 2024 Hayleys Fabric PLC was awarded the Eco Label Sri Lanka certification for its weft knitted fabrics under the Textile & Apparel category. The latest in a long line of sustainability accreditations, this certification recognises the Hayleys Fabric Group commitment to sustainable practices and environmentally-friendly manufacturing processes.

The Eco Label Sri Lanka certification grants Hayleys Fabric PLC the right to display the 'ECO LABEL-SRI LANKA' mark on weft knitted fabric products. The certification, which is valid for three years is subject to annual surveillance audits to ensure continued compliance with eco-friendly standards.



The Group is also working closely with its Tier 1 customers to promote the use of sustainable materials such as organic cotton from BCI, GOTS, OCS, GRS, CMIA and Oeko Tex 100 certified sources. The initiative forms part of ongoing efforts to reduce the harmful impact to the environment caused by conventional cotton farming.

Hayleys Fabric PLC has also obtained FSC (Forest management certificate) as the first fabric manufacturer in Sri Lanka, with material that support responsible forestry.

### Materials used across the Hayleys Fabric Group value chain

Waste Type (MT)		2023/24	2022/23	2021/22	2020/21
Non-Renewable Materials	Yarn & Greige	10,685	11,098	10,629	5,191
	Dyes & Chemicals	11,358	11,276	14,259	6,514
Renewable Materials	Yarn & Greige	6,536	6,559	8,591	5,613
<b>Total Raw materials</b>		<b>28,579</b>	<b>28,933</b>	<b>33,479</b>	<b>17,318</b>
Non-Renewable Materials	Recycled Yarn	1,805	2,050	1,149	713
	% of Recycled Yarn/Total Material consumption	6%	7%	3%	4%
	% of Recycled Yarn/Total Production	11%	12%	7%	8%

## ENERGY MANAGEMENT

Based on the understanding that energy constitutes a significant portion of its environmental footprint, Hayleys Fabric Group has always demonstrated strong advocacy for energy efficiency and continues to take the lead in setting targets and implementing robust energy

management practices, investing in energy-efficient technologies, monitoring of energy utilisation and savings as well as promoting a culture of conservation. Keen to align with global best practices, the Group complies with the ISO 50001 Energy Management Standard as the baseline for all energy management activities.

Accordingly, significant emphasis is placed on energy conversion and clean energy projects with a view to achieving energy efficiency targets. As part of the ongoing effort, the following projects were undertaken in FY 2023/24 at Hayleys Fabric and South Asia Textiles, amounting to a total cost of USD 1,482,786 ;



Increased the Cooling water recovery in the Dye house department



Using hot water for Dyeing process



New Thermic oil replacement of TB 01 and TB 06 thermic heater lines system



Reduce steam consumption intensity in the Dye house department



Reduce compressed air usage in the production department by commissioning of a new 160 KW Inverter type compressor to drive energy saving at the plant



Smart machine parameter monitoring system implementation for TY 03 and TY 04 machines



Energy monitoring system implementation



Energy efficient pump replacement at the wastewater treatment plant and effluent treatment plant



Smart Energy saving system for Stenter machines



Increased the intensity of steam generation per Kg of Biomass Fuel and Biomass efficiency improvement projects



New flash vessel installation and condensate line resizing



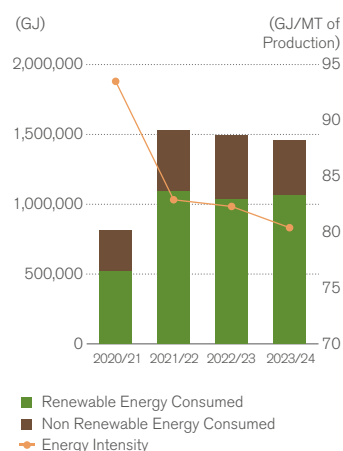
Back wash recovery project



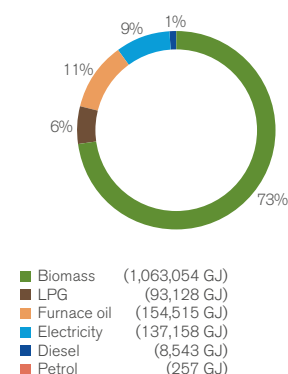
# NATURAL CAPITAL

Hayleys Fabric is recognised in the local textile manufacturing industry as an early adopter of renewable energy. The 4.6 MW rooftop solar deck commissioned in 2021 continues to make a significant impact on the Group's energy mix. In the year under review, Hayleys Fabric further deepened its investment in renewable energy by collaborating with Hayleys Fentons to set up a 35 kW floating solar project, which was in the process of being commissioned as at 31st March 2024. Today, the Group continues to benefit from investments made in solar and biomass conversion over the years with the energy mix at 74:26 (Renewable: Non-Renewable).

## Energy Consumption & Intensity



## % of Energy by Source (GJ)



Type of energy	Company		Group	
	2023/24	2022/23	2023/24	2022/23
Non-renewable energy (GJ)	293,621	331,703	393,600	463,401
Renewable energy (GJ)/ %	466,340/61%	503,140/60%	1,063,054/73%	1,033,581/69%
Total energy consumption (GJ)	759,961	834,843	1,456,654	1,496,982
Energy intensity ratio (GJ/ MT of dyeing production)	77.36	81.03	80.38	82.29

Performance Against Life-code Goals	2030 Target	2023/24 Performance
Sustainable and Renewable energy applications	90%	74%
Sustainable biomass sourcing	100%	73%
Reduction in energy intensity	25%	2.3%

## EMISSION MANAGEMENT

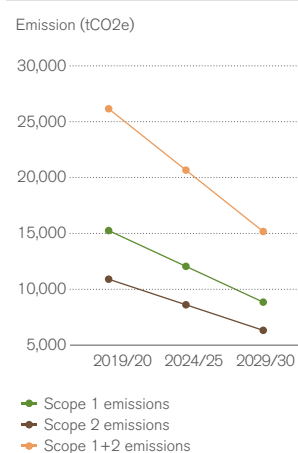
At Hayleys Fabric, emission management goes hand in hand with energy management efforts. For the past 7 years, the Group has undertaken to quantify its emission profile encompassing both direct (Scope 1) and indirect (Scope 2 and Scope 3) emissions with separate GHG Inventory reports prepared annually for Hayleys Fabric PLC and South Asia Textile Limited and later consolidated. GHG emissions are calculated annually according to ISO 14064-1: 2018 standard and verified by Climate Fund (Under Ministry of Environment), an independent third party consultant.

In a bid to streamline existing emission management mechanisms, a formal GHG Policy was established in the current financial year, while monitoring mechanisms were further strengthened with the introduction of power BI dashboards to facilitate real time data capture of the Group's GHG emissions. Yet another notable development was the decision to prepare GHG emission reports bi-annually and annually, with effect from the current financial year.

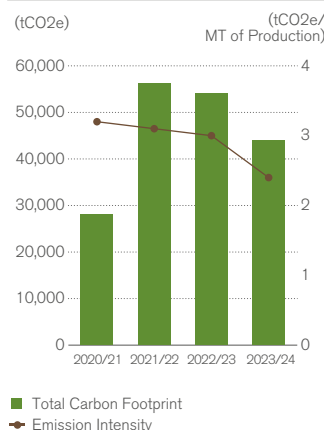
Meanwhile, keen to express a stronger commitment to emission management, Hayleys Fabric made a strategic decision in 2020 to adopt the Science- Based Target Initiative (SBTi). In 2023/24, SBTi formally acknowledged Hayleys Fabric PLC to be in conformance with the SBTi Criteria and Recommendations (version 5). Following

extensive investigations conducted by the SBTi's Target Validation Team's throughout 2023/24, the Group's scope 1 and 2 target ambition was determined to be in line with the 1.5°C trajectory articulated under the SBTi.

## Absolute Emission Targets (1.5°C)



## Carbon Footprint



## Emission Footprint

Name	Scope	2023/24	2022/23	Reduction	
		tCO <sub>2</sub> e	tCO <sub>2</sub> e	tCO <sub>2</sub> e	%
Hayleys Fabric Group	Scope 1	21,515	27,857	6,342	23
	Scope 2	16,260	19,461	3,201	16
	Scope 1 + Scope 2	37,775	47,318	9,543	20
	Scope 3	6,179	6,683	504	8
	Scope 1 + Scope 2 + Scope 3	43,954	54,001	10,047	19

### WATER CONSERVATION

Textile manufacture is inherently a water intensive operation. Hayleys Fabric Group consumes high volumes of water for the washing and dyeing processes as well as finishing, printing utilities and utility purposes. Fabric dyeing accounts for more than 75% of water intake. Water requirements for these day to day

operations of the Group are extracted from nearby water bodies. Hayleys Fabric PLC relies solely on the adjacent 'Kalu ganga' to fulfil its water requirements, while South Asia Textiles Ltd pumps water from the 'Kelani River' in order to meet their requirements. Daily average consumption of water from the respective rivers are 5000 M3 and 4000 M3 respectively.

Given these close interactions with water resources, its conservation remains a key priority for the Hayleys Fabric Group. To that end, the Group aims to address water-related risks by implementing water conservation measures, promoting responsible water use, and investing in technologies to improve water efficiency.

### Water Conservation Activities Undertaken in FY 2023/24



Backwash water recovery project in the Water Treatment Plant



Water sump level controlling automation system and automation of River water pumps



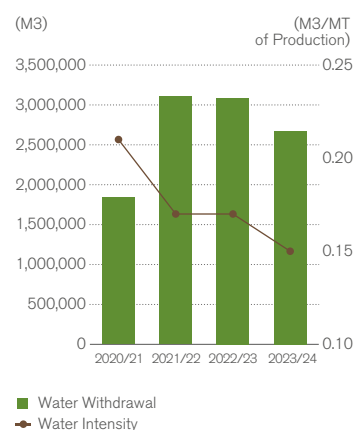
Efficiency improvement of Chemical mixing system

Water stewardship activities are based on the longstanding commitment to the UN Global Compact CEO Water Mandate. Accordingly, specific targets have been set for all aspects across the value chain from extraction, usage, and treatment to reuse and release. Performance against targets are continuously monitored, as part of the ongoing endeavour to identify areas for improving water efficiency. Flow meters have been installed at each stage of the production process to measure water consumption, with all data reported to the Hayleys Group as well as to Tier 1 customers who require such data. Further since being awarded GREEN status by NIKE in 2016, the highest rating for

compliance issued by NIKE, the Group's water quality guidelines have been subject to independent verification under the NIKE Sustainable Water initiative. In line with this initiative, the Group is required to maintain benchmark water intensity at 0.17 across all projects implemented under the Nike Water Minimum Programme. Several concurrent projects have been mobilised to systematically reduce water intensity in support of the Group's target to reduce its water intensity from the current 188 M3/Kg to 145 M3/Kg by 2025

The Group sought the services of an independent third party specialist to conduct a comprehensive water audit for FY 2023/24.

### Water Withdrawal & Intensity



Water Footprint Verification of Hayleys Fabric PLC Group		2023/24
Direct Blue Water Footprint (M3)		198,202
Direct Grey Water Footprint (M3)		940,524
Direct Total Water Footprint (M3)		1,138,726

# NATURAL CAPITAL

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

Hayleys Fabric PLC - Water (M3)	Location	2023/24	2022/23	Source Classification	Measurement
Withdrawal	Kalu Ganga	1,507,961	1,894,795	Surface water- fresh water	Daily
Withdrawal	Tube well	3,168	3,063	Ground water- fresh water	Daily
Withdrawal	Third party water	2,071	2,141	Third party water	
Grey water	Recycled	398,647	262,559	Recycled	Calculated
Discharge	Kalu Ganga	1,413,473	1,828,111	Surface water- fresh water	Calculated

South Asia Tex-tiles Limited - Water (M3)	Location	2023/24	2022/23	Source Classification	Measure-ment
Withdrawal	Kelani River	1,156,420	1,189,965	Surface water- fresh water	Daily
Grey water	Recycled	276,931	116,608	Recycled	Calculated
Discharge	Kelani River	982,559	1,006,076	Surface water- fresh water	Calculated

Performance Against Life-code Goals	2030 Target	2023/24 Performance
Reduce Water Intensity	30%	13%
Waste- water Recycled and Re-used	50%	25%

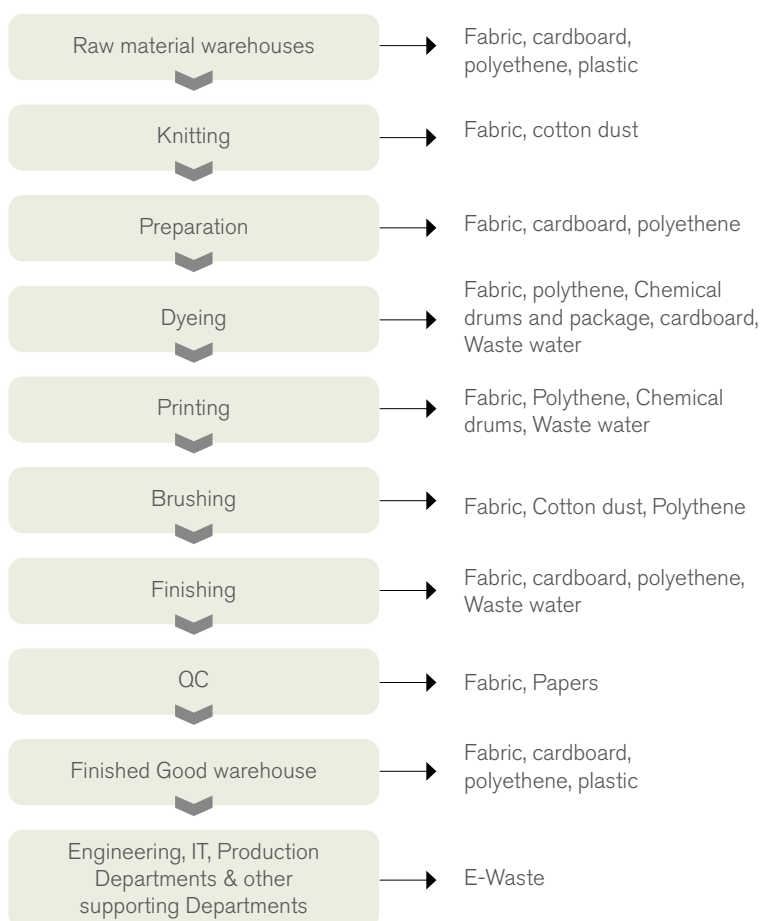
## WASTE AND CHEMICAL MANAGEMENT

Hayleys Fabric's waste and chemical management programme is underscored by the commitment to ensure responsible waste disposal based on clearly defined procedures for disposal of hazardous and non-hazardous waste.

Hazardous waste consists of chemical sludge captured by the on-site effluent treatment plant, which is managed in line with the provisions outlined under the scheduled waste management license issued by Central Environmental Authority (CEA). Since 2017, the Group has also complied with the zero discharge of hazardous chemicals (ZDHC) standard, which has led to all sludge being directed for alternative energy generation in partnership with INSEE Cement Sri Lanka.

Non-hazardous waste comprises wastewater generated during the production process which is channelled to the on-site water treatment, before being directed for reuse or recycling where possible. Approximately 100% of treated wastewater is discharged to the environment. Quality of such discharges are strictly monitored to ensure compliance with water quality parameters specified by the CEA.

## Hayleys Fabric Group Waste and Waste Sources



Other non-hazardous waste such as paper, cardboard, polythene, plastic etc. is managed based on the waste management hierarchy. Accordingly, certain waste is reused and others recycled through professionals in waste management approved by the CEA.

Meanwhile waste yarn and fabric is sold to local villagers for use in cottage industries.

Taking the first steps towards streamlining its waste and chemical management programme by establishing measurable

goals and targets, the Group sought the services of an independent third party specialist to conduct a comprehensive waste audit for FY 2023/24.

### Contributing to the circular economy - "WARNA" by Mahogany

Proving its commitment to contribute to the circular economy, Hayleys Fabric successfully developed a range of fabric dyes extracted from natural sources. "WARNA" by Mahogany, which serves as an alternative for synthetic dyes is extracted from off cuts of Mahogany timber generated by the furniture industry. The exclusive Mahogany dyes' rich hues can be used individually and mixed with the synthetic dyes.

### Hayleys Fabric and Pro Green Lab launch FaBriEco to advance waste circularity

Hayleys Fabric PLC announced a ground-breaking collaboration with Pro Green Laboratories of the University of Moratuwa to upcycle industrial waste and convert it into sustainable, environmentally friendly construction materials.

The partnership launched under the FaBriEco banner, aims to develop eco-friendly, low cost construction solutions for the local market from dye waste, fabric waste, and fly ash generated in the textile industry. The concept builds upon the research conducted by Pro Green Laboratories, led by Professor Rangika U. Halwatura, whose patents on sustainable products include mud concrete blocks and polymerized self-compacting mud blocks.

Waste type	Hayleys Fabric PLC		South Asia Textiles Limited		Group		Disposal
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	method
<b>Directed to Disposal</b>							
Hazardous Waste	2,328	1,784	1,327	752	3,655	2,536	
Total waste - MT (Disposed according to CEA requirements)	2,328	1,784	1,327	752	3,655	2,536	Incineration
<b>Diverted from Disposal</b>							
Non-Hazardous Waste	1,515	1,483	1,140	939	2,655	2,422	
Total waste- MT	1,515	1,483	1,140	939	2,655	2,422	Reuse/ Recycle
% of waste recycled or incinerated through third party contractors	65%	60%	58%	49%	62%	56%	

### Hayleys Fabric's exemplary commitment to sustainability wins Silver Award at prestigious Presidential Environment Awards

Hayleys Fabric PLC was honoured with the prestigious Silver Award for the Textile and Textile Processing Industries Category at the Presidential Environment Awards 2021/22, solidifying the Group's position as a frontrunner in sustainable fabric manufacturing. The accolade stands as a testament to the Group's exceptional efforts in integrating environmental responsibility into its manufacturing processes, and its significant contribution through innovation, partnerships and collaborations, to improving the footprint of the industry.



### ENVIRONMENTAL PERFORMANCE MONITORING AND REPORTING

Comprehensive monitoring of environmental performance is a vital part of the Hayleys Fabric Group's overall approach to managing its environmental footprint. For this purpose the Group has implemented the Higg Facility Environmental Module (Higg FEM) to comprehensively measure all key environmental metrics.

Additionally, surveillance audits conducted as part of the ISO 14001 Environmental Management Standard provides the structure for identifying, monitoring, and improving environmental performance at the Hayleys Fabric Group. Similarly, verification protocols under the ISO 50001 Energy Management Standard, the Carbon Footprint Verification, the CEO Water Mandate as well as the SBTi framework, all serve to enhance monitoring the Group's performance in critical environmental areas.

The success of the Group's environmental programme, including proactive monitoring



# NATURAL CAPITAL

and reporting of environmental performance is driven by a robust governance structure.

The Hayleys Fabric Group's Head of Sustainability is charged with responsibility for overseeing the implementation of the Group's environmental policies as well as

for monitoring and reporting to the Hayleys PLC Group on performance and progress of environmental initiatives. Under the supervision of the Head of Sustainability, dedicated teams have been appointed to oversee each environmental pillar.

By having a structured system with dedicated teams for each sustainability pillar, coupled with regular audits, and oversight by the Head of Sustainability, the Hayleys Fabric Group ensures environmental performance is actively monitored, tracked, and continuously improved in a holistic manner.

## BIODIVERSITY CONSERVATION

Even though the Group's sites are not located in biodiversity hotspots and hence do not pose any threat to ecosystems, Hayleys Fabric remained steadfast in its championship for biodiversity conservation across Sri Lanka.

### Pursuing Partnerships for Biodiversity Conservation



#### Hayleys Fabric "Diyathuru Park"

A comprehensive ecosystem study undertaken with the guidance of the Biodiversity Secretariat of the Ministry of Environment to assess and document the terrestrial species along a 9-acre area of the bank of the Kalu Ganga River. The study findings revealed a total of 146 plant species and 150 animal species, including 16 endemic to Sri Lanka.



Study to screen and quantify Antibiotic Residues, Antibiotic-Resistant Bacteria, and Antibiotic Resistance Genes in the Surface Waters of the Kelani River Basin, Sri Lanka.

In partnership with the University of Sri Jayewardenepura



Collaboration with the University of Moratuwa to convert sludge into building material.

Restoration of threatened Lagenandra Species in Kaluthara district in collaboration with the University of Peradeniya, Wayamba University of Sri Lanka, and Central Environmental Authority.



The first attempt to restore a threatened plant species in its natural habitats in Sri Lanka.



#### Flora Freedom: "Reviving Balance, Preserving Diversity"

A collaboration with the Central Environmental Authority to preserve the biodiversity of the Walaawewatte Wathurana Environmental Protection Area in Kaluthara district, Sri Lanka - the Country's only freshwater swamp forest.





## SPECIAL PROJECTS

Maintain 1:1 green: building ratio

» Factory Premises	–	30 Acres
» Rubber Green Belt	–	20 Acres
» Biodiversity Wetland Park	–	6 Acres
» Low-lying Agricultural Land	–	6 Acres

Tree-planting programmes are regularly conducted both on and outside the factory premises  
Creating spaces for organic farming within the factory premises

Awareness programme to educate for farmers in the Naboda & Pugoda areas managing the threat of alien invasive plants

» Increasingly stringent environmental standards of Tier 1 customers

» Invest in a fully fledged biological wastewater treatment plant for south Asia Textile Limited



# NATURAL CAPITAL



ECOVISION 2023:  
Waste Management  
Week



Fifth Forum of Ministers  
and Environment  
Authorities of Asia Pacific,  
organised by the United  
Nations Environment  
Program and the Ministry  
of Environment Sri Lanka



Beach Cleanup Projects  
at Crow Island beach  
and Calido beach,  
Kalutara







Collaboration with the Central Environmental Authority – SL to preserve the biodiversity of the Walauwewatte Wathurana Environmental Protection Area in Kalutara district, Sri Lanka, which is the country's sole freshwater swamp forest.



Wonders of Wetlands - Wetland Festival - showcased a steadfast dedication to wetland conservation with the Diyathuru Uyana exhibition stall.



Regular tree planting programs





## NATURAL CAPITAL



USD 5000 for restoration of threatened Lagenandra species – Collaboration with the University of Peradeniya, Wayamba University of Sri Lanka, and Central Environmental Authority – SL. The first attempt to restore a threatened plant species in its natural habitats in Sri Lanka.



FabriEco: "Where Waste Meets Innovation" – Hayleys Fabric PLC collaborates with the University of Moratuwa on a pioneering waste upcycling project, aiming to redefine sustainable construction practices by transforming various in-house waste types into innovative and eco-friendly construction materials. This will provide a solution to hazardous waste generation from the textile industry. Our secondary plan is to commercialise the project and apply for a patent. This is a formal donation of industrial machinery valued at USD 9,800.



Radiant Fusion: "Energizing Fabric, Redefining Fashion" – Hayleys Fabric PLC collaborates with the Sri Lanka Atomic Energy Board in a groundbreaking project that leverages gamma radiation to revolutionise textile property enhancement. This innovative initiative aims to improve fabric properties and apply special finishes, marking a significant departure from traditional chemical-based textile treatments to reduce the water pollution from the textile industry.



USD 7500 donation to research on the Kelani River Basin's surface water – Collaboration with the University of Sri Jayewardenepura for screening and quantification of antibiotic residues, antibiotic-resistant bacteria, and antibiotic resistance genes in the surface waters of the Kelani River basin, Sri Lanka.

# Layers Of Renewal

At Hayleys Fabrics, we embrace Renewable Energy sources to build a greener energy system. By harnessing these sustainable methods, we're not only reducing our carbon footprint but also weaving a brighter, more sustainable future for our community.



## VOLUNTARY DISCLOSURES

■ United Nations Global Compact - Highlights	124
■ Task Force on Climate-related Financial Disclosures (TCFD)	126
■ GRI Content Index	128
■ Sustainability Accounting Standard (SASB) - Apparel, Accessories & Footwear Standard	139
■ Independent Assurance Report GRI and SASB	141
■ Independent Assurance Report Integrated Reporting	143



# UNITED NATIONS GLOBAL COMPACT HIGHLIGHTS

The Ten Principles of the UN Global Compact		Disclosure References
<b>HUMAN RIGHTS</b>		
	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	<p>We are committed to maintaining operations in compliance with local regulations and international best practices on human right across prevention of child labour, forced and compulsory labour, non-discrimination, Freedom of association/collective bargaining, health and safety, fair wages and zero tolerance against any form of harassment.</p> <p>Our efforts are governed by Board approved policies and practices.</p> <p>The voluntary adoption and benchmarking of our practices to industry-specific global certifications including SEDEX, SLCP, ISO 45001:2018 Occupational Health and Safety Management and Higg INDEX - Facility Social &amp; Labor Module is an endorsement of our commitment.</p> <p>Further, we strive to ensure the safeguarding of human rights across our supply chains. Raw material suppliers are screened for environmental and social compliance prior to onboarding, to ensure ethical and sustainable business practices.</p> <p>Refer: Corporate Governance – page 146, Human Capital - page 93, Supplier screening, onboarding and engagement, Social and Relationship Capital - page 102.</p>
	Principle2: make sure that they are not complicit in human rights abuses.	<p>A robust risk management framework including assurance and annual assessments by third party auditors of accreditations for social compliance, serves to verify our operations.</p> <p>Refer: Risks and Opportunities - page 59</p>
<b>LABOUR</b>		
	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	<p>Hayleys fabrics believes in freedom of association. We maintain very strong relationships with the three trade unions representing 20% of our employees at Hayleys Fabric PLC.</p> <p>Refer - Respecting the Freedom of Association - Human Capital Page 93</p>

The Ten Principles of the UN Global Compact		Disclosure References
	Principle 4: the elimination of all forms of forced and compulsory labour;	We maintain operations in compliance with local regulations opposing child labour and all forms of forced and compulsory labour.
	Principle 5: the effective abolition of child labour; and	A Supplier due diligence questionnaire completed as part of the supplier screening process, ensures illegal forms of employment are eradicated from the Group's supply chain.  Refer Respecting Human Rights - Corporate Governance - page 146, A Preferred Employer - Human Capital - page 93, Supplier screening, onboarding and engagement - Social and Relationship Capital - page 102
	Principle 6: the elimination of discrimination in respect of employment and occupation.	Hayleys Fabric PLC is an equal opportunity employer, and does not discriminate against gender, marital status, religion, race, or disability.  Refer Embracing Diversity, Equity and Inclusion As A Differentiator – Human Capital page 93
ENVIRONMENT		
	Principle 7: Businesses should support a precautionary approach to environmental challenges;	We are conscious of our significant environmental footprint as a textile manufacturer. We remain firm in our commitment to support environmental sustainability.  Refer Natural Capital – page 108
	Principle 8: undertake initiatives to promote greater environmental responsibility; and	
	Principle 9: encourage the development and diffusion of environmentally friendly technologies.	
ANTI-CORRUPTION		
	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Hayleys Fabrics upholds zero tolerance to corruption and bribery.  Refer Anti-Bribery and Corruption (ABC) - Corporate Governance – page 146

# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Disclosure Requirement		Progress Made	
Governance	Disclose the organisation's governance around climate related risks and opportunities	Governance of all risks and opportunities including climate change risks, is the responsibility of our Board, and specifically  the Audit Committee, supported by a clearly defined structure and process from business units, to Corporate Management Team and Board.  Please refer Risk Governance – page 59 for more details.	
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Our ESG framework is integrated into our business strategy. The strategy is regularly reviewed and adapted to the changes in potential impacts of climate change risks and opportunities, to ensure our business remains resilient and focused on growth.	
		Key Risks and Opportunities	
		Implications of climate change Key Risks Developments In 2023/24	Potential Impact
		» Alternate droughts and floods impact adjacent river basins, resulting in either increased salinity of water or flooding	» Disruptions to manufacturing operations
		» Impact on global cotton growing areas, and demand/ supply dynamics	» Impacts product quality and leads to reputational damage.
		» Cost of transitioning to Net Zero	» Financial planning for new capex in bio mass machinery, energy efficient equipment etc
		Opportunities	
		» Commitment to reduce water consumption through product and process innovation	
		» Sharing progress on our ESG journey and best practices, to drive greater sustainability commitment within our value chain	
Implications of climate change Key Risks Developments In 2023/24	Potential Impact		
Textile industry is considered the second largest environmental polluter.	Loss of buyer confidence from insufficient commitment to implement eco-friendly manufacturing practices and noncompliance with regulations, will impact		
The industry is subject to robust and growing regulation.	business volumes  profitability		
Opportunities			
Use of advanced technology to create novel fabrics and smart textiles, innovations that provide sustainable alternatives.			
Please refer Operating Landscape - page 75 for risks, their mitigants and opportunities and Natural Capital - page 108 for more details.			

Disclosure Requirement		Progress Made
Risk Management	Disclose how the organisation identifies, assesses, and manages climate-related risks.	<p>We adopt an integrated approach to the identification, assessment, and management of climate-related risks.</p> <p>Please refer risks and opportunities - page 59</p>
Metrics and Targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	<p>Emissions</p> <p>GHG emissions (Scope 1, 2 and 3 ) are calculated annually according to ISO 14064-1: 2018 standard and verified by third party consultant, Climate Fund. Gases included are CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O and HFC's.</p> <p>18% reduction in Emissions intensity in 2023/24</p> <p>Following our commitment to the Science- Based Target Initiative in 2020/21, we have set annual targets to achieve 42% reduction in Scope 1&amp;2 GHG emissions by 2030, in line with our Hayleys Lifecode Commitments. This year we will be verifying our climate figures.</p> <p>Please refer to Emission Management – page 114 for more details.</p> <p>Water</p> <p>We are committed to the CEO water mandate. A water audit was conducted by a third party in 2021 and targets set to reduce water intensity by 24.8% to 0.16 M3/MT by 2024/25. Baseline 2020/21 - 0.21 M3/MT.</p> <p>Please refer CEO Water Mandate - page 115 for more details.</p>



# GRI CONTENT INDEX

## STATEMENT OF USE

Hayleys Fabric PLC has reported in accordance with the GRI Standards for the period 1st April 2022 to 31st March 2023

## GRI 1 used

GRI 1: Foundation 2021

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
GENERAL DISCLOSURES						
GRI 2: General Disclosures 2021	2-1 Organizational details	9-11, Corporate information				
	2-2 Entities included in the organization's sustainability reporting	5				
	2-3 Reporting period, frequency and contact point	4,7				
	2-4 Restatements of information	7				Water, energy and carbon intensities restated in FY 2023/24, following error in dye quantity used.
	2-5 External assurance	6-7, 141-144				
	2-6 Activities, value chain and other business relationships	10,44-45,104				
	2-7 Employees	93				Region wise classification, not presented.
	2-8 Workers who are not employees	95				
	2-9 Governance structure and composition	146-147, 150-151				
	2-10 Nomination and selection of the highest governance body	151, 166-167				
	2-11 Chair of the highest governance body	16, 152				
	2-12 Role of the highest governance body in overseeing the management of impacts	148-149, 152				
	2-13 Delegation of responsibility for managing impacts	146, 162				
	2-14 Role of the highest governance body in sustainability reporting	146				

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
	2-15 Conflicts of interest	149,151,165				
	2-16 Communication of critical concerns	149				No critical concerns reported in FY 2023/24.
	2-17 Collective knowledge of the highest governance body	153				
	2-18 Evaluation of the performance of the highest governance body	155				
	2-19 Remuneration policies	153,164				
	2-20 Process to determine remuneration	153,164				
	2-21 Annual total compensation ratio	-	2-21	Confidentiality constraints	"Not disclosed due to confidentiality concerns."	
	2-22 Statement on sustainable development strategy	36-41				
	2-23 Policy commitments	6, 149-150				
	2-24 Embedding policy commitments	6, 149-150				
	2-25 Processes to remediate negative impacts	149, 155				
	2-26 Mechanisms for seeking advice and raising concerns	149, 155				
	2-27 Compliance with laws and regulations	-				No such instances of non compliance reported in FY 2023/24.
	2-28 Membership associations	13, 91				
	2-29 Approach to stakeholder engagement	46-47				
	2-30 Collective bargaining agreements	99				
MATERIAL TOPICS						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	48-51				
	3-2 List of material topics	48-51				

# GRI CONTENT INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
ECONOMIC PERFORMANCE						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 201: Eco- nomic Perfor- mance 2016	201-1 Direct economic value generated and distributed	33				
	201-2 Financial implications and other risks and opportunities due to climate change	62, 126-127				
	201-3 Defined benefit plan obligations and other retirement plans	196, 212				
	201-4 Financial assistance received from government	-				No such assis- tance received.
MARKET PRESENCE						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 202: Mar- ket Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	-				Remuneration offered is above mini- mum wage, with no gender bias.
	202-2 Proportion of senior management hired from the local community	-				All senior man- agers are hired from local communities
INDIRECT ECONOMIC IMPACTS						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 203: Indi- rect Economic Impacts 2016	203-1 Infrastructure investments and services supported	85-86				
	203-2 Significant indirect economic impacts	32				
PROCUREMENT PRACTICES						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	104				
ANTI-CORRUPTION						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	59				
	205-2 Communication and training about anti-corruption policies and procedures	-				No such communication and training in FY 2023/24
	205-3 Confirmed incidents of corruption and actions taken	-				Zero incidents reported in FY 2023/24.
TAX						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 207: Tax 2019	207-1 Approach to tax	77, 198-199				
	207-2 Tax governance, control, and risk management	77, 198-199				
	207-3 Stakeholder engagement and management of concerns related to tax	46-47, 77				
	207-4 Country-by-country reporting	-	207-4	Not Applicable	we are operated only local.	
MATERIALS						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 301: Materials 2016	301-1 Materials used by weight or volume	112				
	301-2 Recycled input materials used	112				
	301-3 Reclaimed products and their packaging materials	-				No such incidents reported in FY 2023/24.
ENERGY						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	112-114				
	302-2 Energy consumption outside of the organization	-	302-2	Information unavailable	The Group does not compute this information, at present.	
	302-3 Energy intensity	114				



# GRI CONTENT INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
	302-4 Reduction of energy consumption	114				
	302-5 Reductions in energy requirements of products and services	-	302-5	Information unavailable	The Group does not track this information, at present.	
WATER AND EFFLUENTS						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	115-116				
	303-2 Management of water discharge-related impacts	115-116				
	303-3 Water withdrawal	115-116				
	303-4 Water discharge	115-116				
	303-5 Water consumption	30				
BIODIVERSITY						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	118-119				
	304-2 Significant impacts of activities, products and services on biodiversity	118-119				
	304-3 Habitats protected or restored	118-119				
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	118-119				
EMISSIONS						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	114-115				
	305-2 Energy indirect (Scope 2) GHG emissions	114-115				

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
	305-3 Other indirect (Scope 3) GHG emissions	114-115				
	305-4 GHG emissions intensity	114-115				
	305-5 Reduction of GHG emissions	114-115				
	305-6 Emissions of ozone-depleting substances (ODS)	-	305-6	Information unavailable	The Group does not track this information, at present.	
	305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	-	305-7	Information unavailable	The Group does not track this information, at present.	
<b>WASTE</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	116-117				
	306-2 Management of significant waste-related impacts	116-117				No such impacts in FY 2023/24.
	306-3 Waste generated	116-117				
	306-4 Waste diverted from disposal	116-117				
	306-5 Waste directed to disposal	116-117				
<b>SUPPLIER ENVIRONMENTAL ASSESSMENT</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	104				
	308-2 Negative environmental impacts in the supply chain and actions taken	-				No such instances reported in FY 2023/24.

# GRI CONTENT INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
EMPLOYMENT						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 401: Em- ployment 2016	401-1 New employee hires and employee turnover	96				Region wise classification, not presented.
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	96-97				
	401-3 Parental leave	97				
LABOR/MANAGEMENT RELATIONS						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	99				
OCCUPATIONAL HEALTH AND SAFETY						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	99-101				
	403-2 Hazard identification, risk assessment, and incident investigation	99-101				
	403-3 Occupational health services	99-101				
	403-4 Worker participation, consultation, and communication on occupational health and safety	99-101				
	403-5 Worker training on occupational health and safety	99-101				
	403-6 Promotion of worker health	99-101				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	99-101				
	403-8 Workers covered by an occupational health and safety management system	99-101				

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
	403-9 Work-related injuries	97				
	403-10 Work-related ill health	93				No work relat- ed ill health
<b>TRAINING AND EDUCATION</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	99				
	404-2 Programs for upgrading employee skills and transition assistance programs	98-99				
	404-3 Percentage of employees receiving regular performance and career develop- ment reviews	98				
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 405: Diver- sity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	93 & 151				
	405-2 Ratio of basic salary and remunera- tion of women to men	-				There is no gender bias in remuneration offered.
<b>NON-DISCRIMINATION</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 406: Non-discrimina- tion 2016	406-1 Incidents of discrimination and corrective actions taken	-				No such inci- dents reported in FY 2023/24
<b>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 407: Freedom of Association and Collective Bar- gaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-				No such inci- dents reported in FY 2023/24



# GRI CONTENT INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
CHILD LABOR						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	93				
FORCED OR COMPULSORY LABOR						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	93				
LOCAL COMMUNITIES						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	104-107				
	413-2 Operations with significant actual and potential negative impacts on local communities	-				No such instances reported in FY 2023/24.
SUPPLIER SOCIAL ASSESSMENT						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	104				
	414-2 Negative social impacts in the supply chain and actions taken	-				No such instances reported in FY 2023/24.

GRI Standard/ Other Source	Disclosure	Location	Omission			Remarks
			Requirement(S) Omitted	Reason	Explanation	
CUSTOMER HEALTH AND SAFETY						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 416: Cus- tomer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	85-86				Samples of finished fabrics are regularly tested by independent third parties for harmful substances.
	416-2 Incidents of non-compliance con- cerning the health and safety impacts of products and services	-				No such instances reported in FY 2023/24
MARKETING AND LABELLING						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	-	417-1	Not Applica- ble	Due to Prod- uct of hayleys fabric is not an end product.	
	417-2 Incidents of non-compliance con- cerning product and service information and labelling	-				No such instances reported in FY 2023/24
	417-3 Incidents of non-compliance con- cerning marketing communications	-				No such instances reported in FY 2023/24
CUSTOMER PRIVACY						
GRI 3: Material Topics 2021	3-3 Management of material topics	138				
GRI 418: Cus- tomer Privacy 2016	418-1 Substantiated complaints concern- ing breaches of customer privacy and losses of customer data	103				No such instances reported in FY 2023/24.

# TOPIC BOUNDARY

Material Topic	Management Approach (3-3)	Internal Stakeholders The Company	External Stakeholders					
			Brand Owners & Apparel Manufacturers	Investors	Employees	Suppliers	Regulators	Community
Economic Performance (201)	33,59-60	✓	✓	✓	✓	✓		✓
Market Presence (202)	102-107	✓	✓	✓		✓		
Procurement Practices (204)	102-107	✓	✓	✓		✓		
Anti-corruption(205)	102-107	✓		✓	✓		✓	
Tax (207)	76-83	✓		✓	✓		✓	
Materials (301)	108-122	✓	✓				✓	
Energy (302)	108-122	✓					✓	✓
Water and Effluents (303)	108-122	✓	✓				✓	✓
Biodiversity (304)	108-122	✓	✓				✓	
Emissions (305)	108-122	✓	✓				✓	✓
Waste (306)	108-122	✓	✓				✓	✓
Supplier Environmental Assessment (308) and Supplier Social Assessment (414)	102-107	✓	✓			✓		
Employment (401)	93-101	✓			✓		✓	✓
Labour Management Relations (402)	93-101	✓	✓		✓	✓	✓	
Occupational Health and Safety (403)	93-101	✓	✓		✓		✓	✓
Training and Education (404)	93-101	✓			✓			
Diversity and Equal Opportunity (405)	93-101	✓	✓		✓		✓	✓
Non-Discrimination (406)	93-101	✓	✓		✓		✓	
Freedom of Association and Collective Bargaining (407)	99	✓	✓		✓		✓	
Child Labour (408) and Forced or Compulsory Labour (409)	93	✓	✓			✓	✓	
Local Communities (413)	102-107	✓		✓				✓
Customer Health and Safety (416) and Marketing and Labelling (417)	85-86	✓	✓					
Customer Privacy (418)	103	✓	✓					

# SUSTAINABILITY ACCOUNTING STANDARD (SASB) - APPAREL, ACCESSORIES & FOOTWEAR STANDARD

Table 1. Sustainability Disclosure Topics & Accounting Metrics

Topic	Accounting Metric	Category	Unit of Measure	Code	Data	Disclosure Reference
Management of Chemicals in Product	Discussion of processes to maintain compliance with restricted substances regulations	Discussion & Analysis	n/a	CG-AA-250a.1		Pages 65, 85-86, 112, 116
	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in product	Discussion & Analysis	n/a	CG-AA-250a.2		Pages 65, 85-86, 112, 116
Environmental Impacts in the Supply Chain	Percentage of Tier 1 supplier facilities in compliance with wastewater discharge permits and/or contractual agreements	Quantitative	Percentage (%)	CG-AA-430a.1	In FY 2023/24, 91% reported compliance to the ZDHC and other wastewater requirements.	-
	Percentage of Tier 1 supplier facilities that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment	Quantitative	Percentage (%)	CG-AA-430a.2	In FY 2023/24, 86% reported compliance to Higg FEM and other local requirement	-
Labor Conditions in the Supply Chain	1. Percentage of Tier 1 suppliers that have been audited to a labor code of conduct	Quantitative	Percentage (%)	CG-AA-430b.1	In FY 2023/24, 84% of supplier facilities were assessed to a labour code of conduct, of which 62% have been audited for SMETA, or SLCP assessments by SEDEX / SLCP approved verifiers	-
	2. Percentage of total audits conducted by a third-party auditor					
	Priority non-conformance rate and associated corrective action rate for suppliers' labor code of conduct audits	Quantitative	Rate (%)	CG-AA-430b.2	No noncompliance recorded	-
	Description of the greatest ( 1 ) labor and ( 2 ) environmental, health, and safety risks in the supply chain	Discussion and Analysis	n/a	CG-AA-430b.3		Pages 67, 61-63, 104, 124-125



# SUSTAINABILITY ACCOUNTING STANDARD (SASB) - APPAREL, ACCESSORIES & FOOTWEAR DISCLOSURES

Topic	Accounting Metric	Category	Unit of Measure	Code	Data	Disclosure Reference															
Raw Materials Sourcing	1. List of priority raw materials; for each priority raw material: 2. environmental and/or social factor(s) most likely to threaten sourcing, 3. discussion on business risks and/or opportunities associated with environmental and/or social factors, and 4. management strategy for addressing business risks and opportunities	Discussion and Analysis	n/a	CG-AA-440a.3	Cotton Polyester Dyes & Chemicals	Pages 60-63, 65, 67, 112, 104, 124-125															
	1. Amount of priority raw materials purchased, by material, and 2. amount of each priority raw material that is certified to a third-party environmental and/or social standard, by standard	Quantitative	Percentage (%) by weight	CG-AA-440a.4	<table><tr><th>Priority Raw Material</th><th>Cotton</th><th>Polyester</th><th>Chemicals and Dyes</th></tr><tr><td>Amount Purchased (MT)</td><td>8,815</td><td>7,553</td><td>13,273</td></tr><tr><td>Certification Standard</td><td>BCI, GOTS, OCS, GRS, CMIA and Oeko Tex 100 certified sources only</td><td>Global Recycled Standard (GRS)</td><td>ZDHC level 1, Bluesign or GOTS certified</td></tr><tr><td>Amount Certified</td><td>58%</td><td>26%</td><td>100%</td></tr></table>	Priority Raw Material	Cotton	Polyester	Chemicals and Dyes	Amount Purchased (MT)	8,815	7,553	13,273	Certification Standard	BCI, GOTS, OCS, GRS, CMIA and Oeko Tex 100 certified sources only	Global Recycled Standard (GRS)	ZDHC level 1, Bluesign or GOTS certified	Amount Certified	58%	26%	100%
Priority Raw Material	Cotton	Polyester	Chemicals and Dyes																		
Amount Purchased (MT)	8,815	7,553	13,273																		
Certification Standard	BCI, GOTS, OCS, GRS, CMIA and Oeko Tex 100 certified sources only	Global Recycled Standard (GRS)	ZDHC level 1, Bluesign or GOTS certified																		
Amount Certified	58%	26%	100%																		

Table 2. Activity Metrics

Topic	Accounting Metric	Category	Unit of Measure	Code	Data	Disclosure Reference
Activity metrics	Number of Tier 1 suppliers	Quantitative	Number	CG-AA-000.A	Tier 1 suppliers – 58	-

Tier 2 – Hayley's Fabric PLC group does not consider Tier 2 supplier in the scope of reporting.

# INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF HAYLEYS FABRIC PLC



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Independent practitioner's assurance report to the Board of Directors of Hayleys Fabric PLC on the Sustainability reporting criteria presented in the Integrated Annual Report FY2023/24

## SCOPE

We have been engaged by Hayleys Fabric PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Hayleys Fabric PLC's Economic, Environment, Social and Governance (EESG) indicators (the "Subject Matter") contained in Hayleys Fabric PLC's (the "Entity's") Integrated Annual Report for the year ended 31 March 2024 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

## CRITERIA APPLIED BY HAYLEYS FABRIC PLC

In preparing the Subject Matter, Hayleys Fabric PLC applied the following criteria ("Criteria"):

- » The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at <https://www.globalreporting.org>
- » The Sustainability Accounting Standards Board (SASB) Standards, publicly available at [https://sasb.org/standards/Apparel,Accessories & Footwear Standard](https://sasb.org/standards/Apparel,Accessories&FootwearStandard)

Such Criteria were specifically designed for the purpose of assisting you in determining

whether Entity's Economic, Environment, Social and Governance (EESG) indicators contained in the Entity's Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

## HAYLEYS FABRIC PLC'S RESPONSIBILITIES

Hayleys Fabric PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

## ERNST & YOUNG'S RESPONSIBILITIES

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the Hayleys Fabric PLC on 17 May 2024. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

## OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## DESCRIPTION OF PROCEDURES PERFORMED

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paravitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

# INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF HAYLEYS FABRIC PLC

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- » Validated the information presented and checked the calculations performed by the organization through recalculation.
- » Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- » Conducted interviews with relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.
- » Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- » Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

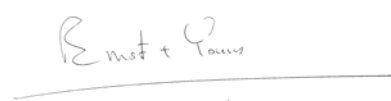
## EMPHASIS OF MATTER

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Report.

## CONCLUSION

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of Hayleys Fabric PLC for the year ended 31 March 2024, in order for it to be in accordance with the Criteria.



20th May 2024  
Colombo

# INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF HAYLEYS FABRIC PLC



Ernst & Young  
Chartered Accountants  
Rotunda Towers  
No. 109, Galle Road  
P.O. Box 101  
Colombo 03, Sri Lanka

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Email: eysl@lk.ey.com  
ey.com

Independent practitioner's assurance report to the Board of Directors of Hayleys Fabric PLC on the Integrated Annual Report 2023/24

## SCOPE

We have been engaged by Hayleys Fabric PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Hayleys Fabric PLC's Information on how it's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term (the "Subject Matter") contained in Hayleys Fabric PLC's (the "Entity's") Integrated Annual Report for the year ended 31 March 2024 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

## CRITERIA APPLIED BY HAYLEYS FABRIC PLC

In preparing the Subject Matter, Hayleys Fabric PLC applied the Integrated Reporting Framework (<IR> Framework) issued by the International Integrated Reporting Council (IIRC) ("Criteria"):

Such Criteria were specifically designed for the purpose of assisting in determining whether the capital management, stakeholder engagement, business model, strategy, organizational overview & external environment outlook presented in the Integrated Annual Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

## HAYLEYS FABRIC PLC'S RESPONSIBILITIES

Hayleys Fabric PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

## ERNST & YOUNG'S RESPONSIBILITIES

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the Hayleys Fabric PLC on

17 May 2024. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

## OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

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A member firm of Ernst & Young Global Limited

# INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF HAYLEYS FABRIC PLC

## DESCRIPTION OF PROCEDURES PERFORMED

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

### Our procedures included:

- » Performed a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).
- » Checked whether the information contained in the Integrated Annual Report – Financial Capital element information has been properly derived from the audited financial statements.
- » Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.
- » Obtained an understanding of the relevant internal policies and procedures developed, including those relevant to determining what matters most to the stakeholders, how the organization creates value, the external environment, strategy, approaches to putting members first, governance and reporting.
- » Obtained an understanding of the description of the organization's strategy and how the organization creates value, what matters most to the stakeholders

and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.

- » Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- » Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- » Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement.

We also performed such other procedures as we considered necessary in the circumstances.

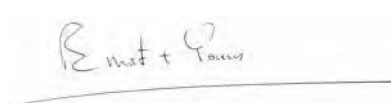
## EMPHASIS OF MATTER

Economic, Environment, Social and Intellectual capital management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Annual Report.

## CONCLUSION

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information contained in the Integrated Annual Report of Hayleys Fabric PLC for the year ended 31 March 2024, in order for it to be in accordance with the Criteria.



20th May 2024  
Colombo



# Layers Of Preservation

Our commitment to water conservation, recycling, and reuse strategies, contributes to sustainable resource management and environmental responsibility.



## GOVERNANCE REPORTS

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# CORPORATE GOVERNANCE

## CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

As Chairman, I wish to place on record that my fellow Directors and I fully appreciate the importance of sound governance. The Board collectively committed to ensure the affairs of Hayleys Fabric PLC and its subsidiaries - South Asia Textiles Limited and Hayleys Fabric Solutions Limited are managed effectively in adherence to good governance principles. In the year under review the Board has adopted and complied with the new corporate governance rules for listed entities, issued by the Colombo Stock Exchange. Accordingly, we proceeded to conduct a detailed gap analysis to determine the areas that called for attention. On this basis, we undertook a number of measures to further strengthen our governance structure and frameworks to comply with the new listing rules.

The composition of the Board was revised with fresh appointments made to bring the new skills to the Board and to replace retiring Directors. Throughout this Board refreshment process, we continued to scrutinise our skill matrix, paying special attention to enhancing industry knowledge, finance expertise, diversity, and relevance to our strategic aspirations at the Board level. We also welcomed the opportunity to improve the Board balance in terms of independence and gender representation.

With the new Board in place by 3rd January 2024, we have set up our own Nominations and Governance Committee as well as our own Related Party Transactions Review Committee and formalised the Terms of Reference (TORs) for such Committees aligned to the new corporate governance rules for Listed Companies. Further, we have reviewed and adopted the TORs that were already in place for Audit Committee and for Remuneration Committee. With these developments, I am pleased to say that Hayleys Fabric PLC is fully compliant with the regulatory requirements pertaining to the 4 mandatory Board Sub Committees together with formation of ESG Steering Committee with the representation of the Board.

During the year, the Hayleys Fabric Group also adopted several new policies implemented by the parent entity, including the Bribery and Anti-Corruption policy and Shareholder and Investor communications policy.

In conclusion I declare that the Board is satisfied that it has fulfilled its responsibilities, as set out in the Board charter, and that the Board and Board Sub Committees have discharged their fiduciary duties, acted in good faith, with diligence and care, and in compliance with applicable regulatory frameworks including full compliance with the Corporate Governance Rules. In addition, I confirm that the Board of Directors, Corporate Management, and all employees have performed their duties in accordance with the "Hayleys Way" the Group's Code of Conduct and the Group's Bribery and Anti-Corruption policy.



**A.M. Pandithage**  
Chairman

15th May 2024.

## OVERVIEW

As a member of the Hayleys Group, Hayleys Fabric PLC and its subsidiaries South Asia Textiles Limited and Hayleys Fabric Solutions Limited benefit from the mature governance systems and insights of the parent Company which have evolved through over a century of experience and further augmented by international good practices.

## HAYLEYS FABRIC PLC



### STRUCTURE & OVERSIGHT

The Board has overall responsibility for governance across each Company and retains effective control through the respective structures and frameworks.

The members of the Board of South Asia Textiles Limited and Hayleys Fabric Solutions Limited comprise members of the Hayleys Fabric PLC Board, enabling a common standard of corporate governance across the Hayleys Fabric Group.



As a member of the Hayleys Group, Hayleys Fabric PLC, South Asia Textiles and Hayleys Fabric Solutions Limited benefit from the mature governance systems and insights of our parent Company developed over more than a century of existence.

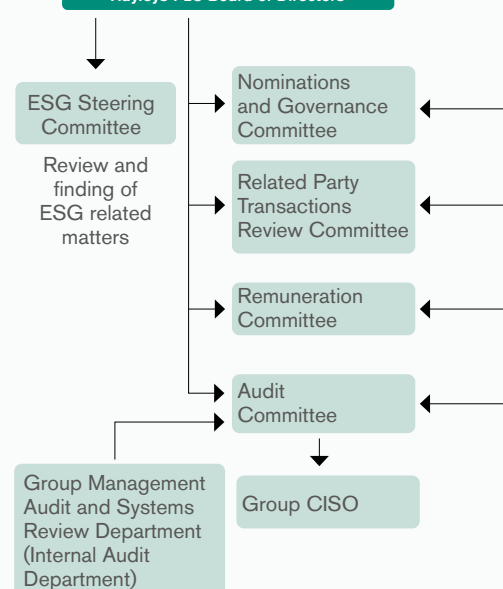
Governance systems are benchmarked to international best practice and rolled out effectively across the Group.



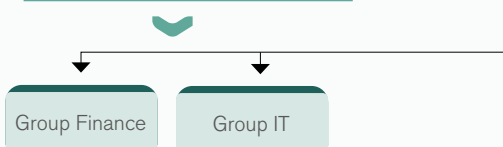
### HAYLEYS PLC



#### Hayleys PLC Board of Directors



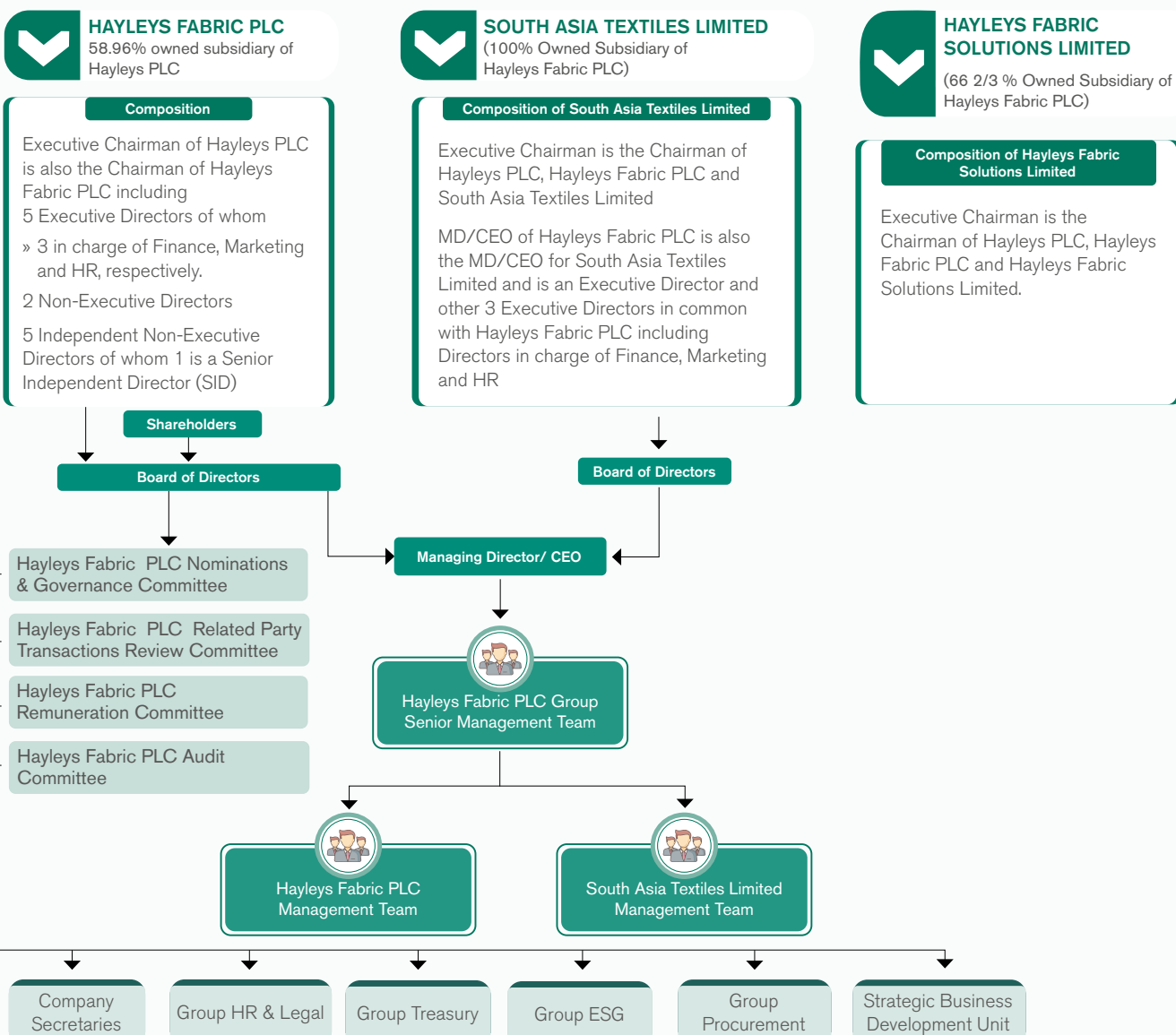
Other Group functions of Hayleys PLC which support coordination and harmonisation of Group policies and systems



## INTERNAL FRAMEWORKS

- » Articles of Association
- » Board Charter
- » Board Approved Sub Committee Terms of References (TOR's)
- » Hayleys Way - Group Code of Conduct
- » Hayleys Life Code

## GOVERNANCE STRUCTURE AND FRAMEWORK



### REGULATORY FRAMEWORKS

- » Companies Act No. 07 of 2007
- » CSE Listing Rules
- » SEC Rules & Directives
- » Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- » Shop and Office Employees Act of 1954
- » Factories Ordinance No. 45 of 1942.
- » Wages Board Ordinance
- » Social Security Act
- » Womens', Young Persons and Children's Act
- » Other applicable Regulations

### VOLUNTARY FRAMEWORKS

- » Code of Best Practices for Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka
- » <IR> Framework issued by the IIRC.
- » Global Reporting Initiative (GRI)
- » United Nations Global Compact Highlights
- » United Nations Sustainability Development Goals (SDG's)
- » Task Force on Climate related Financial Disclosure (TCFD)
- » Sustainability Accounting Standards (SASB)-Apparel, Accessories & Footwear standards.
- » SLFRS – S2 Climate Related Disclosure.

# CORPORATE GOVERNANCE

## THE BOARD

The Board is appointed by the shareholders and charged with ensuring the business and affairs of the Hayleys Fabric Group are conducted in a manner that is consistent with the best interests of the Group as a whole while taking into account the need to safeguard the interests of all stakeholders. In accordance with this mandate, the Hayleys Fabric Board serves as the highest governing body responsible for the

management of Hayleys Fabric PLC and its subsidiaries South Asia Textiles Limited and Hayleys Fabric Solutions Limited.

The members of the Boards of South Asia Textiles Limited and Hayleys Fabric Solutions Limited comprise members of the Hayleys Fabric PLC Board, enabling a common standard of corporate governance across the Hayleys Fabric Group.

## ROLE OF THE BOARD

The roles and responsibilities of the Hayleys Fabric Board are defined by the Board Charter, which has been approved by the Hayleys Group main Board. Accordingly, the Hayleys Fabric Board provides strategic direction and maintains supervisory oversight over the operations of the Group. In this regard, several key matters are reserved expressly for Board approval.

### RISK, CAPITAL AND LIQUIDITY PLANNING

- » Changes relating to the Group's capital structure
- » Approval of the annual Capital Expenditure (CAPEX) plan
- » Approval of risk appetite

### FINANCIAL RESULTS AND DIVIDENDS

- » Financial Results and Dividends
- » Approval of interim and annual financial statements dividends and any significant change in accounting policies or practices

### STRATEGY

- » Approval of the Group's strategic plan
- » Reviewing actual performance against strategy
- » Approving capital projects, investments, acquisitions, mergers or disposals

### MATTERS RESERVES EXCLUSIVE FOR BOARD APPROVAL



### REMUNERATION

- » Approval of the framework for determining the policy and specific remuneration of the Chair and Non-Executive Directors and KMPs
- » Approval of Non-Executive Directors payments

### BOARD AND SUB COMMITTEE MEMBERSHIP

- » Board appointments and removals
- » Establishment of Board Committee and their membership

### GOVERNANCE AND CONTROL

- » Approval of principal regulatory filings
- » Review and update the Terms of Reference (TOR) and membership of Board Sub Committees
- » Approval of Board and Board Sub Committees performance evaluation process
- » Review and update the Corporate Governance framework
- » Approval of division of responsibilities between the Chair and Chief Executive Officer
- » Appointment (or removal) of Company Secretary and Key Responsible Personnel

## Board Focus - Key Highlights for 2023/24

Early adoption of the new Corporate Governance rules	<ul style="list-style-type: none"> <li>» Revisited and revised Board composition</li> <li>» Formed its own Nominations and Governance Committee and Related Party Transactions Review Committee for Hayleys Fabric PLC</li> <li>» Reviewed and updated the existing TORs of Board Sub Committees and adopted TORs for new Board Sub Committees formed recently.</li> </ul>
ESG Reporting	<ul style="list-style-type: none"> <li>» Under the guidance of the Hayleys Group Sustainability team, began working towards early adoption of SLFRS S1 and S2 on a voluntary basis</li> </ul>
Shareholder Relations	<ul style="list-style-type: none"> <li>» Implemented a formal Policy on Relations with Shareholders and Investors was established</li> </ul>

## BOARD ACCOUNTABILITY

### Compliance and Best Practices

The Board is responsible for ensuring the Group remains fully compliant with all laws, rules, statutory directives and regulatory codes applicable across all levels of the business. The Board also plays a proactive role in promoting the early adoption of new

regulations as and when needed. Going beyond compliance, the Board strives to demonstrate its commitment to good governance by implementing global best practices as appropriate to add value to different aspects of the business. The list of compliance with Section 9 on Corporate Governance Rules for listed companies

issued by the Colombo Stock Exchange (CSE) is shown in Appendix 1 and the compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2023 in Appendix ii at the end of this report.



## Financial Control and Reporting

The Board is responsible for the provision of a balanced and understandable assessment of the performance, position and prospects of the Hayleys Fabric Group, including through financial statements and other disclosures. Accordingly, the Board has established a proper system of financial controls based on mandatory requirements further complemented by the adoption of best practices to ensure adequate records are maintained for the purpose of publishing timely, accurate and reliable information regarding Hayleys Fabric PLC's financial position. Furthermore, the external auditors Ernst & Young have reviewed and independently verified the Company's financial statements in line with the Sri Lanka Financial Reporting Standards (SLFRS) issued by Institute of Chartered Accountants of Sri Lanka.

Hayleys Fabric prepares and publishes interim quarterly financial statements, while the Annual Report is prepared to provide a detailed assessment of the Group's financial position for a particular financial year. For the past 9 years, Hayleys Fabric PLC has prepared and published an Integrated Annual Report in line with the International Integrated Reporting Council (IIRC) Integrated Reporting Framework (<IR>) to showcase both financial and non-financial performance.

Interim financials and the Annual Report are submitted to the CSE within the stipulated timeline and made available under the investor relations tab on the corporate website - [www.hayleysfabric.com](http://www.hayleysfabric.com)

For more information - please refer to the following;

- » Annual Report of the Board of Directors on the Affairs of the Company (page 168)
- » Responsibility Statement of Managing Director/ CEO and Director-Finance / Chief Financial Officer (page 174)
- » Board of Directors' Statement on Internal Control (page 175)
- » Statement of Directors' Responsibilities for Financial Statements (page 176)
- » Report of the Auditors (page 179).

## Risk Management and Internal Control

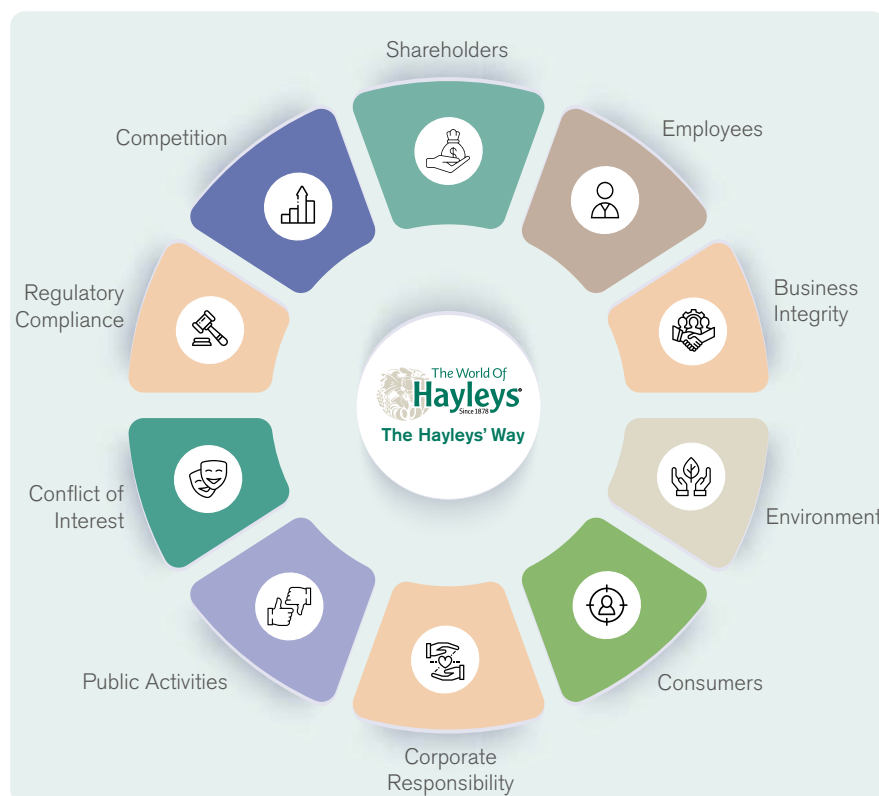
The Hayleys Fabric Board is responsible for ensuring that all key risks of the Group are adequately identified, measured, managed, and monitored and to facilitate this, has implemented robust risk management. This is supported by a comprehensive

internal control framework, which has been developed under the stewardship of the Board Audit Committee.

For more information - please refer to the Risk Management Report on page 59 and the Manufactured Capital Report on page 83.

## Ethics and Integrity

The Hayleys Fabric Board sets the tone from the top for promoting ethics and the highest standards of business integrity.



The Board is guided in this regard by the "Hayleys Way" - Group Code of Conduct and ethics which sets expected behavioural standards for employees and offers guidance regarding what is unacceptable in the course of normal business, thereby providing a solid foundation to inculcate strong business ethics at all levels of operation. All Directors and employees of Hayleys Fabric, without exception, are bound by the "Hayleys Way". Key topics covered under the "Hayleys Way" Group Code of Conduct are Ethics-specific topics covered under the Hayleys Way include

- » Anti-Bribery and Anti-Corruption Policy - defining the Group's stance against bribery, kickbacks and facilitation payments. The Policy also includes clauses relating to giving and accepting gifts by employees in their normal course of work. The Anti-Bribery and Anti-Corruption Policy applies to all Group Directors and employees without exception. Regular training is conducted

to reinforce these principles among employees and Directors. Similarly, business partners and third parties who act on behalf of the Group are also encouraged to follow the key principles encapsulated in the Anti-Bribery and Anti-Corruption policy.

- » Whistleblowing Policy - creates a channel to anonymously report on possible financial irregularities, inappropriate financial reporting, internal controls, or other issues. All Whistleblower complaints are reviewed by the Hayleys Group Whistleblowing Committee with the Committee taking all reasonable steps to maintain two-way communication with the whistleblower, as much as possible. Employees are made aware of the Whistleblowing process through special awareness sessions conducted regularly. Full details regarding the Whistleblower policy and the modalities of its operation is also made available on the intranet

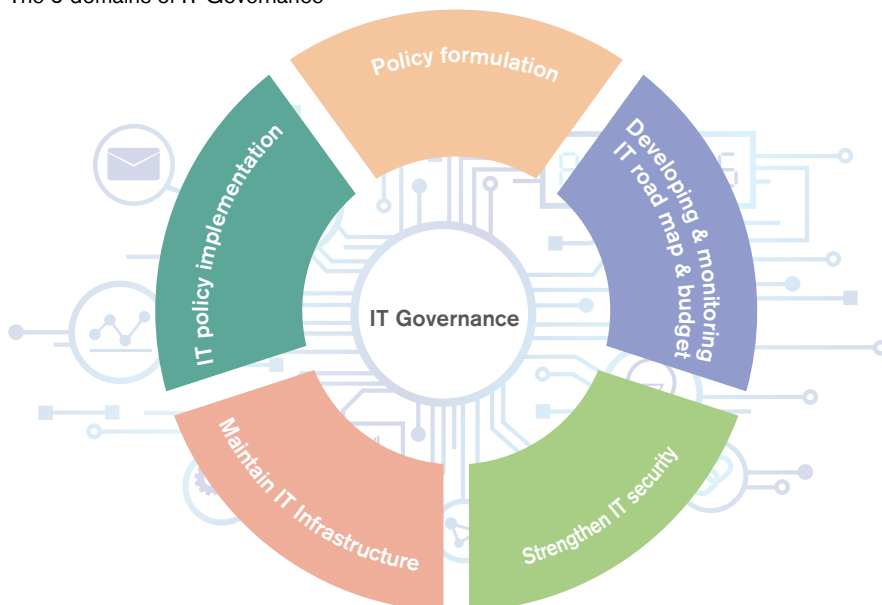


# CORPORATE GOVERNANCE

## IT Governance

IT governance is another key area of responsibility under the purview of the Hayleys Fabric Board. The Board discharges its duty for IT governance assisted by the Hayleys Group IT Department for policy formulation, developing the IT roadmap and budgets as well as for strengthening information security oversight. The Hayleys Group Head of IT functions as the CISO and the Data Protection Officer for the Hayleys Fabric Group as well. At an operational level, the responsibility for maintaining the IT infrastructure, and implementing IT policies comes under the purview of the Hayleys Fabric Group IT Head.

### The 5 domains of IT Governance



## HR Governance

The Board plays a key role in ensuring Hayleys Fabric and its subsidiaries - South Asia Textiles Limited and Hayleys Fabric Solutions Limited are equipped with the manpower to support the achievement of the short-, medium- and long-term objectives. Matters relating to compliance and policy implementation are managed centrally under the stewardship of the Director HR & Admin - Hayleys Textile Cluster. The Director HR & Admin works with the HR Manager at each factory to ensure compliance with all applicable labour laws and provide oversight for the implementation of the Hayleys Group policy framework pertaining to human capital matters

For more information - please refer to the Human Capital Report on page 93.

## Stakeholder Engagement

The Hayleys Fabric Board recognises the importance of maintaining positive stakeholder relationships and has adopted an inclusive approach to engage and interact with the Group's key stakeholders.

For more information - please refer to the Stakeholder Engagement Page 46

## ESG Reporting

The Hayleys Board maintains a strong commitment to ESG principles and to reiterate this commitment has voluntarily adopted globally accepted ESG reporting frameworks such as the Global Reporting Framework (GRI), the United Nations Global Compact (UNCG), United Nations Sustainable Development Goals (UN SDG's), Sustainability Accounting Standard (SASB) - Apparel, Accessories & Footwear Standard and the Task Force on Climate-related Financial Disclosures (TCFD). Independent Assurance Reports have been obtained in regard to GRI and SASB.

For more information - please refer to the following;

- » United Nations Global Compact - highlights (page 124)
- » United Nations Sustainable Development Goals - contribution to selected targets (page 64-67)
- » Task Force on Climate related Financial Disclosures (page 126)
- » GRI Content Index (page 128)
- » Sustainability Accounting Standard (SASB) - Apparel, Accessories & Footwear Standard (page 139)

» Independent Assurance Report GRI and SASB (page 141)

In the year under review, the Board began working towards voluntary reporting on the SLFRS - S1 and S2 standards that are set to become mandatory for listed entities in Sri Lanka with effect from 01st January 2025.

For more information - please refer to the Natural Capital Report on page 108;

## Shareholder Relations

Acknowledging the importance of building strong relationships with shareholders, the Board maintains a range of channels to inform shareholders of key matters. These include; the Annual General Meeting (AGM), Annual Report, CSE announcements, investor information on the corporate website and other press releases issued from time to time.

A formal Policy on Relations with Shareholders and Investors was established by the Hayleys Group in the current financial year and was adopted by Hayleys Fabric PLC.

## Annual General Meeting (AGM)

The Annual General Meeting (AGM) serves as the main forum for shareholders to connect directly with the Board to raise any concerns and make suggestions. All Group Directors along with the Corporate Management team of Hayleys Fabric PLC, South Asia Textiles Limited and Hayleys Fabric Solutions Limited are present at the AGM.

The Annual Report, notice of the AGM and any other resolution that require shareholder approval along with voting instructions are circulated to shareholders a minimum 15 working days prior to the AGM allowing for sufficient time for shareholders to review the documentation prior to attending the AGM.

Hayleys Fabric PLC's next AGM is scheduled to be held on 25th June 2024.

## BOARD COMPOSITION

The composition of the Hayleys Fabric Board is governed by the Articles of Association as well as the Listing rules of the Colombo Stock Exchange. In the year under review, the Board composition was subject to change with effect from 31st December 2023 in keeping with the Board balance criteria set out under the new corporate governance rules issued by the CSE.

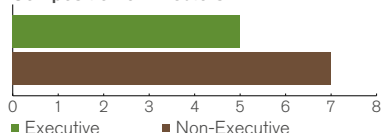
Accordingly, as at 31st March 2024, the Hayleys Fabric Board comprised 12 Directors, of which 5 Directors including the Chairman functioned in an Executive Capacity, along with 2 Non-Executive Directors (NEDs), 4 Independent Non-

Executive Directors (INEDs) as well as 1 Senior Independent Director (SID) (owing to the fact that the Chairman functions in an Executive role). The current Board comprises a healthy mix of Executive Directors and Independent Non-Executive

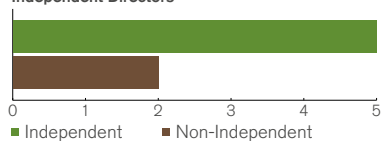
Directors. Achieving this ideal balance required the appointment of several new Directors, and also meant the resignation of others in keeping with the CSEs' fit and proper criteria.



Composition of Directors



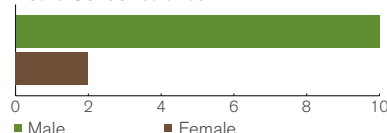
Independent Directors



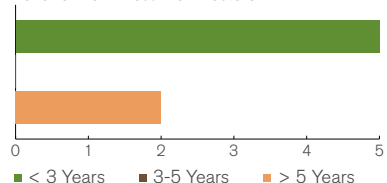
Diversity of Expertise



Board Gender balance



Tenor of Non-Executive Directors



In the process of new Director appointments, due consideration was also given to maintaining greater Board diversity in terms of the mix of skills, experience, gender, age etc in order to improve the effectiveness of Board deliberations based on different perspectives and independent judgement.

As per applicable procedures all appointments/resignations of the Directors are communicated to the shareholders through the Colombo Stock Exchange. In relation to appointments, a brief resume of the Director will also be included in the announcement.

Moreover, all Directors appointed in this manner during the year are eligible to offer themselves for re-election at the next AGM.



Board Refreshments - 2023/24

New Appointments (on 3rd January 2024)	Resignations	Retire by Rotation
Mr. N. Ekanayake	Mr. R.N. Somaratne (w.e.f. 08th January 2024)	Mr. I.B.R.R. Bandara
Mr. M.N.R. Fernando	Dr. N.S.J. Nawaratne (w.e.f. 31st December 2023)	Mr. M.H. Jayasinghe
Mr. A.A. Mason	Mr. A.S. Jayatilleke (w.e.f. 31st December 2023)	
Ms. S. Amarasekera PC		

### CONFLICTS OF INTEREST

As part of their fiduciary duty, all Directors are expected to exercise utmost good faith, honesty and integrity in performing their role as a member of the Hayleys Fabric Board. This includes disclosing real or perceived conflicts to the Board. All Directors are required to furnish a formal annual declaration to the Related Party Transactions Review Committee indicating their interests in other entities and the Directorships they hold in other organisations.

An assessment of Director's Independence is carried out annually by the Board, based

on annual declaration and other information submitted by Directors and using the criteria as set out in the Listing Rules of the Colombo Stock Exchange and schedule C of the Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka.

Moreover, in line with best practices outlined in the Code, an affected Director is expected to exercise due care by recusing himself/herself from participating in any meetings where the item in which he/she has an interest is being discussed.

# CORPORATE GOVERNANCE

## DIVISION OF RESPONSIBILITIES BETWEEN THE CHAIRMAN AND CEO

Corporate Governance responsibilities at Hayleys Fabric are structured in such a manner that prevents any one individual from having unfettered power or decision-making authority. The Articles of Association provide guidelines for maintaining the appropriate balance of power and authority through the clear segregation of duties and responsibilities between the Hayleys Fabric Board Chairman and the duties of the Managing Director / CEO.

Division of Responsibilities		
<b>Chairman</b>	Leads the Board, preserving good corporate governance and ensuring that the Board works ethically and effectively	<ul style="list-style-type: none"> <li>» Setting the Board's annual work plan and the agendas, in consultation with the Company Secretary and the MD/CEO</li> <li>» Ensuring effective participation of all Board members during Board meetings</li> <li>» Facilitating and encouraging discussions amongst all Directors of matters set before the Board and ensuring a balance of power is maintained between Executive and Non-Executive Director (NED)</li> <li>» Monitoring the effectiveness of the Board</li> <li>» Building and maintaining stakeholder trust and confidence</li> </ul>
<b>Senior Independent Director</b>	Strengthens the independence at Board-Level	<ul style="list-style-type: none"> <li>» Acts as an intermediary between the Chair and other members of the Board when necessary</li> <li>» Hold separate discussions with NED's without the presence of Executive Directors</li> <li>» Maintains an additional channel to deal with shareholders concerns where contact through the normal channels have failed to resolve concerns, or where such contact is inappropriate</li> </ul>
<b>Managing Director / CEO</b>	Accountable for the day to day operations	<ul style="list-style-type: none"> <li>» Appointing and ensuring proper succession planning of the corporate management team to support the Board approved strategy.</li> <li>» Developing and recommending to the Board business plans and budgets in line with the Board approved strategy.</li> <li>» Monitoring and reporting to the Board on the performance against strategy of the Company and its compliance with applicable laws and Corporate Governance principles.</li> <li>» Maintaining high standards of ethics in line with the Hayleys Group values</li> <li>» Ensuring that the Company operates within the approved risk appetite.</li> </ul>

## BOARD MEETINGS

The Hayleys Fabric Board meets every quarter, or more often if needed. It is mandatory for all Directors to attend Board Meetings. All Directors are required to come well prepared for each meeting and actively participate in all matters outlined under the agenda. Selected members of Hayleys

Fabric's Corporate Management consisting of Key Management Personnel, also attend Board meetings, on invitation.

The Company Secretary maintains minutes of every Board meeting. Directors' concerns regarding matters which are not resolved unanimously are also recorded in the minutes.

The Company Secretary is required to present the minutes to the Board Chairman for approval prior to circulation among the Directors and other members of Corporate Management who were present at the particular meeting. The Minutes of the meetings are typically circulated within two weeks after the meeting date.

## PLANNING OF BOARD MEETINGS

Meeting calendar is prepared by the Company Secretary annually in advance and communicated to all Board members.

The Chairman sets the Board agenda, assisted by the Company Secretary. The agenda is prioritised and timed to ensure all items are discussed. Directors are allowed to make a written request to the Chairman detailing any additional matters to be included in the agenda.

The finalised agenda along with a comprehensive Board pack containing relevant Board Papers are circulated among all Directors at least seven (07) working days prior to the meeting date, allowing Board members sufficient time to review the same.

### ACCESS TO INFORMATION

In preparing for Board Meetings, Directors are allowed to reach out to Corporate Management to obtain necessary information or clarifications. Directors are also allowed to seek independent professional advice at the Group's expense, as needed.

### TRAINING FOR DIRECTORS

All Directors are encouraged to regularly update their knowledge and skills with the cost of training borne by Hayleys Fabric. This also includes continuous professional development in the respective fields.

The Board is currently in the process of developing a special induction programme for new Directors.

### DIRECTORS' REMUNERATION

Remuneration of Executive Directors, including the Managing Director / CEO and Corporate Management comprise both fixed and variable components with remuneration packages designed to attract eminent professionals with the requisite skills and experience. In compliance with Schedule G of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka, remuneration of Executive Directors and KMP's comprises fixed and variable components with the variable component linked to the achievement of defined performance targets established by the Board. In line with Hayleys Fabric commitment to fair and equitable remuneration, the Remuneration Committee is assigned with the responsibility of evaluating baseline industry standards and

making recommendations to the Board regarding benchmark salary scales for Executive Directors and KMP's. It should be noted that no special early termination clauses are included in the contract of employment of Executive Directors that entitle them to claim extra compensation. However, such compensation, if any, would be determined by the Board of Directors.

Meanwhile, taking into consideration market practices, the Board determines the fee paid to Independent Non-Executive Directors (INEDs) and Non-Executive Directors (NEDs) in recognition of the time commitment and responsibilities associated with their role as a member of the Hayleys Fabric Board. INEDs and NEDs do not receive any performance-related / incentive payments.

### Attendance At Meetings

Directors	Position	Date of Appointment	Board	Audit
Mr. A.M. Pandithage	Executive Chairman	01.07.2007	4/4	-
Mr. E.R.P. Goonetilleke	Managing Director/Chief Executive Officer	01.03.2013	4/4	-
Mr. S.C. Ganegoda	Non-Executive Director	01.11.2009	4/4	-
Ms. K.A.D.B. Perera	Non-Executive Director	19.10.2022	3/4	-
Mr. H. Somashantha	Independent Non-Executive Director	02.02.2012	3/4	3/4
Mr. R.N. Somaratne (Resigned w.e.f 08.01.2024)	Independent Non-Executive Director	02.02.2012	2/2	-
Dr. N.S.J. Nawaratne (Resigned w.e.f 31.12.2023)	Independent Non-Executive Director	25.04.2014	2/2	2/2
Mr. A.S. Jayatileke (Resigned w.e.f 31.12.2023)	Senior Independent Director	30.03.2015	2/2	2/2
Mr. N. Ekanayake (Appointed on 03.01.2024)	Senior Independent Director	03.01.2024	2/2	2/2
Mr. M.N.R. Fernando (Appointed on 03.01.2024)	Independent Non-Executive Director	03.01.2024	2/2	2/2
Ms. S. Amarasekera PC (Appointed on 03.01.2024)	Independent Non-Executive Director	03.01.2024	1/2	-

# CORPORATE GOVERNANCE

## Attendance At Meetings

Directors	Position	Date of Appointment	Board	Audit
Mr. A.A. Mason (Appointed on 03.01.2024)	Independent Non-Executive Director	03.01.2024	2/2	-
Mr. I.B.R.R. Bandara	Executive Director	15.05.2018	4/4	-
Mr. M.H. Jayasinghe	Executive Director	01.04.2019	4/4	-
Mr. K.P.C.P.K.Pathirana	Executive Director	10.08.2020	4/4	-
Total No. of Meetings			4	4

## BOARD SUB COMMITTEES

While the Board has ultimate responsibility for the affairs of the Group, Board Sub Committees play a vital role assisting the Board to perform its oversight role more effectively. As per the established structure in the past, the Hayleys Fabric Board had

established its own Audit Committee and Remuneration Committee. Hayleys Fabric Board recently formed its own Nominations and Governance Committee and Related Party Transactions Review Committee following the new Corporate Governance Rules issued by the CSE for listed entities.

In compliance with the new rules, Hayleys Fabric established all four mandatory Sub Committees under its own Board with the duties and responsibilities delegated to Board Sub Committees documented in each Committee's Terms of Reference (TOR) which was formally approved by the Hayleys Group Board.

Board Committee	Areas of Oversight	Composition	Date of Appointment
Audit Committee	<ul style="list-style-type: none"> <li>» Financial Reporting</li> <li>» Internal Controls</li> <li>» Internal Audit</li> <li>» External Audit</li> </ul>	Comprises three Independent Non-Executive Directors including the Chairman of the Committee.	Report of the Audit Committee on page 161
Nominations and Governance Committee	<ul style="list-style-type: none"> <li>» Appointment of Key Management Personnel/ Directors</li> <li>» Succession Planning</li> <li>» Effectiveness of the Board and its Committees</li> </ul>	Comprises two Independent Non-Executive Directors and one Non-Executive Director.  Chairman of the Committee is the Senior Independent Director	Report of the Nominations and Governance Committee on page 166
Remuneration Committee	<ul style="list-style-type: none"> <li>» Remuneration policy for Key Management Personnel</li> <li>» Goals and targets for Key Management Personnel</li> <li>» Performance evaluation</li> </ul>	Comprises three Independent Non-Executive Directors.  Chairman of the Committee is the Senior Independent Director.	Report of the Remuneration Committee on page 164
Related Party Transactions Review Committee	<ul style="list-style-type: none"> <li>» Review of related party transactions</li> </ul>	Comprises two Independent Non-Executive Directors and one Non-Executive Director.  Chairman of the Committee is the Senior Independent Director.	Report of the Related Party Transactions Review Committee on page 165



## BOARD AND BOARD SUB COMMITTEE EVALUATION

To ensure Hayleys Fabric is led by a competent and well balanced Board, all the Directors are required to submit an annual self-evaluation to the Nominations and Governance Committee. The Nominations and Governance Committee together with the Board Chairman review these self evaluations against pre-established criteria derived from the Board's charter and responsibilities. The results of the evaluation are used as the basis of establishing skills gaps at Board level and for determining training needs of Directors.

## EVALUATING THE PERFORMANCE OF EXECUTIVE DIRECTORS INCLUDING THE MANAGING DIRECTOR / CEO

The performance of all Executive Director, including the Managing Director / CEO is assessed annually by the Board Chairman,

with the findings shared with the Board for the determination of adjustments to remuneration

## ROLE OF THE COMPANY SECRETARY

Hayleys Group Services (Private) Limited functions as the Company Secretary of Hayleys Fabric PLC.

The office of the Company Secretaries is integral to the effective functioning of the Board and assisting the Chairman and guiding the Board in discharging their duties and responsibilities. Directors have unrestricted access to the Company Secretary.

### Responsibilities include

- » Ensuring the conduct of Board and General Meetings in accordance with the Articles of Association and relevant legislation

- » Maintaining statutory registers and the minutes of Board Meetings.
- » Prompt communication to regulators and shareholders.
- » Filing statutory returns and facilitating access to legal advice in consultation with the Board, where necessary.
- » Maintain Register of Directors & Secretaries with the details of Directors' & Secretaries' particulars including names, surnames, former names (if any), residential address, business, occupation, date of appointment and date of resignation (if applicable).
- » Maintaining minutes of Sub Committee meetings.

Directors have access to the advice and services of this group function as necessary. Appointment and removal Company Secretary is a matter for the Board.

## Appendix I - Compliance with the Continuing Listing Requirements Section 9 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys Fabric PLC's Extent of Adoption
9.2.1	Policies	Compliant	The Company has established and continues to maintain the policies on Board and Board Sub Committees, Corporate Governance, Nominations, Remuneration, Internal Code of Business Conduct, Risk Management and Internal Control, Relations with Shareholders and Investors, Environment, Social Governance and Sustainability and Anti Bribery and Whistleblowing policy.
9.3	Board Committees	Compliant	The Company has established Nominations and Governance Committee, Remuneration Committee, Audit Committee and Related Party Transactions Review Committee.
9.3.3	Chairperson of Board Committees	Compliant	Chairperson of Board Committees is not the Chairperson of the Board.
9.4.1	Meeting Procedures	Complaint	Company maintains records of all resolutions passed at General Meetings.
9.4.2	Communication and Relations with shareholders	Complaint	The Company has a Shareholder Communication and Relations policy and it is published on the corporate website.  The contact person is mentioned.  The policy includes a process whereby Directors are informed of major issues and concerns of shareholders.
9.5.	Policy on matters relating to the Board of Directors	Complaint	The Company maintains a Policy on Matters relating to the Board of Directors.
9.6. 2	Chairperson and CEO	Complaint	Chairperson and MD/CEO are not the same person.  However, since the Chairman is an Executive , market announcement was made on 03rd November 2023 with the required information.

# CORPORATE GOVERNANCE

## Appendix I- Compliance with the Continuing Listing Requirements Section 9 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys Fabric PLC's Extent of Adoption
9.6.3	Senior Independent Director (SID)	Complaint	The Company has appointed a Senior Independent Director since the Chairperson is an Executive Director.
9.6.3. (b)	Senior Independent Director	Complaint	The SID holds a meeting once a year with the Independent Directors without the presence of other Directors to discuss matters and concerns relating to the Company.
9.6.3. (c)	Senior Independent Director	Complaint	The SID holds a meeting once a year with the Non-Executive Directors without the presence of the Chairperson to appraise the Chairperson's performance.
9.6.3. (e)	Senior Independent Director	Complaint	The SID has made a disclosure demonstrating the effectiveness of duties of the SID in page 163
9.7.1	Fitness of Directors and CEO	Complaint	The Company ensures that the persons recommended by the Nominations and Governance Committee fulfill the assessment criteria set out in the Listing Rules
9.7.4	Fitness of Directors and CEO	Complaint	The Directors and the CEO have provided the declaration confirming that they satisfy the Fit and Proper Assessment Criteria during the financial year and as at the date of such confirmation.
9.8.1	Minimum number of Directors	Compliant	The Board consisted of 12 Directors.
9.8.2	Independent Directors (ID)	Compliant	Five Directors are Independent
9.8.3	Independent Directors	Compliant	All NEDs have submitted their confirmations on Independence as per the criteria set by Hayleys Fabric PLC, which is in line with the regulatory requirements.
9.8.5	Disclosure relating to Directors	Compliant	Each ID signed and submitted a declaration regarding his/her independence. The Board assessed the independence declared by the Director. The Board having considered that the Independent Directors who have served over 9 years do not exert control over the Company and are capable of acting in an impartial and independent manner, determined that they are nevertheless independent. The same is disclosed in pages 151.
9.10.2	Disclosure relating to Directors	Compliant	Disclosed the appointments of new Directors to the Colombo Stock Exchange, together with a brief resume of Director, capacity of directorship and if they hold any relevant interest in shares of the Listed Entity. Appointments are reviewed by the Nominations and Governance Committee and recommended to the Board.  Please refer pages 14 to 19 for the brief resume of each Director.
9.10.3	Disclosure relating to Directors	Compliant	All changes to Board Committees were immediately informed to the Colombo Stock Exchange.
9.10.4	Disclosure relating to Directors	Compliant	Pages 14 to 19 of the Annual Report contains the relevant information

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys Fabric PLC's Extent of Adoption
9.11.1-3	Nominations and Governance Committee	Compliant	The Parent Company's Nominations and Governance Committee acted as the Company's Nominations and Governance Committee during the year until the Company established its own.  Company established its own committee on 15th May 2024. The Committee has written Terms of Reference (TOR).
9.11.4	Composition of the Nominations and Governance Committee	Compliant	The Nominations and Governance Committee comprises 2 Independent Non-Executive and 1 Non-Executive Director.
		Compliant	The Chairman of the Committee is the Senior Independent Director.
9.11.5	Functions of the Nominations and Governance Committee	Compliant	Refer the Nominations and Governance Committee Report on pages 166
9.12. 1	Remuneration Committee	Compliant	Refer the Remuneration Committee Report on page 164 and Principles B1 to B3 on page 159 of this Corporate Governance Report.
9.12.6	Composition of the Remuneration Committee	Compliant	The Remuneration Committee Comprises 3 Independent Non-Executive Directors. Chairman of the Committee is the Senior Independent Director.
9.12.7	Functions of Remuneration Committee	Compliant	The remuneration Committee recommends the remuneration payable to the Executive Directors and the MD/CEO.  The remuneration paid to Directors is given in note 22 to the financial statements on page 216.
9.12.8	Disclosure in the Annual Report relating to Remuneration Committee	Compliant	Remuneration Committee Report on page 164
9.13.1	Audit and Risk Functions	Compliant	Audit Committee additionally perform the Risk Functions.
9.13.2	Audit Committees Terms of Reference	Compliant	Audit Committee adopted a written Terms of Reference which has been periodically reviewed and revised.
9.13.3	Composition of the Audit Committee	Compliant	The Audit Committee comprises 3 Independent Non-Executive Directors. Chairman of the Committee is a member of a recognised professional accounting body.
9.13.4	Audit Committee Functions	Compliant	Refer Audit Committee Report on pages 161 to 162
9.13.5	Disclosure in the Annual Report relating to Audit Committee	Compliant	Refer Audit Committee Report on pages 161 to 162
9.14.2	Composition of the Related Party Transactions Review Committee (RPTRC)	Compliant	The Parent Company's RPTRC acted as the RPTRC of the Company during the year until the Company established its own RPTRC on 15th May 2024. RPTRC of the Company comprises 2 Independent Non-Executive Directors and 1 Non-Executive Director. Chairman of the Committee is the Senior Independent Director.
9.12.3	Functions of RPTRC	Compliant	Refer the Report of the Related Party Transactions Review Committee in page 165.
9.12.4	RPTRC Meetings	Compliant	RPTRC met 04 times during the financial year 2023/24.
9.14.7	Immediate Disclosures	Compliant	Refer Note 26 of the Notes to the Accounts on pages 219 to 221
9.14.8 (1) & (2)	Disclosure of Non-Recurrent and Recurrent Related Party Transactions	Compliant	Refer Note 26 of the Notes to the Accounts on pages 219 to 221
9.14.8 (3)	The Report by the Related Party Transactions Review Committee	Compliant	Refer the Report of the Related Party Transactions Review Committee on page 165
9.14.8 (4)	An affirmative declaration by the Board of Directors	Compliant	Refer the Annual Report of Board of Directors for an affirmative statement of compliance of the Board on pages 168 to 173
9.16	Additional Disclosures	Compliant	Refer the Report of the Annual Report of Board of Directors on pages 168 to 173

# CORPORATE GOVERNANCE

## Appendix II: Compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2023

As requirements of the Code have been discussed in the Corporate Governance Report, we have provided the relevant references to the report.

Code Ref.	Requirement	Complied	Reference within the Annual Report	Page
<b>A</b>	<b>Directors</b>			
A.1	<b>An effective Board should direct, lead and control the Company</b>			
A.1.1	Regular Board meetings, provide information to the Board on a structured and regular basis	Yes	Meetings & Minutes	152
A.1.2	Role and Responsibilities of the Board	Yes	Governance Structure	146-147
A.1.3	Act in accordance with laws of the Country Independent professional advice	Yes	Compliance Informed Decision Making	148
A.1.4	Access to advise and services of the Company Secretary	Yes	Company Secretary	155
A.1.5	Independent judgement	Yes	Directors Independence	151
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	Yes	Directors Interests and Related Party Transactions	151
A.1.7	Calls for resolutions by at least 1/3rd of Directors	Yes	Meetings & Minutes	152
A.1.8	Board induction and Training	Yes	Informed Decision Making	153
A.2	Chairman and CEO	Yes	Roles & Responsibilities	152
A.3	Chairman's role in preserving good corporate governance	Yes	Roles & Responsibilities	152
A.4	Availability of financial acumen	Yes	Board Composition	151
A.5	Board Balance	Yes	Board Composition	151
A.5.1	NEDS should be majority of the Board as Chairman is an ED. The 2/3rd of NED should be IND.	Yes	Board Composition	151
A.5.2	If the Board includes only 3 NEDs, they should be independent	N/A		
A.5.3	Independence of Directors	Yes	Director Independence	151
A.5.4	Annual declaration of independence by Directors	Yes	Director Independence	151
A.5.5	Annual determination of independence of NEDs	Yes	Director Independence	151
A.5.6	Alternate Directors	N/A		
A.5.7 & A.5.8	Senior Independent Director Report from SID should be provided in the Annual Report	Yes	Board Composition Senior Independent Director's Report	151 & 163
A.5.9	Annual meeting with NEDs	Yes	Chairman and Senior Independent Director respectively, meet with NEDs informally	152
A.5.10	Recording of dissent in minutes	Yes	Meetings and minutes	152
A.6	Supply of Information	Yes	Informed Decision Making	146
A.7	Appointments to the Board and Re-election	Yes	Board Refreshment	151
A.7.1	Composition of Nominations and Governance Committee	Yes	Nominations and Governance Committee Report	166
A.7.2	Annual Assessment of the Board	Yes	Nominations and Governance Committee Report	166
A.7.4	Disclosures on appointment of new Directors	Yes	Board Refreshment	151

Code Ref.	Requirement	Complied	Reference within the Annual Report	Page
A.7.5	The Chairman and members of the Nomination Committee should be identified in the Annual Report. A separate section of the Annual Report should describe the work of the Nomination Committee including the process it has used in relation to Board appointments.	Yes	Nominations and Governance Committee Report	166
A.7.6	Terms of Reference for Nominations Committee	Yes	Nominations and Governance Committee Report	166
A.8	Directors to submit themselves for re-election	Yes	Board Refreshment	151
A.9	Appraisal of Board and sub-Committee Performances	Yes	Nominations and Governance Committee Report	166
A.10	Annual Report to disclose specified information regarding Directors	Yes	Board Profiles Meetings & Minutes Directorships in Other Companies Membership in committees	16
A.11	Appraisal of the CEO	Yes	Appraisal of MD/CEO	155
<b>B.</b>	<b>Directors Remuneration</b>			
B.1	Establish process for developing policy on executive and Director remuneration.	Yes	Responsible and Fair Remuneration	153
B.2	Level and Make Up of Remuneration	Yes	Responsible and Fair Remuneration	153
B.3	Disclosure of Remuneration	Yes	Responsible and Fair Remuneration Remuneration Committee Report Note 22 to Financial Statements	155 & 164
<b>C</b>	<b>Relations with Shareholders</b>			
C.1.	Constructive use of the AGM & Other General Meetings	Yes	Constructive use of the Annual General Meeting (AGM)	150
C.2.	Communication with shareholders	Yes	Communication with Shareholders	150
C.3	Disclosure of major and material transactions	Yes	During the year, there were no major or material transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of Company.	
<b>D.</b>	<b>Accountability &amp; Audit</b>			
D. 1	Present a balanced and understandable assessment of the Company's financial position, performance and prospects	Yes	Communication with Shareholders	150
D1.1	Balanced Annual Report	Yes	Communication with Shareholders	150
D.1.2	Balanced and understandable communication	Yes	Relations with Shareholders	150
D.1.3	CEO/CFO declaration	Yes	Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	174
D.1.4	Declarations by the Directors	Yes	Annual Report of the Board of Directors on the Affairs of the Company	168
D.1.5	Statement by the Board on their responsibilities for the preparation and presentation of financial statements, statement by the Auditors about their responsibilities and Report on Risk Management and Internal Control	Yes	Directors' Responsibility for Financial Reporting Directors' Statement on Internal Control Risk Management Auditors Report	176 175 59 179



# CORPORATE GOVERNANCE

Code Ref.	Requirement	Complied	Reference within the Annual Report	Page
D.1.6	Management Discussion & Analysis	Yes	Capital Report	71
D.1.7	Net Assets < 50%	Yes	In the unlikely event of the net assets of the Company falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken.	
D.1.8	Related Party Transactions	Yes	Directors' Interest in Contracts with the Company	151
D.2.	Risk Management  Policy for risk management. Define framework to identify, assess, monitor and manage risks with clear delegation of responsibilities. Establish risk committee or extend this responsibility to another committee	Yes	Risk Management and Internal control Report of the Audit Committee Directors' Statement of Internal Control Risk Review	161 175 59
D.3.	Audit Committee	Yes	Audit Committee Report	161
D.5	Related Party Transactions Review Committee	Yes	Related Party Transactions Review Committee Report	165
D.6	Code of Business Conduct and Ethics	Yes	Code of Business conduct and ethics - "The Hayleys Way"  The Whistle blowing policy of the Company	149
D.7	Corporate Governance Disclosures	Yes	Corporate Governance Report	146
<b>E/F</b>	<b>Institutional and other investors</b>			
	Institutional and other investors,	Yes	Relations with Shareholders	150
G.	Internet of Things & Cybersecurity	Yes	Information Technology and Cyber Security	150
H	Sustainability: ESG Risk and Opportunities	Yes	Sustainability Strategy	64

# REPORT OF THE AUDIT COMMITTEE

As Chairman of Hayleys Fabric PLC's Audit Committee, I am pleased to present the report of the Audit Committee for the year ended 31st March 2024 which has been prepared by the Committee. The purpose of this report is to describe how the Committee has carried out its responsibilities during the year.

In discharging its duties, the Audit Committee seeks to balance independent oversight of the matters within its remit with providing support and guidance to the management. I remain confident that the Committee, supported by the members of senior management and the external auditors, has carried out its duties in the year under review, effectively and to a high standard.

## PURPOSE OF THE COMMITTEE

The Audit Committee was established to assist to Board in fulfilling its oversight responsibility for the Company's financial reporting system, compliance with legal and regulatory requirements, internal control mechanism, risk management process, internal audit function and review of independence and performance of External Auditors, with a view to safeguarding the interests of the shareholders and all other stakeholders.

The power and responsibilities of the Audit Committee of Hayleys Fabric PLC are governed by the Audit Committee Charter which is approved and adopted by the Board.

## TERMS OF REFERENCE

The Audit Committee has written terms of reference, dealing with its authority and duties, which is carefully designed to discharge the Committee's purpose, duties and responsibilities of the Committee.

The terms of reference comply with the requirements of Rule 9.13.2 of the Corporate Governance Listing Rules of the Colombo Stock Exchange (CSE).

## COMMITTEE STRUCTURE

The Audit Committee of Hayleys Fabric PLC is formally constituted as a sub-committee of the Main Board. The Committee's composition met the requirements of 9.13.3 of the Listing Rules of the Colombo Stock Exchange. The members of the Audit Committee are as follows.

Audit Committee Members	
Chairman	Mr. H. Somashantha* (Chartered Accountant)
Members	Mr. M.N.R. Fernando* (Appointed on 03.01.2024)
	Mr. N. Ekanayake** (Appointed on 03.01.2024)
	Mr. A.S. Jayatilleke ** (resigned w.e.f. 31.12.2023)
	Dr. N.S.J. Nawaratne * (resigned w.e.f. 31.12.2023)
	*Independent Non-Executive Director
	** Senior Independent Director
Secretary to the Committee	Hayleys Group Services (Private) Limited
Attendance by invitation	Mr. A.M. Pandithage – Chairman- Hayleys Fabric PLC
	Mr. E.R.P. Goonetilleke – Managing Director/CEO- Hayleys Fabric PLC
	Mr. S.C. Ganegoda – Director- Hayleys Fabric PLC
	Mr. I.B.R.R. Bandara- Director-Finance- Hayleys Fabric PLC
	Mr. T.M. Hewagama- Group CFO- Hayleys PLC
	Mr. A. Mathangaweera- Manager- (MA & SRD)- Hayleys PLC

## MEMBERS AND MEETINGS

The Audit Committee comprises individuals with extensive experience in the fields of Accounting & Finance, Corporate Management, and Marketing & Strategic Management.

The Chairman of the Audit Committee is a member of the Institute of Chartered Accountants of Sri Lanka and the profiles of the members are given on pages 14 to 19 of this report.

## DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

Financial Reporting

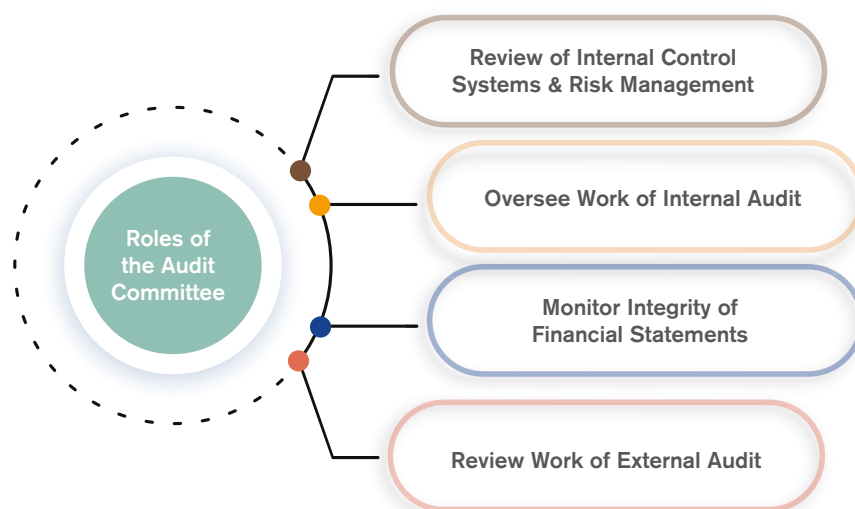
Internal Audit

Risk Management

Reporting & Assurance

External Audit

Compliance



## FINANCIAL REPORTING

The Audit Committee reviewed the quarterly and annual Financial Statements prior to its publication.

The review included;

- » Appropriateness and changes in Accounting Policies
- » significant estimates & judgments made by the management.
- » Compliance with relevant Accounting Standards (SLFRSs/ LKASs) and applicable regulatory requirements

# REPORT OF THE AUDIT COMMITTEE

- » Issues arising from the Internal Audit and Independent External Audit
- » The Company's ability to continue as a going concern.
- » Statements and Reports to be included in the Annual Report.

## INTERNAL AUDIT

The Committee monitors the effectiveness of the internal audit function and empowered them to access to information required to conduct their audits.

The internal audit of the Company has been carried out by Hayleys Management Audit and System Review Department (HMA and SRD) and they directly submit their findings to the Audit Committee and relevant reports are available to External Auditors.

Audit Committee has met the Internal Auditors during the year under review and followings were reviewed;

- » Adequacy of the Internal Audit Annual plan & coverage
- » The effectiveness of Internal Audit functions
- » Follow up the actions taken by the Company recommended by the Internal Audit.

## RISK MANAGEMENT AND INTERNAL CONTROLS

During the year, the Committee assessed the major business and control risks and the control environment prevalent in the Company and advised the Management on action to be taken in areas where weaknesses were observed. In addition, the Committee reviewed reports on losses resulting from fraud and operational failures and scrutinised the effectiveness of the Company's internal control system already in place and the processes adopted for identifying, evaluating, and management of all significant risks.

The Audit Committee also conducted ESG risk assessments during the year, thereby identifying, prioritising and monitoring sustainability-related-risks and opportunities.

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

## EXTERNAL AUDIT

The Committee has reviewed the independence and objectivity of the independent external Auditors, Messrs Ernst & Young Chartered Accountants.

The Audit Committee has met with the External Auditors to review their audit

plan and observation made by them. The Committee has received a declaration from External Auditors confirming that they do not have any relationships with or interest in the Company or its subsidiaries.

The Committee has reviewed the non-audit services provided by the external auditors to safeguard their independence and objectivity.

At the conclusion of the audit, the External Auditors met with the Audit Committee to discuss any matters of concern found in the course of the audit and also to discuss the matters mentioned in the Management Letter.

Management responses for those concerns raised by the External Auditors were discussed with the Managing Director/CEO and Director-Finance of the Company.

There were no significant issues during the year under review.

The current auditors, Messrs Ernst & Young, was initially appointed as the external auditors of the Company and continue to hold that position at present. A partner rotation of the auditors take place at periodic intervals and the first rotation took place in the year 2018/19 and a second rotation of partner took place in the current year.

The Committee has recommended to the Board that Messrs Ernst & Young be reappointed as the independent external auditors after evaluating the scope, delivery of the audit, resources and the quality of the assurance initiatives taken during the year 2023/24 and that the re-appointment be included in the agenda of the Annual General Meeting.

## COMPLIANCE WITH FINANCIAL REPORTING AND STATUTORY REQUIREMENTS

The Director Finance has submitted a report on compliance with mandatory statutory requirements to the audit committee. The Committee reviewed the procedures established by Management for compliance with the requirements of regulatory bodies and ensured compliance with Corporate Governance disclosure requirements, as set out on page 174.

## MEETINGS

The Audit Committee met four (4) times to discuss the quarterly financial statements and year end financial statement and attendance by the Committee members at each of these meetings are given in the Corporate Governance Report on page 146.

## SUPPORT TO THE COMMITTEE

The Committee received the necessary support and information from the management of the Company during the

year to enable them to carry out its duties and responsibilities effectively.

## OTHER MATTERS

- » The Committee reviewed the potential Cyber Risks of the Company and the steps taken by the Management to address these risks.
- » Carried out an in-depth review of the insurance policies of the Company.
- » Reviewed the key audit observations made in respect of audits carried out on subsidiary Company.
- » Reviewed the Audit Committee Charter
- » Evaluated the areas to be further strengthened.

## ETHICS AND GOOD GOVERNANCE

The committee continuously emphasised on upholding ethical values of the staff members. In this regard, Code of Ethics, Whistle-Blowers Policies and Anti-corruption 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.

## 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.

## CONCLUSION

The Audit Committee is satisfied that the effectiveness of the Organisational structure of the Company and the implementation of the Company's Accounting policies and operational controls provide reasonable assurance that the affairs of the Company are managed in accordance with accepted policies and the assets are properly accounted for and adequately safeguarded.

The Committee is also satisfied that the Company is able to continue as a going concern.



**H. Somashantha**  
Chairman-Audit Committee

15th May 2024

# SENIOR INDEPENDENT DIRECTOR'S STATEMENT

The Code of Best Practice on Corporate Governance 2023 (The Code) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and Section 9.6.3 of the Listing Rules of the Colombo Stock Exchange recommend that a Senior Independent Director (SID) be appointed in the event of the Chairperson and CEO is the same person or the Chairman is not an Independent Director. At Hayleys Fabric PLC, the Chairman and CEO are not the same but the Chairman is an Executive Director (ED).

The presence of a Senior Independent Director (SID) provides a workable mechanism to review the role played by the Chairman. While the role of the Chairman entails providing leadership in observing best practices of Corporate Governance, my role as the SID calls for a review of the effectiveness of the Board. The role of the SID also provides emphasis to transparency on matters relating to governance.

Hayleys Fabric PLC is committed to principles of good governance and always strives to live by the Best Practices of good Corporate Governance. The conformance culture of the Company is strongly embraced by the Board of Directors. The Company follows a policy of strict compliance with mandatory requirements while embracing voluntary adherence, in order to enhance stakeholder acceptance and making a positive impact on value creation.

As the Senior Independent Director of Hayleys Fabric PLC, I am consulted by the Chairman on governance issues, if there are any. Further, I make myself available to any Director or any employee to have any confidential discussion on the affairs of the Company, should the need arise.

## ACTIVITIES DURING THE YEAR

In line with the regulatory requirements, I presided over the following meetings and exercised my voting rights where necessary.

Meetings were held with the Non Executive Directors without the presence of the Executive Directors. At these meetings the performance of the Chairman and the Executive Directors were appraised.

A meeting was held with only the Independent Directors. Discussions were held on matters relating to the Company and the operation of the Board.

The outcome of these meetings together with recommendations were duly informed to the Chairman and the Board.

I believe that I have fulfilled the obligations entrusted to the SID in accordance with the Corporate Governance guidelines.



**N. Ekanayake**  
Senior Independent Director

15th May 2024

# REPORT OF THE REMUNERATION COMMITTEE

## COMPOSITION OF THE COMMITTEE

The Company has set up the Remuneration Committee in line with Rule 9.12 of the Listing Rules of the Colombo Stock Exchange. The Committee is currently composed of Senior Independent Director (SID) who is the Chairman of the Committee and two Independent Non-Executive Directors (INEDs). The members of the Committee have wide experience and knowledge of finance, business and industry. The Committee act as a sub-Committee to the Remuneration Committee of the Parent Company, Hayleys PLC.

The Members of the Remuneration Committee consist of as below;

- » Mr. N. Ekanayake - Chairman - Senior Independent Director (Appointed on 03.01.2024)
- » Mr. H. Somashantha - Independent Non-Executive Director
- » Mr. M. N. R. Fernando - Independent Non-Executive Director (Appointed on 03.01.2024)
- » Mr. A.S. Jayatilleke - Senior Independent Director (resigned w.e.f. 31.12.2023)
- » Dr. N.S.J. Nawaratne - Independent Non-Executive Director (resigned w.e.f. 31.12.2023)

## INDEPENDENCE OF THE COMMITTEE

The members of the Remuneration Committee are Senior Independent and Independent Directors and are completely free from any business, operational, personal or other relationships that may interfere with the exercise of their independent, unbiased judgment.

## KEY OBJECTIVE

The Committee advises the Board to maintain and establish formal and transparent procedures on the policy to be followed on executive remuneration packages for individual Directors and senior management of the Company and its Subsidiary.

## 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 specially include:

- » Determine 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.
- » Approve annual salary increments and bonuses.

## REMUNERATION POLICY

The remuneration policy is designed to reward, motivate and retain the Group's executive team, with market competitive remuneration and benefits, to support the continued success of the business and creation of shareholder value. Accordingly, salaries and other benefits are reviewed periodically, taking into account the performance of the individual and industry standards.

The remuneration packages which are linked to individual performances are aligned with the Company's/Group's short-term and long-term strategy.

The Committee makes every effort to maintain remuneration levels that are sufficient to attract and retain Executive Directors.

All Non-Executive Directors receive a fee for serving on the Board and serving on sub-committees. They do not receive any performance related incentive payments. The Company/Group does not have an employee share ownership plan for members of the Board, who are considered as Key Management Personnel (KMP).

## ACTIVITIES IN 2023/24

During the year the Committee reviewed the performance of the Chairman, Executive Directors and Group Management Committee based on the targets set in the previous year and determined the bonus payable and the annual increments.

Reviewed Executives' compensation and implemented market corrections to Executives total compensation in line with the market median.

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.

## DIRECTORS' EMOLUMENTS

The aggregate remuneration of both Executive and Non-Executive Directors has been disclosed in Note 22 to the financial statements.



**N. Ekanayake**  
Chairman - Remuneration Committee

15th May 2024



# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transaction Review Committee of Hayleys PLC, the parent Company functioned as the Committee of the Company in terms of Section 9.14 of the Listing Rules of the Colombo Stock Exchange until the Company established its own Related Party Transactions Review Committee (RPTRC) on 15th May 2024.

The Committee of the Parent Company as well as the RPTRC of the Company complies with the rules and regulations promulgated by the Securities and Exchange Commission of Sri Lanka, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

## COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee of the Company comprises two Independent Non-Executive Directors and one Non-Executive Director.

The Parent Company's RPTRC comprises the following members who acted as the Committee for the Company during the financial year 2023/24 until the Company formed its own RPTRC.

Name	Status
Dr. Harsha Cabral PC	Chairman – Independent Non-Executive Director
Mr. M.Y.A.Perera	Independent Non-Executive Director
Mr. S.C. Ganegoda	Executive Director

Followings are the members of the Company's Related Party Transactions Review Committee established on 15th May 2024.

Name	Status	Attendance
Mr. N. Ekanayake	Senior Independent Director	1/1
Mr. M.N.R. Fernando	Independent Non-Executive Director	1/1
Mr. S. C. Ganegoda	Non-Executive Director	1/1

## ATTENDANCE

Number of meetings held by the Parent Company's RPTRC and respective attendances were as below;

Name	Attendance
Dr. Harsha Cabral PC	3/3
Mr. M.Y.A.Perera	3/3
Mr. S.C. Ganegoda	2/3

## THE DUTIES OF THE COMMITTEE

- » To review in advance all proposed related party transactions of the Group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction
- » Seek any information the Committee requires from management, employees or external parties 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.
- » To ensure that there is an adequate and effective process in place to capture information which is relevant to its review function.

## TASK OF THE COMMITTEE

The Committee re-viewed the related party transactions and their compliances of Hayleys Fabric PLC and communicated the same to the Board

The Committee in its re-view process recognised the adequate of the content and quality of the information forwarded to its members by the management.

## DISCLOSURES

A detailed disclosure of all the related party transactions including recurrent and non-recurrent related party transactions which are required to be disclosed under section 9.14.8 of the Listing Rules of the Colombo Stock Exchange has been made in note 26 to the financial statements given in page 219 to this report.

## DECLARATION

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors on page 165 of this Annual Report.



**N. Ekanayake**  
Chairman - Related Party Transactions Review Committee

15th May 2024.

# NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

The Nominations and Governance Committee of Hayleys PLC, the Parent Company functioned as the Committee of the Company until the Company established its own Nominations and Governance Committee on 15th May 2024. In terms of the Corporate Governance Rules of the Colombo Stock Exchange, on 01st November 2023, the Nominations Committee of the Parent Company was renamed as the Nominations and Governance Committee and the composition was changed to comply with Rule 9.1.1.4 of the Listing Rules of the Colombo Stock Exchange.

## COMMITTEE MEMBERS

The Parent Company's Nominations and Governance Committee comprises the following members who acted as the Committee for the Company during the financial year 2023/24 until the Company formed its own Committee.

### COMPOSITION FROM 01/04/2023 TO 31/10/2023

Mr. A.M. Pandithage\* - Chairman  
Dr. H. Cabral PC \*\*\*  
Mr. M.Y.A. Perera \*\*\* - appointed w.e.f. 21st April 2023

Attendance at Committee Meetings	
Director	Attendance
Mr. A.M. Pandithage*	7/7
Dr. H. Cabral ***	7/7
Mr. M.Y.A. Perera ***	7/7

\* Executive Director

\*\*\*Independent Non-Executive Director

### COMPOSITION FROM 01/11/2023 TO 31/03/2024

Mr. M.Y.A. Perera \*\*\* - Chairman  
Dr. H. Cabral PC \*\*\*  
Mr. K.D.G. Gunaratne \*\*\* - appointed w.e.f. 01st November 2023.

Attendance at Committee Meetings	
Director	Attendance
Mr. M.Y.A. Perera ***	4/4
Dr. H. Cabral ***	4/4
Mr. K.D.G. Gunaratne ***	4/4

Followings are the members of the Company's Nominations and Governance Committee established on 15th May 2024.

Mr. N. Ekanayake - Chairman - Senior Independent Director

Mr. M.N.R. Fernando - Independent Non-Executive Director

Mr. S.C. Ganegoda - Non-Executive Director

## DUTIES OF THE NOMINATIONS AND GOVERNANCE COMMITTEE

- » The Nominations and Governance Committee evaluates and recommends the appointment of Directors to the Board and Committees considering the required skills, experience and qualifications necessary.
- » Consider and recommend (or not recommend) the re-election of current Directors taking into account the combined knowledge, experience, performance and contribution made by the Director to meet the strategic demands of the Company and the

discharge of the Boards overall responsibilities and the number of directorships held by the Director in other listed and unlisted companies and other principle commitments.

- » Establish and maintain a formal and transparent procedure to evaluate, select and appoint/re-appoint Directors of the Company.
- » Establish and maintain a set of criteria for selection of Directors such as academic/professional qualifications, skills, experience and key attributes required for eligibility taking into consideration the nature of the business of the Company and industry specific requirements.
- » Establish and maintain a suitable process for the periodic evaluation of the performance of Board Directors and the CEO of the Company to ensure their responsibilities are satisfactorily discharged.
- » Consider if a Director is able to and has been adequately carrying out his or her duties as a Director, taking in to consideration the number of Listed

Company Boards on which the Director is represented and other principal commitments.

- » Develop succession plans for Board of Directors and Key Management Personnel.
- » Review and recommend the overall corporate governance framework of the Company taking into account the Listing Rules and other applicable regulatory requirements and industry best practices. Review and update the corporate governance policies/ framework in line with regulatory and legal developments relating to same.
- » Receive reports from the Management on compliance of the corporate governance framework of the Company including the Company's compliance with provisions of the SEC Act, Listing Rules of the Colombo Stock Exchange and other applicable laws and reasons for any deviations or non-compliances.

## DISCLOSURE OF ACTIVITIES

The Board performance evaluation has been carried out and discussed at Board meetings. Any major issues relating to the Company are updated to the Independent Directors by the Chairman or Managing Director. Special Board meetings are called if the need arises to discuss an important or critical matter with the Board.

Newly appointed Directors are given an induction to the Company prior to their first Board meeting. The orientation programme includes inviting the Directors to the manufacturing facilities to gain an understanding of the operations of the Company and its subsidiaries. Requirements as per the Listing Rules and applicable rules and regulations are informed to the new Directors. Existing Directors are regularly updated with corporate governance requirements, Listing Rules and other applicable laws.

Non-Executive Directors have submitted declarations regarding their independence / non independence. The Board has declared that Directors who have served on the Board for over 9 years are nevertheless independent, after taking into consideration the fact that they do not exert any control over the day to day activities of the Company and are capable of acting in an impartial and independent manner on matters deliberated by the Board.

The fitness and propriety of the Directors were examined.

## RE-APPOINTMENTS / RE-ELECTIONS

One Third (1/3) of the Directors except the Managing Director, retire by rotation in terms of the Articles of Association and being eligible submit themselves for re-election at the AGM.

Accordingly, the Committee has recommended to re-elect Mr. I.B.R.R. Bandara and Mr. M.H. Jayasinghe to the Board at the Annual General Meeting to be held on 25th June 2024, based on their performance and the contribution made to achieve the objectives of the Board.

Mr. Bandara was appointed to the Board in May 2018, and last re-elected as a Director in June 2021. His directorships and other principal commitments are given in the profile on page 18

Mr. Jayasinghe was appointed to the Board in April 2019, and last re-elected as a Director in June 2022. His other directorships and other principal commitments are given in the profile on page 18.

Directors, Mr. N. Ekanayake, Mr. M.N.R. Fernando, Ms. S. Amarasekera PC and Mr. A.A. Mason who were appointed to the Board on 03rd January 2024 will come up for re-election by the shareholders at the Annual General Meeting. Their profiles in pages 17-18 set out their other principal commitments and directorships.

Due to the invaluable contribution made to the Board as a result of their many years of experience, industry knowledge and business acumen, the Committee has recommended to re-appoint Mr. A.M. Pandithage and Mr. E.R.P. Goonetilleke who are over seventy years and who retire in terms of Section 210 of the Companies Act No. 7 of 2007.

None of the Directors who are being proposed for re-election/re-appointment or their family members, have any relationship with the Directors of the Company or shareholders having more than 10% of the shares of the Company.

The Corporate Governance requirements stipulated under the Listing Rules of the Colombo Stock Exchange are met by the Company and details are given in pages 146 to 160.



### N. Ekanayake

Chairman

Nominations and Governance Committee

15th May 2024

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors of Hayleys Fabric PLC are pleased to present its Annual Report on state of affairs of the Company to the shareholders for the financial year ended 31st March 2024, together with the audited financial statements of Hayleys Fabric Group and the Company and the Auditor's Report on those financial statements, prepared in accordance with the requirements of the Companies Act No 7 of 2007 and Listing Rules of the Colombo Stock Exchange (CSE). The Report also includes all other relevant information required by the Companies Act No. 7 of 2007 and its amendments, the Listing Rules of the Colombo Stock Exchange (CSE),

including the new Corporate Governance Rules issued by the CSE in 2023 as well as other Good Governance practices.

The financial statements, together with the Reviews and other Reports which form part of the Annual Report were approved by the Board of Directors on 15th May 2024 and the required number of copies submitted to the Colombo Stock Exchange within the statutory deadlines.

Hayleys Fabric PLC is a public limited liability Company incorporated in Sri Lanka in 1993 under the previous Companies Act No 17 of 1982 and re-registered

as required under the provisions of the Companies Act No 7 of 2007. The re-registration number of the Company is PQ37.

The issued shares of the Company were listed on the main Board of the Colombo Stock Exchange in Sri Lanka in April 2003.

The registered office of the Company is located at 400, Deans Road, Colombo-10.

Section 168 of the Companies Act No. 07 of 2007, requires the following information to be published in the Annual Report prepared for the year under review.

## MANDATORY PROVISIONS - FULLY COMPLIANT

Reference	Requirement	Complied	Reference (within the Report)	Page
Section 168 (1) (a)	The nature of the business of the Company	Yes	About Us	8 to 12
Section 168 (1) (b)	Financial statements for the accounting period completed and signed in accordance with section 152	Yes	The Financial Statements of the Company for the year ended 31st March 2024	182 to 225 Signed on page 182
Section 168 (1) (c)	Auditor's report on the financial statements of the Company	Yes	Independent Auditors' Report.	179
Section 168 (1) (d)	Any change in accounting policies made during the accounting period	Yes	Note 4.5 to the Financial Statements - Changes in Accounting Policies	199
Section 168 (1) (e)	Particulars of entries in the interests register made during the accounting period	Yes	Directors' Interest in Contracts with the Company  Details of the Directors' shareholdings. - Investor Information  Mr. M.W.R.N. Somaratne who was an Independent Non-Executive Director of the Company (resigned on 08th January 2024), purchased 39,995 shares during the period from 01st April 2023 to 08th January 2024. Out of which 5,000 shares were purchased through Margin Trading Account, Sampath Bank PLC/Mr. M.W.R.N. Somaratne.  Further, Mr. Somaratne has disposed 70,000 shares held through Margin Trading Account, Sampath Bank PLC/Mr. M.W.R.N. Somaratne during the period from 01st April 2023 to 08th January 2024.	221 233
Section 168 (1) (f)	Remuneration and other benefits of Directors during the accounting period	Yes	Note 22 to the Financial Statements - Profit/ (Loss) Before Tax	216
Section 168 (1) (g)	Total amount of donations made by the Company during the accounting period.	Yes	Note 22 to the Financial Statements - Profit/ (Loss) Before Tax	216

Reference	Requirement	Complied	Reference (within the Report)	Page
Section 168 (1) (h)	Names of the persons holding office as Directors of the Company as at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company during the accounting period	Yes	<p>Board Profiles</p> <p>In terms of Article 29(1) of the Articles of Association of the Company, Mr. I.B.R.R. Bandara and Mr. M.H. Jayasinghe retire by rotation and being eligible themselves for re-election.</p> <p>Mr. A.S. Jayatilleke (Senior Independent Director) and Dr. N.S.J. Nawaratne (Independent Non-Executive Director) resigned from the Board w.e.f. 31st December 2023. Mr. M.W.R.N. Somaratne (Independent Non-Executive Director) resigned from the Board w.e.f. 08th January 2024.</p> <p>Mr. N. Ekanayake, Mr. M.N.R. Fernando, Ms. S. Amarasekera PC and Mr. A.A. Mason were appointed to the Board as Independent Non-Executive Directors on 03rd January 2024. In terms of Article 27(2) of the Articles of Association, shareholders will be requested to re-elect them at the forthcoming Annual General Meeting.</p> <p>In terms of Rule 9.6.3. of the CSE Listing Rules, Mr. N. Ekanayake has been appointed as the Senior Independent Director of the Company w.e.f. 03rd January 2024.</p> <p>Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007 of the intention to propose an ordinary resolution for the re-appointments of Mr. A.M. Pandithage and Mr. E.R.P. Goonetilleke notwithstanding the age limit of seventy years stipulated by Section 210 of the Companies Act.</p>	Page 14-19
Section 168 (1) (i)	Amounts payable by the Company to the person or firm holding office as auditor of the Company as audit fees and as a separate item, fees payable by the Company for other services provided by that person or firm	Yes	Note 22 to the Financial Statements - Profit/ (Loss) Before Tax	216
Section 168 (1) (j)	Particulars of any relationship (other than that of auditor) which the auditor has with or any interests which the auditor has in, the Company or any of its subsidiaries	Yes	<p>The Company's auditors during the period under review were Messrs. Ernst &amp; Young, Chartered Accountants.</p> <p>The Auditors do not have any relationship or interest with the Company other than that of an Auditor.</p> <p>A resolution for the re-appointment of the Auditors for the year 2024/25 and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.</p>	179
Section 168 (1) (k)	Signed on behalf of the Board by two Directors and the Company Secretary	Yes	Annual Report of the Board of Directors	Page 173



# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) requires the following information to be published in the Annual Report prepared for the year under review.

## MANDATORY PROVISIONS - FULLY COMPLIANT

Reference	Requirement	Complied	Reference (within the Report)	Page
(i)	Names of persons who were Directors of the Entity	Yes	Board Profiles	14-19
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Yes	About Us	8
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Yes	Investor Information	233
(iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the listed entity complies with the Minimum Public Holding requirement	Yes		232
(v)	A statement of each Director's holding in shares of the Entity at the beginning and end of each financial year	Yes		233
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Yes	Risk Management	59
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Yes	Human Capital	93
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Yes	Note 6.8 - Property plant and Equipment to the Financial Statements	204
(ix)	Number of shares representing the Entity's stated capital	Yes	Investor Information	232
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Yes		232
(xi)	Financial ratios and market price information	Yes		232
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Yes	Note 6.8 - Property plant and Equipment to the Financial Statements	204
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	N/A		
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	N/A		
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 the Listing Rules	Yes	Corporate Governance Report	146
(xvi)	Related Party transactions exceeding 10% of the equity or 5% of the total assets of the Entity as per audited financial statements, whichever is lower	Yes	Note 26 - Related Party Transactions, to the Financial Statements	219-221

In addition to the above, the following information is disclosed. Details are provided within notes to the Annual Report, which form an integral part of the Annual Report of the Board of Directors.

Disclosure	Note Reference	Page
Principal Activities	About us	8
Purpose, Vision, Mission and Values	The Company is committed to upholding high standards of business conduct and ethics in the work place at all times, paramount in retaining the trust of stakeholders. All employees abide by the Company's Code of Conduct and Ethics in achieving the purpose, vision and mission.	8 9
Review of business performance	Chairman's Message Managing Director's Review Capitals Management Reports Measures taken to manage risks are given in the Risk Management Report	36 38 72-122 59
Financial Statements	The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of Companies Act No 7 of 2007.  These Statements have been duly approved by the Directors and certified by the Director- Finance.	182-225
Directors' Responsibility for Financial Reporting	The Statement of Directors' Responsibility for Financial Reporting	176
Auditors' Report	Independent Auditors' Report	179
Significant Accounting Policies	Note 3 to the financial statements - Significant Accounting Policies	187
Going Concern	Note 5.1 to the financial statements – Going Concern	200
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Financial Results and Appropriations	Statement of Profit or Loss and other Comprehensive Income Statement of Changes in Equity	183-185
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Corporate Donations	Note 22 to the financial statements - Profit Before Tax	216
Stated Capital and Reserves	Statement of Changes in Equity	184
Property, Plant and Equipment	Note 6 to the financial statements - Property, Plant and Equipment	201-204
Intangible assets	Note 8 to the financial statements – Intangible Assets	205
Capital Expenditure	The total capital expenditure on acquisition of property, plant and equipment and intangible assets of the Group amounted to USD 3,976,730 /- and USD 21,743 /- respectively. Details are given in Note 6 and 8 to the financial statements.  Capital expenditure approved and contracted for, and not contracted for, as at reporting date are given in Note 27 to the financial statements –Commitments and Contingencies.	204 221
Market Value of Freehold Properties	Note 6 to the financial statements - Property, Plant and Equipment.	204
Contingent Liabilities and Commitments	Note 27 to the financial statements - Commitments and Contingencies	221

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Disclosure	Note Reference	Page
Events after the Reporting Date	Note 29 - to the financial statements - Events After the Reporting Period	222
Risk Management	Disclosure of the different types of risks the Company activities were exposed to are given in Note 30 - to the financial statements.  The Company's risk management process is described on pages 59 to 63, of the Annual Report.	222- 225
Statutory Payments	The Directors, to the best of their knowledge are satisfied that all statutory payments in relation to the Government and the employees have been made up to date.	176
Internal Control	The Board is responsible for formulating and implementing sound internal control systems to safeguard shareholder interests and the assets of the Company.  Directors' Statement on Internal Control	175
Corporate Governance	Corporate Governance Report  The Company has complied with the Listing Rules of the Colombo Stock Exchange (CSE) and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka (CASL) as described on pages 146 to 160.	146-160
Environmental Protection	To the best of knowledge of the Board, the Company has not engaged in any activity that is harmful or hazardous to the environment and has complied with the relevant environmental laws and regulations.  Specific measures taken to protect the environment are found in the Natural Capital Report.	108-122
Compliance	To the best of their knowledge, the Board believes that the Company has not engaged in any activity which contravenes laws and regulations. There have been no irregularities involving management or employees that could have any material financial or other effect.	176
Stated Capital	Note 13 to the financial statements – Stated Capital	208
Share Information and Shareholdings	Investor information	
Register of Directors and Secretaries	As required under Section 223 (1) of the Companies Act No 7 of 2007, the Company maintains a Register of Directors and Secretaries which contains the name, surname, former name (if any), residential address, business, occupation, dates of appointment and dates of resignation (if applicable) of each Director and the Secretary.	
Board of Directors	Board Profiles  Board Composition- Corporate Governance Report  In accordance with Rule 9.8.5. (a) of the Listing Rules of the Colombo Stock Exchange (CSE) Independent Directors have submitted a signed and dated declaration as per the specimen given in Appendix 9A.	14-19  150-151
Board Committees	Board Sub-Committees - Corporate Governance Report	154
Board and Committee meeting attendance	Meetings & Minutes- Corporate Governance Report	153-154
Directors' shareholdings	Investor Information	232
Directors' interest in transactions	The Directors declared in terms of the requirement of the listing rules of the Colombo Stock Exchange that the transactions carried out by the Company with its Related Parties during the financial year ended 31st March 2024 did not exceed 10% of equity or 5% of the total assets of the Company.  Related party transactions are disclosed in Note 26 to the financial statements	232  219-221
Directors' Remuneration	Notes 22 to the financial statements - Directors' and Executive Remuneration	216
Human Resources	Human Capital Report	93

Disclosure	Note Reference	Page
Insurance and Indemnity	The Parent Company, Hayleys PLC has obtained a Directors' and Officers' liability insurance from a reputed Insurance Company in Sri Lanka providing worldwide cover to indemnify all past, present and future Directors and Officers of the Company.	173
Material Foreseeable Risk Factors (As per Rule No. 7.6 (VI) of the Listing Rules of the Colombo Stock Exchange)	Risk Management Review	59
Material Issues Pertaining to Employees and Industrial Relations Pertaining to the Company (As per Rule No. 7.6 (VII) of the Listing Rules of the Colombo Stock Exchange)	No material issues occurred during the year	
Operational Excellence	Performance Highlights	13

## RELATED PARTY TRANSACTIONS

The Board of Directors of Hayleys Fabric PLC confirm that related party transactions have been reviewed by the Related party Transactions Review Committee of Hayleys PLC, the Parent Company of Hayleys Fabric PLC in compliance with Section 09 of the CSE Listing Rules. Related party disclosures as required by the Sri Lanka Accounting Standard - LKAS 24 (Related Party Disclosures) are detailed in Note 26 to the Financial Statements

## ACQUISITION

On 01st January 2024, the Company has acquired 66.67% ordinary shares of Hayleys Fabric Solutions Limited. Accordingly, Hayleys Fabric Solutions Limited is a subsidiary of the Company.

## DIVIDEND

Following dividends were paid during the financial year 2023/24

Final dividend for - 2022/23 - Rs.0.10 per share paid on 11/07/2023
1st Interim dividend - 2023/24 - Rs.1.75 per share paid on 20/10/2023
2nd Interim dividend – 2023/24 - Rs. 0.50 per share paid on 23/01/2024
3rd Interim dividend – 2023/24 - Rs.0.25 per share paid on 26/04/2024

## ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledges the contents of this Annual Report.

For and on behalf of the Board of Directors.



**A.M. Pandithage**  
Chairman



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



**Hayleys Group Services (Private) Limited**  
Secretaries

Colombo  
15th May 2024

## NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Hayleys Fabric PLC will be held on at the Chas P. Hayley Lounge of Hayleys PLC, No. 400, Deans Road, Colombo 10 on Tuesday, 25th June 2024 at 9.00 a.m. The Notice of Annual General Meeting appears on Page 234.

# RESPONSIBILITY STATEMENT OF MANAGING DIRECTOR/CEO AND DIRECTOR-FINANCE /CHIEF FINANCIAL OFFICER

The Section D 1.3 of the 'Code of Best Practice on Corporate Governance 2023' (The Code) issued by the Institute of Sri Lanka recommends that the Board should, before its approves the financial statements for the financial year, obtain a declaration in their opinion on financial statements and system of risk management and internal control from its Chief Executive Officer and Chief Financial Officer.

We confirm that the Financial Statements of Hayleys Fabric PLC and the Group are prepared in compliance with following requirements;

- » Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- » Companies Act No.07 of 2007
- » Listing Rules of the Colombo Stock Exchange
- » Code of Best practice on Corporate Governance 2023 issued by CA Sri Lanka

The Accounting policies used in preparation of the Financial Statements of the Company and the Group are appropriate and applied consistently.

All applicable Sri Lanka Accounting Standards have been duly applied.

The significant Accounting policies and estimates involved a high degree of judgment and complexity have been informed discussed with the Audit Committee.

The Board of Directors and the Management of the Company accept the responsibility for the integrity and objectivity of Financial Statements.

The estimates and judgments relating to the Financial Statements were made in a prudent and reasonable basis, in order to reflect true and fair picture and the form and substance of transactions and reasonably present the Company and its Subsidiary's State of affairs.

Group has established proper system of internal controls and accounting systems in order to safeguard assets, preventing and detecting frauds and other irregularities, which is reviewed and updated on an ongoing basis.

The Internal Auditors, Hayleys Management Audit and System Review Department (HMA and SRD) have conducted periodic audits to provide reasonable assurance that the established policies, internal controls and procedures of the Company and its Subsidiary were consistently followed.

The Financial Statements of the Company and its Subsidiary were audited by Messrs.' Ernst & Young-Chartered Accountants, the Independent External Auditors.

The Audit Committee of the Company meets periodically with Internal Auditors and where necessary with External Auditors to review the manner in which these Auditors are performing their responsibilities. In addition, internal control and financial reporting issues are also discussed.

In order to ensure the independence of the Internal and External Auditors they have been given full and free access to the members of the Audit Committee to discuss any matters they think important.

## CONCLUSION

We confirm that we have discharged our responsibilities on maintaining proper financial records and preparing financial statements in accordance with LKASs/ SLFRSs and complied with all applicable laws and regulations and guidelines. To the best of our knowledge, we also confirm that the system of risk management and internal control were operating effectively during the year.



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



**R. Rohitha Bandara**  
Director - Finance & ESG

15th May 2024



# BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROL

The Section D1.5 of the 'Code of Best Practice on Corporate Governance 2017' (The Code) issued by the Institute of Chartered Accountants of Sri Lanka recommends that the Board of Directors present a Statement on Internal Control in the Annual Report.

## RESPONSIBILITY

The Board of Directors ("Board") has the overall responsibility of maintaining a sound system of internal controls and for periodically reviewing its effectiveness and integrity, in order to ensure that the Company's risks are within the acceptable risk profile. Accordingly, the Board can provide reasonable assurance against misstatement of management and financial information and records. The Board has established an organisation structure, which clearly defines lines of accountability and delegated authority.

The Board has instituted an ongoing process for identifying, evaluating and mitigating significant risks faced by the Group, this process entails enhancing the internal control system as and when there are changes to the business environment and regulatory guidelines.

## BOARD COMMITTEE

The Board has delegated specific responsibilities to the following four subcommittees:

- » Audit Committee
- » Nomination Committee- Parent Company Nomination Committee
- » Remuneration Committee
- » Related Party Transactions Review Committee – Parent Company

These Committees are chaired by Independent Non-Executive Directors and have the authority to examine particular issues and report back to the Board with their recommendations.

The Board is confident that the internal controls are adequate to provide reasonable assurance regarding the reliability of financial reporting which are in accordance with acceptable accounting principles and the applicable regulatory requirements.

## INTERNAL AUDIT

Group's Internal Audit function is performed by Hayleys Management Audit and System Review Department (HMA and SRD) which is an independent function report directly to

Audit Committee that provides assurance on the efficiency and effectiveness of the Internal Control System of the Group and more details are available in Audit Committee Report on page 161.

## REVIEW ADEQUACY AND EFFECTIVENESS

The Board and the Audit Committee, have taken steps to ensure adequacy and effectiveness of the internal controls of both financial and operational processes, remedial steps are taken where necessary

The Board and the Audit Committee concluded that an effective system of risk management and internal controls are in place to safeguard the shareholders' investment and the Group's assets.

## POLICIES, PROCEDURES AND BUDGETS

Group has set the Policies and procedure to ensure the compliance with internal controls and relevant laws and regulations are set out in operations manuals, which are updated from time to time.

The annual Company and the Group budget are approved by the Board and the performance is assessed against the approved budgets and explanations are provided for significant variances periodically to the respective Boards.

## CODE OF BUSINESS CONDUCT AND ETHICS

The Company Code of ethics which includes a strong set of corporate values and conduct, is circulated to Directors and all employees. The Board ensures that Directors and all employees strictly comply with the Company code of ethics in exercising their duties, communications, role modelling and in any other circumstances, so as to uphold the Group's image. Strict disciplinary actions are initiated for any violation of the Company code of ethics.

## INSURANCE AND PHYSICAL SAFEGUARDS

Adequate insurance and physical safeguards on major assets are in place to ensure Group assets are sufficiently covered to minimise material loss against any mishap.

## RISK MANAGEMENT

An overview of the Group's risk management framework, is set out on pages 59.

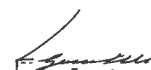
## CYBER SECURITY

The Group uses several worlds renewed software systems for entire operations and thus increasing the Group's reliance on technology. In this era, securing and protecting the Group's information assets becomes a key priority. The Board and Hayleys Group level have taken necessary precautions to minimise the risk of a security breach. During the year under review, necessary steps have been rolled out to curtail the exposure to cyber-attacks by reducing the threat surface and any potentially exploitable vulnerabilities.

## CONFIRMATION

The Board of Directors of Hayleys Fabric PLC ('Group') confirm that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with Sri Lanka Accounting Standards (SLFRSs/ LKASs), requirements of the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and any other regulatory requirements. The Company and Consolidated Financial Statements for the year ended 31st March 2024 have been audited by Messrs. Ernst & Young, Chartered Accountants,

By order of the Board



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



**H. Somashantha**  
Chairman-Audit Committee



**R. Rohitha Bandara**  
Director - Finance & ESG

Colombo  
15th May 2024

# STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

Section D.1.5 of the 'Code of Best Practice on Corporate Governance 2023' (The Code) issued by the Institute of Chartered Accountants of Sri Lanka recommends that the Board of Directors presents a Responsibility Statement on the preparation and presentation of Financial Statements in the Annual Report together with a statement by the Auditors about their reporting responsibilities.

The responsibilities of the Directors in relation to the Financial Statements of the Company and the Group are set out in this statement. The responsibility of the Auditors, in relation to the Financial Statements is set out in the Report of the Auditors on pages from 179 to 181 as required by the Companies Act No.7 of 2007.

The Directors are responsible under Sections 150 (1), 151, 152 (1) and 153 (1) & (2) of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss of the Company and the Group for the financial year.

The responsibility of the Auditors, in relation to the Financial Statements is set out in the Report of the Auditors on pages from 179 to 181

## The financial statements comprise of:

- » Income statement and statement of comprehensive income of the Company and the Group, which present a true and fair view of the profit and loss of the Company and the Group for the financial year.
- » A statement of financial position, which presents a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year.
- » Statement of Changes in Equity and Cash Flow for the year then ended and Accounting Policies and Notes thereto for the Company and the Group.

The Directors confirm that the Financial Statements and other statutory reports of the Company/Group for the year ended 31st March 2024 incorporated in this report have been prepared in accordance with

the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken appropriate steps to ensure that the Company/Group maintains adequate and accurate records which reflect the true financial position of Hayleys Fabric PLC (Group). The Directors have taken appropriate and reasonable steps to safeguard the assets of the Company and the Group. The Directors have instituted appropriate systems of internal control in order to minimise and detect fraud, errors and other irregularities. The Directors in maintaining a sound system of internal control and in protecting the assets of the Company/Group, have further adopted risk management strategies to identify and evaluate the risks which the Company could be exposed to and its impact to the Company and its subsidiaries

The Directors, having reviewed the financial budget and cash flows for the year to 31st March 2025 and the bank facilities, consider that the Group has adequate resources to continue in operation, and have continued to adopt the going concern basis in preparing these Financial Statements

The Financial Statements of the Company and the Group are prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs); and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected

The Board of Directors confirm that the Statements of Financial Position as at 31st March 2024 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2024 reflect a true and fair view.

The external Auditors Messrs Ernst & Young, Chartered Accountants who were re-appointed in terms of the Companies Act were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the financial statements. The Independent Auditor's Report shown on pages 179 to 181 set out their responsibilities in relation to the financial statements.

As required by Section 56 (2) and Section 57 of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company/Group, based on the information available, satisfies the solvency test immediately after the distribution, and have obtained a certificate of solvency from the Auditors, prior to paying all dividends.

## COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its subsidiaries as at the reporting date have been paid or where relevant provided for, except as specified in Note 27.2 to the Financial Statements covering contingent liabilities.

The Directors further confirm that to the best of their knowledge, the Company and its subsidiaries have not engaged in any activity that is harmful or hazardous to the environment and has complied with the relevant environmental laws and regulations.

By order of the Board,



**Hayleys Group Services (Private) Limited**  
Secretaries

Colombo  
15th May 2024

# Layers Of Green

Through tree planting initiatives and environmental advocacy, we are sowing the seeds for a greener tomorrow, fostering biodiversity and mitigating climate change one tree at a time.



## FINANCIAL INFORMATION AND ANNEXURES

■ Financial Calendar 2023/24	178	■ Statement of Profit or Loss and Other Comprehensive Income translated into LKR	227
■ Independent Auditor's Report	179	■ Ten Year Summary	228
■ Statement of Financial Position	182	■ Glossary of Financial Terminology	229
■ Statement of Profit or Loss and Other Comprehensive Income	183	■ Quarterly Analysis	231
■ Statement of Changes in Equity	184	■ Investor Information	232
■ Statement of Cash Flows	186	■ Notice of Annual General Meeting	234
■ Notes to the Financial Statements	187	■ Form of Proxy	235
■ Statement of Financial Position translated into LKR	226	■ Corporate Information	IBC

# FINANCIAL CALENDAR 2023/24

## INTERIM FINANCIAL STATEMENTS - SUBMISSION TO THE COLOMBO STOCK EXCHANGE (CSE)

Three months ended 30th June 2023	27th July 2023
Six months ended 30th September 2023	26th October 2023
Nine months ended 31st December 2023	13th February 2024
Twelve months ended 31st March 2024	15th May 2024
Authorization for issue of Audited Financial Statements for 2023/24	15th May 2024
Publication of Annual Report for the financial year 2023/24	31st May 2024
32nd Annual General Meeting to be held on	25th June 2024

## DIVIDENDS

1st Interim dividend - 2023/24	20th October 2023
2nd Interim dividend – 2023/24	23rd January 2024
3rd Interim dividend – 2023/24	26th April 2024



# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
Chartered Accountants  
Rotunda Towers  
No. 109, Galle Road  
P.O. Box 101  
Colombo 03, Sri Lanka

Tel : +94 11 246 3500  
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Email: [eysl@lk.ey.com](mailto:eysl@lk.ey.com)  
[ey.com](http://ey.com)

## TO THE SHAREHOLDERS OF HAYLEYS FABRIC PLC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Hayleys Fabric PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss and other 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 give a true and fair view of the financial position of the Company and the Group as at 31 March 2024, 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 Company 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 the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>CARRYING VALUE OF INVENTORY</b></p> <p>As at 31 March 2024, the carrying value of inventory amounted to USD 30,414,018 net of provision for slow moving inventories of USD 4,643,055 as disclosed in note 10 to the financial statements.</p> <p>The carrying value of inventory was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>» the materiality of the reported inventory balance which represented 26% of the Group's total assets as of the reporting date; and</li> <li>» judgements applied by the management on identifying inventories requiring write-down to net realizable value (NRV) such as second-grade items and in determining the provision for slow-moving inventories as disclosed in notes 3.9, 5.5 and 10 to the financial statements.</li> </ul>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> <li>» observed physical inventory counts and reconciled the count results to the inventory listings compiled by management to support amounts reported.</li> <li>» understood the process followed by the management for identifying inventories requiring write-down to net realizable value (NRV) such as second-grade items and for determining provision for slow-moving inventories.</li> <li>» tested whether inventories were stated at the lower of cost and net realizable value, by comparing cost with subsequent selling prices.</li> <li>» assessed the reasonableness of management judgements applied in identifying inventories requiring write-down to net realizable value (NRV) and for determining the provision for slow moving inventories. Our procedures included testing inventory ageing reports and production quality reports and assessing the reasonableness of judgments applied in relation to expectation of customer orders and usability of inventories.</li> </ul> <p>We also evaluated the adequacy of the disclosures in note 3.9, 5.5 and 10 to the financial statements.</p>

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCA FCA MBA (USJ-SL), G B Goudian ACA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakhthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited



# INDEPENDENT AUDITOR'S REPORT



Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>ASSESSMENT OF IMPAIRMENT OF GOODWILL FROM SAT</b></p> <p>The Group's Statement of Financial Position includes an amount of USD 10,440,277 relating to Goodwill acquired on the business combination of South Asia Textiles Limited (SAT) as of 31 March 2024.</p> <p>The CGU with goodwill is tested annually for impairment based on its recoverable amount. The recoverable amount is estimated using value in use (VIU) computations prepared by Management based on discounted future cash-flows.</p> <p>Assessment of impairment of this CGU with goodwill was a key audit matter due to the degree of assumptions, judgements and estimates associated with deriving the estimated future cashflows used for value in use calculations.</p> <p>As disclosed in notes 3.10, 5.2 and 9, key areas of significant judgments, estimates and assumptions included key inputs and assumptions related to discount rate and terminal growth rate including the potential impacts of the economic conditions in the country.</p>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> <li>» obtained an understanding of how management has forecast its discounted future cash flows. Our procedures included understanding how management has considered the potential impact of the economic conditions in the country in forecasting the cash flows.</li> <li>» tested the calculations of the discounted future cash flows and tested the data used by management to relevant underlying accounting records, to evaluate their completeness and accuracy.</li> <li>» based on the best available information up to the date of our report, we assessed the reasonableness of significant judgments, estimates and assumptions used by the Company, in particular those relating to the discount rate and terminal growth rate of the estimated future cashflows.</li> </ul> <p>We assessed the adequacy of the disclosures made in notes 3.10, 5.2 and 9 in the financial statements.</p>

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

## RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 are 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 Company's internal controls.
- » 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 Company'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 Company 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit

and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 3755.



17th May 2024  
Colombo

# STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group		Company	
		2024 USD	2023 USD	2024 USD	2023 USD
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	6	44,488,643	44,659,979	25,688,983	26,538,460
Right of use assets	7	803,356	831,632	185,467	192,533
Intangible assets	8	590,390	708,869	50,861	84,074
Investment in subsidiary	9	-	-	18,281,412	18,281,412
Goodwill	9	10,440,277	10,440,277	-	-
		56,322,666	56,640,757	44,206,723	45,096,479
<b>Current Assets</b>					
Inventories	10	30,414,018	36,717,196	17,718,826	19,957,307
Trade receivables	11	15,947,003	18,030,268	10,919,659	11,050,299
Other receivables	11.2	624,062	1,479,525	855,416	2,143,673
Advances and prepayments	11.3	1,916,558	1,521,000	961,368	752,867
Cash and cash equivalents	12	11,043,085	4,560,763	7,457,780	1,790,681
		59,944,726	62,308,752	37,913,049	35,694,827
<b>Total Assets</b>		116,267,392	118,949,509	82,119,772	80,791,306
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Stated capital	13	17,561,761	17,561,761	17,561,761	17,561,761
Revaluation reserve		514,795	514,795	514,795	514,795
Retained earnings		14,732,650	10,222,123	11,220,486	7,963,561
<b>Total equity attributable to equity holders of the Company</b>		32,809,206	28,298,679	29,297,042	26,040,117
Non-controlling interest		175	-	-	-
<b>Total Equity</b>		32,809,381	28,298,679	29,297,042	26,040,117
<b>Non-Current Liabilities</b>					
Interest bearing loans and borrowings	14	17,083,235	15,870,384	11,327,297	10,425,144
Deferred tax liabilities	23.2	8,956,513	9,526,266	6,369,311	7,432,719
Retirement benefit obligations	15	3,865,580	3,032,099	3,236,663	2,550,367
		29,905,328	28,428,749	20,933,271	20,408,230
<b>Current Liabilities</b>					
Trade and other payables	16	25,287,841	27,268,826	14,435,372	14,741,842
Interest bearing loans and borrowings	14	21,300,948	27,088,263	13,342,334	14,184,926
Amounts due to Hayleys PLC		265,701	74,408	253,194	70,675
Other non financial liabilities	17	6,698,193	7,790,584	3,858,559	5,345,516
		53,552,683	62,222,081	31,889,459	34,342,959
<b>Total Equity and Liabilities</b>		116,267,392	118,949,509	82,119,772	80,791,306

These financial statements are in compliance with the requirements of the Companies Act No : 07 of 2007.



**Ruwan Rohitha Bandara**  
Director- Finance & ESG

The Board of Directors is responsible for these financial statements. Signed for and on behalf of the Board by,



**A.M.Pandithage**  
Chairman



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

Colombo  
15th May 2024

The accounting policies and notes on pages 187 through 225 form an integral part of these financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As at 31 March	Note	Group		Company	
		2024 USD	2023 USD	2024 USD	2023 USD
<b>Revenue from contracts with customers</b>	18	155,326,820	166,631,461	96,180,153	103,594,375
Cost of sales		(126,149,696)	(145,235,510)	(75,300,598)	(89,224,605)
<b>Gross Profit</b>		29,177,124	21,395,951	20,879,555	14,369,770
Other operating income	19	721,762	704,118	569,992	1,567,519
Administrative expenses		(11,385,069)	(9,313,297)	(7,870,724)	(6,121,832)
Distribution expenses		(580,088)	(1,264,712)	(466,610)	(900,806)
Other expenses	20	(69,469)	(42,447)	(55,373)	(4,021)
Net financing expense	21	(6,116,637)	(3,096,929)	(3,505,414)	(1,049,171)
<b>Profit before tax</b>		11,747,623	8,382,684	9,551,426	7,861,459
Income tax expense	23	(3,883,088)	(7,249,632)	(2,942,134)	(5,761,749)
<b>Profit for the year</b>		7,864,535	1,133,052	6,609,292	2,099,710
<b>Profit for the period attributable to:</b>					
Owners of the parent		7,864,360	1,133,052	6,609,292	2,099,710
Non-controlling interest		175	-	-	-
<b>Profit for the year</b>		7,864,535	1,133,052	6,609,292	2,099,710
<b>Other Comprehensive Income not to be reclassified to profit or loss</b>					
- Income tax effect on change in tax rate	23.2	-	(117,667)	-	(117,667)
- Actuarial gain/(loss) on defined benefit plans	15	(55,591)	37,978	(54,911)	29,056
- Income tax effect on actuarial gain/(loss) on defined benefit plans	23.2	16,677	(11,393)	16,473	(8,717)
<b>Total Comprehensive Income, Net of Tax</b>		7,825,621	1,041,970	6,570,854	2,002,382
Basic / Diluted Earnings per Share - USD	24	0.019	0.003	0.016	0.005
Dividend per share - USD	25			0.008	0.007

The accounting policies and notes on pages 187 through 225 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

Group For the year ended 31st March 2024	Stated capital USD	Revaluation reserve USD	Retained earnings USD	Shareholders funds USD	Non-Controlling Interest USD	Total Equity USD
<b>Balance as at 1st April 2023</b>	17,561,761	514,795	10,222,123	28,298,679	-	28,298,679
Non-controlling interest acquired in business combination	-	-	-	-	175	175
Profit for the year	-	-	7,864,360	7,864,360	-	7,864,360
<b>Other comprehensive income</b>						
Actuarial loss on defined benefit plans	-	-	(55,591)	(55,591)	-	(55,591)
Income tax effect on actuarial loss on defined benefit plans	-	-	16,677	16,677	-	16,677
Total other comprehensive income	-	-	(38,914)	(38,914)	-	(38,914)
Total comprehensive income	-	-	7,825,446	7,825,446	175	7,825,621
<b>Transactions with owners, recorded directly in equity</b>						
Dividends to equity holders	-	-	(3,313,929)	(3,313,929)	-	(3,313,929)
Total contributions by and distributions to owners	-	-	(3,313,929)	(3,313,929)	-	(3,313,929)
Deficit of acquisition of subsidiary	-	-	(990)	(990)	-	(990)
<b>Balance as at 31st March 2024</b>	17,561,761	514,795	14,732,650	32,809,206	175	32,809,381
<b>For the year ended 31st March 2023</b>						
Balance as at 1st April 2022	17,561,761	632,462	11,914,149	30,108,372	-	30,108,372
Profit for the year	-	-	1,133,052	1,133,052	-	1,133,052
<b>Other comprehensive income</b>						
Effect on change in tax rate on revaluation of land	-	(117,667)	-	(117,667)	-	(117,667)
Actuarial gain on defined benefit plans	-	-	37,978	37,978	-	37,978
Income tax effect on actuarial gain on defined benefit plans	-	-	(11,393)	(11,393)	-	(11,393)
Total other comprehensive income	-	(117,667)	26,585	(91,082)	-	(91,082)
Total comprehensive income	-	(117,667)	1,159,637	1,041,970	-	1,041,970
<b>Transactions with owners, recorded directly in equity</b>						
Dividends to equity holders	-	-	(2,851,663)	(2,851,663)	-	(2,851,663)
Total contributions by and distributions to owners	-	-	(2,851,663)	(2,851,663)	-	(2,851,663)
<b>Balance as at 31st March 2023</b>	17,561,761	514,795	10,222,123	28,298,679	-	28,298,679

The accounting policies and notes on pages 187 through 225 form an integral part of these financial statements.



Company	Stated capital USD	Revaluation reserve USD	Retained earnings USD	Total USD
<b>For the year ended 31st March 2024</b>				
Balance as at 1st April 2023	17,561,761	514,795	7,963,561	26,040,117
Profit for the year	-	-	6,609,292	6,609,292
<b>Other comprehensive income</b>				
Actuarial loss on defined benefit plans	-	-	(54,911)	(54,911)
Income tax effect on actuarial loss on defined benefit plans	-	-	16,473	16,473
Total other comprehensive income	-	-	(38,438)	(38,438)
Total comprehensive income	-	-	6,570,854	6,570,854
Dividends to equity holders	-	-	(3,313,929)	(3,313,929)
<b>Balance as at 31st March 2024</b>	<b>17,561,761</b>	<b>514,795</b>	<b>11,220,486</b>	<b>29,297,042</b>
<b>For the year ended 31st March 2023</b>				
Balance as at 1st April 2022	17,561,761	632,462	8,695,175	26,889,398
Profit for the year	-	-	2,099,710	2,099,710
<b>Other comprehensive income</b>				
Effect on change in tax rate on revaluation of land	-	(117,667)	-	(117,667)
Actuarial gain on defined benefit plans	-	-	29,056	29,056
Income tax effect on actuarial gain on defined benefit plans	-	-	(8,717)	(8,717)
Total other comprehensive income	-	(117,667)	20,339	(97,328)
Total comprehensive income	-	(117,667)	2,120,049	2,002,382
Dividends to equity holders	-	-	(2,851,663)	(2,851,663)
<b>Balance as at 31st March 2023</b>	<b>17,561,761</b>	<b>514,795</b>	<b>7,963,561</b>	<b>26,040,117</b>

The accounting policies and notes on pages 187 through 225 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

Year ended 31st March	Note	Group		Company	
		2024 USD	2023 USD	2024 USD	2023 USD
<b>Cash flows from / (used in) operating activities</b>					
Profit before income tax expense		11,747,623	8,382,684	9,551,426	7,861,459
Adjustments for	6				
Depreciation on property, plant and equipment	7	4,078,340	3,899,568	2,439,105	2,452,793
Depreciation on lease hold land		28,276	28,276	7,066	7,065
Depreciation adjustment on lease hold land	8	-	(15,722)	-	-
Amortization of intangible assets	15	140,222	114,467	33,213	30,489
Provision for retiring gratuity		819,058	592,547	666,749	479,620
Net unrealised (gain)/loss on translation of foreign currency	21	2,066,838	(1,651,547)	1,452,012	(1,792,509)
Finance costs	19-20	3,829,815	4,973,707	1,931,679	2,711,079
(Profit)/loss on disposal of property, plant and equipment	20	3,917	38,426	(6,927)	(8,367)
Loss on impairment of idle property, plant and equipment	19	55,373	4,021	55,373	4,021
Creditors write back	22	(2,324)	(70,674)	(1,606)	(53,162)
Impairment charge/(reversal) for bad and doubtful debts	22	(74,430)	12,880	(2,903)	(10,998)
Impairment for slow moving inventories		591,280	928,185	268,993	101,032
<b>Operating profit before working capital changes</b>		23,283,988	17,236,818	16,394,180	11,782,522
(Increase)/decrease in trade and other receivables		3,015,481	(1,895,466)	1,423,406	(2,797,989)
(Increase)/decrease in advances and prepayments		(395,558)	400,422	(208,501)	121,471
Decrease in other non-current receivables		-	326,998	-	-
(Increase)/decrease in inventories		5,711,898	(851,064)	1,969,488	754,850
Decrease in trade and other payables and other non financial liabilities		(3,549,879)	(6,931,829)	(2,422,389)	(1,714,356)
<b>Cash generated from operations</b>		28,065,930	8,285,879	17,156,184	8,146,498
Retiring gratuity paid	15	(316,667)	(133,311)	(266,758)	(95,972)
Interest paid		(4,497,065)	(5,172,947)	(2,439,181)	(2,855,239)
Income tax paid		(4,261,155)	(1,295,159)	(3,583,872)	(876,024)
Surcharge tax paid		-	(348,556)	-	(348,556)
<b>Net cash flows from operating activities</b>		18,991,043	1,335,906	10,866,373	3,970,707
<b>Cash flows from / (used in) investing activities</b>					
Purchase and construction of property, plant and equipment		(3,825,123)	(4,694,133)	(1,579,052)	(922,199)
Proceeds from disposal of property, plant and equipment		10,438	21,776	7,071	17,811
Purchase of intangible assets	8	(21,743)	(459,829)	-	(57,092)
Interest received		683,750	216,954	515,841	152,570
<b>Net cash flows used in investing activities</b>		(3,152,678)	(4,915,232)	(1,056,140)	(808,910)
<b>Cash flows from /(used in) financing activities</b>					
Proceeds from new term loans	14.3	10,185,039	4,649,404	6,392,839	-
Repayment of term loans	14.3	(6,747,208)	(4,752,469)	(4,762,598)	(4,028,594)
Payment of lease obligations		(35,938)	(33,189)	(10,025)	(10,265)
Net movement of import & short term loans		(8,477,920)	(565,886)	(1,644,243)	(331,265)
Dividends paid to equity holders		(2,973,739)	(2,851,663)	(2,973,739)	(2,851,663)
<b>Net cash flows used in financing activities</b>		(8,049,766)	(3,553,803)	(2,997,766)	(7,221,787)
<b>Net increase in cash and cash equivalents</b>		7,788,599	(7,133,129)	6,812,467	(4,059,990)
<b>Cash and cash equivalents at the beginning of the year</b>	12	1,234,047	8,367,176	286,282	4,346,272
<b>Cash and cash equivalents at the end of the year</b>	12	9,022,646	1,234,047	7,098,749	286,282

The accounting policies and notes on pages 187 through 225 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 Reporting Entity

Hayleys Fabric PLC is a Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The address of the Company's registered office is situated in 400, Deans Road, Colombo 10 and the principal place of business is at Narthupana Estate, Neboda.

### 1.2 Consolidated Financial Statements

The Financial Statements for the year ended 31 March 2024 comprise "the Company" referring to Hayleys Fabric PLC as the holding Company and the "Group" referring to companies that have been consolidated therein.

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

Both Company and its Subsidiary's (South Asia Textiles Limited) principal activities are manufacturing and sale of Knitted fabric for the export market. The other subsidiary "Hayleys Fabric Solutions (Pvt) Ltd is currently a non-operating Company.

The Hayleys Fabric PLC is the parent of the Group and Hayleys PLC is the ultimate parent.

### 1.4 Approval of Financial Statements

The Consolidated Financial Statements of Hayleys Fabric PLC and its subsidiary (collectively, the Group) for the year ended 31 March 2024 were authorised for issue by the Directors on 15th May 2024.

### 1.5 Responsibility for Financial Statements

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

## 2. BASIS OF PREPARATION

### 2.1. Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka

Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 07 of 2007.

### 2.2 Basis of Measurement

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

- » Lands which are recognised as property plant and equipment which are measured at cost on initial recognition and subsequently carried at fair value.
- » Financial instruments reflected as fair value through profit or loss which are measured at fair value.

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

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

### 2.3 Functional and Presentation Currency

The Financial Statements are presented in United State Dollars (USDs), which is the Company's and its Subsidiary's functional currency which would better reflect the economic substance of underlying events and circumstances relevant to both entities.

### 2.4 Materiality and Aggregation

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

### 2.5 Comparative information

Comparative information including quantitative, narrative and descriptive information as relevant is disclosed in respect of previous period in the Financial Statements.

In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in Financial Statements.

## 2.6 Offsetting

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1. Basis of Consolidation

The Consolidated Financial Statements encompass the Company, its subsidiary (together referred to as the "Group").

#### 3.1.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a

# NOTES TO THE FINANCIAL STATEMENTS

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.

The Consolidated Financial Statements of the Group for the year ended 31 March 2024 comprise of the Company and its Subsidiaries and the details are as below;

Company name	Year of acquisition	Ownership %
South Asia Textiles Limited	2021/22	100%
Hayleys Fabric Solutions Ltd	2023/24	66 2/3%

The Consolidated Financial Statements incorporating Subsidiary in the Group are using uniform accounting policies for like transactions and in similar circumstance are applied consistently.

## 3.2 Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred,

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

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

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

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

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

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

## 3.3 Foreign Currency

### 3.3.1 Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items

are recognised in Statement of Profit or Loss. Tax charges and credit attributable to exchange differences on those monetary items are also recognised in Other Comprehensive Income.

Non-monetary assets and liabilities which are measured in terms of historical cost in a foreign currency are translated using exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e., translation differences on items of which fair value gain or loss is recognised in OCI or Profit or Loss are also recognised in OCI or Profit or Loss, respectively).

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

### 3.3.2 Current versus non-current classification

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

- » Expected to be realised or intended to be sold or consumed in a normal operating cycle;
- » Held primarily for the purpose of trading;
- » Expected to be realised within twelve months after the reporting period, or
- » Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- » All other assets are classified as non-current.

A liability is current when:

It is expected to be settled in a normal operating cycle;

- » It is held primarily for the purpose of trading;
- » It is due to be settled within twelve months after the reporting period, or
- » There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

## 3.4 Fair Value Measurement

The Group measures financial instruments such as investments which are designated as fair value through Other Comprehensive Income (OCI), financial assets at fair value through Profit or Loss and derivatives; non-financial assets such as owner-occupied land and investment properties, at fair value at each reporting date.

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and

best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

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

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

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

- » Disclosures for valuation methods, significant estimates and assumptions - Note 6.8.



# NOTES TO THE FINANCIAL STATEMENTS

- » Quantitative disclosures of fair value measurement hierarchy - Note 6.8.
- » Property (land) under revaluation model - Note 6.8.
- » Financial instruments (including those carried at amortised cost) - Note 14.

## 3.5 Property, Plant & Equipment

The Group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of the services or for administration 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.

### 3.5.6 Depreciation

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

Description	Period
Buildings	40- 50 years
Land Development	10 years
Computers & Equipment	1-6 2/3 Years
Plant & machinery	15 – 20 years
Factory, Bungalow, Safety & Medical Equipment	6 2/3 years
Motor vehicles	04 years
Furniture, Fittings & Office Equipment	05-08 years
Tools & Equipment and Electrical Installation	5 years
Wastewater, purification, and River Embankment	15years
Solar Power Project	20 years

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

### 3.5.7 Leases

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

#### 3.5.7.1 Group as a lessee

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

##### 3.5.7.1.1 Right-of-use assets

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

the estimated useful lives of the assets, as follows:

Description	Period
Land	30 - 35 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment as more fully described in Note 7 Impairment of non-financial assets.

#### 3.5.7.1.2 Lease liabilities

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

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

The Group's lease liabilities are included in Interest-bearing loans and borrowings in Note 14 to the Financial Statements.

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

The Group applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### 3.5.7.2 Group as a lessor

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

### 3.6 Intangible Assets

#### 3.6.1 Basis of recognition

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

#### 3.6.2 Basis of measurement

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

#### 3.6.3 Useful economic lives and amortisation

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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

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

#### 3.6.4 Derecognition of intangible assets

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss.

#### 3.6.5 Subsequent expenditure

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

# NOTES TO THE FINANCIAL STATEMENTS

## 3.6.6 Amortisation

Amortisation of intangible assets with a finite life is recognised in Profit or Loss on a straight-line basis over the estimated useful lives of intangible assets, from the date on which they are available for use. The estimated useful lives are as follows:

Description	Period
ERP Systems & Software	4-8 years

## 3.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

### 3.7.1 Financial assets

#### 3.7.1.1 Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and

measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

#### 3.7.1.1.2 Assessment whether contractual cash flows is solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- » Contingent events that would change the amount or timing of cash flows;

- » Terms that may adjust the contractual coupon rate, including variable-rate features;
- » Prepayment and extension features; and
- » Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

#### 3.7.1.2 Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories;

- » Financial assets at amortised cost (debt instruments).
- » Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
- » Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- » Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, and loan to an associate and non-current trade and other receivables.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of Profit or Loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to Profit or Loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument- by-instrument basis.

Gains and losses on these financial assets are never recycled to Profit or Loss. Dividends are recognised as other income in the Statement of Profit or Loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

This category includes listed and non-listed equity instruments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through Profit or Loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the Statement of Profit or Loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through Profit or Loss. Embedded derivatives are measured at fair value with changes in fair value recognised in Profit or Loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through Profit or Loss category.

#### 3.7.1.3 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.

#### 3.7.1.4 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures which are determined to have low credit risk at the reporting date and for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

# NOTES TO THE FINANCIAL STATEMENTS

## 3.7.1.4.1 Impairment model for segments other than the Consumer & Retail sector

The Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

- » Evidence that a financial asset is credit-impaired includes the following observable data:
- » Significant financial difficulty of the borrower or issuer;
- » A breach of contract such as a default in payments;
- » The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- » It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- » The disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

### Write-offs

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. For corporate

customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

### 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 Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the Statement of Profit or Loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

## 3.7.2 Financial liabilities

### 3.7.2.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

### 3.7.2.2 Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss so designated at the initial date of recognition, and only if criteria of SLFRS 9 are satisfied. The Group has not designated any financial liability at fair value through profit or loss.

### Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Profit or Loss.



### 3.7.2.3 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

### 3.7.3 Offsetting of financial instruments

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

- » There is a currently enforceable legal right to offset the recognised amounts and
- » There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 3.8 Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

Using recent arm's length market transactions

Reference to the current fair value of another instrument that is substantially the same

A discounted cash flow analysis or other valuation models.

## 3.9 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

All inventory items, except manufactured inventories and work-in-progress are measured at weighted average directly attributable cost.

Manufactured inventories and work-in-progress are measured at weighted average factory cost which includes all direct expenditure and appropriate share of production overhead based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business less, the estimated cost of completion and the estimated costs necessary to make the sale.

## 3.10 Impairment of Non-Financial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly

traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the Statement of Profit or Loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to Other Comprehensive Income. For such properties, the impairment is recognised in Other Comprehensive Income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If 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

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amount of each CGU (or Group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

## 3.11 Cash and Cash Equivalents

Cash in hand and at bank and short-term deposits in the Statement of Financial Position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts and short-term borrowings as they are considered an integral part of the Group's cash management.

## 3.12 Employee Benefits

### 3.12.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

### 3.12.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 15.3. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. Actuarial gains or losses are recognised in full in the Other Comprehensive Income.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefits. However, for entities of the Group operating in Sri Lanka, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded. The settlement of the liability is based on legal liability method or the following basis as applied by the respective entities.

Length of each service (Years) No. of month's salary for completed year of service.

Length of each service (Years)	No. of months
Up to 20	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

### 3.12.3 Short-term benefits

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

## 3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## 3.14 Contingent Liabilities Recognised in a Business Combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

## 3.15 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### 3.16 Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

#### 3.16.1 Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

##### 3.16.1.1 Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

##### 3.16.1.2 Significant financing component

The Group receives short-term advances from its customers. Using the practical expedient for short term advances in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. Where long-term advances are received from customers,

the transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

#### 3.16.2 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

#### 3.16.3 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

#### 3.16.4 Assets and liabilities arising from rights of return

##### 3.16.4.1 Right of return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

##### 3.16.4.2 Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from customers' right of return. The liability is measured at the amount the Group

ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

### 3.17 Other Income

#### 3.17.1 Dividends

Dividend income is recognised in Profit or Loss on the date the entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

#### 3.17.2 Gains and losses

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and are recognised net within "other income" in Profit or Loss.

#### 3.17.3 Other income

Other income is recognised on an accrual basis.

### 3.18 Expenses

Expenses are recognised in the Profit or Loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year. For the purpose of presentation of the Statement of Profit or Loss, the function of expenses method is adopted.

Repairs and renewals are charged to Profit or Loss in the year in which the expenditure is incurred.

#### 3.18.1 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

# NOTES TO THE FINANCIAL STATEMENTS

## 3.19 Finance income

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in the Statement of Profit or Loss. Interest income is recognised as it accrues in the Statement of Profit or Loss.

## 3.20 Finance Cost

Finance cost comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in the Statement of Profit or Loss.

## 3.21 Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Statement of Profit or Loss except to the extent that it relates to a business combinations, or items recognised directly in Equity or in Other Comprehensive Income.

### 3.21.1 Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current tax relating to items recognised directly in Other Comprehensive Income is recognised in Other Comprehensive Income and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### 3.21.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- » When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- » In respect of taxable temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- » When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- » In respect of deductible temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer

probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the Statement of Profit or Loss is recognised outside the Statement of Profit or Loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed.

The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in the Statement of Profit or Loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 3.21.3 Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- » When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- » When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

## 4. GENERAL

### 4.1 Events Occurring After the Reporting Date

All material post reporting date events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

### 4.2 Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 4.3 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "indirect method".

Interest paid is classified as financing cash flow. Grants received, which are related to purchase and construction of property, plant & equipment are classified as investing

cash flows. Dividend and interest income are classified as cash flows from investing activities.

Dividends paid are classified as financing cash flows. Dividends received by Hayleys Fabric PLC, which is an investment Company, are classified as operating cash flows and are not disclosed separately in the Company Cash Flow Statement.

## 4.5 Changes in Accounting Policies and Disclosures

### 4.5.1 New and amended standards and interpretations

No significant impact resulted on the financial statements of the Group due to changes in Accounting Standards and disclosures during the year.

## 4.6 Standards Issued but not yet Effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

### 4.6.1 Classification of Liabilities as Current or Non-current - Amendment to LKAS 1

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024

### 4.6.2 Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16

The amendments to SLFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2024

### 4.6.3 Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024

### 4.6.4 International Tax Reform—Pillar Two Model Rule - Amendments to LKAS 12

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.



# NOTES TO THE FINANCIAL STATEMENTS

The amendments are effective for annual periods beginning on or after 1 January 2024.

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Financial Statements in conformity with SLFRS/LKAS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

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

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

### 5.1 Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The assessment includes the existing and anticipated effects from the present macro-economic conditions, the circumstances of the external environment, or are inconsistent with historical trends. Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern and the management do not intend either to liquidate or to cease operations of the Group. Therefore, the Financial Statements continue to be prepared on the going concern basis.

### 5.2 Measurement of the recoverable amount of cash-generating units containing goodwill

The Group tests annually whether goodwill requires impairment, in accordance with the accounting policy stated in Note 3.10. The basis of determining the recoverable amounts of cash generating units and key assumptions used are given in Note 9.1 to the Financial Statements.

### 5.3 Measurement of the employee benefit obligations

The present value of the employee benefit obligations is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates. Further details about employee benefit obligation are provided in Note 16 to the Financial Statements.

### 5.4 Revaluation of property, plant and equipment

The Group measures the freehold land (classified as property, plant and equipment) at revalued amounts, with changes in fair value being recognised in OCI. The freehold lands were valued by reference to transactions involving properties of a similar nature, location and condition. In addition,

The Group engaged a valuation specialist to assess fair values as at 31 March 2022. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 6.8 to the Financial Statements.

### 5.5 Valuation of inventories

The Group has applied judgment in the determination of impairment in relation to inventories that are slow moving or obsolete. The Group's impairment assessment in relation to such inventories take into account factors such as the use of significant judgement over identifying inventories requiring write down to NRV, including consideration of product life cycles, nature of inventories, future inventory demand and quality/ grading assessments, and the existence of significant estimates applied in the determination of NRV, considering expected sales prices and allowance policies based on historical sales.

## 6. PROPERTY, PLANT & EQUIPMENT

### 6.1 Group

	As at 01.04.2023 USD	Additions/ transfers USD	Disposals/ transfers USD	As at 31.03.2024 USD
<b>Gross carrying amounts</b>				
<b>At valuation</b>				
Freehold land	2,066,940	-	-	2,066,940
<b>At cost</b>				
Buildings	13,401,921	56,053	-	13,457,974
Land development	409,113	-	-	409,113
Water treatment plant	4,053,896	-	(15,669)	4,038,227
Plant and machinery	52,550,228	2,824,370	(202,326)	55,172,272
Motor vehicles	220,962	-	-	220,962
Furniture and fittings	2,842,721	89,069	(433,323)	2,498,467
Office equipment	445,034	35,948	(146,046)	334,936
Computers	1,793,464	170,908	(182,827)	1,781,545
Factory equipment	6,486,341	418,493	(532,119)	6,372,715
Safety and medical equipment	216,945	4,971	(14,195)	207,721
Bungalow equipment	7,499	-	(880)	6,619
Solar power plant	2,742,002	-	-	2,742,002
<b>Total value of depreciable assets</b>	87,237,066	3,599,812	(1,527,385)	89,309,493
<b>In the course of construction</b>				
Work in progress	12,833	3,469,765	(3,092,846)	389,752
<b>Total gross carrying amount</b>	87,249,899	7,069,577	(4,620,231)	89,699,245

	As at 01.04.2023 USD	Impairment USD	Charge for the year USD	Disposals/ transfer USD	As at 31.03.2024 USD
<b>Accumulated depreciation and impairment</b>					
<b>At Cost</b>					
Buildings	3,607,224	-	386,794	-	3,994,018
Land development	129,682	-	29,975	-	159,657
Water treatment plant	2,649,458	-	151,188	(7,496)	2,793,150
Plant and machinery	27,200,680	55,220	2,445,612	(196,257)	29,505,255
Motor vehicles	220,962	-	-	-	220,962
Furniture and fittings	2,033,115	-	236,545	(433,323)	1,836,336
Office equipment	391,269	-	16,786	(146,046)	262,009
Computers	1,030,013	-	272,758	(182,714)	1,120,057
Factory equipment	4,904,216	153	385,809	(532,119)	4,758,058
Safety and medical equipment	169,111	-	15,774	(14,195)	170,690
Bungalow equipment	7,499	-	-	(880)	6,619
Solar power plant	246,691	-	137,100	-	383,791
<b>Total depreciation</b>	42,589,920	55,373	4,078,340	(1,513,031)	45,210,602

# NOTES TO THE FINANCIAL STATEMENTS

Net book values As at 31st March	2024 USD	2023 USD
<b>At valuation</b>		
Freehold land	2,066,940	2,066,940
<b>At cost</b>		
Buildings	9,463,956	9,794,697
Land development	249,456	279,431
Water treatment plant	1,245,077	1,404,438
Plant and machinery	25,667,017	25,349,548
Furniture and fittings	662,131	809,606
Office equipment	72,927	53,765
Computers	661,488	763,451
Factory equipment	1,614,656	1,582,125
Safety and medical equipment	37,032	47,834
Solar power plant	2,358,211	2,495,311
	44,098,891	44,647,146
<b>In the course of construction</b>		
Work in progress	389,752	12,833
<b>Total carrying amount of property, plant and equipment</b>	<b>44,488,643</b>	<b>44,659,979</b>

## 6.2 Company

	As at 01.04.2023 USD	Additions/ transfers USD	Disposals/ transfer USD	As at 31.03.2024 USD
<b>Gross carrying amounts</b>				
<b>At valuation</b>				
Freehold land	2,066,940	-	-	2,066,940
<b>At cost</b>				
Buildings	8,123,917	-	-	8,123,917
Water treatment plant	2,307,083	-	-	2,307,083
Plant and machinery	35,502,460	753,292	(194,228)	36,061,524
Furniture and fittings	2,658,213	75,652	(433,323)	2,300,542
Office equipment	295,700	27,312	(146,046)	176,966
Computers	899,959	65,498	(182,709)	782,748
Factory equipment	5,016,954	339,274	(532,119)	4,824,109
Safety and medical equipment	216,945	4,971	(14,195)	207,721
Bungalow equipment	7,499	-	(880)	6,619
Solar power plant	2,742,002	-	-	2,742,002
<b>Total value of depreciable assets</b>	<b>59,837,672</b>	<b>1,265,999</b>	<b>(1,503,500)</b>	<b>59,600,171</b>
<b>In the course of construction</b>				
Work in progress	75	1,384,035	(1,004,889)	379,221
<b>Total gross carrying amount</b>	<b>59,837,747</b>	<b>2,650,034</b>	<b>(2,508,389)</b>	<b>59,979,392</b>

	As at 01.04.2023	Impairment	Charge for the year	Disposals/ transfer	As at 31.03.2024
Accumulated depreciation and impairment	USD	USD	USD	USD	USD
At cost					
Buildings	3,293,970	-	212,891	-	3,506,861
Water treatment plant	1,825,231	-	68,596	-	1,893,827
Plant and machinery	21,208,386	55,220	1,390,037	(194,128)	22,459,515
Furniture and fittings	1,893,730	-	221,397	(433,323)	1,681,804
Office equipment	272,721	-	6,403	(146,046)	133,078
Computers	531,824	-	85,194	(182,665)	434,353
Factory equipment	3,850,124	153	301,713	(532,119)	3,619,871
Safety and medical equipment	169,111	-	15,774	(14,195)	170,690
Bungalow equipment	7,499	-	-	(880)	6,619
Solar power plant	246,691	-	137,100	-	383,791
Total depreciation	33,299,287	55,373	2,439,105	(1,503,356)	34,290,409

Net book values As at 31st March	2024 USD	2023 USD
<b>Freehold land</b>	<b>2,066,940</b>	2,066,940
<b>At cost</b>		
Buildings	4,617,056	4,829,947
Water treatment plant	413,256	481,852
Plant and machinery	13,602,009	14,294,074
Furniture and fittings	618,738	764,483
Office equipment	43,889	22,980
Computers	348,395	368,135
Factory equipment	1,204,238	1,166,830
Safety and medical equipment	37,031	47,834
Solar power plant	2,358,211	2,495,311
	25,309,762	26,538,385
In the course of construction		
Work in progress	379,221	75
Total carrying amount of property, plant and equipment	25,688,983	26,538,460

### 6.3 Carrying value

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
At cost	42,421,703	42,593,039	23,622,043	24,471,520
At valuation	2,066,940	2,066,940	2,066,940	2,066,940
	44,488,643	44,659,979	25,688,983	26,538,460

### 6.4 Group Property, plant & equipment includes buildings on lease hold land. The carrying amount of these assets are:

	Cost USD	Accumulated depreciation USD	Carrying value 2024 USD	Carrying value 2023 USD
As at 31st March				
Buildings	5,971,912	564,341	5,407,571	5,551,148
Total	5,971,912	564,341	5,407,571	5,551,148

# NOTES TO THE FINANCIAL STATEMENTS

- 6.5.1** During the financial year, the Group acquired property, plant & equipment to the aggregate value of USD 3,976,730 (2023- 4,704,003). Cash payments amounting to USD 3,825,123 (2023- USD 4,694,132) were made during the year for the purchase of property, plant and equipment.
- 6.5.2** During the financial year, the Company acquired property, plant & equipment to the aggregate value of USD 1,645,146 (2023- USD 932,069). Cash payments amounting to USD 1,579,052 (2023- USD 922,199) were made during the year for the purchase of property, plant and equipment.

**6.6** The cost of fully depreciated property plant and equipment which are still in use at the reporting date is as follows.

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Land development	111,440	111,440	-	-
Plant and machinery	9,545,001	8,445,610	7,348,521	6,434,167
Water treatment plant	1,752,226	1,450,109	1,224,823	935,172
Motor vehicles	220,962	220,962	-	-
Furniture and fittings	898,889	1,319,234	778,086	1,208,468
Office equipment	224,666	360,864	118,517	259,123
Computers hardware	553,228	690,695	187,337	335,260
Factory equipment	3,559,965	3,876,935	2,678,123	3,059,512
Safety and medical equipment	101,604	111,355	101,604	111,355
Bungalow equipment	6,619	7,499	6,619	7,499
	16,974,600	16,594,703	12,443,630	12,350,556

- 6.7.1** Hayleys Fabric PLC- 25 permanent buildings are located in Narthupana Estate, Neboda where the principle place of the business is operated. 5 permanent buildings are located in Knitting II plant at Wagawatta, BOI Industrial Zone.
- 6.7.2** South Asia Textiles Ltd- 68 permanent buildings are located in No. 70, Felix Dias Bandaranayake Mawatha, Pugoda where the principle place of the business is operated. 2 permanent buildings are located in Kumarimulla River Embankment Project, Pugoda.

**6.8** The Group revalued its land (extent of 54.3 Acres) once every three years and last re-valuation was performed during the financial year 2021/22. The fair value of the land was determined by using market comparable methods which mean that valuation performed by the valuer are based on market prices, significantly adjusted for difference in the nature, location or condition of the specific property.

The fair value of land is based on valuations performed by Messrs P.B Kalugalgedara and Associates, an accredited independent valuer, on 31 March 2022.

The significant unobservable valuation input used for Revaluation of Land, is the estimated market price of a perch of land, which was estimated as follows:

Land extent of 34.1 acres of Land in Anguruwatota demarcated by survey plan - Rs. 100,000 a perch.

Land extent of 20.2 acres of Land in Anguruwatota demarcated by survey plan - Rs. 20,300 a perch.

Significant increase/(decrease) in estimated price per perch in isolation would result in a significantly higher/(lower) fair value.

If land was measured using the cost model, the carrying amounts would be USD 1,331,519 (2023 - USD 1,331,519)



## 7 RIGHT OF USE ASSETS

### 7.1 Group

	As at 01.04.2023	Additions/ (charge for the year)	As at 31.03.2024
	USD	USD	USD
<b>Gross carrying value</b>	874,391	-	874,391
Depreciation	(42,759)	(28,276)	(71,035)
Net carrying value	831,632	(28,276)	803,356

### 7.2 Company

	As at 01.04.2023	Additions/ (charge for the year)	As at 31.03.2024
	USD	USD	USD
<b>Gross carrying value</b>	211,311	-	211,311
Depreciation	(18,778)	(7,066)	(25,844)
Net carrying value	192,533	(7,066)	185,467

## 8 INTANGIBLE ASSETS - SOFTWARE

### 8.1 Group

	As at 01.04.2023	Additions/ (amortization during the year)	(Disposal)/ amortization Reversal during the year	As at 31.03.2024
	USD	USD	USD	USD
<b>Gross carrying value</b>	2,355,364	21,743	(58,927)	2,318,180
Amortization	(1,646,495)	(140,222)	58,927	(1,727,790)
Net carrying value	708,869	(118,479)	-	590,390

### 8.2 Company

	As at 01.04.2023	Additions/ (amortization during the year)	(Disposal) /amortization Reversal during the year	As at 31.03.2024
	USD	USD	USD	USD
<b>Gross carrying value</b>	1,501,347	-	(58,927)	1,442,420
Amortization	(1,417,273)	(33,213)	58,927	(1,391,559)
Net carrying value	84,074	(33,213)	-	50,861

## 9 INVESTMENT IN SUBSIDIARIES

Unquoted Investments	Initial Date of Acquisition	% Holding	No. of Shares	Value USD
South Asia Textiles Ltd	22nd April 2021	100	357,361,456	18,281,412
Hayleys Fabric Solutions Ltd	01st January 2024	66.6	4	Nil

### 9.1 IMPAIRMENT TEST OF GOODWILL

The Group performed its annual impairment test on Goodwill derived from the acquisition of South Asia Textiles Limited (CGU) as at 31 March 2024. The recoverable amount of the CGU has been determined considering its value in use (VIU). The key assumptions used in the determination of VIU are provided below;

	% Holding
Discount rate	7.88%
Terminal growth rate	6.40%

No impairment was recognized consequent to the impairment test carried out.

# NOTES TO THE FINANCIAL STATEMENTS

## 10 INVENTORIES

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
<b>Raw materials</b>	12,149,640	15,739,885	7,166,485	8,303,411
Less : Impairment for slow moving items	(2,053,557)	(1,637,505)	(1,427,018)	(1,273,896)
	10,096,083	14,102,380	5,739,467	7,029,515
<b>Work-in-progress</b>	10,754,477	13,495,434	5,811,713	6,381,865
Less : Impairment for slow moving items	(648,015)	(777,251)	(295,773)	(151,659)
	10,106,462	12,718,183	5,515,940	6,230,206
<b>Finished goods (10.1)</b>	6,459,671	6,207,854	4,042,866	3,772,654
Less : Impairment for slow moving items	(906,145)	(1,450,009)	(469,989)	(498,232)
	5,553,526	4,757,845	3,572,877	3,274,422
<b>Stock consumables</b>	5,693,285	5,473,981	3,360,237	3,748,338
Less : Impairment for slow moving items	(1,035,338)	(335,193)	(469,695)	(325,174)
	4,657,947	5,138,788	2,890,542	3,423,164
	30,414,018	36,717,196	17,718,826	19,957,307

- 10.1** Group - Second grade finished goods amounting to USD 165,754 (2023- USD 136,642) are carried at net realisable value.  
Company - Second grade finished goods amounting to USD 78,438 (2023- USD 50,363) are carried at net realisable value.

## 11 TRADE AND OTHER RECEIVABLES

### 11.1 Trade receivables

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Receivable from Subsidiary - South Asia Textiles Ltd.	-	-	922,467	259,212
Other related parties (11.1.1)	112	-	112	-
Others	16,095,053	18,252,861	10,049,971	10,846,881
Less : Impairment loss recognised (11.1.3)	(148,162)	(222,592)	(52,891)	(55,794)
	15,947,003	18,030,268	10,919,659	11,050,299

#### 11.1.1 Receivable from Other related parties

Name of the Company	Relationship	Nature of Transaction	Group		Company	
			2024 USD	2023 USD	2024 USD	2023 USD
D P L Universal Gloves Ltd	Fellow Subsidiary	Sale of fabric	112	-	112	-
			112	-	112	-

#### 11.1.2 The aging analysis of trade receivables is as follows:

##### Group

	Neither past due nor impaired	Past due but not impaired					Total
		0 - 60 days	61-120 days	121-180 days	181-365 days	> 365 days	
Related parties	-	-	112	-	-	-	112
Others	11,091,265	4,122,193	321,784	392,754	18,895	-	15,946,891
Total as at 31/03/2024	11,091,265	4,122,193	321,896	392,754	18,895	-	15,947,003
Related party	-	-	-	-	-	-	-
Others	14,349,061	2,964,556	355,541	322,564	38,546	-	18,030,268
Total as at 31/03/2023	14,349,061	2,964,556	355,541	322,564	38,546	-	18,030,268

Company

	Neither past due nor impaired	Past due but not impaired					Total
		0 - 60 days	61-120 days	121-180 days	181-365 days	> 365 days	
Related parties	26,710	157,134	531,459	156,353	50,923	-	922,579
Others	7,268,018	2,665,803	63,025	234	-	-	9,997,080
Total as at 31/03/2024	7,294,728	2,822,937	594,484	156,587	50,923	-	10,919,659
Related parties	68,709	190,503	-	-	-	-	259,212
Others	8,451,928	2,097,120	214,498	27,541	-	-	10,791,087
Total as at 31/03/2023	8,520,637	2,287,623	214,498	27,541	-	-	11,050,299

See note 30 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

**11.1.3** The impairment recognised in relation to Trade Receivables of the Group has been based on a collective impairment model and is as follows:

	Group		Company	
	2024	2023	2024	2023
	USD	USD	USD	USD
Balance as at the beginning of the year	222,592	209,712	55,794	66,792
Impairment charge/(reversal) during the year	(74,430)	12,880	(2,903)	(10,998)
Balance as at the end of the year	148,162	222,592	52,891	55,794

**11.2 Other receivable**

	Group		Company	
	2024	2023	2024	2023
	USD	USD	USD	USD
Income tax receivable	137,590	-	-	-
VAT recoverable	59,203	210,435	-	-
Claim receivable	72,909	177,612	1,193	56,527
WHT recoverable	39,346	6,747	10,790	1,536
Staff loans & advances	168,078	151,670	112,376	106,753
Interest receivable	58,485	54,562	42,606	41,859
Deposits	48,163	442,496	48,163	442,496
Dividend receivable from subsidiary	-	-	600,000	1,350,000
Receivable from CEB	40,288	144,502	40,288	144,502
Amount due from Ambeon Holdings Ltd. (Note 11.2.1)	-	291,501	-	-
	624,062	1,479,525	855,416	2,143,673

**11.2.1** Amount due from Ambeon Holdings Ltd.

The outstanding amount related to Ambeon Holdings Limited, the former parent of South Asia Textiles Ltd. This has been fully settled as of the reporting date.

	2024			2023		
	As at 31.03.2024 USD	Receivable within 1 year USD	Receivable after 1 year USD	As at 31.03.2023 USD	Receivable within 1 year USD	Receivable after 1 year USD
Amount due from Ambeon Holdings Ltd.	-	-	-	291,501	291,501	-
	-	-	-	291,501	291,501	-

# NOTES TO THE FINANCIAL STATEMENTS

## 11.2.2 Currency-wise Analysis of Trade and Other Receivables

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
United States Dollars	16,004,149	18,429,219	11,576,804	12,798,736
Sri Lankan Rupees	566,916	1,080,574	198,271	395,236
	16,571,065	19,509,793	11,775,075	13,193,972

## 11.3 Advances and prepayments

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Advances paid to related parties - (11.3.1)	106	1,375	-	-
Advances paid to other suppliers	1,331,810	986,698	591,594	464,870
Other prepayments	584,642	532,927	369,774	287,997
	1,916,558	1,521,000	961,368	752,867

### 11.3.1 Advances paid to related parties

		Group		Company	
		2024 USD	2023 USD	2024 USD	2023 USD
	'Nature Of the Transactions				
Hayleys Aventura (Pvt) Ltd - Fellow Subsidiary	Purchase of spare parts and technical supports services	-	816	-	-
Singer Sri lanka PLC - Fellow Subsidiary	Purchase of electrical equipment	106	559	-	-
		106	1,375	-	-

## 12 CASH AND CASH EQUIVALENTS IN STATEMENT OF CASH FLOW

### 12.1 Favorable Cash and Cash Equivalent Balances

Components of Cash and Cash Equivalents	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Cash and Bank Balances	5,307,593	3,140,006	2,731,872	1,059,808
Short term deposits	5,735,492	1,420,757	4,725,908	730,873
	11,043,085	4,560,763	7,457,780	1,790,681

### 12.2 Unfavorable Cash and Cash Equivalent Balances

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Bank Overdraft (Note 14)	(2,020,439)	(3,326,716)	(359,031)	(1,504,399)
	(2,020,439)	(3,326,716)	(359,031)	(1,504,399)
Total cash and cash equivalent balance for the purpose of State- ment of Cash Flow	9,022,646	1,234,047	7,098,749	286,282

## 13. STATED CAPITAL

	Company 2024		Company 2023	
	Number	USD	Number	USD
Ordinary shares (Fully Paid)	415,481,776	17,561,761	415,481,776	17,561,761

### 13.1 Other Capital Reserves & Retained Earnings

#### 13.1.1 Revaluation Reserve

The Revaluation Reserve is maintained to record any surplus on revaluation of the Company's land, net of the tax effect of such revaluation.

### 13.1.2 Retained Earnings

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Balance as at the beginning of the year	10,222,123	12,262,705	7,963,561	9,043,731
Adjustment for surcharge Tax levied under the Surcharge Tax Act No.14 of 2022	-	(348,556)	-	(348,556)
Total comprehensive income	7,825,446	1,159,637	6,570,854	2,120,049
Dividends to equity holders	(3,313,929)	(2,851,663)	(3,313,929)	(2,851,663)
Deficit of acquisition of subsidiary	(990)	-	-	-
Balance as at the end of the year	14,732,650	10,222,123	11,220,486	7,963,561

## 14. INTEREST BEARING LOANS AND BORROWINGS

### 14.1 Group

	2024			2023		
	Amount Repayable Within 1 Year USD	Amount Repayable After 1 Year USD	Total USD	Amount Repayable Within 1 Year USD	Amount Repayable After 1 Year USD	Total USD
Term loans (Note 14.3)	9,089,960	16,940,576	26,030,536	5,097,686	15,708,775	20,806,461
Lease Obligations relating to right of use assets (Note 14.7)	25,871	142,659	168,530	21,263	161,609	182,872
Short term loans	1,000,000	-	1,000,000	1,100,470	-	1,100,470
Import loans	9,164,678	-	9,164,678	17,542,128	-	17,542,128
Bank overdraft (12.2)	2,020,439	-	2,020,439	3,326,716	-	3,326,716
	21,300,948	17,083,235	38,384,183	27,088,263	15,870,384	42,958,647

### 14.2 Company

	2024			2023		
	Amount Repayable Within 1 Year USD	Amount Repayable After 1 Year USD	Total USD	Amount Repayable Within 1 Year USD	Amount Repayable After 1 Year USD	Total USD
Term loans (Note 14.3)	6,096,094	11,217,318	17,313,412	4,149,291	10,313,263	14,462,554
Lease Obligations relating to right of use assets (Note 14.7)	4,302	109,979	114,281	4,086	111,881	115,967
Short term loans	1,000,000	-	1,000,000	750,000	-	750,000
Import loans	5,882,907	-	5,882,907	7,777,150	-	7,777,150
Bank overdraft (12.2)	359,031	-	359,031	1,504,399	-	1,504,399
	13,342,334	11,327,297	24,669,631	14,184,926	10,425,144	24,610,070

### 14.3 Term loans

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Balance at the beginning of the year	20,806,461	22,218,751	14,462,554	20,007,583
New loans obtained	10,185,039	4,649,404	6,392,839	-
Effects of movement in exchange rate	1,786,244	(1,309,225)	1,220,617	(1,516,435)
Repayments	(6,747,208)	(4,752,469)	(4,762,598)	(4,028,594)
Balance at the end of the year	26,030,536	20,806,461	17,313,412	14,462,554



# NOTES TO THE FINANCIAL STATEMENTS

## 14.3.1 Currency wise Analysis of Long Term Borrowings

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
United States Dollars	5,831,527	5,818,022	3,718,680	5,181,585
Sri Lankan Rupees	20,199,009	14,988,439	13,594,732	9,280,969
	26,030,536	20,806,461	17,313,412	14,462,554

## 14.4 Aging Analysis for Interest -bearing loans and borrowings Group

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	USD	USD	USD	USD	USD	USD
Total Interest bearing borrowings- As at 31.03.2024	2,900,991	11,270,515	7,129,442	16,971,889	111,346	38,384,183
Total Interest bearing borrowings- As at 31.03.2023	8,651,527	12,638,128	5,798,609	15,131,329	739,054	42,958,647

### Company

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	USD	USD	USD	USD	USD	USD
Total Interest bearing borrowings- As at 31.03.2024	1,085,083	7,450,362	4,806,889	11,226,245	101,052	24,669,631
Total Interest bearing borrowings- As at 31.03.2023	2,866,517	7,347,845	3,970,565	9,708,365	716,778	24,610,070

## 14.5 Long term loans - Hayleys Fabric PLC

Lender	Rate of interest (p.a.)	2024 USD	2023 USD	Repayment	Security
Sampath Bank PLC	3 Months SOFR + 4.05 % (Floor rate 9%)	526,880	1,178,900	48 monthly in equal installments of USD 54,335	Mortgage over machinery & Building
Sampath Bank PLC	3 Months SOFR + 4.05 % (Floor rate 9%)	1,500,000	2,100,000	60 monthly in equal installments with 3 months grace period & Equal installments of USD 50,000	Mortgage over Solar Equipments
Standard Chartered Bank PLC	3 Months SOFR + 2.90%	1,055,570	1,902,685	48 monthly in equal installments after a grace period of 1 year & Equal installments of USD 70,371	Mortgage over machinery
Bank of Ceylon	3 Months SOFR + 3.5 % (Floor rate 6%)	636,230	-	48 monthly in equal installments after a grace period of 3 months & Equal installments of USD 13,255	Mortgage over machinery
Bank of Ceylon	5.5% Fixed rate	222,892	550,736	36 monthly in equal installments of LKR 9,722,222	None
DFCC Bank	7.75 % Fixed rate	4,052,688	4,700,240	72 monthly in equal installments after a grace period of 6 months & Equal installments of LKR 28,258,331	Negative pledge over all immovable asset of Hayleys Fabric PLC & over the shares of South Asia Textiles Ltd
Sampath Bank PLC	AWPLR + 0.5%-5 years & AWPLR + 1.0%-2 years	3,676,350	4,029,993	84 monthly in equal installments of LKR 19,100,000	Negative pledge over Shares of South Asia Textiles Ltd owned by Hayleys Fabric
Bank Of China	AWPLR	5,642,802	-	12 Quaterly in equal installments of LKR 158,333,333	None
		17,313,412	14,462,554		

#### 14.6 Long term loans - South Asia Textiles Ltd

Lender	Rate of interest (p.a.)	2024 USD	2023 USD	Repayment	Security
People's Bank	3 Months SOFR+ 3% p.a. (Floor rate 10.75% p.a)	131,847	453,447	23 equal monthly installments of USD 26,800 and a final installment of USD 24,64, commencing from 02/09/2022	None
Nations Trust Bank PLC TL - 02	3 Months SOFR+ 5 % p.a. (Floor rate 10% p.a)	-	182,990	48 equal monthly installments of USD 20,332 each, commencing from 27/10/2019	None
Seylan Bank PLC	01 Month AWPLR+1%	6,604,277	5,707,470	47 monthly in equal installments after a grace period of One & half years and Equal installments of LKR 45,253,870 (25 Nos Sub loans)	Mortgage over machinery
Hatton National Bank	03Month SOFR + 4.75% (Weekly review)	937,500	-	24 month equal Installments of USD 62,500 each, commencing from 27/07/2023	None
Pan Asia Bank	7% p.a	1,043,500	-	35 equal monthly installments of USD 41,500 and a final installment of USD 47,500, commencing from 31.05.2023	None
		8,717,124	6,343,907		

#### 14.7 Lease Obligations

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Balance at the beginning of the year	182,872	209,991	115,967	117,822
Interest expense	16,500	17,713	8,339	8,410
Repayments	(35,938)	(33,189)	(10,025)	(10,265)
Effect of movements in exchange rates	5,096	(11,643)	-	-
Balance at the end of the year	168,530	182,872	114,281	115,967

Hayleys Fabric PLC- A right to operate lease agreement with Board of Investment of Sri Lanka (BOI) is for the period of 30 years commencing from 10th July 2020 for two acre BOI land at the "Wagawatta" Industrial zone.

South Asia Textiles Ltd- A right to operate lease agreement with Board of Investment of Sri Lanka (BOI) is for the period of 50 years commencing from 02nd March 2004 for fifty five acres 1 rood 27.8 perches BOI land at Pugoda.

##### 14.7.1 Currency wise analysis of lease obligations

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
United States Dollars	114,281	115,967	114,281	115,967
Sri Lankan Rupees	54,249	66,905	-	-
	168,530	182,872	114,281	115,967

# NOTES TO THE FINANCIAL STATEMENTS

## 14.7.2 Maturity Profile for Lease Obligations

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Within the next 12 months	25,871	21,263	4,302	4,086
Between 1 to 5 years	31,313	48,652	8,927	8,382
Between 5 to 10 years	15,575	14,516	14,836	13,931
More than 10 years	95,771	98,441	86,216	89,568
	168,530	182,872	114,281	115,967

## 15. RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
<b>Retirement Benefit Obligation - Gratuity</b>				
At beginning of the year	3,032,099	2,941,519	2,550,367	2,471,850
Effects of movement in exchange rate	275,499	(330,678)	231,394	(276,075)
Benefits paid by the plan	(316,667)	(133,311)	(266,758)	(95,972)
Current service cost	248,978	209,413	187,318	156,675
Interest cost	570,080	383,134	479,431	322,945
Actuarial (gain)/ loss recognized directly in Other Comprehensive Income	55,591	(37,978)	54,911	(29,056)
<b>At end of the year</b>	<b>3,865,580</b>	<b>3,032,099</b>	<b>3,236,663</b>	<b>2,550,367</b>

### 15.1 Expenses recognised in the Statement of Profit or Loss

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Current service cost	248,978	209,413	187,318	156,675
Interest cost	570,080	383,134	479,431	322,945
	819,058	592,547	666,749	479,620

### 15.2 Legal Liability as at 31st March

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Legal Liability as at 31st March	2,819,248	2,466,218	2,186,757	1,939,347

**15.3** The Gratuity liability of the Company & the Group as at 31st March 2024 is based on an actuarial valuation carried out by Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries.

	Group		Company	
	2024	2023	2024	2023
Rate of discount	12.0%	18%	12.0%	18%
Salary increase	11.0%	16.0%	11.0%	16.0%
Retirement age	60 Years	60 Years	60 Years	60 Years
Weighted average remaining working life	7.4 - 8.5 Years	8.0 - 8.6 Years	8.5 Years	8.6 Years

Assumptions regarding mortality are based on a 1967/70 Mortality Table, issued by The Institute of Actuaries, London.

**15.4** A quantitative sensitivity analysis for significant assumptions as at 31st March 2024 is as follows:

Group

A one percentage point change in salary escalation rate/ discount rate	Salary increment rate		Discount rate	
	1% increase USD	1% decrease USD	1% increase USD	1% decrease USD
As at 31st March 2024	354,194	(316,433)	(296,207)	336,447
As at 31st March 2023	256,427	(230,405)	(213,732)	241,007

Company

A one percentage point change in salary escalation rate/ discount rate	Salary increment rate		Discount rate	
	1% increase USD	1% decrease USD	1% increase USD	1% decrease USD
As at 31st March 2024	297,257	(266,218)	(249,166)	282,278
As at 31st March 2023	216,817	(195,221)	(181,115)	203,768

**15.5 Maturity Profile**

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Within the next 12 months	225,402	210,259	162,944	155,861
Between 1 to 5 years	1,127,172	961,596	910,377	785,512
Between 5 to 10 years	1,180,542	867,197	1,047,888	766,655
More than 10 years	1,332,464	993,047	1,115,454	842,339
	3,865,580	3,032,099	3,236,663	2,550,367

**16. TRADE AND OTHER PAYABLES**

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Trade Payables				
Payable from Subsidiary- South Asia Textile Ltd.	-	-	102,170	875,800
-Other Related Parties (16.3)	255,025	121,995	162,495	99,998
-Others	22,578,367	24,304,158	12,418,599	12,640,535
Other Payables	2,454,449	2,842,673	1,752,108	1,125,509
	25,287,841	27,268,826	14,435,372	14,741,842

**16.1 Maturity Profile for Trade and Other Payables**

Group

		On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
		USD	USD	USD	USD	USD	USD
31.03.2024	Related party	103,451	130,460	19,974	1,140	-	255,025
	Others	5,067,416	16,750,323	2,897,046	169,876	148,156	25,032,816
	Total	5,170,867	16,880,783	2,917,020	171,016	148,156	25,287,841
31.03.2023	Related party	56,973	62,131	1,867	1,024	-	121,995
	Others	3,499,127	20,113,353	3,233,158	161,445	139,748	27,146,831
	Total	3,556,100	20,175,484	3,235,025	162,469	139,748	27,268,826

# NOTES TO THE FINANCIAL STATEMENTS

## Company

		On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
		USD	USD	USD	USD	USD	USD
31.03.2024	Related party	103,452	154,046	6,027	1,140	-	264,665
	Others	4,800,784	8,641,441	445,976	134,351	148,156	14,170,707
	Total	4,904,236	8,795,487	452,002	135,491	148,156	14,435,372
31.03.2023	Related party	364,655	550,500	59,619	1,024	-	975,798
	Others	2,365,916	9,839,091	1,293,648	127,641	139,748	13,766,044
	Total	2,730,571	10,389,591	1,353,267	128,665	139,748	14,741,842

## 16.2 Currency wise Analysis of trade & other payables

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
United States Dollars	22,214,065	24,107,379	12,031,573	13,119,381
Sri Lankan Rupees	2,907,126	3,053,316	2,266,562	1,519,060
Euro	166,461	107,567	137,048	102,836
Others	189	565	189	565
	25,287,841	27,268,826	14,435,372	14,741,842

## 16.3 Payable to other related parties

Name of the Company	Relationship	Nature of Transaction	Group		Company	
			2024 USD	2023 USD	2024 USD	2023 USD
Puritas (Pvt) Ltd	Fellow Subsidiary	Purchase of oxypura products	222	270	-	-
Hayleys Agriculture Holdings Limited	Fellow Subsidiary	Dividend payable	4,833	-	4,833	-
The Kingsbury Hotel PLC	Fellow Subsidiary	Entertainment facility	4,787	1,499	4,787	1,499
Hayleys Travels (Pvt) Ltd	Fellow Subsidiary	Reservations, ticketing and other travel related services	10,149	741	1,885	85
Clarion Shipping (Pvt) Ltd	Fellow Subsidiary	Logistic service	4,897	-	4,897	-
Hayleys Aventura (Pvt) Ltd	Fellow Subsidiary	Purchase spare parts and obtained technical support	17,943	4,449	7,696	4,449
Hayleys Advantis Ltd	Fellow Subsidiary	Dividend Payable	7,186	-	7,186	-
Energynet (Pvt) Ltd	Fellow Subsidiary	Service charge of electrical equipments	6,240	5,274	200	1,109
Logiwiz Limited	Fellow Subsidiary	Logistic service	25,154	24,072	23,431	21,271
Advantis Projects & Engineering (Pvt) Ltd	Fellow Subsidiary	Logistic service	324	1,089	324	1,089
Expelogix (Pvt) Ltd	Fellow Subsidiary	Logistic service	3,277	10,014	3,277	10,014
Maboc Tea Pvt Ltd	Fellow Subsidiary	Purchasing Tea Leaves Pack-ets & Tea Bag	47	29	47	29
Hayleys Business Solutions Int. (Pvt) Ltd	Fellow Subsidiary	Payroll charges	4,881	4,071	2,957	2,355
Sun Tan Beach Resort Limited	Fellow Subsidiary	Entertainment facilities	-	1,524	-	1,524
DPL Universal Gloves Limited	Fellow Subsidiary	Purchasing special Yarn	-	911	-	911
Fentons Ltd	Fellow Subsidiary	Purchases of solar energy items and fire extinguishers	74,890	30,082	48,460	18,797
Advantis Express (Pvt) Ltd	Fellow Subsidiary	Purchase of courier services	-	389	-	-
Singer Sri Lanka PLC	Fellow Subsidiary	Purchases of electrical items	68,725	8,801	31,093	8,721
Advantis Freight (Pvt) Ltd	Fellow Subsidiary	Logistic service	21,423	28,753	21,423	28,145
IML Delivery Systems (Pvt) Ltd	Fellow Subsidiary	Logistic service	47	27	-	-
			255,025	121,995	162,495	99,998



## 17 OTHER CURRENT NON FINANCIAL LIABILITIES

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Accrued Expenditure	4,821,504	4,451,800	2,987,861	2,911,968
Advances Received	1,876,689	3,338,784	870,698	2,433,548
	6,698,193	7,790,584	3,858,559	5,345,516

## 18 REVENUE FROM CONTRACTS WITH CUSTOMERS

### 18.1 Disaggregated revenue contracts

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Sales of Fabric	155,326,820	166,631,461	95,240,086	102,458,262
Sale of Raw Materials	-	-	940,067	1,136,113
	155,326,820	166,631,461	96,180,153	103,594,375

### 18.2 Geographical Sales

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Direct exports	40,803,162	34,659,552	23,704,885	19,868,676
Indirect exports	113,461,658	130,455,564	70,594,612	81,503,054
Local sales	1,062,000	1,516,345	601,860	857,017
Intra-Group sales	-	-	1,278,796	1,365,628
	155,326,820	166,631,461	96,180,153	103,594,375

**18.3** In relation to indirect exports and sundry sales, the performance obligation is satisfied upon delivery of the goods.

In relation to direct exports, the performance obligation is satisfied upon shipment of the goods considering the terms under which the shipment has been carried out.

**18.4** Payments for all revenue from contracts with customers is generally due within 30 to 45 days from delivery.

**18.5** Contract assets from advances received, which are reflected in Note 17 are as follows.

**Group** - USD 1,876,889 ( 2023- USD 3,338,784)

**Company** - USD 870,698 ( 2023- USD 2,433,548)

## 19 OTHER OPERATING INCOME

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Profit on disposal of property, plant and equipment	10,179	-	6,926	8,367
Income from solar power generation	387,084	302,886	387,084	302,886
Creditors write back	2,324	70,674	1,606	53,162
Sundry Income	322,175	330,558	174,376	203,105
Dividend income	-	-	-	1,000,000
	721,762	704,118	569,992	1,567,519

# NOTES TO THE FINANCIAL STATEMENTS

## 20 OTHER EXPENSES

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Loss on disposal of property, plant and equipment	14,096	38,426	-	-
Impairment of idle property, plant and equipment	55,373	4,021	55,373	4,021
	69,469	42,447	55,373	4,021

## 21 NET FINANCING COST

### 21.1 Finance income

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Interest income	(683,750)	(216,954)	(515,841)	(152,570)
Gain on translation of foreign currency	-	(1,876,778)	-	(1,661,908)
	(683,750)	(2,093,732)	(515,841)	(1,814,478)

### 21.2 Finance cost

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Interest on short term borrowings	1,335,855	2,247,241	712,114	1,014,443
Interest on long term loans	3,161,210	2,925,706	1,727,067	1,840,796
Finance charges payable under Finance Lease	16,500	17,714	8,339	8,410
Loss on translation of foreign currency	2,286,822	-	1,573,735	-
Finance cost	6,800,387	5,190,661	4,021,255	2,863,649
Net finance cost	6,116,637	3,096,929	3,505,414	1,049,171

## 22 PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following:

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Staff cost (Note 22.1)	13,165,363	10,862,184	8,948,655	7,386,128
Directors' fees	19,903	14,710	19,903	14,710
Directors' emoluments	835,784	592,981	835,784	592,981
Depreciation of property, plant and equipment	4,081,362	3,899,568	2,439,105	2,452,793
Impairment of idle property, plant and equipment	55,373	4,021	55,373	4,021
Amortization of intangible assets	140,222	114,467	33,213	30,489
Legal fees	16,212	31,031	13,507	15,849
Audit fees	17,999	16,250	11,463	10,246
Non-audit professional services	7,477	5,602	6,537	4,073
Donations	20,287	12,375	17,109	9,462
Impairment for slow moving inventories	591,280	928,185	268,993	101,032
Impairment Charge/(reversal) for receivables	(74,430)	12,880	(2,903)	(10,998)
Research & Development	162,167	117,872	24,944	21,989

### 22.1 Staff cost

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Salaries and other personnel cost	11,370,345	9,509,630	7,660,904	6,407,852
Defined contribution plan cost- EPF and ETF	975,960	760,005	621,002	498,654
Defined benefit plan cost- Retiring gratuity	819,058	592,549	666,749	479,622
	13,165,363	10,862,184	8,948,655	7,386,128

## 23. INCOME TAX

The major components of income tax expense for the years ended 31st March are as follows:

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Income tax on profit for the year (Note 23.1)	4,390,470	2,241,558	3,943,395	1,724,550
(Over)/under provision in respect of previous year	45,694	(184,314)	45,674	(175,240)
Provision/(reversal) of deferred tax (Note 23.2)	(553,076)	5,192,388	(1,046,935)	4,212,439
Income tax expense reported in the statement of profit or loss	3,883,088	7,249,632	2,942,134	5,761,749

### 23.1 Reconciliation of Current Tax Expenses and product of Accounting Profit

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Profit before tax	11,747,623	8,382,684	9,551,426	7,861,459
Intra-Group adjustments	18,173	1,018,188	-	-
Disallowable expenses	10,653,962	5,921,324	4,833,971	4,068,057
Disallowable unrealised exchange gain	1,891,796	(165,400)	1,180,521	(1,934,611)
Exempted Income	(1,227)	(194,026)	-	(152,570)
Tax deductible expenses	(9,254,434)	(4,100,455)	(2,420,068)	(1,961,651)
Tax loss set-off/Qualifying Payments	(420,994)	-	(1,200)	-
Taxable income	14,634,899	10,862,315	13,144,650	7,880,684
Income tax @ 14%	-	866,229	-	452,622
Income tax @ 24%	-	165,702	-	62,301
Income tax @ 30%	4,390,470	1,209,627	3,943,395	1,209,627
Tax expense	4,390,470	2,241,558	3,943,395	1,724,550

In terms of the Inland Revenue ACT No 24 of 2017 The Company and It's subsidiary, South Asia Textiles Ltd, profit from exports is taxed at 14% and Company's income from solar power generation is liable at the rate of 24% until 30th September 2022.

Pursuant to the Inland Revenue (Amendment) Act, No. 45 of 2022 Certified on 19th of December 2022, the corporate income tax rate applied on profits earned from the export of goods was increased from 14% to 30% w.e.f 1st October 2022 including profit earned from Manufacturing income and all other income. As a result of this amendment, the income tax of the Company/Group from 1st October 2022 has been calculated based on a rate of 30%. Furthermore, in relation to deferred tax which is calculated on the liability method as per LKAS 12 "Income Taxes", the revised tax of 30% applied on all cumulative temporary differences as at 1st October 2022, resulting in deferred tax expenses of USD 5,192,388/- and USD 4,212,439/- have been recognized for the Group and the Company respectively as at 31st March 2023.

# NOTES TO THE FINANCIAL STATEMENTS

## 23.2 Deferred Tax Assets, Liabilities and Income Tax relates to the following

### Group

	Statement of Financial Position		Statement of Profit or Loss and Other Comprehensive Income	
	2024 USD	2023 USD	2024 USD	2023 USD
<b>Deferred Tax Liabilities</b>				
Capital allowances for tax purposes	8,837,093	9,258,951	(421,858)	5,384,414
Tax on re-valuation of land	220,626	220,626	-	38,733
Tax on unrealised exchange gain	2,516,963	2,525,542	(8,580)	1,331,932
	11,574,682	12,005,119	(430,438)	6,755,079
<b>Deferred Tax Assets</b>				
Tax effect of tax loss carried forward	-	125,780	125,780	(125,780)
Defined benefit plans	1,159,674	909,630	(250,044)	(497,817)
Impairment for slow moving inventories	1,252,008	1,074,624	(177,384)	(661,894)
Impairment for doubtful debts	206,487	368,819	162,333	(148,139)
	2,618,169	2,478,853	(139,315)	(1,433,630)
<b>Net Deferred Tax Liability</b>	8,956,513	9,526,266		
Deferred Income tax charged to Profit or Loss			(553,076)	5,192,388
Deferred Income tax charge to Other Comprehensive Income- Land re-valuation			-	117,667
Deferred Income tax charge/ (reversal) to Other Comprehensive Income- Defined benefit plan			(16,677)	11,393
Charge/ (reversal) to Statement of Profit or Loss and Other Comprehensive Income			(569,753)	5,321,448

### Company

	Statement of Financial Position		Statement of Profit or Loss and Other Comprehensive Income	
	2024 USD	2023 USD	2024 USD	2023 USD
<b>Deferred Tax Liabilities</b>				
Capital allowances for tax purposes	5,633,025	5,938,596	(305,571)	3,332,888
Tax on re-valuation of land	220,626	220,626	-	117,667
Tax on unrealised exchange gain	2,160,361	2,632,481	(472,121)	1,636,657
	8,014,012	8,791,703	(777,692)	5,087,212
<b>Deferred Tax Assets</b>				
Defined benefit plans	970,999	765,110	(205,889)	(419,051)
Impairment for slow moving inventories	657,834	577,136	(80,698)	(321,950)
Impairment for doubtful debts	15,868	16,738	870	(7,387)
	1,644,701	1,358,984	(285,717)	(748,388)
<b>Net Deferred Tax Liability</b>	6,369,311	7,432,719		
Deferred Income tax charged to Profit or Loss			(1,046,935)	4,212,439
Deferred Income tax charge to Other Comprehensive Income- Land re-valuation			-	117,667
Deferred Income tax charge/ (reversal) to Other Comprehensive Income- Defined benefit plan			(16,473)	8,717
Charge/(Reversal) to Statement of Profit or Loss and Other Comprehensive Income			(1,063,408)	4,338,824

## 24 EARNINGS PER SHARE

### BASIC / DILUTED EARNINGS PER SHARE

Basic Earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the earnings per share computations.

#### 24.1 Basic/diluted earning per share calculated as follows.

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Profit attributable to equity holders of the Parent	7,864,535	1,133,052	6,609,292	2,099,710
Weighted average number of ordinary shares of the parent	415,481,776	415,481,776	415,481,776	415,481,776
Basic/diluted earnings per share	0.019	0.003	0.016	0.005

## 25 DIVIDENDS

	Company	
	2024 USD	2023 USD
Final Dividend for the year ended 31.03.2023 Rs 0.10 per share (Rs 1.00 per share in 2022)	131,203	1,131,887
Interim - Rs-2.50 per share in 2024 / (Rs 1.50 per share in 2023)	3,182,726	1,719,776
	3,313,929	2,851,663
Dividend per share	0.008	0.007

## 26. RELATED PARTY DISCLOSURES

### 26.1 Transactions with the Parent

Hayleys PLC provides support to finance, export shipping, secretarial, data processing, personnel and administration functions.

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Name of the Company				
Hayleys PLC	1,177,444	796,238	1,014,435	689,785

### 26.2 Transactions with the subsidiary

Sale of fabric, raw materials & commission Dyeing & finishing

Name of the Company	Company			
	2024 USD		2023 USD	
	Sale of fabric	Purchase of goods or service	Sale of fabric	Purchase of goods or service
South Asia Textiles Ltd	1,454,172	1,476,196	1,542,963	3,454,722



# NOTES TO THE FINANCIAL STATEMENTS

## 26.3 Transactions with the other related parties. - (All are fellow subsidiaries)

	Group				Company			
	2024		2023		2024		2023	
	USD		USD		USD		USD	
	Sale of goods or Service	Purchase of goods or service	Sale of goods or Service	Purchase of goods or service	Sale of goods or Service	Purchase of goods or service	Sale of goods or Service	Purchase of goods or service
Puritas (Pvt) Ltd	-	2,610	-	292	-	-	-	-
Hayleys Agriculture Holding Ltd	-	338	-	-	-	338	-	-
Hayleys Consumer Products Ltd	-	1,090	-	-	-	1,090	-	-
Quality Seed Company (Pvt) Ltd	-	-	-	477	-	-	-	-
The Kingsbury Hotel PLC	-	42,218	-	42,656	-	42,218	-	40,471
Hayleys Travels (Pvt) Ltd	1,819	191,553	-	125,122	1,819	145,770	-	88,874
Hayleys Tours (Pvt) Ltd	-	-	-	-	-	-	-	-
Hayleys Aventura (Pvt) Ltd	-	103,183	-	107,100	-	69,011	-	88,960
D P L Premier Gloves Limited	385	-	-	-	385	-	-	-
Advantis Freight (Pvt) Ltd	-	87,147	-	93,414	-	87,147	-	92,822
Logiwiz Limited	-	209,014	-	215,973	-	165,459	-	151,802
Advantis Projects & Engineering (Pvt) Ltd	-	1,071	-	22,939	-	1,071	-	22,939
Expelogix (Pvt) Ltd	-	33,858	-	73,994	-	33,858	-	73,994
Hayleys Business Solutions Int.(Pvt) Ltd	-	52,276	-	46,263	-	30,396	-	27,936
Dipped Products PLC	-	-	15,711	-	-	-	15,711	-
Fentons Ltd.	-	184,926	-	342,834	-	116,907	-	60,136
Mountain Hawk (Pvt) Ltd	-	4,650	-	4,282	-	-	-	-
Energynet (Pvt) Ltd	-	99,283	-	59,880	-	70,836	-	15,747
Mabroc Teas (Pvt) Ltd	-	14,797	-	1,225	-	713	-	504
Clarion Shipping (Pvt) Ltd	-	9,625	-	-	-	9,625	-	-
Hayleys Lifesciences (Pvt) Ltd	-	55	-	-	-	-	-	-
Singer Sri Lanka PLC	-	121,172	-	84,774	-	51,152	-	36,774
Singer Digital Media (Pvt) Ltd	-	-	-	-	-	-	-	-
Hayleys Advantis Ltd	-	175	-	-	-	175	-	-
Sun Tan Beach Resorts Limited	-	-	-	1,723	-	-	-	1,723
Advantis Express (Pvt) Ltd	-	7,823	-	13,086	-	2,125	-	-
Kandyan Resorts (Pvt) Ltd	-	778	-	-	-	778	-	-
Langdale Resorts & Spa (PRIVATE) Ltd	-	-	-	352	-	-	-	352
Culture Club Resorts (Pvt) Ltd	-	1,096	-	354	-	1,096	-	354
D P L Universal Gloves Ltd	113	-	4,098	-	113	-	4,098	-
IML Delivery Systems (Pvt) Ltd	-	732	-	405	-	-	-	-
Moceti International (Pvt) Ltd	-	-	-	483,780	-	-	-	289,080

## 26.4 Transactions with the related Companies

- a) Ms. K.A.D.B. Perera who is a Director of the Company has a significant influence on the operations of below entities. The Group and the Company have carried out transactions in the ordinary course of business with these Companies during the year.

Name of the Company	Nature of Transaction	Group		Company	
		2024 USD	2023 USD	2024 USD	2023 USD
Royal Ceramics Lanka PLC	Purchase of tiles	12,204	701	12,204	701
Delmege Forsyth & Co.(Pvt) Ltd	Purchase of office furniture	21,896	3,094	16,451	3,094
Martin Bauer Hayleys (Pvt) Ltd	Purchase of Tea Leaves	14,312	1,209	14,312	1,209
Pan Asia Banking Corporation PLC	Trade facility	5,000,000	4,000,000	4,000,000	3,000,000
	Overdraft facility	1,500,000	1,500,000	1,000,000	1,000,000
	Term Loan facility	1,500,000	1,500,000	-	-
	Trade Outstanding amount	1,555,877	2,610,687	1,103,245	1,683,214
	Overdraft Outstanding amount	499,498	780,103	-	542,843
	Term Loan Outstanding amount	1,043,500	-	-	-
	Interest & charges paid	242,204	151,911	86,348	126,978

- b) Transactions with all related parties have been carried out under relevant commercial terms and conditions. All transactions are settled in cash in the short term and are non-interest bearing.
- c) Amounts due from /to related parties are reflected in these Financial Statements within notes 11 &16 and directly in the Statement of Financial Position.

## 26.5 Transactions with Key Management Personnel

Key management personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors of the Company (including executive and non executive Directors) have been designated as KMP of the entity while their immediate family members have also been identified as related parties.

An immediate family member is defined as spouse or dependent. A dependent is defined as anyone who depends on the respective Director for more than 50% of his/ her financial needs.

- a) Loans to Key Management Personnel

No loans have been provided to the Directors of the Group & the Company.

- b) Compensation of Key Management Personnel

	Group		Company	
	2024 USD	2023 USD	2024 USD	2023 USD
Short term employment benefits	835,784	592,981	835,784	592,981

The amounts disclosed above are the amounts recognised as an expense during the reporting period related to key management personnel.

## 27. COMMITMENTS AND CONTINGENCIES

- 27.1 The amount of capital expenditure approved by the Directors but not contracted for the Company was USD 2,280,448 and the Group was USD 2,280,448. (Company in 2023- USD 134,091 and the Group in 2023- USD 821,333)

- 27.2 The contingent liabilities for both the Company and the Group as of 31 March 2024 were Nil. (2023 - Nil).

# NOTES TO THE FINANCIAL STATEMENTS

## 28. ASSETS PLEDGED

The following assets have been pledged as security for short term borrowings and liabilities.

### 28.1 Hayleys Fabric PLC

Nature of Assets	Nature of Liabilities	Carrying Amount Pledged		Included under
		2024 USD	2023 USD	
Plant & Machinery, Water Treatment Plant	Primary Mortgage for Loans and Borrowings	14,015,265	14,775,925	Property, Plant & Equipment
Land & Buildings	Primary / Concurrent mortgage for Loans and Borrowings	6,683,996	6,896,887	Property, Plant & Equipment
Inventories	Primary / Concurrent mortgage for Loans and Borrowings	17,718,826	19,957,307	Inventories
Trade Receivables	Primary / Concurrent mortgage for Loans and Borrowings	10,919,659	11,050,299	Trade Receivables

### 28.2 South Asia Textiles Ltd

Nature of Assets	Nature of Liabilities	Carrying Amount Pledged		Included under
		2024 USD	2023 USD	
Plant & Machinery	Primary mortgage for term loans	5,269,817	5,671,906	Property, plant & equipment

## 29. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the Statement of Financial Position date, which would require adjustments/disclosures to the Financial Statements except for the following:

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's financial assets included trade receivables, other receivables and cash and cash equivalent that arrive directly from its operations.

The Company is exposed to Market risk, Interest rate risk, Foreign currency risk and Liquidity risk. The Company continuously evaluates the mentioned risks and appropriate actions are being taken with assistance from Group Treasury Department to minimize the adverse impact arising from such risks.

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise two types of risk: interest rate risk and foreign currency risk. Financial instruments affected by the said risks in the Group includes loans and borrowings.

The sensitivity analysis in the following sections relate to the position as at 31 March in 2024 and 2023. The following assumptions have been made in calculating the sensitivity analysis:

The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2024 and 2023.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

The Group manages its interest rate risk by constantly monitoring the interest rates and negotiating them with the banks through assistance from the Parent Company's Treasury. Group's strategy is to keep the borrowing rates at AWPLR for LKR borrowings and USD borrowings at 3 Months SOFR+ 3 % or less.

### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings outstanding as of the reporting date is as follows:

#### Hayleys Fabric PLC

2024		2023	
Increase/Decrease in basis points	Effect on profit before tax -USD	Increase/Decrease in basis points	Effect on profit before tax -USD
88.00	(216,087)	114.00	(266,967)
-88.00	216,087	-114.00	266,967

#### South Asia Textiles Ltd

2024		2023	
Increase/Decrease in basis points	Effect on profit before tax -USD	Increase/Decrease in basis points	Effect on profit before tax -USD
103.00	(140,910)	163.00	(298,475)
-103.00	140,910	-163.00	298,475

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when local expense is denominated in a different currency from the Group's presentation currency).

The Group manages its foreign currency risk by closely monitoring the rates with the assistance of the Parent Company's Treasury. Transactions are entered in to on carefully chosen dates to maximize the positive impact on exchange variance while caution is practiced to negate and minimize any negative effect.

The Group does not hedge its exposure to fluctuations on the translation in to USD of its LKR denominated expenses. However, care is taken to reduce such liability thus nullifying any impact on exchange variance. No currency hedge is applied against other major currencies such as EURO or GBP due to their triviality.

### Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in LKR and EURO exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

The movement in the post-tax effect is a result of a change in the monetary assets and liabilities denominated in other currencies such as LKR and Euro, where the functional currency is US dollars.

#### Hayleys Fabric PLC

	2024		2023	
	Change in LKR Rate	Effect on profit before tax -USD	Change in LKR Rate	Effect on profit before tax -USD
Change in LKR Exchange Rate against USD	3%	365,384	3%	283,115
	-3%	(387,985)	-3%	(300,628)

	2024		2023	
	Change in EURO Rate	Effect on profit before tax -USD	Change in EURO Rate	Effect on profit before tax -USD
Change in Euro Exchange Rate against USD	3%	3,992	3%	3,040
	-3%	(4,239)	-3%	(3,229)

# NOTES TO THE FINANCIAL STATEMENTS

## South Asia Textiles Ltd

	2024		2023	
	Change in LKR Rate	Effect on profit before tax -USD	Change in LKR Rate	Effect on profit before tax -USD
Change in LKR Exchange Rate against USD	3%	237,372	3%	190,210
	-3%	(252,054)	-3%	(201,976)

	2024		2023	
	Change in LKR Rate	Effect on profit before tax -USD	Change in LKR Rate	Effect on profit before tax -USD
Change in Euro Exchange Rate against USD	3%	932	3%	150
	-3%	(989)	-3%	(159)

### Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables)

### Trade receivables

Customer credit risk is managed by customer wise and is subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit.

An impairment analysis is performed at each reporting date on an individual basis for all major clients.

The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets reported in these financial statements.

The Company does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are well reputed; cash rich and operate in largely independent markets.

The possible delay in getting past due receivables from the customers and request for extended credit periods as a result of current economic crisis are being managed through negotiations with customers on settlements and invoicing /Letter of Credit discounting arrangements with Banks.



### Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. However, currently the Group does not hold any cash deposits or any other financial instrument other than those disclosed and is not affected by any credit risk emanating from such balances.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Group's policy is that the gearing is managed to a sustainable level. Group forecasts its financial commitments and collections on a weekly basis and any gap is bridged with an alternate fund sourcing in consultation with the Parent Company Treasury and financial institutions.

Approximately 55% of the Group's debt will mature in less than one year at 31 March 2024 (2023: 63%) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

### Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The maturity profile of the Group's financial liabilities based on contractual undiscounted payments are provided in Notes 14.1 and 16.1 to the financial statements.

### Capital management

The Group's Capital is made up of both debt and equity capital which have been disclosed in Notes 14.1 and 13 respectively.

### Fair value of financial instruments

Financial assets of the Group include cash and cash equivalents, trade receivables and other receivables, whilst financial liabilities include trade and other payables and interest bearing loans and borrowings.

The management assessed that cash and cash equivalents, trade receivables, other receivables and trade and other payables approximate their carrying amounts largely due to the short term maturities of these instruments. The management also assessed that long term variable rate borrowings approximate their carrying amounts largely due to the market based interest rates charged.

# STATEMENT OF FINANCIAL POSITION

## TRANSLATED INTO LKR

	Group		Company	
	2024 LKR 000'	2023 LKR 000'	2024 LKR 000'	2023 LKR 000'
<b>Non-Current Assets</b>				
Property, plant and equipment	13,583,717	14,979,404	7,843,618	8,901,265
Right of use assets	245,289	278,938	56,629	64,577
Intangible assets	180,264	237,762	15,529	28,199
Investment in Subsidiary	-	-	5,581,864	6,131,768
Goodwill	3,187,730	3,501,773	-	-
	17,197,000	18,997,877	13,497,640	15,125,809
<b>Current Assets</b>				
Inventories	9,286,312	12,315,315	5,410,089	6,693,880
Trade receivables	4,869,098	6,047,532	3,334,099	3,706,381
Other receivables	190,545	496,247	261,184	719,009
Advances and prepayments	585,183	510,159	293,535	252,519
Cash and cash equivalents	3,371,785	1,529,726	2,277,084	600,612
	18,302,923	20,898,979	11,575,991	11,972,401
<b>Total Assets</b>	<b>35,499,923</b>	<b>39,896,856</b>	<b>25,073,631</b>	<b>27,098,210</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Stated capital	1,968,193	1,968,193	1,968,193	1,968,193
Revaluation reserve	157,182	172,667	157,182	172,667
Retained earnings	3,548,809	2,089,141	2,786,427	1,732,714
Exchange fluctuation reserve	4,343,450	5,261,660	4,033,464	4,860,539
Total Equity attributable to equity holders of the company	10,017,634	9,491,661	8,945,266	8,734,113
Non-controlling interest	54	-	-	-
<b>Total Equity</b>	<b>10,017,688</b>	<b>9,491,661</b>	<b>8,945,266</b>	<b>8,734,113</b>
<b>Non-Current Liabilities</b>				
Interest bearing loans and borrowings	5,216,024	5,323,085	3,458,564	3,496,698
Deferred tax liabilities	2,734,692	3,195,205	1,944,742	2,493,008
Retirement benefit obligations	1,180,278	1,016,996	988,250	855,419
	9,130,994	9,535,286	6,391,556	6,845,125
<b>Current Liabilities</b>				
Trade and other payables	7,721,137	9,146,237	4,407,552	4,944,561
Interest bearing loans and borrowings	6,503,818	9,085,675	4,073,815	4,757,766
Amounts due to Hayleys PLC	81,127	24,957	77,308	23,705
Other current non financial liabilities	2,045,159	2,613,040	1,178,134	1,792,940
	16,351,241	20,869,909	9,736,809	11,518,972
<b>Total Equity and Liabilities</b>	<b>35,499,923</b>	<b>39,896,856</b>	<b>25,073,631</b>	<b>27,098,210</b>

The financial statements prepared and presented in US Dollars reflect the economic substance of underlying events and circumstances of the enterprise. The supplementary information in SL Rupees is presented for convenience purposes only. The statements presented in Sri Lankan Rupees (LKR) are not a full set of financial statements and are not purported to comply with Sri Lanka Accounting Standards. They represent selected information taken from the US Dollar financial statements, translated into LKR generally using the principles set out in Sri Lanka Accounting Standard (LKAS) 21 for the translation of financial statements to a presentation currency from a measurement currency. Revenue and costs are converted using the average exchange rate for the period. Assets and liabilities are converted using the exchange rate at the end of the year. The revenue reserves incorporates the profit for the period reflected in the income statements.

In accordance with advice received from the Urgent Issue Task Force of the Institute of Chartered Accountants of Sri Lanka, Stated Capital is represented at it's original LKR value.

	31.03.2024 USD	31.03.2023 USD
Statement of Profit or Loss and Other Comprehensive Income	323.53	365.77
Statement of Financial Position	305.33	335.41

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME TRANSLATED INTO LKR

	Group		Company	
	2024 LKR 000'	2023 LKR 000'	2024 LKR 000'	2023 LKR 000'
<b>Revenue from contracts with customers</b>	50,252,886	60,948,790	31,117,165	37,891,715
Cost of sales	(40,813,211)	(53,122,793)	(24,362,003)	(32,635,684)
<b>Gross Profit</b>	9,439,675	7,825,997	6,755,162	5,256,031
Other operating income	233,512	257,545	184,410	573,351
Administrative expenses	(3,683,412)	(3,406,525)	(2,546,415)	(2,239,182)
Distribution expenses	(187,676)	(462,594)	(150,962)	(329,488)
Other expenses	(22,475)	(15,526)	(17,915)	(1,471)
Net financing expense	(1,978,915)	(1,132,764)	(1,134,107)	(383,755)
<b>Profit before tax</b>	3,800,709	3,066,134	3,090,173	2,875,486
Income tax (expense)/reversal	(1,256,296)	(2,651,698)	(951,869)	(2,107,475)
<b>Profit for the year</b>	2,544,413	414,436	2,138,304	768,011
Profit for the period attributable to:				
Owners of the parent	2,544,356	414,436	2,138,304	768,011
Non-controlling interest	57	-	-	-
<b>Profit for the period</b>	2,544,413	414,436	2,138,304	768,011
<b>Other Comprehensive Income not to be reclassified to profit or loss</b>				
Income tax effect on revaluation of land	-	(43,039)	-	(43,039)
Actuarial loss on defined benefit plans	(17,985)	13,891	(17,766)	10,628
Income tax effect on actuarial loss on defined benefit plans	5,396	(4,167)	5,330	(3,188)
<b>Total Comprehensive Income, Net of Tax</b>	2,531,824	381,121	2,125,868	732,411
<b>Basic / Diluted Earnings per Share</b>	6.12	1.00	5.15	1.85

# TEN YEAR SUMMARY

	10-year compound growth %	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
		USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
<b>Results</b>											
Net turnover	10	155,326,820	166,631,461	150,218,687	77,280,698	67,115,723	69,940,639	57,686,803	55,537,401	59,924,103	65,031,509
Profit after tax	31	7,864,535	1,133,052	12,777,497	3,852,439	1,270,611	1,058,335	(679,516)	490,267	1,845,409	679,920
Funds Employed											
Stated capital	-	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761
Reserves	(225)	15,247,444	10,736,918	12,895,167	3,364,121	844,285	297,464	(524,791)	23,706	(434,262)	(2,052,032)
Shareholders' fund	9	32,809,205	28,298,679	30,456,928	20,925,882	18,406,046	17,859,225	17,036,970	17,585,467	17,127,499	15,509,729
Borrowings (both short & long term)	8	38,384,183	42,958,647	43,145,665	16,568,472	16,771,624	15,184,841	16,706,671	19,686,731	16,818,660	18,951,491
		71,193,388	71,257,326	73,602,593	37,494,354	35,177,670	33,044,066	33,743,641	37,272,198	33,946,159	34,461,220
<b>Assets Employed</b>											
Non current assets	11	56,322,665	56,640,757	55,894,734	28,981,604	25,527,027	24,883,748	25,167,948	24,833,016	23,096,764	22,610,098
Current assets	11	59,944,726	62,308,752	66,147,887	28,963,558	23,410,426	22,725,793	20,921,177	21,942,322	19,649,659	22,507,145
Current liabilities net of borrowings	18	(32,251,735)	(35,133,818)	(41,293,693)	(15,351,068)	(8,854,818)	(10,263,029)	(8,952,285)	(6,112,839)	(5,575,020)	(7,535,519)
Provisions	17	(12,822,093)	(12,558,365)	(7,146,335)	(5,099,740)	(4,904,965)	(4,302,446)	(3,393,199)	(3,390,301)	(3,225,244)	(3,120,504)
Capital Employed	8	71,193,564	71,257,325	73,602,593	37,494,354	35,177,670	33,044,066	33,743,641	37,272,198	33,946,159	34,461,220
<b>Cash Flow</b>											
Net cash inflow/(outflow) from operating activities		18,991,043	1,335,906	7,199,560	9,166,017	2,205,200	2,927,550	4,235,513	1,916,117	2,606,119	(1,392,458)
Net cash outflow from investing activities		(3,152,678)	(4,915,232)	(26,771,810)	(4,907,261)	(2,863,628)	(1,466,816)	(2,375,774)	(4,521,131)	(2,734,731)	(1,712,927)
Net cash inflow/(outflow) from financing activities		(8,049,766)	(3,553,803)	24,740,288	(693,664)	847,907	(1,767,129)	(2,572,428)	2,939,367	(2,420,540)	10,185,800
Increase / (decrease) in cash & cash equivalents		7,788,599	(7,133,129)	5,168,038	3,565,092	189,479	(306,395)	(712,690)	334,353	(2,549,151)	7,080,416
<b>Key Indicators</b>											
Earnings/(Loss) per share (basic) USD		0.019	0.003	0.031	0.009	0.003	0.005	(0.003)	0.002	0.009	0.004
Net assets per share USD		0.079	0.068	0.073	0.050	0.089	0.086	0.082	0.085	0.082	0.075
Dividend per share Rs.		2.60	2.50	1.20	0.60	0.30	-	-	-	-	-
Gearing %		54	60	59	44	48	46	50	53	50	55
Turnover to capital employed (times)		2.18	2.34	2.04	2.06	1.91	2.12	1.71	1.49	1.77	1.89

\* For the calculation of compound growth of profit after tax is considered from year 2015 to year 2022.

\*\*Earnings Per Share (EPS) has been restated based on post sub-division weighted average number of shares of 2 shares for every 1 share.

# GLOSSARY OF FINANCIAL TERMINOLOGY

## ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

## ACCURAL BASIS

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

## ACTUARIAL GAIN/LOSS ON DEFINED BENEFIT PLAN

Gain or loss arising from the difference between estimates and actual experience in an entity's defined benefit plan.

## AMORTIZED COST

Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayment plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or un-collectability.

## ASSETS TURNOVER

Revenue divided by average total assets.

## BORROWINGS

Bank loans and overdrafts.

## CAPITAL EMPLOYED

Shareholders' funds plus debt.

## CASH EQUIVALENTS

Liquid investments with original maturities of three months or less.

## CONTINGENT LIABILITIES

Conditions or situations at the date of Statement of Financial Position, the financial effect of which are to be determined by future events which may or may not occur.

## CURRENT RATIO

Current Assets divided by Current Liabilities.

## DEBT/EQUITY RATIO

Debt as a percentage of Shareholders' funds.

## DEFERRED TAXATION

Sum set aside for income tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

## DIRECT EMPLOYMENT

The workers employed by the Company.

## DISCOUNT RATE

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

## DILUTED EARNINGS PER SHARE

Profit attributable to equity holders divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised and outstanding unexpired warrants.

## EARNINGS PER SHARE (EPS)

Profit attributable to equity holders divided by the weighted average number of ordinary shares in issue during the period.

## EBIT

Earnings before interest and tax (Includes other operating income).

## EBITDA

Earnings before interest, tax, depreciation and amortization.

## EFFECTIVE RATE OF TAXATION

Income tax including Deferred tax over Profit before tax.

## ENERGY INTENSITY

Total energy consumed by the Company divided by in GJ divided by the Production in MT

## EQUITY

Shareholders' funds

## FAIR VALUE

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## FINANCIAL INSTRUMENT

A financial instrument is any contract that gives rise to both a financial assets in one entity and a financial liability or equity instrument in another entity.

## INTEREST COVER

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

## MARKET CAPITALIZATION

Number of Shares in issue at the end of the period multiplied by the share price at the end of the period.

## MARKET VALUE ADDED

Market capitalization minus shareholders' funds.

## NET ASSETS

Total assets minus long term and current liabilities.

## NET ASSETS PER SHARE

Net assets at the year- end divided by the number of Ordinary shares in issue

## NET PROFIT RATIO

Profit after tax attributable to equity holders of the Company divided by total revenue.

## NET WORKING CAPITAL

Current assets minus current liabilities.

## ORGANIC WASTAGE

Bio-degradable waste.

## PRICE EARNINGS RATIO

Market price of share as at the year- end divided by Earnings Per Share.

## PUBLIC HOLDING

Percentage of shares held by the public calculated as per the Colombo Stock Exchange Listing Rules as at the date of the Report.

## QUICK ASSET RATIO

Current Assets other than inventory divided by Current liabilities.



# GLOSSARY OF FINANCIAL TERMINOLOGY

## **RETURN ON ASSETS (ROA)**

Profit after tax divided by average total assets.

## **RETURN ON CAPITAL EMPLOYED (ROCE)**

Earnings before interest and tax as a percentage of average shareholders' funds plus total debt.

## **RETURN ON EQUITY (ROE)**

Profit after tax as a percentage of Average shareholders' funds.

## **RECYCLE**

The process of converting waste into reusable materials.

## **RISK MANAGEMENT**

The identification, analysis, assessment, control and avoidance , minimization or elimination of unacceptable risk.

## **SHAREHOLDERS' FUNDS**

Total of issued and fully paid share capital and both capital and Revenue Reserves.

## **STEWARDSHIP**

The role of supervising or taking care of the organization.

## **TOTAL ASSETS**

Non- current assets plus current assets.

## **TOTAL DEBT**

Long term loans plus short term loans and overdrafts.

# QUARTERLY ANALYSIS

	Quarter 1 30.06.2023 USD '000	Quarter 2 30.09.2023 USD '000	Quarter 3 31.12.2023 USD '000	Quarter 4 31.03.2024 USD '000
<b>Revenue</b>	45,114	47,979	31,973	30,261
Profit before tax	3,357	4,443	2,469	1,478
Tax (expense)/ reversal	(508)	(1,637)	(825)	(913)
Profit/(loss) after tax	2,849	2,806	1,644	565
Non current assets	56,225	56,098	56,143	56,323
Current assets	67,935	61,486	55,559	59,945
Non current Liabilities	29,102	27,633	30,077	29,905
Current Liabilities	64,041	58,340	49,001	53,553

	Quarter 1 30.06.2023 Rs.	Quarter 2 30.09.2023 Rs.	Quarter 3 31.12.2023 Rs.	Quarter 4 31.03.2024 Rs.
<b>Market value of share</b>				
Basic/diluted earnings per share	2.17	2.24	1.33	0.39
Last traded price (Rs.)	23.70	48.30	40.30	41.50
Highest price recorded for the three months ending	25.90	49.70	48.40	45.00
Lowest price recorded for the three months ending	22.30	23.50	39.10	37.60
Float-Adjusted Market capitalization (Rs. Mn.)	3,590	7,335	6,189	6,281
<b>Share trading information</b>				
Number of transactions	2,939	24,232	4,716	5,451
Number of shares traded	6,243,140	85,858,957	17,000,817	30,478,591
Value of shares traded (Rs.)	149,288,725	3,393,165,129	739,082,991	1,254,518,513

# INVESTOR INFORMATION

No. of shares held	Residents			Non-Residents			Total		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
1 - 1,000	3,395	973,987	0.234	13	5,520	0.001	3,408	979,507	0.235
1,001 - 10,000	1,821	7,349,279	1.769	13	54,000	0.013	1,834	7,403,279	1.782
10,001 - 100,000	686	21,605,932	5.200	12	368,818	0.089	698	21,974,750	5.289
100,001 - 1,000,000	126	40,662,422	9.787	2	1,343,860	0.323	128	42,006,282	10.110
Over 1,000,000	24	331,926,532	79.890	1	11,191,426	2.694	25	343,117,958	82.584
	6,052	402,518,152	96.880	41	12,963,624	3.120	6,093	415,481,776	100.000

Categories of shareholders	Residents			Non-Residents			Total		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
Individuals	5,730	73,158,113	17.608	40	1,772,198	0.426	5,770	74,930,311	18.034
Institutions	322	329,360,039	79.272	1	11,191,426	2.694	323	340,551,465	81.966
	6,052	402,518,152	96.880	41	12,963,624	3.120	6,093	415,481,776	100.000

## Market Value

The market value of an ordinary share of Hayleys Fabric PLC. was :

	2024 (LKR)			2023 (LKR)	
Highest	49.70	(on 11th Sep. 2023)	42.00	(on 22nd Aug. 2022)	
Lowest	22.30	(on 09th June 2023)	20.00	(on 27th April 2022, on 21st Dec 2022 & on 19th Jan 2023)	
Closing price	41.10	(on 28th March 2024)	25.20	(on 31st March 2023)	

## Share Trading

	2024 (LKR)	2023 (LKR)
No. of transactions	37,338	38,495
No. of shares traded	139,581,505	102,465,933
Value of shares traded (LKR)	5,536,055,359	3,223,645,807

## NON-VOTING SHARES

There were no non-voting shares as at 31st March 2024.

## LISTED DEBENTURES

There were no listed debentures as at 31st March 2024.

## HAYLEYS FABRIC PLC FIRST TWENTY SHAREHOLDERS

		No. of Shares as at 31.03.2024	%	No. of Shares as at 31.03.2023	%
1	Hayleys PLC No 3 Share Investment Account	244,974,046	58.96	244,974,046	58.96
2	Citibank Newyork S/A Norges Bank Account 2	11,191,426	2.69	3,604,226	0.87
3	Employees Provident Fund	11,081,454	2.67	11,081,454	2.67
4	Hayleys Advantis Limited	10,073,700	2.42	10,073,700	2.42
5	Mr. Shanthikumar Nimal Placidus Paliheha & Mrs A.S.Paliheha	10,000,000	2.41	9,453,583	2.28
6	Hayleys Agriculture Holdings Limited	6,944,514	1.67	6,944,514	1.67
7	Mr. Kulappuarachchige Don Harindra Perera	6,522,365	1.57	6,522,365	1.57
8	Amana Bank PLC/ HI- Line Trading Pvt Ltd	4,800,000	1.16	4,354,721	1.05
9	J.B. Cocoshell (Pvt) Ltd	4,622,530	1.11	7,528,335	1.81
10	Union Assurance PLC- Universal Life Fund	3,251,232	0.78	1,761,878	0.42
11	Mr. Gonalagodage Buwaneka Dinuwan Thilakarathne	2,880,068	0.69	-	-
12	Mrs. Swyrie Balendra	2,855,002	0.69	2,655,002	0.64
13	Employees Trust Fund Board	2,639,955	0.64	4,760,746	1.15
14	Sanasa Life Insurance Company PLC	2,405,006	0.58	-	-
15	Peoples Leasing & Finance PLC/ Mrs M.E.Amarasinghe	2,209,510	0.53	1,000,000	0.24
16	Deutsche Bank AG As Trustee for JB Vantage Value Equity Fund	2,129,316	0.51	-	-
17	Deutsche Bank AG Trustee to Lynear Wealth Dynamic Opportunities Fund	2,069,373	0.50	-	-
18	DFCC Bank PLC A/C 1	2,000,000	0.48	2,000,000	0.48
19	Invenco Capital Private Limited	1,781,965	0.43	254,051	0.06
20	Essajee Carimjee Insurance Brokers (Pvt) Ltd.	1,651,560	0.40	1,148,454	0.28
	Total	336,083,022	80.89	318,117,075	76.57

## DIRECTORS' SHAREHOLDING

Name of the Director	No. of Shares as at 31.03.2024	No. of Shares as at 31.03.2023
Mr. A.M. Pandithage	-	-
Mr. S.C. Ganegoda	525,000	525,000
Mr. H. Somashantha	40,000	40,000
Mr. E.R.P. Goonetilleke	-	-
Mr. I.B.R.R. Bandara	20,000	20,000
Mr. M.H. Jayasinghe	-	-
Mr. K.P.C.P.K. Pathirana	2,000	2,000
Ms. K.A.D.B. Perera	-	-
Mr. N. Ekanayake (appointed on 03.01.2024)	-	-
Mr. M.N.R. Fernando (appointed on 03.01.2024)	-	-
Ms. S. Amarasekera PC (appointed on 03.01.2024)	-	-
Mr. A.A. Mason (appointed on 03.01.2024)	-	-
Mr. M.W.R.N. Somaratne * (resigned w.e.f. 08.01.2024)	90,000	100,000
Dr. N.S.J. Nawaratne (resigned w.e.f. 31.12.2023)	-	-
Mr. A.S. Jayatilleke (resigned w.e.f. 31.12.2023)	-	-

\* Mr. M.W.R.N. Somaratne holding 10,000 shares through Margin Trading Account, Sampath Bank PLC/Mr. Migel Wasam Rizvi Nandajith Somaratne.

## Stated Capital

Stated Capital Rs. 1,968,192,915/- comprising 415,481,776 ordinary shares.

Name of the Director	As at 31.03.2024	As at 31.03.2023
The issued number of shares of the Company	415,481,776	415,481,776
Registered shareholders	6,093	7,827
The percentage of shares held by public	36.78%	36.78%
No. of shareholders representing Public Holding	6,084	7,817
Float adjusted Market Capitalization	6,280,663,505	3,850,917,770

As at 31.03.2024, the Company complies with option 3 of the Listing Rules 7.13.1 (i) (a) which requires a minimum Public Holding of 7.5%.

# NOTICE OF ANNUAL GENERAL MEETING

**HAYLEYS FABRIC PLC**  
(Company Registration No. PQ 37)

NOTICE IS HEREBY GIVEN THAT THE THIRTY SECOND ANNUAL GENERAL MEETING OF HAYLEYS FABRIC PLC will be held on **Tuesday, 25th June 2024 at 9.00 a.m.** at the Chas P. Hayley Lounge of Hayleys PLC, No. 400, Deans Road, Colombo 10 for the following purposes:

1. To consider and adopt the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2024 with the Report of the Auditors thereon.
2. To re-elect as a Director Mr. N. Ekanayake, who has been appointed to the Board since the last Annual General Meeting, in terms of Article 27(2) of the Articles of Association of the Company.
3. To re-elect as a Director Mr. M.N.R. Fernando, who has been appointed to the Board since the last Annual General Meeting, in terms of Article 27(2) of the Articles of Association of the Company.
4. To re-elect as a Director Ms. S. Amarasekera PC, who has been appointed to the Board since the last Annual General Meeting, in terms of Article 27(2) of the Articles of Association of the Company.
5. To re-elect as a Director Mr. A.A. Mason, who has been appointed to the Board since the last Annual General Meeting, in terms of Article 27(2) of the Articles of Association of the Company.
6. To re-elect as a Director Mr. I.B.R.R. Bandara, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
7. To re-elect as a Director Mr. M.H. Jayasinghe, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
8. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A.M. Pandithage in terms of Section 211 of the Companies Act No. 07 of 2007.

Ordinary Resolution

'That Mr. Abeyakumar Mohan Pandithage, who has attained the age of seventy three years be and is hereby re-appointed as a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to him'.

9. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. E.R.P. Goonetilleke in terms of Section 211 of the Companies Act No. 07 of 2007.

Ordinary Resolution

'That Mr. Eranga Rohan Peiris Goonetilleke, who has attained the age of seventy one years be and is hereby re-appointed as a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to him'.

10. To authorise the Directors to determine donations and contributions to charities for the ensuing year.
11. To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2024/25 and to authorise the Directors to determine their remuneration.
12. To consider any other business of which due notice has been given.

By Order of the Board,

**HAYLEYS FABRIC PLC**



HAYLEYS GROUP SERVICES (PRIVATE) LIMITED  
Secretaries

Colombo.  
31st May 2024

**Notes to shareholders:**

1. The Annual Report of the Company for 2023/24 is available on the corporate website [www.hayleysfabric.com](http://www.hayleysfabric.com) and on the Colombo Stock Exchange website - [www.cse.lk](http://www.cse.lk).
2. A Shareholder is entitled to appoint a proxy to attend and vote instead of him/her and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the office of the Company Secretaries at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the time fixed for the Meeting.
3. A shareholder who requires a hard copy of the Annual Report must post or handover the duly completed 'Request Form - Annexure A' to the office of the Secretaries.



# FORM OF PROXY

HAYLEYS FABRIC PLC - Company Number: PQ 37

I/We..... (full name of Shareholder)

NIC No./Reg. No. of Shareholder.....

of.....

being Shareholder/Shareholders of Hayleys Fabric PLC hereby appoint:

(1) ..... (full name of Proxyholder)

NIC No. of Proxyholder.....

of .....

or, failing him/them

(2) ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our Proxy to attend and vote as indicated hereunder for me/us and on my/our behalf at the Thirty Second Annual General Meeting of the Company to be held on Tuesday, 25th June 2024 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	For	Against
1. To adopt the Annual Report of the Directors and the Statement of Accounts for the year ended 31st March 2024 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as a Director Mr. N. Ekanayake, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a Director Mr. M.N.R. Fernando, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as a Director Ms. S. Amarasekera PC, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect as a Director Mr. A.A. Mason, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect as a Director Mr. I.B.R.R. Bandara, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect as a Director Mr. M.H. Jayasinghe, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
8. To re-appoint Mr. A.M. Pandithage, in terms of Section 211 of the Companies Act No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
9. To re-appoint Mr. E.R.P. Goonetilleke, in terms of Section 211 of the Companies Act No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
10. To authorise the Directors to determine donations and contributions to charities for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
11. To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2024/25 and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this ..... day of ..... 2024.

.....  
Signature of Shareholder

(Instructions are given overleaf)

**Instructions:**

1. The completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Private) Limited, at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the start of the meeting. Delayed Proxy Forms shall not be accepted.
2. A Shareholder entitled to attend and vote at the Annual General Meeting of the Company, is entitled to appoint a Proxy to attend and vote instead of him/her and the Proxy need not be a Shareholder of the Company.
3. Full name of Shareholder/Proxy holder and their NIC Nos. are mandatory. Your Proxy Form will be rejected if these details are not completed.
4. A Shareholder is not entitled to appoint more than one Proxy to attend on the same occasion.
5. The duly completed Form of Proxy must be dated and signed by the Shareholder.
6. Please indicate with an "X" in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy can vote as he/she thinks fit.
7. In the case of a Company/corporation the proxy must be executed in the manner prescribed by its Articles of Association or by a duly authorised Director.
8. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
9. In case of Marginal Trading Accounts (slash accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

# CORPORATE INFORMATION

## NAME OF COMPANY

Hayleys Fabric PLC

## LEGAL FORM

A Quoted Public Company with Limited Liability  
(Incorporated in Sri Lanka in 1993 )

## COMPANY REGISTRATION NUMBER

PQ 37.

## STOCK EXCHANGE LISTING

The ordinary shares of the Company are listed on Main Board of  
Colombo Stock Exchange of Sri Lanka

## ACCOUNTING YEAR END

31st March

## PRINCIPAL ACTIVITY

Manufacturing of knitted fabric

## DIRECTORS

Mr. A.M.Pandithage - Chairman  
Mr. E.R.P. Goonetilleke - Managing Director  
Mr. S.C.Ganegoda  
Dr. N.S.J. Nawaratne (resigned w.e.f. 31.12.2023)  
Mr. A.S. Jayatilleka (resigned w.e.f. 31.12.2023)  
Mr. H. Somashantha  
Mr. M.W.R.N. Somaratne (resigned w.e.f. 08.01.2024)  
Ms. K.A.D.B. Perera  
Mr. N. Ekanayake (appointed on 03.01.2024)  
Mr. M.N.R. Fernando (appointed on 03.01.2024)  
Mr. A.A. Mason (appointed on 03.01.2024)  
Ms. S. Amarasekara PC (appointed on 03.01.2024)  
Mr. I.B.R.R. Bandara  
Mr. M.H. Jayasinghe  
Mr. K.P.C.P.K. Pathirana

## SUBSIDIARIES

South Asia Textiles Limited  
Hayleys Fabric Solutions Limited

## SECRETARIES

Hayleys Group Services (Pvt) Ltd.  
400, Deans Road, Colombo 10.  
Telephone: (94-11) 2627650/51/52/53

## REGISTERED OFFICE

400, Deans Road,  
Colombo 10.  
Telephone: (94-11) 2627000  
Website: [www.hayleysfabric.com](http://www.hayleysfabric.com)

## MAIN OFFICE & FACTORY

Narthupana Estate , Neboda.  
Telephone: 94 (34) 2297100, 2242055

## BANKERS

Standard Chartered Bank PLC  
Hongkong and Shanghai Banking Corporation  
Hatton National Bank PLC  
Bank of Ceylon  
National Development Bank PLC  
Sampath Bank PLC  
Citibank, N.A.  
Seylan Bank PLC  
Pan Asia Banking Corporation PLC  
People's Bank  
DFCC Bank  
Union Bank of Colombo PLC  
Nations Trust Bank  
Bank of China  
Commercial Bank of Ceylon PLC

## AUDITORS

Ernst & Young  
Chartered Accountants,  
201, De Saram Place,  
Colombo 10.

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