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HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

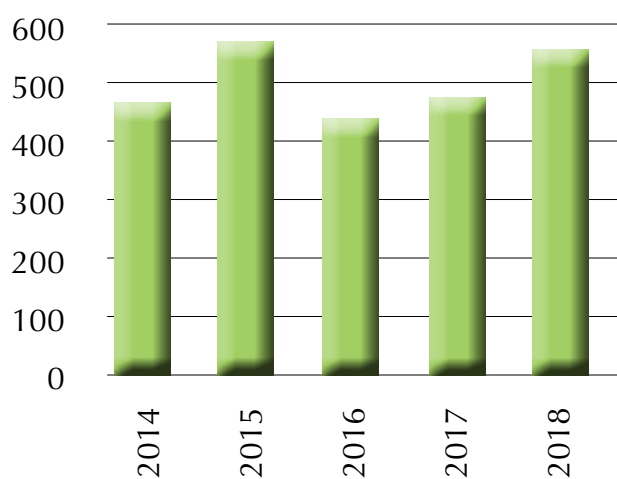
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FINANCIAL HIGHLIGHTS

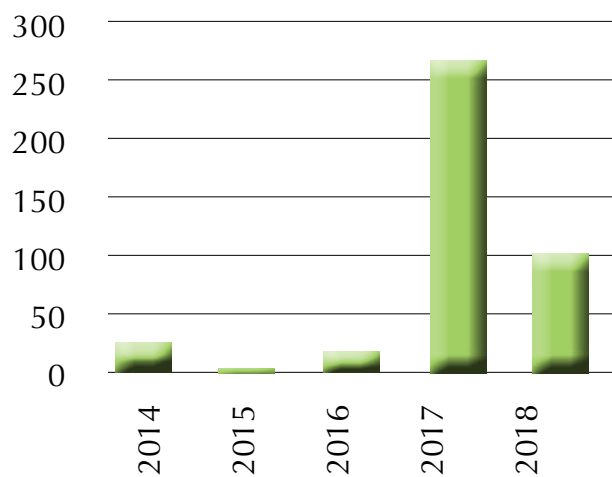
HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

	<u>2017/2018</u>	<u>2016/2017</u>
Revenue (Rs.'000)	562,659	478,976
Profit Before Taxation (Rs.'000)	120,342	278,765
Profit After Taxation (Rs.'000)	100,965	267,270
Total Equity (Rs.'000)	799,690	737,348
Net Foreign Exchange Earnings (Rs.'000)	336,147	397,189
Earnings Per Share (Rs.)	12.62	33.41
Net Assets Per Share (Rs.)	99.96	92.17
Market Value Per Share (Rs.)	70.90	59.30
Dividend Per Share (Rs.)	4.00	2.00

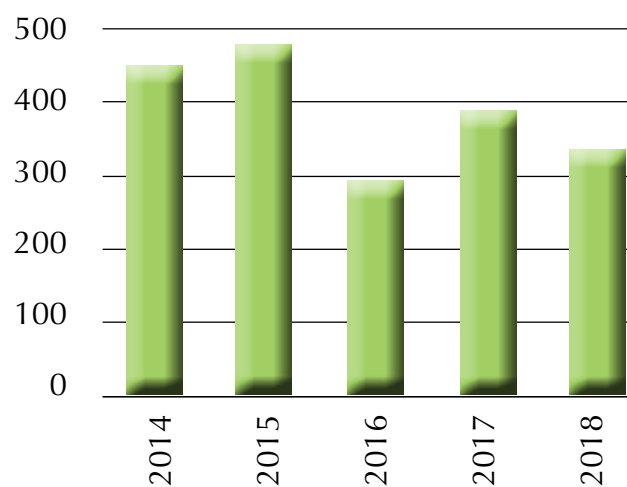
REVENUE
Rupees Million



PROFIT AFTER TAXATION
Rupees Million



NET FOREIGN EXCHANGE
EARNINGS
Rupees Million



CORPORATE INFORMATION

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

LEGAL FORM

A PUBLIC LIMITED COMPANY
Incorporated in Sri Lanka in 1987
Company Number PQ 21

THE STOCK EXCHANGE LISTING

The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka

DIRECTORS

A. M. Pandithage - Chairman
H. S. R. Kariyawasan - Managing Director
- (Appointed w.e.f. 16/05/2017)
H. C. S. Mendis
- (Resigned w.e.f. 19/09/2017)
F. R. Alles
- (Deceased 30/01/2018)
Dr. S. A. B. Ekanayake
S. C. Ganegoda
T. G. Thoradeniya
K. S. Padiwita
M. I. L. Perera
- (Appointed w.e.f. 16/05/2017)
Dr. T. K. D. A. P. Samarasinghe
- (Appointed w.e.f. 01/09/2017)
L. A. K. I. Kodytuakku
- (Appointed w.e.f. 17/11/2017)
D. K. De Silva Wijeyeratne
- (Appointed w.e.f. 01/04/2018)
M. C. Sampath
- (Appointed w.e.f. 01/05/2018)
B. D. A. Perera
- (Resigned w.e.f. 24/04/2017)
N. Udage
- (Resigned w.e.f. 24/04/2017)

REGISTERED OFFICE

Hayleys Building
400, Deans Road, Colombo 10, Sri Lanka.
Telephone : (94-11) 2627000
Fax: (94-11) 2699299

FACTORY / OFFICE

193, Minuwangoda Road, Kotugoda, Sri Lanka
Telephone : (94-11) 2232939
Fax: (94-11) 2232941
E-mail : info@hayleysfibre.com
Web Site : www.hayleysfibre.com

BANKERS

Hatton National Bank PLC
Hongkong and Shanghai Banking Corporation Ltd
Standard Chartered Bank
Seylan Bank PLC
People's Bank
Deutsche Bank
Cargills Bank
National Development Bank PLC
NDB Wealth Management Ltd

AUDITORS

Ernst & Young
Chartered Accountants,
201, De Saram Place
P.O. Box. 101, Colombo.
Sri Lanka.

LEGAL ADVISORS

Corporate Legal Department
Julius & Creasy - Attorneys At Law

SECRETARIES

Hayleys Group Services (Pvt) Limited
No. 400, Deans Road, Colombo 10, Sri Lanka.
Telephone : (94-11) 2627650
Fascimile : (94-11) 2627645
E-mail : info.sec@hayleys.com

Please direct any queries about the administration of shareholding to the Company Secretaries.

NOTICE OF MEETING

HAYLEYS FIBRE PLC

COMPANY NO. PQ 21

ANNUAL REPORT 2017-2018

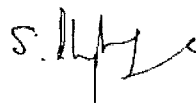
NOTICE IS HEREBY GIVEN that the Thirty Second Annual General Meeting of Hayleys Fibre PLC, will be held at the Registered Office of the Company, No. 400, Deans Road, Colombo 10, Sri Lanka on Tuesday, 26th June, 2018 at 10.00 a.m. and the business to be brought before the meeting will be:

- 1) To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2018, with the Report of the Auditors thereon.
- 2) To declare a dividend as recommended by the Directors.
- 3) To re-elect Dr. T. K. D. A. P. Samarasinghe, who has been appointed to the Board, since the last Annual General Meeting, a Director.
- 4) To re-elect Mr. L. A. K. I. Kodytuakku, who has been appointed to the Board, since the last Annual General Meeting, a Director.
- 5) To re-elect Mr. D. K. De Silva Wijeyeratne, who has been appointed to the Board, since the last Annual General Meeting, a Director.
- 6) To re-elect Mr. M. C. Sampath, who has been appointed to the Board, since the last Annual General Meeting, a Director.
- 7) To re-elect Mr. A. M. Pandithage, who retires by rotation at the Annual General Meeting, a Director.
- 8) To re-elect Mr. S. C. Ganegoda, who retires by rotation at the Annual General Meeting, a Director.
- 9) To re-elect Mr. K. S. Padiwita, who retires by rotation at the Annual General Meeting, a Director.
- 10) To authorize the Directors to determine contributions to charities for the financial year 2018/19.
- 11) To authorize the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, who are deemed to have been re-appointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007 for the financial year 2018/19.
- 12) To consider any other business of which due notice has been given.

Note :

- I A shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a shareholder of the Company. A form of proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the registered office No.400, Deans Road, Colombo 10, Sri Lanka by 10.00 a.m. on 24th June 2018.
- II It is proposed to post ordinary dividend warrants on 6th July 2018 and in accordance with the rules of the Colombo Stock Exchange the shares of the Company will be quoted ex-dividend with effect from 28th June 2018.

By Order of the Board



HAYLEYS FIBRE PLC

Hayleys Group Services (Private) Limited
Secretaries

Colombo
25th May 2018

INFORMATION TO SHAREHOLDERS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

STOCK EXCHANGE LISTING

The share capital comprising of Eight Million Ordinary shares of Hayleys Fibre PLC is listed with the Colombo Stock Exchange of Sri Lanka.

Interim financial statements for the 4th Quarter ended 31st March, 2018 have been submitted to the Colombo Stock Exchange as required by the Listing Rules.

ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2018

No of Shareholders – 4,445 (As at 31.03.2017 – 3,942)

No of Shares Held	Residents			Non- Residents			Total		
	No. of share holders	No. of shares	%	No. of share holders	No. of shares	%	No. of share holders	No. of Shares	%
1 - 1,000	4,085	767,178	9.5897	21	5,678	0.0710	4,106	772,856	9.66
1,001 - 10,000	294	939,947	11.7493	2	4,400	0.0550	296	944,347	11.81
10,001 - 100,000	39	923,212	11.5402	2	33,044	0.4130	41	956,256	11.95
100,001 - 1,000,000	1	126,541	1.5818	-	-	-	1	126,541	1.58
Over 1,000,000	1	5,200,000	65.0000	-	-	-	1	5,200,000	65.00
Total	4,420	7,956,878	99.4610	25	43,122	0.5390	4,445	8,000,000	100.00
SHAREHOLDERS CATEGORY									
Individuals	4,315	7,497,686	93.7211	24	30,731	0.3841	4,339	7,528,417	94.11
Institutions	105	459,192	5.7399	1	12,391	0.1549	106	471,583	5.89
Total	4,420	7,956,878	99.4610	25	43,122	0.5390	4,445	8,000,000	100.00

Of the Issued shares of the Company 99.46% is held by residents of Sri Lanka.

MAJOR SHAREHOLDERS

	Name of Shareholder	No. of Shares as at 31/03/2018	%	No. of Shares as at 31/03/2017	%
1	Hayleys PLC No. 3 Share Investment A/C	5,200,000	65.00	5,200,000	65.00
2	Nation Lanka Capital LTD / Mr. K. L. G. Udayananda	126,541	1.58	126,541	1.58
3	People's Merchant Finance PLC / J. P. N. P. K. Jayasekera	89,235	1.12	-	-
4	Mr. S. Srikanthan & Mrs. S. Srikanthan	75,000	0.94	60,000	0.75
5	Mrs. M. J. Nihara	53,456	0.67	42,097	0.53
6	Mr. A. R. Ibrahim	48,220	0.60	39,830	0.50
7	Mrs. G. J. E. S. De Fonseka	38,570	0.48	-	-
8	Bansei Securities Capital (Pvt) Ltd / C. J. Gunarathna	34,571	0.43	15,943	0.20

INFORMATION TO SHAREHOLDERS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

	Name of Shareholder	No. of Shares as at 31/03/2018	%	No. of Shares as at 31/03/2017	%
9	Dr. D. Jayantha	32,000	0.40	32,000	0.40
10	MBSL / Mr. N. K. C. J. De Silva	31,674	0.40	31,677	0.40
11	People's Leasing & Finance PLC / Mr. D. N. Perera	26,680	0.33	29,180	0.36
12	Mr. N. K. A. D. De Silva	26,205	0.33	15,494	0.19
13	Mr. R. Rasaretnam (Deceased)	26,052	0.33	26,052	0.33
14	Mr. J. P. N. P. Jayasekera	25,328	0.32	8,670	0.11
15	Mr. J. P. R. Karunarathne	25,006	0.31	1,237	0.02
16	Mr. T. C. U. Jayanetti & Dr. A. L. T. P. Amarawickrama	25,000	0.31	-	-
17	Mrs. L.P. Thenabadu & Mr. S.K. Thenabadu	23,832	0.30	23,832	0.30
18	Dr. A.K.A. Jayawardene	22,042	0.28	22,042	0.28
19	Mr. T.D. De Jonk	20,653	0.26	20,653	0.26
20	Mr. P. V. D. S. S. Saparamadu & Mrs. R. M. A. P. Rathnayake	20,000	0.25	13,500	0.17
	TOTAL	5,970,065	74.63	5,708,748	71.36

PUBLIC HOLDING AS AT 31ST MARCH 2018

Percentage of Public Holding	34.97%
Total No. of shareholders representing Public Holding	4,441
Float-Adjusted Market Capitalisation	Rs. 198,349,840

The Company complies with option 5 of the Listing Rules 7.13.1 (a) - Less than Rs.2.5Bn Float Adjusted Market Capitalization which requires 20% minimum Public Holding.

PARENT ENTERPRISE

Hayleys PLC, (the Parent Enterprise of the Company) holds 65% of the issued shares.

SHARE VALUATION

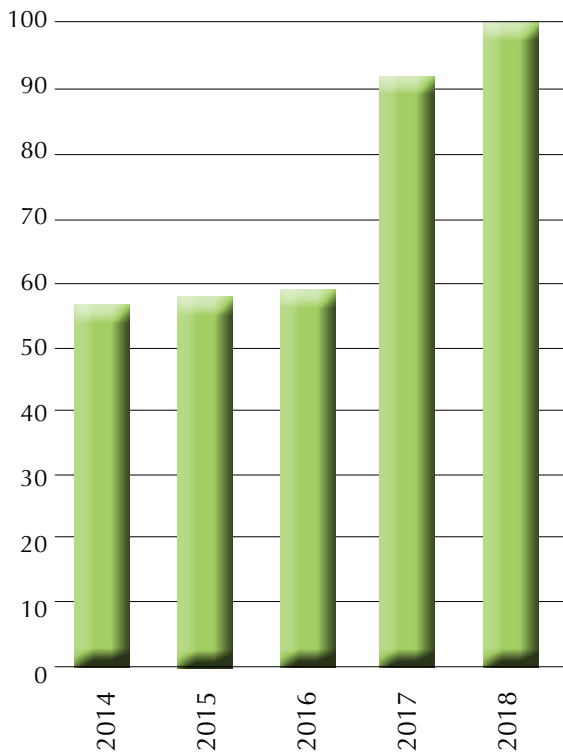
The market value of Hayleys Fibre PLC ordinary shares on 31st March 2018 was Rs.70.90

Market Value	2017/18		2016/17	
	Date	Rs. Price	Date	Rs. Price
Highest	18.05.2017	92.00	05.09.2016	104.50
Lowest	03.04.2017	61.50	04.04.2016	37.30
Closing	29.03.2018	70.90	31.03.2017	59.30

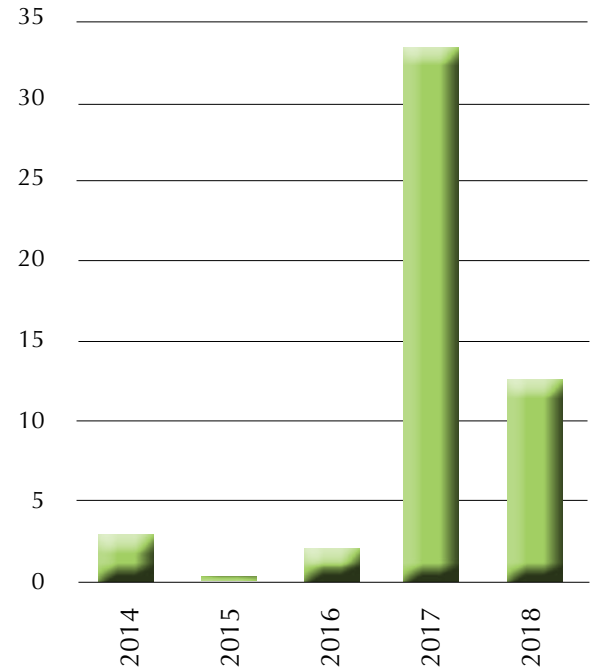
GRAPHICAL REVIEW

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

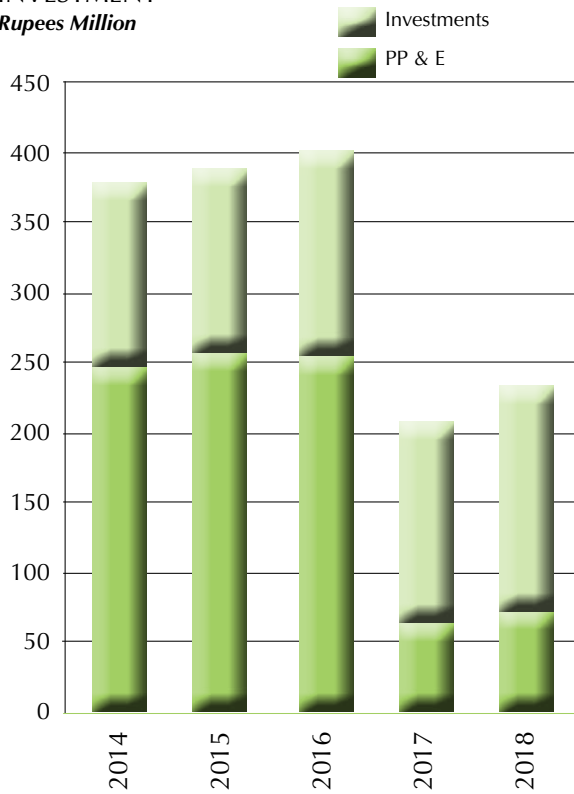
NET ASSET PER SHARE
Rupees



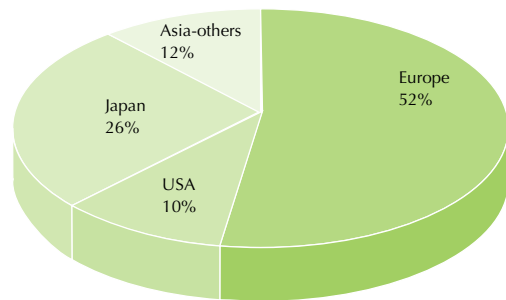
EARNINGS PER SHARE
Rupees



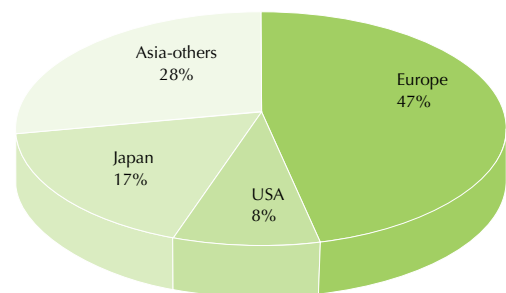
PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT
Rupees Million



SALES BY REGION 2017-2018



SALES BY REGION 2016-2017



JOINT STATEMENT FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

On behalf of the Board of Directors, we take pleasure in presenting the Annual Report of your Company for the year ended 31st March, 2018.

PERFORMANCE

The Company's profit before tax increased to Rs. 120 million compared to the profit before tax of Rs. 64 million excluding capital gain of Rs. 215 million, reported in the previous year. The Company's turnover was Rs. 563 million up from Rs. 479 million in the previous year which is an increase of 18% whilst the gross profit also increased to Rs. 73 million from Rs. 61 million. The profit before tax of Rs. 120 million recorded during the financial year is the best performance achieved in comparison to the profit before tax recorded in the previous year (excluding capital gain) and for the last decade. The Company had a good year as the global demand for coir fibre products continued to increase, despite the low coconut yield due to the drought prevalent in the fibre production areas. Focused strategies on productivity improvements and backward integration projects have given a much needed boost to the supply chain management. The joint-venture company, Bonterra Limited also enhanced its product range by introducing low cost materials for applications in environmental conservation.

PROSPECTS

Emerging trends in coir-based products further opened up new avenues for the Fibre Industry along with new markets. The areas of Erosion Control and customised Growing Media mixes for value added segments have shown positive signs and strong potential. The Company continued to enhance the capacity as planned in order to cater to these demands by means of introducing new machineries and a fibre extraction plant. The increasing demand for coir twine provides a positive outlook for the Company's future business strategies. The Company is venturing into yet another milestone by installing a new pith extracting plant in Madampe. This move will result in our local operation being more competitive in obtaining quality raw material from our own operations. The Company is focused on developing the growing

market segments with special emphasis on USA, Russia, China, Korea and Japan.

DIRECTORATE

The Board composition of the Company changed during the year.

Mr. H C S Mendis resigned as Managing Director with effect from 19th September 2017. We thank for his valuable contribution to the company.

Mr. H S R Kariyawan who was appointed to the Board of Hayleys Fibre PLC as a Director in May 2017 was also appointed as the Managing Director on 19th September 2017 and has overall responsibility for the sector.

Mr. M I L Perera was appointed to the Board of Hayleys Fibre PLC, as an Executive Director in May 2017.

Mr. L A K I Kodytuakku was appointed to the Board of Hayleys Fibre PLC, as an Executive Director in November 2017.

Dr. T K D A P Samarasinghe was appointed as an Independent Non-Executive Director to the Board of Hayleys Fibre PLC in September 2017.

Mr. D K de Silva Wijeyeratne was appointed as an Independent Non-Executive Director to the Board of Hayleys Fibre PLC and also as the Audit Committee Chairman in April 2018.

Mr. M C Sampath was appointed to the Board of Hayleys Fibre PLC, as an Executive Director in May 2018.

We are deeply saddened to announce the demise of Mr. F R Alles. He served as an independent Non-Executive Director for twenty six years and was also the Audit Committee Chairman of Hayleys Fibre PLC. On behalf of the Board, we convey our deepest condolences to his family and our appreciation for the services rendered.

JOINT STATEMENT FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

DIVIDENDS

The Board of Directors has approved and paid an interim dividend of Rs. 2.00 per share for the year under review and has recommended cents 75 per share as final dividend.

CONCLUSION

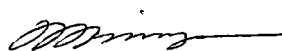
We wish to thank our customers, international agents, distributors and suppliers for their continued support and patronage.

We also wish to take this opportunity to thank our colleagues on the Board for their valued guidance and wish to recognize the contribution made by our management team and employees for their utmost commitment and look forward to their continued support in the years to come.



A. M. Pandithage

Chairman



H. S. R. Kariyawan

Managing Director

8th May 2018

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

The Directors are responsible, under Sections 150 (1), 151, 152 (1), 153 (1) & 153 (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 & loss of the Company and the Group for the financial year. The Directors are also responsible, under Section 148 for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Financial Reporting Standards/Sri Lanka Accounting Standards(SLFRS/LKAS). The Financial Statements provide the information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken reasonable measures to safeguard the assets of the Company, and in that context, have instituted appropriate systems of internal controls with a view to preventing and detecting fraud and other irregularities.

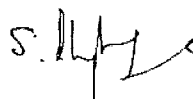
The Directors have confirmed that the Company has satisfied the solvency test requirement under Section 56 of the Companies Act No.07 of 2007 for the interim dividend paid and final dividend proposed. A solvency certificate was obtained from the Auditors in respect of the interim dividend paid and one has been sought in respect of the final dividend proposed.

The External Auditors, Messrs Ernst & Young., who are deemed re-appointed in terms of Section 158 of the Companies ACT No. 7 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on page 25 sets out their responsibilities in relation to the Financial Statements.

COMPLIANCE REPORT

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

By order of the Board



HAYLEYS GROUP SERVICES (PVT) LTD

Secretaries

8th May 2018

PROFILES OF DIRECTORS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

A. M. PANDITHAGE - CHAIRMAN & CHIEF EXECUTIVE

Joined Hayleys Group in 1969. Appointed to the Board in 1998. Chairman & Chief Executive of Hayleys PLC since July 2009.

Fellow of the Chartered Institute of Logistics and Transport (UK). Honorary Consul of United Mexican States (Mexico) to Sri Lanka. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Ships' Agents.

H. S. R. KARIYAWASAN - MANAGING DIRECTOR

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

DR. S. A. B. EKANAYAKE **

Appointed to the Board in March 2007. Past Chairman of the Ceylon Chamber of Commerce and past Chairman of the Industrial Association of Sri Lanka. Served as Director Human Resources and Corporate Relations at Unilever Sri Lanka Limited and as a member of that Company's Board. Also served as Director General Public Administration and Chairman, International Natural Rubber Organization, Kuala Lumpur, Malaysia. Holds a B.A. in Economics and a M.Sc. in Agriculture from the University of Peradeniya and a PhD in Economics from the Australian National University.

S. C. GANEGODA *

Joined Hayleys in March 2007 and was appointed to the Hayleys Group Management Committee in July 2007. Appointed to the Hayleys Board in September 2009. Fellow of the Institute of Chartered Accountants of Sri Lanka and a Member of the Institute of Management Accountants of Australia. Holds a MBA from the Postgraduate Institute of Management, University of Sri Jayawardanapura. Worked for the Hayleys Group between 1987 and 2002. Subsequently he held several Senior Management Positions in large private sector entities in Sri Lanka and Overseas. Has responsibility for the Strategic Business Development unit of the Hayleys Group and the Fentons Group.

T. G. THORADENIYA**

Mr. Tharana Thoradeniya has over two decades of senior management experience in multi- industry scenarios. He is a Group Director of Royal Ceramics Lanka PLC and CEO/Director of Rocell Bathware Ltd. He also sits on the Boards of several other public quoted and privately held companies in Sri Lanka, including Pan Asia Banking Corporation PLC, Lanka Ceramics PLC, Lanka Walltiles PLC, Lanka Floortiles PLC, Delmege Ltd, Vallibel Plantation Management Ltd., Dipped Products (Thailand) Ltd., Unidil Packaging (Pvt) Ltd, and Fentons Ltd. amongst others. Tharana has been credited as a proven business innovator across industries. A marketer by profession, Tharana was in the pioneering batch of Chartered Marketers of the Chartered Institute of Marketing (UK).

K. S. PADIWITA

Appointed to the Board in February 2016. Holds a Bachelor of Science Degree from the University of Colombo. Mr. Padiwita represents the Hayleys Eco Solutions Sector in the European market since January 2015.

*Non Executive Director**

*Independent Non Executive Director ***

PROFILES OF DIRECTORS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

M. I. L. PERERA

Joined Hayleys Group in December 2015 as the Chief Executive Officer (CEO) of the Eco Fibre & Floor Coverings sectors. Appointed to the Board in May 2017. Holds a Masters in Manufacturing Management from the University of Colombo. Has over a decade of management experience in multi-national organizations, Coca Cola Beverages Sri Lanka Ltd and Unilever Ceylon Ltd. Before joining Hayleys Group, held the position of Country Supply Chain Manager of Coca Cola Beverages Sri Lanka Ltd from 2010 to 2015.

DR. T. K. D. A. PRASAD SAMARASINGHE**

Appointed to the Board in September 2017. Dr. Prasad Samarasinghe is the Managing Director of Lanka Bell (Pvt.) Ltd. In addition, he holds the position of Managing Director of Telecom Frontier (Pvt.) Ltd. and Bell Solutions (Pvt.) Ltd, and the directorships of two non-profit organizations, LK Domain registry & TRACE.

He obtained his Doctorate in Telecommunications from the world ranked research University, the Australian National University, Canberra, Australia. Dr. Samarasinghe holds a B.Sc. (Eng) Degree in Electronics and Telecommunications with First Class Honors and a M.Sc. in Engineering, both from the University of Moratuwa, Sri Lanka. A member of the IEEE (Institute of Electrical and Electronic Engineers) and the IET (Institute of Engineering and Technology). In the past, Dr. Samarasinghe held the posts of Chief Operating Officer at Sri Lanka Insurance, Head of Information Technology at Commercial Bank PLC and Director of e-Channeling PLC.

L. A. K. I. KODYTUAKKU

Joined Hayleys Group in May 2017 as the Chief Executive Officer (CEO) of Ravi Industries. Appointed to the Boards of Hayleys Fibre PLC, Ravi Industries Ltd and Ravi Marketing Services (Pvt) Ltd as an Executive Director in November 2017. Holds a Masters in Business Administration from Anglia Ruskin University, UK. He counts over two decades of management experience in multi-national organizations, Glaxo Smithkline Beachem and Unilever Ceylon Ltd. Before joining Hayleys Group, held the position of Supply Chain Director of Glaxo Smithkline Beachem.

*Non Executive Director**

*Independent Non Executive Director ***

D. K. DE SILVA WIJEYERATNE**

Appointed to the Board in April 2018. Mr. D K de Silva Wijeyeratne is an Associate Member of the Institute of Chartered Accountants of Sri Lanka (ACA), Fellow Member of the Chartered Institute of Management Accountants, UK, (FCMA), and a Graduate Member of the Australian Institute of Company Directors (GAICD). Trained with Ernst & Young, Sri Lanka and thereafter moved as a finance professional to Price Waterhouse, Bahrain, and has extensive experience in audit and advisory services. Commenced a Banking career at HSBC Bank Middle East, as Head of Finance and Operations and latterly, was Head of Global Markets and Treasury of the group offices of HSBC in the Kingdom of Bahrain. After two decades with the Bank, in 2010 joined Third Wave International WLL (TWI) a boutique consultancy Company as an equity partner and CEO and embraced entrepreneurship. Core advisory services were Financial, Business Strategy, Human Resource Management (HRM), Marketing research and project management. Additionally, collaborated and represented business partners from Sri Lanka, Melbourne Australia, UK, Croatia, and Singapore in undertaking consultancy assignments in the Kingdom of Bahrain, Saudi Arabia, and Oman.

A committee member of Bahrain Asian Traders Committee (BATC) (2014 – 2018) of Bahrain Chamber of Commerce & Industry (BCCI) promoting bilateral trade and investments of the Kingdom of Bahrain with the Asian countries primarily Sri Lanka.

M. C. SAMPATH

Joined Hayleys Group in June 2015 as the Chief Financial Officer of the Eco Solutions Sector.

Fellow member of the Institute of Chartered Accountants of Sri Lanka. Holds a special degree in B.Sc. Accountancy and Financial Management from the University of Sri Jayawardenapura. Has twenty years of experience in the field of accountancy and financial management at senior positions in local and overseas Companies.

CORPORATE GOVERNANCE

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

Hayleys Fibre PLC (HFP) continues to be committed to conducting the Company's business ethically and in accordance with high standards of good Corporate Governance.

The Company is a subsidiary of Hayleys PLC.

We set out below the Corporate Governance practices adopted and practiced by HFP against the background of the Code of Best Practice on Corporate Governance issued Jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka and the Rules set out in Section 7 of the Colombo Stock Exchange's Listing Rules.

BOARD OF DIRECTORS

The Board of Directors is responsible for setting up the governance framework within the Company.

Composition and attendance at meetings

As at the end of the year under review, the Board consisted of Eleven Directors, Five Non-Executive Directors out of which four are Independent Non-Executive Directors, Six Executive Directors. Profiles of these Directors are given on page 10 & 11 of this Report. Details of Directors' shareholding in HFP and the directorates they hold in other companies are given on pages 22 and 10-11 respectively.

The Board meets quarterly as a matter of routine. Ad-hoc meetings are held as and when necessary. During the year under review the Board met on five occasions. The attendance at these meetings during the financial year was:

Name of Director	Attendance
A. M. Pandithage - Chairman	5/5
H. S. R. Kariyawasan (Appointed 16/05/2017)	5/5
Dr. S. A. B. Ekanayake**	3/5
S. C. Ganegoda*	4/5
T. G. Thoradeniya**	2/5
K. S. Padiwita	0/5
M. I. L. Perera (Appointed 16/05/2017)	5/5
Dr. T. K. D. A. P. Samarasinghe** (Appointed 01/09/2017)	3/5
L. A. K. I. Kodytuakku (Appointed 17/11/2017)	1/5
D. K. De Silva Wijeyerathne** (Appointed 01/04/2018)	-
M. C. Sampath (Appointed 01/05/2018)	-
H. C. S. Mendis (Resigned 19/09/2017)	-

*Non Executive Director **

*Independent Non Executive Director ***

Name of Director	Attendance
F. R. Alles** (Deceased 30/01/2018)	-
N. Udage** (Resigned 24/04/2017)	-
B. D. A. Perera** (Resigned 24/04/2017)	-

Responsibilities

The Board is responsible to:

- Enhance shareholder value.
- Formulate and communicate business policy and strategy to assure sustained growth, and monitor its implementation.
- Approve any change in the business portfolio and sanction major investments and disinvestments in accordance with parameters set.
- Ensure Executive Directors have the skills/knowledge to implement strategy effectively, with proper succession arrangements in focus.
- Ensure effective remuneration, reward and recognition policies are in place to help employees give of their best.
- Set and communicate values/standards, with adequate attention being paid to accounting policies/practices.
- Ensure effective information, control, risk management and audit systems are in place.
- Ensure compliance with laws and ethical standards established.
- Approve annual budgets and monitor performance against these.
- Adopt annual and interim results before these are published.

Inter alia, Directors:

- Must bring independent judgment to bear and consider foremost the interests of the Company as a whole.
- Must stay abreast of developments in management practice, the world and domestic economy and other matters relevant to the company.
- May convey concerns to the Chairman, if and when a need arises.
- May where necessary and with the concurrence of the Chairman, consult and consider inputs from "experts" in relevant areas.
- Should declare their interests in contracts under discussion at a Board meeting, and refrain from participating in such discussion.

CORPORATE GOVERNANCE

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

- Possessing “price-sensitive” information concerning the Company should not trade in the company’s shares until such information has been adequately disseminated in the market.

Company Secretary

The services and advices of the Company Secretary are made available to Directors as necessary. The Company Secretary keeps the Board informed of new laws, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board. Shareholders are free to communicate with the secretaries whenever it is considered necessary.

Chairman’s Role

The Chairman is responsible for the efficient conduct of Board meetings. The Chairman maintains close contact with all Directors, and holds informal meetings with Non-Executive Directors as and when necessary.

Board Balance

The composition of the Executive and Non- Executive Directors (the latter are over one third of the total number of Directors) satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange. The Board has determined that three non-Executive Directors satisfy the criteria for “independence” set out in the Listing Rules. The Board believes the independency of Dr. S. A. B. Ekanayake is not compromised by him being a board member for more than nine years as the objectivity of his role is not affected by this period.

Non-Executive Directors profiles reflect their caliber and the weight their views carry in Board deliberations. Each is independent of management and free from any relationship that can interfere with independent judgment. The balance of Executive, Non-Executive and Independent Non-Executive Directors on the Board ensures that no individual Director or small group of Directors dominates Board discussion and decision making.

The Chairman of the Company is also the Chairman of Hayleys PLC. Chief Executive authority is vested in the Managing Director of the Company. The distinction between the position of the Chairman and officers wielding executive powers in the Company ensures the balance of power and authority.

Financial Acumen

The Board includes two senior Chartered Accountants, who possess the necessary knowledge and competence to offer the Board guidance on matters of finance.

Supply of Information

Directors are provided with quarterly reports on performance and such other reports and documents as are necessary. The Chairman ensures all Directors are adequately briefed on issues arising at meetings.

Appointments to the Board

The Board as a whole decides on the appointment of Directors.

Re election of Directors

The provisions of the Company’s Articles require a Director appointed by the Board to hold office until the next Annual General Meeting, and seek re-election by the shareholders at that meeting.

The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment /re appointment. Retiring Directors are generally eligible for re-election.

The Managing Director does not retire by rotation.

Remuneration Procedure

The Remuneration Committee of Hayleys PLC who is the parent of HFP acts as the Remuneration Committee of the Company.

Remuneration Committee of Hayleys PLC consists of:
Dr. H. Cabraal, PC** - Chairman
Mr. K. D. D. Perera*
Mr. M. H. Jamaldeen**
Mr. M. Y. A. Perera**

The Remuneration Committee recommends the remuneration payable to Managing Director and Executive Director(s) and sets guidelines for the remuneration of the management staff within the Company. The Board makes the final determination after consideration of such recommendation and performance of the senior management staff.

*Non Executive Director **

*Independent Non Executive Director ***

CORPORATE GOVERNANCE

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

Disclosure of Remuneration

The total of Directors' Remuneration is reported in note 8 to the Financial Statements.

Directors have access to program arranged by the Hayleys Group Human Resource Development Division when appropriate, to provide update on matters relevant to business management and economic affairs.

Management Structure

The Board has delegated primary authority to the Managing Director and the Executive Directors, to achieve the strategic objectives formulated by them.

The authority is exercised within the ethical framework and business practices established by the Board which demands compliance with existing laws and regulation as well as best practices in dealing with employees, customers, suppliers and the community at large.

The Managing Director and key managers meet on a monthly basis to review progress and discuss strategic issues and other important developments that require consideration and minutes are kept of decisions made and major issues.

The Managing Director attends the monthly meetings of the Group Management Committee of Hayleys PLC and reports the progress and important issues.

Relations with Shareholders

The Notice of Meeting is included in the Annual Report. The Notice contains the Agenda for the AGM as well as instructions on voting by shareholders, including appointment of proxies. A form of Proxy is enclosed with the Annual Report. The period of notice prescribed by the Companies Act No 7 of 2007 has been met.

Constructive use of the Annual General Meeting

The active participation of shareholders at the Annual General Meeting is encouraged. The Board believes the AGM is a mean of continuing effective dialogue with shareholders.

The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the financial statements for the year.

Communication with Shareholders

The Quarterly Financial Statements, disclosures and announcements are posted to the CSE website for public dissemination. The Annual Report is considered as the principal communication with shareholders and other stakeholders. These reports are also provided to the Colombo Stock Exchange.

Shareholders may bring up concerns they have, either with the Managing Director or the Group's Secretarial Department as appropriate.

Price Sensitive Information

Due care is exercised with respect to share price sensitive information.

Shareholder Value & Return

The Board constantly strives to enhance the shareholder value and provide a total return in excess of the market. It has been the policy of the Board to distribute a reasonable dividend rate to the shareholders whilst allowing for capital requirements.

Accountability and Audit Financial Reporting

The Board places great emphasis on complete disclosure of financial and non-financial information within the bounds of commercial reality, and on the adoption of sound reporting practices. Financial information is disclosed in accordance with the Sri Lanka Accounting Standards. Revisions to existing accounting standards and adoption of new standards are carefully monitored.

The Annual Report includes descriptive, non-financial content through which an attempt is made to provide stakeholders with information to assist them make more informed decisions.

CORPORATE GOVERNANCE

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

The Statement of Directors' Responsibilities for the financial statements is given in page 9 of this report.

Management Report

Joint Statement from the Chairman and the Managing Director (page 7) in this report provides an analysis of the Company performance during the financial year.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks. This process has been in place through the year under review.

Going Concern

The Directors, after making necessary inquiries and reviews including reviews of the Company budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis has been adopted in the preparation of the financial statements.

Internal Control

The Directors are responsible for the Company system of internal financial controls. The system is designed to safeguard assets against unauthorised use or disposition and to ensure that accurate records are maintained and reliable financial information is generated. However, there are limits to which any system can ensure that errors and irregularities are prevented or detected within a reasonable period.

The important procedures in place to discharge this responsibility are as follows:

- The Directors are responsible for the establishment and monitoring of financial controls appropriate for the operation within the overall Group policies.
- The Board reviews the strategies of the company.
- Annual budgeting and regular forecasting processes are in place and the Directors review performance.

- The Board has established policies in areas of investment and treasury management and does not permit employment of complex risk management mechanism.
- The Company is subjected to regular internal audits and system reviews.
- The Audit Committee of the Company reviews the plans and activities of the internal audits and the management letters of external auditors for the Financial Year under review.

Members of the Audit Committee consists of;

F. R. Alles** (Chairman) - (Deceased 30/01/2018)
Dr. S. A. B. Ekanayake**
T. G. Thoradeniya**
B. D. A. Perera ** (Resigned 24/04/2017)
N. Udage ** (Resigned 24/04/2017)
Dr. T. K. D. A. P. Samarasinghe**
(Appointed 01/09/2017)
D. K. De Silva Wijeyeratne** (Chairman)
(Appointed 01/04/2018)

The Company carefully selects and train employees and provides appropriate channels of Communication to foster a control conscious environment.

The Board has reviewed the effectiveness of the system of financial control for the period up to the date of signing the accounts. The Directors Responsibilities for the financial statements are described on page 9.

The Hayleys Fibre PLC is subject to internal audit and systems review by the Hayleys Group Management Systems and Review Department.

Level of compliance with the CSE's Listing Ruling

Level of compliance with the CSE's Listing Ruling section 7, Rules on Corporate Governance are given in the following table.

*Non Executive Director **
*Independent Non Executive Director***

CORPORATE GOVERNANCE

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

Rule No.	Subject	Applicable requirement	Compliance Status	Details
7. 10. 1	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executive Directors	Compliant	Five of Eleven Directors are Non-Executive Directors
7. 10. 2 (a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher should be Independent	Compliant	Four Non-Executive Directors are Independent
7. 10. 2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format.	Compliant	Non-Executive Directors have submitted the declaration.
7. 10. 3 (a)	Disclosure relating to Directors	Names of independent Directors should be disclosed in the Annual Report	Compliant	Please refer page 20.
7. 10. 3 (b)	Disclosure relating to Directors	The basis for Board to determine a Director as independent, If specified criteria for independence is not met.	Compliant	Given in page 13 under the heading of Board Balance
7. 10. 3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the areas of Expertise	Compliant	Please refer page 10-11
7. 10. 3 (d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(d) to the Exchange	Compliant	A brief resume was provided to the Exchange at the time of appointment
7. 10. 5	Remuneration Committee	A listed Company shall have a Remuneration Committee	Compliant	Remuneration Committee of the parent (Hayleys PLC) acts as the Remuneration Committee of the Company
7. 10. 5 (a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent	Compliant	Page No.13
7. 10. 5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Directors and key management personnel.	Compliant	Stated in this report page 13.
7. 10. 5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out; a) Names of directors comprising the Remuneration Committee b) Statement of Remuneration Policy c) Aggregated remuneration paid to Executive & Non-Executive Directors	Compliant Compliant Compliant	Page No.13 Page No.13 Please refer the page 19
7. 10. 6 (a)	Audit Committee	The Company shall have an Audit Committee	Compliant	Names of the members of the Audit committee is given on page 15.

CORPORATE GOVERNANCE

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

Rule No.	Subject	Applicable requirement	Compliance Status	Details
7.10.6 (b)	Composition of Audit Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent	Compliant	Audit committee consist of Four non-executive Directors of which all are independent.
		Non-Executive Directors shall be appointed as the Chairman of the committee	Compliant	Chairman of the Audit committee is an Independent non-executive Director.
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings	Compliant	Chairman, The Managing Director and Chief Financial Officer attend meetings by invitation.
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	Chairman of the Audit Committee is a Chartered Accountant.
7.10.6 (b)	Audit Committee Functions	Should be as outlined in Section 7.10.6 (b) of the listing rules	Compliant	The terms of reference of the Audit committee are on page 23.
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	a) Names of Directors comprising the Audit Committee	Compliant	Please refer Audit Committee Report on page 23.
		b) The Audit Committee shall make a determination of the independence of the Auditors and disclose such determination	Compliant	Please refer Audit Committee Report on page 23.
		c) The Annual Report shall contain a Report of the Audit Committee setting out of the manner of Compliance of the functions	Compliant	Please refer Audit Committee Report on page 23.
7.13.1	Minimum Public Holding	As a listed Company in the main board, the Company maintained the minimum Public Holding under Specific criteria.	Compliant	Information to shareholders Pages 4 & 5.
9.2.3	Related Party Transactions Re-view Committee	Mandatory from 01/01/2016. If the parent Company and the subsidiary Company both are listed entities, the Related Party Transactions re-view Committee of the parent Company may be permitted to function as such Committee of the subsidiary.	Compliant	The Committee of the Parent Company which was formed on 10th February 2015 functions as the committee of the Company.
9.2.2	Composition	Two Independent Non-Executive Directors and one Executive Director	Compliant	Page 24.

CORPORATE GOVERNANCE

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

Rule No.	Subject	Applicable requirement	Compliance Status	Details
9.2	Related Party Transactions Re-view Committee Functions	<ul style="list-style-type: none"> • To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction. • Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party. • Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons. • To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction. • To monitor that all related party transactions of the entity are transacted on normal commercial terms and 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. 	Compliant	Page No. 24
9.2.4	Related Party Transactions Re-view Committee-Meetings	Shall meet once a calendar quarter	Compliant	Page No. 24
9.3.2	Related Party Transactions Re-view Committee-Disclosure in the Annual Report	a) Report by the Related Party Transactions re-view Committee b) A declaration by the Board of Directors	Compliant	a) Page No. 24 b) Page No.19

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

The details set out provide the pertinent information required by the Companies Act No. 7 of 2007, the Colombo Stock Exchange Listing Rules and are guided by recommended best Accounting Practices.

PRINCIPAL ACTIVITIES

Hayleys Fibre PLC is a manufacturing Company which also owns direct investment in Joint Venture, Bonterra Limited.

The principal activity of the Company and its Joint Venture is manufacturing and export of coir products.

REVIEW OF THE YEAR

Joint Statement from the Chairman and the Managing Director describes briefly the Company and Joint Venture activities during the year under review. The results for the year are set out in the Statement of Profit and Loss.

The Directors, to the best of their knowledge and belief, confirm that the Company and Joint Venture have not engaged in any activities that contravene laws and regulations.

FINANCIAL STATEMENTS

The financial statements of the Company given on pages 28 to 32 in the Annual Report.

AUDITORS' REPORT

The auditors' report on the financial statements is given on pages 25 to 27.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of financial statements are given on pages 33 to 47. There were no changes in the accounting policies adopted by the Company.

INTEREST REGISTER

The company, in compliance with the Companies Act No.7 of 2007, maintains an Interest Register. Particulars of entries in the Interest Register are detailed below.

Director's Interest in Transactions

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No. 07 of 2007. Notes 32 & 35 to the financial statements deal with related party disclosures .

Director's Interest in Shares

Directors of the Company who have relevant interest in the shares have disclosed their shareholdings and any acquisitions /disposals in compliance with Section 200 of the Companies Act.

The details of the Director's shareholdings in the Company are given later in this Report. There were no changes in holdings during the period.

Director's Remuneration

The total remuneration of Non Executive Directors for the year ended 31st March 2018 is Rs 1.07Mn, determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this remuneration is fair to the company.

RELATED PARTY TRANSACTIONS

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

The related party transactions of the Company during the financial year have been re-viewed by the Related Party Transactions Review Committee of Hayleys PLC, the parent Company which acts as the Related Party Transactions Review Committee of the Hayleys Fibre PLC and are in compliance with Section 09 of the CSE Listing Rules.

Details of the Related Party Transaction Re-view Committee and its Report are given on page 24 in the Annual Report.

CORPORATE DONATIONS

At the last Annual General Meeting, the shareholders approved a sum not exceeding Rs.50,000/- in respect of donations. No donations were made during the year.

(2016/2017 - NIL)

INSURANCE & INDEMNITY

The ultimate parent of the Company, Hayleys PLC has obtained a Directors & Officers liability insurance from Orient Insurance Ltd, Providing worldwide cover to indemnify all past, present and future Directors & Officers (D & O) of the Group. The limit on liability of the cover is USD 5Mn per annum with a premium of Rs. 5.4Mn.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

DIRECTORATE

Names of the Directors who held office during the financial year are given below and their brief profiles appear on pages 10 & 11, other than the resigned Directors.

A. M. Pandithage

H. S. R. Kariyawasan

Dr. S. A. B. Ekanayake**

S. C. Ganegoda*

T. G. Thoradeniya**

K. S. Padiwita

M. I. L. Perera

Dr. T. K. D. A. P. Samarasinghe**

L. A. K. I. Kodytuakku

Messrs. B. D. A. Perera and N. Udage who served as Directors of the Company resigned with effect from 24th April 2017.

Mr. H. S. R. Kariyawasan and M. I. L. Perera have been appointed by the Board with effect from 16th May 2017.

Dr. T. K. D. A. P. Samarasinghe has been appointed by the Board with effect from 01st September 2017 in terms of Article No.27(2) of the Articles of Association of the Company, shareholders will be requested to re-elect him at the Annual General Meeting.

Mr. H. C. S. Mendis who served as a Director of the Company, resigned with effect from 19th September 2017.

Mr. L. A. K. I. Kodytuakku has been appointed by the Board with effect from 17th November 2017 in terms of Article No.27(2) of the Articles of Association of the Company, shareholders will be requested to re-elect him at the Annual General Meeting.

Mr. F. R. Alles passed away on 30th January 2018.

Mr. D. K. De Silva Wijeyeratne has been appointed by the Board with effect from 01st April 2018 in terms of Article No.27(2) of the Articles of Association of the Company, shareholders will be requested to re-elect him at the Annual General Meeting.

Mr. M. C. Sampath has been appointed by the Board with effect from 1st May 2018 in terms of Article No.27(2) of the Articles of Association of the Company, shareholders will be requested to re-elect him at the Annual General Meeting.

*Non Executive Director **

*Independent Non Executive Director***

In terms of Article No.29(1) of the Articles of Association of the Company, Messrs. A. M. Pandithage, S. C. Ganegoda and K. S. Padiwita retire by rotation and being eligible offer themselves for re-election.

AUDITORS

The financial statements for the year have been audited by Messrs. Ernst & Young Chartered Accountants.

The Auditors, Messrs. Ernst & Young Chartered Accountants were paid Rs.1.49Mn (2016/2017 Rs.1.38Mn) as audit fees by the Company. In addition, Rs. 0.42Mn ((2016/2017-Rs.1.09Mn), were paid by the Company for non-audit related work, which consisted mainly of tax consultancy services.

As far as the Directors are aware, the Auditor does not have any relationships (other than that of an auditor) with the Company other than those disclosed above. The auditors also do not have any interests in the Company.

Messrs. Ernst & Young, Chartered Accountants, are deemed re-appointed as Auditors of the Company, in terms of section 158 of the Companies Act No.7 of 2007. A resolution proposing the Directors be authorized to determine their remuneration will be submitted at the Annual General Meeting.

COMPANY TURNOVER / INTERNATIONAL TRADE

The gross turnover of the Company during the year was Rs.562.65Mn (2016/2017 - Rs.478.97Mn.) During the year, of Rs.342.63Mn (2016/2017 - Rs.397.23Mn) was exported by the Company.

RESULTS OF OPERATIONS

The Company Profit before taxation amounted to Rs.120.34Mn after deducting Rs.19.37Mn for taxation, the Company profit attributed to equity holders of the Company for the year was Rs.100.96Mn.

The Company's Statement of Profit or Loss for the year is given on page 28. Details of transfer to/from reserves in respect of the Company are shown in the Statement of Changes in Equity on page 31.

DIVIDEND

Second Interim Dividend of Rs. 2/- per share for the year 2016/2017 was paid to the shareholders on 9th June 2017.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

An interim Dividend of Rs. 2/- per share for the year 2017/2018 was paid to the shareholders on 27th February 2018.

The Board of Directors has recommended the payment of a final dividend of cents 75 per share payable on 06th July 2018 to the shareholders of the issued ordinary shares of the Company as at close of business on 26th June 2018. The proposed dividend is subject to shareholder approval at the forthcoming Annual General Meeting.

The Directors have confirmed that the Company satisfies the solvency test requirement under section 56 of the companies ACT. No. 07 of 2007 for a final dividend proposed.

CAPITAL EXPENDITURE

Purchase and construction of property, plant & equipment during the year amounted to Rs. 0.93Mn. The movement in property, plant & equipment is set out in Note 12 to the financial statements.

SHARE CAPITAL AND RESERVES

The stated capital of the Company is Rs.80Mn comprising 8,000,000 shares. There were no changes in the stated capital during the year.

The Company and Joint Venture reserves as at 31st March 2018 amounts to Rs.595.91Mn (2016/2017- Rs.531.94Mn), other component of equity Rs.73.15Mn (2016/2017 - Rs.74.77Mn) and other reserves of Rs.50.62Mn (2016/2017 - Rs.50.62Mn).

TAXATION

It is the policy to provide for deferred taxation on all temporary differences on the liability method.

The tax liability on profits derived on business is explained under Note 9 of the financial statements.

SHARE INFORMATION

Information relating to earnings per share and share trading is given in Note 10 to the financial statements on the page 50.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the Balance Sheet date which would require adjustment to, or disclosure to the financial statements.

The Board of Directors has recommended the payment of a final dividend of cents 75 per share payable on 06th July 2018 to the shareholders of the issued ordinary shares of the Company as at close of business on 26th June 2018.

KEY INDICATORS

Per Share	2017/18 Rs.	2016/17 Rs.
Earnings	12.62	33.41
Dividends paid	4.00	2.00
Net Assets	99.96	92.17

SHAREHOLDERS

It is the policy to endeavor to ensure equitable treatment of its shareholders.

STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to employees and the Government Institutions have been made up to date.

CORPORATE GOVERNANCE / INTERNAL CONTROL

Adoption of good governance practices has become an essential requirement in today's corporate culture. The practices carried out by the Company are explained in the Corporate Governance statement on pages 12 to 18.

GOING CONCERN

The Directors, after making necessary inquiries and reviews including reviews of the Company budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis has been adopted in the preparation of the financial statements.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

DIRECTORS' SHAREHOLDINGS

The Directors' holding as at 31st March 2018 are,

Mr. A. M. Pandithage 320 Ordinary Shares (320 shares as at 01/04/2017), Mr. S. C. Ganegoda 608 Ordinary Shares (608 as at 01/04/2017), Mr. K. S. Padiwita 1,280 Ordinary Shares (1,280 as at 01/04/2017).

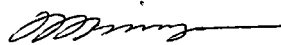
ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the Registered Office of the Company, No 400, Deans Road, Colombo 10, Sri Lanka at 10.00 a.m. on Tuesday 26th June 2018. The Notice of Annual General Meeting appears on page 3.

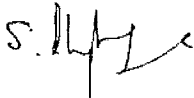
For and on behalf of the Board



A. M. Pandithage
Chairman



H. S. R. Kariyawan
Managing Director



Hayleys Group Services (Pvt) Ltd

Secretaries
Colombo

8th May 2018

AUDIT COMMITTEE REPORT

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee, appointed by and responsible to the Board of Directors, comprised of three Independent Non Executive Directors as at 31st March 2018.

The Chairman of the Audit Committee is a senior Chartered Accountant.

MEETINGS

The Committee met four times during the financial year. The attendance of the members at these meetings is as follows:

Dr. S. A. B. Ekanayake**	3/4
Mr. T. G. Thoradeniya**	1/4
Dr. T. K. D. A. P. Samarasinghe**	
- (Appointed 01/09/2017)	1/4
Mr. F. R. Alles **	
- (Deceased 30/01/2018)	1/4
Mr. D. K. De Silva Wijeyeratne**(Chairman)	
- (Appointed 01/04/2018)	-
Mr. B. D. A. Perera**	
- (Resigned 24/04/2017)	-
Mr. N. Udage**	
- (Resigned 24/04/2017)	-

Managing Director, Group Chief Financial Officer, Head of Group Management Audits and Systems Review Department and Eco Solutions Chief Financial Officer as well as the external auditors when required were present at discussions where appropriate. The proceedings of the Audit Committee are regularly reported to the Board of Directors.

TASKS OF THE AUDIT COMMITTEE

Financial Reporting System

The Committee reviewed the financial reporting system adopted by the Company in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Accounting Standards. The methodology included obtaining statements of compliance from Chief Financial Officer and Directors-in-charge of operating units. The Committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee, in its evaluation of the financial reporting system also

recognized the adequacy of the content and quality of routine management information reports forwarded to its members.

Internal Audits

The Committee reviewed the process to assess the effectiveness of the Internal Financial Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and presentation of Financial Statements.

The Committee also reviewed the adequacy of provisions made for possible liabilities and compliance with relevant statutory requirements. The Group Management Audit & Systems Review Department's reports on key control elements and procedures in Group companies selected according to the annual plan were also reviewed.

External Audits

The queries issued by the external auditors and actions taken by the management in response to issues raised by external auditors were also examined. The Committee discussed the effectiveness of the internal controls in place and recommended remedial actions where necessary.

SUPPORT TO THE COMMITTEE

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

CONCLUSION

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



D. K. De Silva Wijeyeratne
Audit Committee
8th May 2018

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

The Related Party Transaction review Committee of Hayleys PLC, the parent Company functions as the Committee of the Company in terms of the Section 9 of the Listing Rules of the Colombo Stock Exchange.

Composition of the Committee

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director and the members are as follows.

Dr. H. Cabral**, PC - Chairman

Mr. M. Y. A. Perera **

Mr. S. C. Ganegoda *

Attendance

Committee met four times in the Financial Year 2017/2018.

Meetings were held on 17th May 2017, 4th August 2017, 2nd November 2017 and 7th February 2018.

	Meetings
Dr. H. Cabral, PC	4/4
Mr. M. Y. A. Perera	4/4
Mr. S. C. Ganegoda	1/4

Duties of the Committee

- To review in advance all proposed related party transactions of 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 transactions.

Task of the Committee

The Committee reviewed the related party transactions and their compliances of Hayleys Fibre PLC and communicated the same to the Board.

The Committee in its review process recognized the adequate of the content and quality of the information forwarded to its members by the management.



Dr. Harsha Cabral, PC.

Chairman

Related Party Transactions Review Committee of Hayleys PLC

16th May 2018

** Independent Non-Executive

*Executive

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF HAYLEYS FIBRE PLC
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Opinion

We have audited the financial statements of Hayleys Fibre PLC, which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2018 and of its financial performance and its 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 auditor's 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>Fair value measurement of AFS Investments</p> <p>Hayleys Fibre PLC has investments in unquoted equity shares carried at fair value amounting to Rs. 94m as of the reporting date. The value represents over 11% of total assets of the Company, and in the absence of a published price, the valuation techniques applied require significant unobservable inputs through assumptions and judgements by the management which are disclosed in Note 14 to these financial statements. Such has accordingly been identified as a Key Audit Matter.</p>	<p>Our audit procedures included among others:</p> <ul style="list-style-type: none"> ● We involved our internal specialists to evaluate the appropriateness of methodologies and the reasonability of assumptions used by management, in particular those relating to discount rate and growth rate. ● We assessed whether the underlying data used by the management is consistent with the actual historical data and whether the future cash flows are consistent with the annual budget approved by the Board of Directors. ● We assessed the adequacy of the disclosures in the Note 14 in relation to the valuation of investments.

Other information included in The Company's 2018 Annual Report

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and,

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

Responsibilities of management and those charged with governance 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 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 control.
- 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.

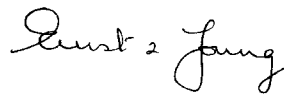
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 1420.



08 May 2018
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekara FCA FCMA A Hearth FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms P V K N Sanjeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA ACMA
Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

STATEMENT OF PROFIT OR LOSS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

For the year ended 31st March

	<u>Notes</u>	<u>2018</u> <u>Rs.'000</u>	<u>2017</u> <u>Rs.'000</u>
Revenue	4	562,659	478,976
Cost of sales		<u>(489,778)</u>	<u>(418,259)</u>
Gross profit		72,881	60,717
Other income	5	6,682	231,140
Distribution expenses		(2,121)	(630)
Administrative expenses		<u>(44,424)</u>	<u>(50,356)</u>
Profit from operations		33,018	240,871
Finance income		55,958	15,442
Finance expense		(1,502)	(7,092)
Net finance income	6	54,456	8,350
Share of profit of equity accounted investee (Net of Tax)	7	<u>32,868</u>	<u>29,544</u>
Profit before tax	8	120,342	278,765
Tax expense	9	<u>(19,377)</u>	<u>(11,495)</u>
Profit for the year		<u>100,965</u>	<u>267,270</u>
Basic earnings per share (Rs.)	10	12.62	33.41

Figures in brackets indicate deductions.

The Accounting Policies & Notes on pages 33 to 71 form an Integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

For the year ended 31st March

	<u>Notes</u>	<u>2018</u> <u>Rs.'000</u>	<u>2017</u> <u>Rs.'000</u>
Profit for the year		<u>100,965</u>	<u>267,270</u>
Other comprehensive income			
Other comprehensive income to be reclassified to income statement in subsequent period			
Net gain on available-for-sale financial assets	14	1,528	452
Other comprehensive income not to be reclassified to income statement in subsequent period			
Remeasurement gains/(losses) on defined benefit plans	24	(5,764)	(401)
Share of other comprehensive income of equity accounted investee (Net of Tax)	13	(39)	-
Revaluation of land	12	-	8,057
Income tax on other comprehensive income	23	<u>(2,348)</u>	<u>48</u>
Other comprehensive income for the year, net of tax		<u>(6,623)</u>	<u>8,156</u>
Total comprehensive income for the year, net of tax		<u><u>94,342</u></u>	<u><u>275,426</u></u>

Figures in brackets indicate deductions

The Accounting Policies & Notes on pages 33 to 71 form an Integral part of these financial statements.

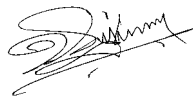
STATEMENT OF FINANCIAL POSITION

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

As at 31st March

	Notes	2018 Rs. '000	2017 Rs. '000
ASSETS			
Non - current assets			
Property, plant & equipment	12	72,290	64,838
Investment in equity accounted investee	13	67,128	49,562
Other non-current financial assets	14	94,576	93,048
Total non-current assets		233,994	207,448
Current assets			
Inventories	16	45,717	27,210
Trade & other receivables	17	65,486	85,566
Other current assets	18	7,506	4,462
Amounts due from joint venture	19	2,443	-
Amounts due from other related companies	20	3,121	2,941
Short - term deposits		529,790	459,168
Cash in hand and at bank	21	8,004	35,045
Total current assets		662,067	614,392
TOTAL ASSETS		896,061	821,840
EQUITY & LIABILITIES			
Equity			
Stated capital	22	80,000	80,000
Other component of equity		73,151	74,778
Amalgamation reserves		50,625	50,625
Revenue reserves		595,914	531,945
Total equity		799,690	737,348
Non - current liabilities			
Deferred tax liabilities	23	5,031	207
Retirement benefit obligations	24	18,582	15,128
Total non-current liabilities		23,613	15,335
Current liabilities			
Trade & other payables	26	47,580	29,917
Other current liabilities	27	3,723	6,717
Amounts due to other related companies	28	5,764	3,672
Amounts due to joint venture	29	-	73
Income tax payable		2,809	5,415
Interest bearing borrowings	25	12,882	23,363
Total current liabilities		72,758	69,157
TOTAL LIABILITIES		96,371	84,492
TOTAL EQUITY & LIABILITIES		896,061	821,840

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

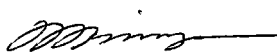


M. C. Sampath
Chief Financial Officer

The Board of Directors is responsible for these financial statements.
Signed for and on behalf of the Board by,



A. M. Pandithage
Chairman



H. S. R. Kariyawan
Managing Director

8th May 2018
Colombo

Figures in brackets indicate deductions.

The Accounting Policies & Notes on pages 33 to 71 form an Integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

	For the year ended 31st March		Stated Capital		Other Components of equity		Amalgamation Capital Reserves		Amalgamation Revenue Reserves		Retained Earnings		Total	
	Notes	Rs. '000	Rs. '000	Available for sale reserve	Revaluation Reserve	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st April, 2016		80,000	51,786	189,001	14,000	36,625	106,510	477,922						
Profit for the year		-	-	-	-	-	267,270	267,270						
Net gain on available for sale financial assets	14	-	452	-	-	-	-	452						
Re-measurement gains/(losses) on defined benefit plans	24	-	-	-	-	-	(401)	(401)						
Income tax on other comprehensive income	23	-	-	-	-	-	48	48						
Revaluation of land	12	-	-	8,057	-	-	-	8,057						
Transfer (Realisation of revalued land)		-	-	(174,518)	-	-	174,518	-						
Dividends	11	-	-	-	-	-	(16,000)	(16,000)						
Balance as at 31st March, 2017		80,000	52,238	22,540	14,000	36,625	531,945	737,348						
Balance as at 01st April, 2017		80,000	52,238	22,540	14,000	36,625	531,945	737,348						
Profit for the year		-	-	-	-	-	100,965	100,965						
Net gain on available for sale financial assets	14	-	1,528	-	-	-	-	1,528						
Re-measurement gains/(losses) on defined benefit plans	24	-	-	-	-	-	(5,764)	(5,764)						
Income tax on other comprehensive income	23	-	-	(3,155)	-	-	807	(2,348)						
Share of other comprehensive income of equity accounted investee	13	-	-	-	-	-	(39)	(39)						
Dividends	11	-	-	-	-	-	(32,000)	(32,000)						
Balance as at 31st March, 2018		80,000	53,766	19,385	14,000	36,625	595,914	799,690						

Figures in brackets indicate deductions.

The Accounting Policies & Notes on pages 33 to 71 form an Integral part of these financial statements.

STATEMENT OF CASH FLOW

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

For the year ended 31st March

	Notes	2018 Rs.'000	2017 Rs.'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		120,342	278,765
Adjustments for:			
Share of profit of equity accounted investee	7	(32,868)	(29,544)
Depreciation on property, plant & equipment	12	2,346	2,789
Depreciation on investment property		-	126
Impairment of property, plant equipment		-	829
Provision for defined benefit plan cost	24.1	2,524	2,177
Net gain on disposal of property, plant & equipment and investment property		-	(215,601)
Dividend Income	5	(508)	-
Interest expense	6.2	1,061	4,860
Interest income	6.1	(54,933)	(13,939)
Provision/(reversal) for slow moving inventories		(1,613)	2,209
Operating profit before working capital changes		36,351	32,671
(Increase)/Decrease in trade and other receivables		17,038	(25,624)
(Increase)/Decrease in inventories		(16,894)	30,364
(Increase)/Decrease in amounts due from related companies		(2,623)	28,832
Increase/(Decrease) in trade and other payables		13,472	578
Increase/(Decrease) in amounts due to related companies		2,019	484
Cash generated from / (used in) operations		49,363	67,305
Interest paid	6.2	(1,061)	(4,860)
Income tax paid		(19,509)	(3,421)
Employee benefit paid	24	(4,834)	-
Cash flows from / (used in) operating activities		23,959	59,024
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase and construction of property, plant & equipment	12	(9,807)	(10,109)
Proceeds from sale of property, plant & equipment and investment property		9	420,478
Interest income	6.1	54,933	13,939
Dividend income	5	508	-
Dividend received from equity accounted investee	13	15,264	34,209
Cash flows from / (used in) investing activities		60,907	458,517
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(30,804)	(16,000)
Cash flows from / (used in) financing activities		(30,804)	(16,000)
Net Increase / (Decrease) in Cash & Cash Equivalents		54,062	501,541
Cash & Cash Equivalents at the beginning of the year		470,850	(30,691)
Cash & Cash Equivalents at the end of the year (Note - A)		524,912	470,850
A. Analysis of cash and cash equivalents as at 31st March			
Cash & bank balances	21	8,004	35,045
Short term deposits		529,790	459,168
		537,794	494,213
Short term bank loans and overdrafts	25	(12,882)	(23,363)
Cash and cash equivalents		524,912	470,850

Figures in brackets indicate deductions.

The Accounting Policies & Notes on pages 33 to 71 form an Integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

1. REPORTING ENTITY

Hayleys Fibre PLC (“the Company”) is a Company incorporated and domiciled in Sri Lanka. The address of the company’s registered office is Hayleys Building, No 400, Deans Road, Colombo 10, Sri Lanka and the principal place of business is located at No 193, Minuwangoda Road, Kotugoda.

The financial statements of the Company for the year ended 31st March, 2018 comprise the Company and the Company’s interest in its equity accounted investee.

The Company is primarily involved in the manufacture and export of coir products. There were no significant changes in the nature of principal activities of the Company and it's equity accounted investee during the financial year under review.

The responsibility of the Directors in relation to the financial statements are set out in the Statement of Directors responsibility in the Annual Report.

The financial statement of Hayleys Fibre PLC for the year ended 31st March 2018 were authorized for issue by the Directors on 8th May 2018.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards (SLFRS’s and LKAS’s) promulgated by the Institute of Chartered Accountants of Sri Lanka (CASL), and with the requirements of the Companies Act No. 7 of 2007.

2.2 Basis of measurement

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

- Lands which are recognized as property plant & equipment are measured at cost at the

time of acquisition and subsequently Land is carried at fair value.

- Available-for-sale financial assets are measured at fair value.

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

No adjustments have been made for inflationary factors in the financial statement of the Company.

2.3 Functional & presentation currency

The financial statements are presented in Sri Lankan Rupees (Rs.), which is the Company's functional and presentational currency. All financial information presented in Sri Lanka Rupees has been given to the nearest thousand (Rs.'000) unless stated otherwise.

2.4 Materiality and aggregation

Each material class of similar assets is presented separately in the financial statements of the Company. Items of a dissimilar nature of function are presented separately unless they are immaterial.

2.5 Comparative information

The Company's financial statements provide comparative information in respect of the previous period. In addition, the Company 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 Critical accounting estimates and judgements

Use of 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

NOTES TO THE FINANCIAL STATEMENTS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

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 recognized 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 judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes.

Going Concern

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

Taxes

The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

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

Measurement of the defined benefit obligations

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 depend 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 24. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

2.7 Fair value measurement of AFS financial assets

The Company assesses fair value of unquoted equity shares as at 31 March 2018. The primary approach adopted was the income approach using discounted cash flow method. A degree of judgment is required in establishing fair value and changes in assumptions could affect the reported fair value. The key assumptions used to determine the fair value the fair value of unquoted equity shares and sensitivity analyses are provided in Note 14.

2.8 Revaluation of land

The Company measures lands at revalued amount with change in value being recognized in the Statement of Other Comprehensive Income. The valuer has used valuation techniques such as open market value. Further details of land are disclosed in note 12 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

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3.1 Basis of Accounting for Equity Accounted Investee (Joint Venture)

a. Joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The company's investments in its joint venture are accounted for using the equity method.

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

The Statement of Profit or Loss reflects the company's share of the results of operations of the joint venture. Any change in Other Comprehensive Income of those investees is presented as part of the company's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Company recognises its share of any changes, when applicable, in the Statement of Changes in Equity.

The Company's share of profit or loss of a joint venture is shown on the face of the Statement of Profit or Loss outside operating profit and represents profit or loss after tax.

The financial statements of the joint venture are prepared for the same reporting period as the company.

After application of the equity method, the Company determines whether it is

necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit/(loss) of a joint venture' in the Statement of Profit or Loss.

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

3.2 Foreign Currency Transactions

Transactions in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rate ruling as at the balance sheet date. Foreign exchange differences arising on the settlement or reporting of the Company's monetary items at rates different from those which were initially recorded are dealt with in the Statement of Profit or Loss.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost at the balance sheet date are translated to Sri Lankan Rupees at the foreign exchange rate ruling at the date of initial transaction.

3.2.1 Fair value measurement

The Company measures financial instruments such as investments which are designated as available for sale; non-financial assets such as owner occupied land, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where

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fair values are disclosed are summarised in the following notes:

- Property (land) under revaluation model - Note 12
- Available for sale financial assets - Note 14

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 Company.

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.

3.3 Assets and Bases of Their Valuation

3.3.1 Property, Plant and Equipment

a. Recognition & measurement

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

b. Owned Assets

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

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

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

Revaluation of land 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, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the Statement of Profit or Loss, in which case, the increase is recognized in the Statement of Profit or Loss. A revaluation deficit is recognized in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

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c. Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognized in Statement of Profit or Loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognized in Other Comprehensive Income and presented in the revaluation reserve in equity. Any loss is recognized in Other Comprehensive Income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognized immediately in Statement of Profit or Loss.

d. Subsequent costs

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

The costs of the day-to-day servicing of property, plant & equipment are recognized in Statement of Profit or Loss as incurred.

e. Derecognition

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

f. Depreciation

Depreciation is recognised in Statement of Profit or Loss on a straight-line basis over the estimated useful lives of each part of an item

of property, plant & equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative years are as follows,

● Building	50 Years
● Machinery	10 Years
● Office Equipment & Furniture - Fittings	5-7 Years
● Store Equipment & Motor Vehicles	5 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 derecognized.

The asset's residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end and adjusted prospectively, if appropriate.

3.3.2 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of each category of inventory is determined on the following basis:

- 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

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direct expenditure and appropriate share of production overhead based on normal operating capacity but excluding borrowing costs.

3.3.3 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 Company 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 Company's cash management.

3.3.4 Impairment of non-financial assets

a. Recognition

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

b. Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

c. Reversal of impairment

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. 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.

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

3.4 Financial instruments – initial recognition and subsequent measurement

3.4.1 Non-derivative financial assets

3.4.1.1 Initial recognition and measurement

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

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The Company's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, unquoted financial instruments.

3.4.1.2 Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in finance costs for loans and in other operating expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments include equity investments. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as Other Comprehensive Income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for sale reserve to the Statement of Profit or Loss in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate method.

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

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

3.4.1.3 Derecognition

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

- The rights to receive cash flows from the asset have expired
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or

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(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company 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 Company 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 Company could be required to repay.

3.4.1.4 Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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is credited to finance costs in the Statement of Profit or Loss.

Available-for-sale financial investments

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

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

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Company evaluates among other factors, the duration or extent to which the fair value of the investment is less than its cost.

3.4.2 Financial liabilities

3.4.2.1 Initial recognition and measurement

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

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

The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

3.4.2.2 Subsequent measurement

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

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.

3.4.2.3 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.

3.4.3 Offsetting of financial instruments

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

- There is a currently enforceable legal right to offset the recognised amounts
- and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

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3.4.4 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 15.

3.4.5 Derivative financial instruments

The Company uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

3.5 Liabilities and Provisions

3.5.1 Provisions

Provisions are recognised when the Company 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 Company 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.

3.5.2 Employee Benefits

a. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Statement of Profit or Loss as in the periods during which services are rendered by employees.

Employees Provident Fund

The Company and employees contribute 12% & 8% respectively on the salary of each employee to the approved Provident Fund.

Employees Trust Fund

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

b. Defined benefit plans

Retiring Gratuity

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.

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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 24. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 on employee benefit. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded.

3.6 Statement of Profit or Loss

3.6.1 Revenue Recognition

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

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

Rental income is recognized in the Statement of Profit or Loss as it accrues.

Dividend income is recognised when the Company's right to receive payment is established.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net sales proceeds with carrying amounts of property, plant & equipment and are recognized net within "other Income" in Statement of Profit or Loss.

Interest is recognised in Statement of Profit or Loss as it accrues and is calculated by using the effective interest rate method.

Other income is recognized on an accrual basis.

3.6.2 Expenditure

Expenses are recognised in the Statement of 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.

Repairs and renewals are charged to Statement of Profit or Loss in the year in which the expenditure is incurred.

3.6.3 Borrowing Cost

Borrowing costs are recognised as an expense in the period in which they are incurred except to the extent that they are eligible for capitalisation.

3.6.4 Net Finance Expense

Finance income comprises interest income on funds invested (including available-for-sale financial assets) and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in Statement of Profit or Loss.

Finance costs comprise interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in Statement of Profit or Loss using the effective interest method.

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

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3.6.5 Tax Expenses

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in Statement of Profit or Loss except to the extent that it relates to a business combination, or items recognised directly in Equity or in Other Comprehensive Income.

a. Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Current tax relating to items recognised directly in Other Comprehensive Income is recognised in Other Comprehensive Income and not in the 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.

b. 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 recognized 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 interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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 utilized, 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 interests in joint ventures, deferred tax assets are recognized 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 realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

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Deferred tax relating to items recognized outside Statement of Profit or Loss is recognized outside Statement of Profit or Loss. Deferred tax items are recognized in correlation to the underlying transaction either in Other Comprehensive Income or directly in Equity.

c. Withholding Tax on Dividends

Dividend distributed out of taxable profit of the Joint Venture attracts a 10% deduction at source and is not available for set off against the tax liability of the Company. Thus the Withholding tax deducted at source is added to the tax expense.

3.7 General Policies

a. Cash Flow Statement

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

Interest paid is classified as an operating 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.

b. Events occurring after the Reporting date

All material post occurred after the reporting date events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

c. Earnings per share

The Company 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.

3.8 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

• SLFRS 9 – Financial Instruments

SLFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

The Company plans to adopt the new standard on the required effective date. During the year, the Company has performed a high-level impact assessment of all three aspects of SLFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future.

a. Classification and measurement

The Company does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of SLFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI companies are intended to be held for the foreseeable future. The Company will apply the option to present fair value changes in OCI, and,

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therefore, the application of SLFRS 9 will not have a significant impact.

Trade receivables and amounts due from related parties are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Company expects that these will continue to be measured at amortised cost under SLFRS 9. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under SLFRS 9. Therefore, reclassification for these instruments is not required.

b. Impairment

SLFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

c. Hedge accounting

The Company does not carry hedge relationships that are currently designated in effective hedging relationships. Accordingly, applying the the Company does not expect a significant impact as a result of applying SLFRS 9.

• SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 establishes a five - step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under SLFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is

permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method.

The Company performed a preliminary assessment of SLFRS 15 which subject to changes arising from a more detailed ongoing analysis.

The Company primary business is manufactures and exports coir fibre. Contracts with customers within the Company where the sale of goods is generally expected to be the only performance obligation are not expected to have any impact on Company's revenue and profit or loss. The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In preparing to SLFRS 15, the Company has reviewed its existing contracts for inclusions of variable considerations, loyalty points or warranty obligations and no such arrangements have been noted.

• SLFRS 16 Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('Lessee') and the supplier ('Lessor'). SLFRS 16 will replace Sri Lanka Accounting Standard – LKAS 17 (Leases) and related interpretations.

SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

The new Standard requires a lessee to:

- recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value

NOTES TO THE FINANCIAL STATEMENTS

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- present depreciation of lease assets separately, from interest on lease liabilities in the statement of profit or loss.

SLFRS – 16 substantially carries forward the lessor accounting requirement in LKAS – 17. Accordingly, a lessor continues to classify its leases as operating lease or finance lease, and to account for those two types of leases differently.

SLFRS -16 will become effective on 1st January 2019. The impact on the implementation of the above Standard has not been quantified yet.

The following amendments and improvements are not expected to have a significant impact on the Company's Financial Statements.

- Amendments to LKAS 28 Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures
- SLFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to SLFRS 2
- Applying SLFRS 9 Financial Instruments with SLFRS 4 Insurance Contracts - Amendments to SLFRS 4
- Amendments to SLFRS 9 - Prepayment Features with Negative Compensation
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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For the year ended 31st March

	2018 <u>Rs. '000</u>	2017 <u>Rs. '000</u>
4 REVENUE		
Export revenue	342,638	397,238
Local revenue	<u>220,021</u>	<u>81,738</u>
	<u>562,659</u>	<u>478,976</u>
5 OTHER INCOME		
Rent income	3,903	13,455
Net gain on disposal of property, plant and equipment and investment property	-	215,601
Dividend income	508	-
Sundry income	550	219
Net gain on foreign exchange	<u>1,721</u>	<u>1,865</u>
	<u>6,682</u>	<u>231,140</u>
6 NET FINANCE INCOME		
6.1 Finance income		
Interest income	54,933	13,939
Gain on foreign exchange	948	1,503
Gain on foreign exchange forward contract	<u>77</u>	<u>-</u>
	<u>55,958</u>	<u>15,442</u>
6.2 Finance expense		
Interest expense	(1,061)	(4,860)
Loss on foreign exchange	(441)	(2,217)
Loss on foreign exchange forward contract	<u>-</u>	<u>(15)</u>
	<u>(1,502)</u>	<u>(7,092)</u>
Net finance income	<u>54,456</u>	<u>8,350</u>
7 SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEE BONTERRA LTD		
Share of Profit before tax	36,794	32,991
Tax Expenses	<u>(3,926)</u>	<u>(3,447)</u>
	<u>32,868</u>	<u>29,544</u>

Bonterra Limited, the Joint venture of the Company pays income tax for business income and other income at the rates of 12% and 28% respectively.

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HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

For the year ended 31st March

	2018	2017
	<u>Rs. '000</u>	<u>Rs. '000</u>
8 PROFIT BEFORE TAX IS STATED AFTER CHARGING ALL EXPENSES INCLUDING THE FOLLOWING:-		
Depreciation	2,346	2,915
Provision/(Reversal) for slow moving inventories (Note 16.1)	(1,613)	2,899
Directors' emoluments	1077	1725
Auditors' remuneration		
Audit fees	1,492	1,383
Fees paid to auditors for non audit work (Tax compliance & Advisory)	429	1,091
Staff Cost (Note 8.1)	13,932	12,960
8.1 Staff cost		
Defined contribution plan cost	311	315
Defined benefit plan cost	2,524	2,177
Other staff cost (excluding defined contribution plan cost and defined benefit plan cost)	<u>11,097</u>	<u>10,468</u>
	<u>13,932</u>	<u>12,960</u>
9 TAX EXPENSE		
Current tax expense		
Current period	(10,176)	(9,901)
Adjustment for prior periods	<u>(5,199)</u>	<u>-</u>
	<u>(15,375)</u>	<u>(9,901)</u>
Deferred tax expense		
Origination and reversal of temporary differences (Note 23)	<u>(2,476)</u>	<u>1,827</u>
	<u>(17,851)</u>	<u>(8,074)</u>
Taxes on joint venture dividend	<u>(1,526)</u>	<u>(3,421)</u>
Total tax expense in the Income Statement	<u>(19,377)</u>	<u>(11,495)</u>
Tax reconciliation statement		
Profit before tax	120,342	278,765
Share of profit of equity accounted investee	(32,868)	(29,544)
Tax exempt income	-	(175,878)
Interest income	(22,041)	(29)
Disallowable expenses	5,088	8,507
Allowable expenses	<u>(24,573)</u>	<u>(14,608)</u>
Taxable profit	<u>45,948</u>	<u>67,213</u>
Taxable profit on business income	16,806	55,743
Taxable profit on other income	29,142	11,470
Current tax expense		
Income tax @ 12%	2,016	6,689
Income tax @ 28%	<u>8,160</u>	<u>3,212</u>
	<u>10,176</u>	<u>9,901</u>

9.1 In terms of section 46, 51 and 56 of the Inland Revenue Act, qualifying export profits and indirect export profits enjoy a concessionary rate of tax at 12% (2016/17- 12%) and the remaining taxable profits are liable to income tax at 28% (2016/17 - 28%).

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For the year ended 31st March

10 BASIC EARNINGS PER SHARE

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year.

	2018	2017
	Rs. '000	Rs. '000
Profit attributable to ordinary shareholders	100,965	267,270
Weighted average no of shares	8,000	8,000
Basic earnings per share (Rs.)	<u>12.62</u>	<u>33.41</u>

11 DIVIDEND PER SHARE

Interim Dividend - Rs. 2/- per share 2017/18
(2016/17 - Rs.1.50 per share)

16,000	12,000
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Final Dividend - Rs. 2/- per share 2016/17
(2015/16 - Rs. 0.50 per share)

16,000	4,000
<u>32,000</u>	<u>16,000</u>

Dividend per share - Rs.

4	2
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Dividend pay out ratio

31.69%	5.99%
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The Board of Directors has recommended the payment of a Final Dividend of cents 75 per share payable on 06th July 2018 to the shareholders of the issued ordinary shares of the Company as at close of business on 26th June 2018. The proposed dividends are subject to shareholder approval at the forthcoming Annual General Meeting. The dividends represent re-distribution of dividends received by the Company and are not subject to the 14% tax deduction.

NOTES TO THE FINANCIAL STATEMENTS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

12 PROPERTY, PLANT AND EQUIPMENT

<i>As at 31st March</i>	Freehold Land	Freehold Buildings	Furniture, Fittings & Office Equipment	Machinery & Stores Equipment	Motor Vehicles	Total 2018	Total 2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost / Valuation							
As at 1st of April	23,845	33,643	8,618	34,537	323	100,966	137,299
Additions	-	-	381	-	-	381	470
Transfer from Capital W.I.P	-	-	-	558	-	558	3,738
Revaluation of land	-	-	-	-	-	-	8,057
Disposals	-	-	(13)	-	-	(13)	(48,598)
As at 31st March	<u>23,845</u>	<u>33,643</u>	<u>8,986</u>	<u>35,095</u>	<u>323</u>	<u>101,892</u>	<u>100,966</u>
Depreciation							
As at 1st of April	-	9,990	7,858	24,608	323	42,779	69,649
Charge for the year	-	577	217	1,552	-	2,346	2,789
Disposals	-	-	(4)	-	-	(4)	(29,659)
As at 31st March	<u>-</u>	<u>10,567</u>	<u>8,071</u>	<u>26,160</u>	<u>323</u>	<u>45,121</u>	<u>42,779</u>
Net book value as at 31st March	23,845	23,076	915	8,935	-	56,771	58,187
Capital work in progress						15,519	6,651
Carrying amount as at 31st March	<u>23,845</u>	<u>23,076</u>	<u>915</u>	<u>8,935</u>	<u>-</u>	<u>72,290</u>	<u>64,838</u>

The Company uses the revaluation model of measurement of land. The Company engaged chartered valuer P. B. Kalugalagedara & Associates to revalue their lands.

Fair value is determined by reference to market-based evidence. Valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. However for industrial land there have been a limited number of similar sales in the local market and the valuation has been performed by using significant amount of unobservable inputs. The date of the most recent revaluation was 31st March 2017. The previous revaluation was on 31st December 2014.

NOTES TO THE FINANCIAL STATEMENTS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

As at 31st March

12 PROPERTY, PLANT AND EQUIPMENT (Contd.)

Amounts by which the value has been written up in respect of land revalued by the independent qualified valuer is indicated below together with the last date of revaluation.

Type of Instrument	Location	Original Cost (Rs'000)	Written up by 31 Mar 2017 (Rs '000)	Fair value as at 31 Mar 2017 (Rs '000)	Extent (Perches)	Unobservable input	Fair value measurement sensitivity to unobservable input
Free hold land	Kuliyapitiya (Valuation Date 31.03.2017)	1,306	22,539	23,845	631.50	value per perch (Rs.37,760 per Perch)	Significant increase/ (decrease) in estimated price per perch in isolation would result in a significantly higher/ (lower) fair value

Type of Instrument	Location	Original Cost (Rs'000)	Written up by 31 Dec 2014 (Rs '000)	Fair value as at 31 Dec 2014 (Rs '000)	Extent (Perches)	Unobservable input	Fair value measurement sensitivity to unobservable input
Free hold land	Kuliyapitiya (Valuation Date 31.12.2014)	1,306	14,482	15,788	631.50	value per perch (Rs.25,000 per Perch)	Significant increase/ (decrease) in estimated price per perch in isolation would result in a significantly higher/ (lower) fair value

Valuations are based on market prices, adjusted for any difference in the nature, location or condition of the specific property. However for industrial land there have been a limited number of similar sales in the local market and the valuation have been performed by using significant amount of unobservable inputs. The Carrying amount of the Company's land situated at Kuliyapitiya that would have been included in the financial statements had the asset been carried at cost amount to Rs 1,305,500/- . Land is not depreciated.

Fully depreciated property, plant and equipment still in use as at balance sheet date is Rs.31,524,460/- (2016/17- Rs.24,605,152)

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HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

As at 31st March

12 PROPERTY, PLANT AND EQUIPMENT (Contd.)

	2018	2017
	Rs. '000	Rs. '000
12.1 Capital Work In Progress		
As at 01st April	6,651	750
Additions during the year	9,426	9,639
Transferred to property, plant and equipment during the year	(558)	(3,738)
As at 31 st March	15,519	6,651

13 INVESTMENT IN EQUITY ACCOUNTED INVESTEE (JOINT VENTURE)

	Holding %		2018	2017
	2018	2017		
			Rs. '000	Rs. '000
Unquoted				
Bonterra Limited - 803,400 shares	50	50	49,562	54,227
Share of profit during the year			32,868	29,544
Share of other comprehensive income			(39)	-
Share of gross dividend received			(15,264)	(34,209)
Total gross carrying amount of Investment in equity account investee			67,128	49,562

Hayleys Fibre PLC owns 50% interest in Bonterra Limited, a joint venture involved in the manufacture and export of coir fibre products. The registered office of Bonterra Limited is situated at Hayleys Building, 400, Deans Road, Colombo 10 and the principal place of business is located at Biginhill Estate, Karagahagedara, Kuliypitiya.

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13 INVESTMENT IN EQUITY ACCOUNTED INVESTEE (JOINT VENTURE) (Contd,)

13.1 Interest in Joint Venture

Summarised financial information of the joint venture, based on its financial statements for the years ended 31st March,

	2018 Rs. '000	2017 Rs. '000
Summarised statement of Financial Position of Bonterra Limited:		
Current assets, Including cash in hand and at bank 2.78Mn (2017: 6.12Mn)	192,820	108,718
Non Current assets	40,850	42,138
Current liabilities, including trade and other payable 35.28Mn (2017: 22.76Mn)	(93,584)	(46,833)
Non current liabilities	(5,830)	(4,899)
Equity	134,256	99,124
Company's carried amount of the investment	67,128	49,562
Summarised income statement of Bonterra Limited:		
Revenue	449,207	255,557
Cost of sale, including depreciation 3.28Mn (2017: 3.17Mn)	(337,377)	(159,404)
Administrative expenses, including depreciation .15Mn (2017: .09Mn)	(36,411)	(32,645)
Selling expenses	(4,815)	(1,721)
Finance income	4,575	5,666
Finance expenses	(1,591)	(1,472)
Profit before tax	73,588	65,981
Income tax expenses	(7,852)	(6,894)
Profit after tax	65,736	59,088
Total other comprehensive income	(77)	-
Total comprehensive income for the year	65,659	59,088
Company's share of total comprehensive income for the year	32,830	29,544
Summarised statement of cash flow		
Cash flows from operating activities	11,079	49,050
Cash flows from investing activities	(2,142)	(1,824)
Cash flows from financing activities	(30,529)	(68,418)

The joint venture had no contingent liabilities or capital commitments as at 31st March 2018 and 2017.

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As at 31st March

2018	2017
Rs. '000	Rs. '000

14 OTHER NON CURRENT FINANCIAL ASSETS

Available for sale Investment

Unquoted equity shares

As at 1st April	93,048	92,596
Fair value adjustments	1,528	452
As at 31st March	94,576	93,048

Available for sale investments consist of Investment in Toyo Cushion Lanka (Pvt) Limited & Rileys (Pvt) Limited as at 31 March 2018. The Investment in Toyo Cushion Lanka (Pvt) Limited & Rileys (Pvt) Limited are valued using Cash flow models.

14.1 Rileys (Pvt) Limited

As at 1st April	52,150	52,150
Fair value adjustments	780	-
As at 31st March	52,930	52,150

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Equity securities	Available for sale investments in equity securities are valued by using the cash flow model.	<ul style="list-style-type: none"> * Forecast annual revenue growth rate(2018: 16%) * Forecast EBITDA margin (2018: 5%) * Discount rate (2018: 14.4%) 	<p>The estimate fair value would Increase (Decrease) respectively if:</p> <ul style="list-style-type: none"> * the annual revenue growth rate were Higher (Lower): * the EBITDA margin were Higher (Lower): * the discount rate were Lower (Higher)

14.2 Toyo Cushion Lanka (Pvt) Limited

As at 1st April	40,898	40,446
Fair value adjustments	748	452
As at 31st March	41,646	40,898

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Equity securities	Available for sale investments in equity securities are valued by using the cash flow model.	<ul style="list-style-type: none"> * Forecast annual revenue growth rate (2018: 5%; 2017: 14%) * Forecast EBITDA margin (2018: 10%; 2017: 10%) * Discount rate (2018: 14.8%; 2017: 13.11%) 	<p>The estimate fair value would Increase (Decrease) respectively if:</p> <ul style="list-style-type: none"> * the annual revenue growth rate were Higher (Lower): * the EBITDA margin were Higher (Lower): * the discount rate were Lower (Higher)

NOTES TO THE FINANCIAL STATEMENTS

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14 OTHER NON CURRENT FINANCIAL ASSETS (Contd.)

Sensitivity analysis

The fair values of equity securities - available for sale, reasonably changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

Equity securities - available for sale

Effect to the Other Comprehensive Income (Rs. '000)	Increase	Decrease
Annual revenue growth rate (0.5% movement)	1,080	(982)
EBITDA margin (0.25% movement)	10,837	(10,837)
Discount rate (0.25% movement)	(3,077)	3,228

15 FINANCIAL ASSETS & FINANCIAL LIABILITIES

	2018	2017
	Rs. '000	Rs. '000
15.1 Financial Assets		
Available for sale Investment		
Rileys (Pvt) Limited	52,930	52,150
Toyo Cushion Lanka (Pvt) Limited	41,646	40,898
Total non-current financial assets	94,576	93,048
Loans and Receivable		
Trade & other receivable	62,401	85,319
Amount due from related parties	3,121	2,941
Amounts due from joint venture	2,443	-
Short term deposit	529,790	459,168
Cash & bank	8,004	35,045
Total current financial assets	605,759	582,473
Total Financial Assets	700,335	675,521
Fair Value of Financial Assets	700,335	675,521

There was no significant difference between the carrying value and fair value of the financial assets, since trade and other receivables, amount due from related parties, amount due from joint venture and cash & bank are settled within three months.

15.2 Financial Liabilities

Financial Liabilities measured at amortized cost

Trade & other payables	47,580	29,917
Amount due to related parties	5,764	3,672
Amount due to joint venture	-	73
Bank overdrafts and short term borrowings	12,882	23,363
Total Financial Liabilities	66,226	57,025
Fair Value of Financial Liabilities	66,226	57,025

There was no significant difference between the carrying value and fair value of the financial liabilities, since trade and other payables, amount due to related parties, amount due to joint venture and bank overdrafts & short term borrowings are settled within three months.

NOTES TO THE FINANCIAL STATEMENTS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

15 FINANCIAL ASSETS & FINANCIAL LIABILITIES (Contd.)

15.3 Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The Company held the following financial instruments carried at fair value in the statement of financial position.

Assets measured at fair value

	2018	Level 1	Level 2	Level 3
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Freehold lands carried at fair value (Note 12)	23,845	-	-	23,845
Unquoted equity shares - AFS (Note 14)	94,576	-	-	94,576
	2017	Level 1	Level 2	Level 3
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Freehold lands carried at fair value (Note 12)	23,845	-	-	23,845
Unquoted equity shares - AFS (Note 14)	93,048	-	-	93,048

During the reporting period ended 31 March 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

The Company carries freehold land classified as level 3 within the fair value hierarchy.

The Company carries unquoted equity shares as available-for-sale financial instruments classified as level 3 within the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

As at 31st March

	2018 <u>Rs.'000</u>	2017 <u>Rs.'000</u>
16 INVENTORIES		
Raw materials	32,791	19,844
Finished goods	11,143	6,975
Spares	<u>3,069</u>	<u>3,290</u>
	47,003	30,109
Less: Provision for slow moving inventories (Note 16.1)	<u>(1,286)</u>	<u>(2,899)</u>
	<u>45,717</u>	<u>27,210</u>
16.1 Provision for slow moving inventories		
Raw materials	448	1,761
Finished goods	-	42
Spares	<u>838</u>	<u>1,096</u>
	<u>1,286</u>	<u>2,899</u>
17 TRADE & OTHER RECEIVABLE		
Trade receivable (Note 17.1)	61,280	71,844
Staff advances and others	757	704
Deposits and prepayment	3,085	1,621
Other receivables	<u>364</u>	<u>11,397</u>
	<u>65,486</u>	<u>85,566</u>
17.1 Trade receivable	61,280	71,844
Provision for bad & doubtful debts	-	-
Net trade receivable	<u>61,280</u>	<u>71,844</u>

The aging analysis of trade receivable is as follows.

	Total Rs.Mn	Neither Past Due Nor Impaired	Past due but not impaired			
			0-14 Days	15-30 Days	30-60 Days	Over 60 Days
2018	61.28	55.53	3.41	2.34	-	-
2017	71.84	39.89	13.91	2.62	15.42	-

	2018 <u>Rs.'000</u>	2017 <u>Rs.'000</u>
18 OTHER CURRENT ASSETS		
Economic service charge	2,825	4,028
VAT receivable	108	434
Other tax receivable	<u>4,573</u>	<u>-</u>
	<u>7,506</u>	<u>4,462</u>
19 AMOUNT DUE FROM JOINT VENTURE		
Bonterra Limited	<u>2,443</u>	<u>-</u>
	<u>2,443</u>	<u>-</u>

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HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

As at 31st March

		2018 <u>Rs. '000</u>	2017 <u>Rs. '000</u>
20	AMOUNTS DUE FROM OTHER RELATED COMPANIES		
	Relationship		
	Chas P Hayley & Co. (Pvt) Limited	-	1,657
	Lignocell (Pvt) Limited	1,100	-
	Quality Seeds Co.(Pvt) Limited	717	1,197
	Toyo Cushion Lanka (Pvt) Limited	1,260	-
	Charles Fibres (Pvt) Limited	44	-
	Ravi Industries Limited	-	87
		<u>3,121</u>	<u>2,941</u>
21	CASH IN HAND AND AT BANK		
	Cash in hand	206	221
	Cash at Bank	7,798	34,824
	Cash in hand and at bank	<u>8,004</u>	<u>35,045</u>
	Shares		
	2018 <u>No. '000</u>	2017 <u>No. '000</u>	2018 <u>Rs. '000</u>
	2017 <u>Rs. '000</u>		
22	EQUITY		
	Fully paid Ordinary shares	8,000	8,000
		<u>80,000</u>	<u>80,000</u>
		<u>80,000</u>	<u>80,000</u>
	Note		
	Reserves		
	Revaluation reserve	22.1	19,385
	Available for sale reserve		22,540
	Amalgamation revenue reserves	22.2	53,766
	Amalgamation capital reserves	22.2	52,238
	Retained earnings		36,625
			36,625
			14,000
			14,000
			<u>595,914</u>
			<u>531,945</u>
			<u>719,690</u>
			<u>657,348</u>
	Total Equity		<u>799,690</u>
			<u>737,348</u>
22.1	The revaluation reserve consists of the net surplus in the revaluation of property, plant and equipment.		
22.2	Amalgamation reserve consist of net surpuls arisen from the amalgamation of Eco Fibre Limited with the Company using the provisions for amalgamation, in the companies Act No 07 of 2007.		
23	DEFERRED TAXATION		
	As at 1st April	207	2,082
	Origination and reversal of temporary differences	2,476	(1,827)
	Revaluation surplus on freehold land	3,155	-
	Transfer from Other Comprehensive Income	(807)	(48)
	As at 31st March	<u>5,031</u>	<u>207</u>
	The closing deferred tax assets and liabilities are related to the following.		
	Deferred tax assets		
	Defined benefit obligation	(2,602)	(1,815)
	Tax loss carried forward	-	(1,479)
		<u>(2,602)</u>	<u>(3,294)</u>

NOTES TO THE FINANCIAL STATEMENTS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

As at 31st March

	2018	2017
	Rs. '000	Rs. '000
Deferred tax liabilities		
Accelerated depreciation for tax purposes	4,478	3,501
Revaluation surplus on freehold land*	3,155	-
Deferred tax liability	7,633	3,501
Net deferred tax liabilities	5,031	207
Tax losses carried forward	-	12,327

* As per Inland Revenue Act No. 24 of 2017, which will become effective from April 1, 2018 Capital Assets/ Business Assets will attract tax at applicable corporate tax rate on the gains at the time of disposal. Accordingly, deferred tax liability has been recognized at 14% on the revaluation surplus relating to freehold land in these financial statements.

	2018	2017
	Rs. '000	Rs. '000
24 RETIREMENT BENEFIT OBLIGATIONS		
Provision for retiring gratuity		
As at 01st April	15,128	12,550
Current service cost	836	366
Interest cost	1,688	1,811
Remeasurment (gains)/losses on defined benefit plans	5,764	401
	23,416	15,128
Benefits paid by the plan	(4,834)	-
As at 31st March	18,582	15,128
24.1 The expense is recognised in the statement of profit or loss in the following item		
Administrative expenses	2,524	2,177
Total cost	2,524	2,177

24.2 LKAS 19 - requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods and discount the benefit using the Projected Unit Credit Method in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

The key assumptions used by Actuarial & Management Consultants (Pvt) Limited include the following.

	2018	2017
(i) Rate of discount	11% (per annum)	12% (per annum)
(ii) Rate of salary increase	10% (per annum)	11% (per annum)
(iii) Retirement age	55 or 60 years	55 or 60 years

Assumptions regarding future mortality are based on A1967/70 mortality table.

The demographic assumptions underlying the valuations are with respect to retirement age early withdrawals from service and retirement on medical grounds.

According to the actuarial valuation report issued by the actuarial valuer as at 31 March 2018 the actuarial present value of promised retirement benefits amounted to Rs. 18,582,770/=.

The Present Value of Retirement Benefit Obligation is carried on annual basis.

The following payments are expected from the defined benefit plan obligation in future years.

NOTES TO THE FINANCIAL STATEMENTS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

Future Working Life Time

Within the next 12 months
Between 1-5years
Between 5-10 years
Beyond 10 years
Total

Defined Benefit Obligation Rs. '000

2,893
9,538
3,595
2,556
18,582

The weighted average duration of the Defined Benefit Plan Obligation at the end of the reporting period is 5.46 years.

Sensitivity Analysis - Salary Escalation Rate

Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used. The sensitivity was carried for both the rate of wage increment and the salary increment. Simulation made for retirement benefit obligation show that a rise or decrease by 1% of the rate of wage and salary has the following effect on the retirement benefit obligation.

Salary Escalation Rate		<u>9%</u>	<u>10%</u>	<u>11%</u>
	2018	17,491	18,582	19,773
		<u>10%</u>	<u>11%</u>	<u>12%</u>
	2017	14,396	15,128	15,928

Sensitivity Analysis - Discount Rate

Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used. The sensitivity was carried for the discount rate. Simulation made for retirement benefit obligation show that a rise or decrease by 1% of the rate of the discount rate has the following effect on the retirement benefit obligation.

Rate of discount		<u>10%</u>	<u>11%</u>	<u>12%</u>
	2018	19,699	18,582	17,574
		<u>11%</u>	<u>12%</u>	<u>13%</u>
	2017	15,937	15,128	14,401

		<u>2018</u>	<u>2017</u>
		Rs. '000	Rs. '000
25 INTEREST-BEARING BORROWINGS			
Short term loans		-	13,075
Bank overdrafts (Note 25.1)		<u>12,882</u>	<u>10,288</u>
		<u>12,882</u>	<u>23,363</u>

NOTES TO THE FINANCIAL STATEMENTS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

25.1 Security and Repayment Terms

Lending Institution	Interest Rate	Outstanding amount as at 31.03.2018 Rs.'000	Security
Bank Overdraft			
Hongkong & Shanghai Banking Corporation Ltd	10.4%	7,587	Unsecured
Hatton National Bank PLC	11.24%	<u>5,295</u>	Unsecured
		<u>12,882</u>	
		2018	2017
		Rs. '000	Rs. '000
26 TRADE & OTHER PAYABLES			
Trade payables		19,277	5,402
Accruals and other payables		26,481	23,889
Unclaimed dividends		<u>1,822</u>	<u>626</u>
		<u>47,580</u>	<u>29,917</u>
27 OTHER CURRENT LIABILITIES			
Advance received		<u>3,723</u>	<u>6,717</u>
		<u>3,723</u>	<u>6,717</u>
28 AMOUNTS DUE TO OTHER RELATED COMPANIES			
	Relationship		
Hayleys PLC	Parent	2,370	2,217
Lignocell (Pvt) Limited	Affiliate	-	29
Chas P Hayleys & Co.(Pvt) Limited	Affiliate	2,559	-
Haymat (Pvt) Limited	Affiliate	50	128
Mit Cargo (Pvt) Limited	Affiliate	39	24
Ravi Industries Limited	Affiliate	112	-
Hayleys Business Solution International (Pvt) Limited	Affiliate	55	26
Volanka (Pvt) Limited	Affiliate	510	237
Rileys (Pvt) Limited	Affiliate	69	155
Toyo Cushion Lanka (Pvt) Limited	Affiliate	-	856
		<u>5,764</u>	<u>3,672</u>
29 AMOUNTS DUE TO JOINT VENTURE			
Bonterra Ltd		-	73
		<u>-</u>	<u>73</u>
30 CAPITAL EXPENDITURE COMMITMENTS			
There were no material commitments which require disclosure as at the date of the Balance sheet.			
31 CONTINGENT LIABILITIES			
There are no Guarantees given on behalf of Hayleys Fibre PLC.			
There are no contingent liabilities as at 31 March, 2018 on account of bills discounted.			
(In 2016/2017 Nil)			

NOTES TO THE FINANCIAL STATEMENTS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

As at 31st March

32 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel compensation

Key management personnel comprise of Directors and the emoluments made on behalf of them has been disclosed in note 8 to the Financial Statements.

Other transactions with key management personnel

Directors of the Company hold 0.03% of the voting shares of the Company.

Transactions with key management personnel and their related parties have been conducted on relevant commercial terms with the respective parties.

33 EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the balance sheet date which require adjustment to or disclosure in the financial statements.

33.1 Proposed Dividends

The Board of Directors has recommended the payment of a final dividend of cents 75 per share payable on 06th July 2018 to the shareholders of the issued ordinary shares of the Company as at close of business on 26th June 2018. The proposed dividend is subject to shareholder approval at the forthcoming Annual General Meeting.

34 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from financial instruments :

- 1 Credit risk
- 2 Liquidity risk
- 3 Operational risk
- 4 Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these Company financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

34 FINANCIAL RISK MANAGEMENT (Contd..)

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered.

The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Management; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis. Outstanding customer receivables are regularly monitored at the individual sector and Group Management Committee (GMC) level.

Further SLECIC cover or other forms of credit insurance is obtained for most exports or in the instance this is not obtained, specific GMC approval is taken prior to the export.

More than 85 percent of the Company's customers have been transacting with the Company for over five years, and no impairment loss has been recognised against these customers. In monitoring customer credit risk, customers are Group according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Company's whole sale customers. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the Management and future sales are made on a prepayment basis.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Company of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The maximum exposure to credit risk for trade and other receivables at the reporting date by Currency wise is as follows:

	2018	2017
	Rs.'000	Rs.'000
Rupees	4,206	13,722
United States Doller	50,632	58,079
Euro	10,648	13,765
	<u>65,486</u>	<u>85,566</u>

NOTES TO THE FINANCIAL STATEMENTS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

34 FINANCIAL RISK MANAGEMENT (Contd..)

Investments

Credit risk from investments in equity market and balances with the financial institutions are managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counter-parties and within credit limits assigned to each counter-party. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counter-party's failure.

Cash and cash equivalents

The Company held cash and cash equivalents of Rs. 537.79 Million at 31 March 2018 (2016/17 - 494.21 Million) which represents its maximum credit exposure on these assets.

Respective credit ratings of banks which cash balances held are as follows;

- People's Bank - AA+ (lka)
- Standard Chartered Bank - AAA (lka)
- Hong Kong and Shanghai Banking Corporation Ltd - AAA (lka)
- Hatton National Bank PLC -AA- (lka)
- Seylan Bank PLC- A-(lka)
- Deutsche Bank-A-(lka)
- Cargills Bank -A-(lka)
- National Development Bank PLC -A+(lka)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and finance leases. The Company 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.

NOTES TO THE FINANCIAL STATEMENTS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

34 FINANCIAL RISK MANAGEMENT (Contd..)

Maturity analysis

The table below summarises the maturity profile of the company's financial liabilities as at 31 March 2018 based on contractual undiscounted payments.

Year ended 31 March 2018	On demand	Less than 3 Months	3 to 12 months	1 to 5 years	>5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest-bearing loans and borrowings	-	12,882	-	-	-	12,882
Trade and other payables	-	47,580	-	-	-	47,580
Amount due to related parties	-	5,764	-	-	-	5,764
	-	66,226	-	-	-	66,226

Year ended 31 March 2017	On demand	Less than 3 Months	3 to 12 months	1 to 5 years	>5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest-bearing loans and borrowings	-	23,363	-	-	-	23,363
Trade and other payables	-	29,917	-	-	-	29,917
Amount due to related parties	-	3,672	-	-	-	3,672
Amounts due to joint venture	-	73	-	-	-	73
	-	57,025	-	-	-	57,025

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans

NOTES TO THE FINANCIAL STATEMENTS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

34 FINANCIAL RISK MANAGEMENT (Contd..)

- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance when this is effective

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Interest Rate is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in market interest rates. The Company mainly borrows in the short term to fund its working capital requirement which are linked and floating interest rates. For other funding needs the Company maintains a proper mix of fixed and floating interest rates based on the predictability of future cash flows.

Interest rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings).

	<u>Increase / (decrease)</u> <u>in basis points</u>	<u>Effect on profit before tax</u> <u>Rs. '000</u>
2018	+ 150	-
	- 150	-
2017	+ 150	(210)
	- 150	210

Foreign currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company, primarily the Euro, US Dollars (USD) and Sterling Pound (GBP). The currencies in which these transactions primarily are denominated are EUR USD, GBP.

Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the US Dollar, Sterling Pound (GBP) and Euro exchange rate, 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 Company's 's exposure to foreign currency changes for all other currencies is not material.

NOTES TO THE FINANCIAL STATEMENTS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

34 FINANCIAL RISK MANAGEMENT (Contd..)

		Increase/ decrease in exchange rate	Effect on profit before tax Rs. ('000)
2018	USD	+5%	2,157
	EUR	+5%	334
	GBP	+5%	3
	USD	-5%	(2,157)
	EUR	-5%	(334)
	GBP	-5%	(3)
2017	USD	+5%	2,159
	EUR	+5%	540
	GBP	+5%	(3)
	USD	-5%	(2,159)
	EUR	-5%	(540)
	GBP	-5%	3

Commodity Risk

The Company is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase and manufacturing process. Due to the significantly increased volatility of the price of the underlying, the Company's Board of Directors has developed and enacted a risk management strategy regarding commodity price risk and its mitigation.

Equity price risk

The Company manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Company monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Group Management Committee.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserves, retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company's net debt to adjusted equity ratio at the reporting date was as follows.

NOTES TO THE FINANCIAL STATEMENTS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

34 FINANCIAL RISK MANAGEMENT (Contd..)

	2018	2017
	Rs.'000	Rs.'000
Interest bearing borrowings	12,882	23,363
Less: Cash in hand and at bank	<u>(8,004)</u>	<u>(35,045)</u>
Net debts/ (cash)	<u>4,878</u>	<u>(11,682)</u>
Equity	799,690	737,348
Equity and net debts	<u>804,568</u>	<u>725,666</u>
Gearing Ratio	0.6%	-2%

NOTES TO THE FINANCIAL STATEMENTS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

35 RELATED PARTY TRANSACTIONS

As at 31st March

Company	Relationship	Name of the Director	Nature of Transaction	2018	2018	2017
				Rs.'000	Rs.'000	Rs.'000
				Volume Balance	Balance Receivable / (Payable)	Receivable / (Payable)
Hayleys PLC	Parent Company	A. M. Pandithage	Infrastructure services,	(23,735)	(2,370)	(2,217)
		H. S. .R Kariyawasan S. C. Ganegoda	secretarial & personnel Settlements	23,582		
Volanka Exports Ltd	Affiliate	A. M. Pandithage	Common expenses	2,112	-	-
		H. S. R. Kariyawasan	Settlements	(2,112)		
Chas P Hayley & Co. (Pvt) Ltd	Affiliate	A. M. Pandithage	Common expense	(8,911)	(2,559)	1,657
		H. S. R. Kariyawasan	Purchase of fibre	(50,767)		
		K. S. Padiwita	Sale of fibre	110,853		
		M. I. .L Perera	Settlements	(55,391)		
Bonterra Ltd (Joint venture)	Jointly Controlled Entity	A. M. Pandithage	Common expense	20,234	2,443	(73)
		H. S. R. Kariyawasan	Sale of fibre	82,210		
		S. C. Ganegoda	Rent income	7,504		
			Settlements	(107,432)		
Lignocell (Pvt) Ltd	Affiliate	A. M. Pandithage	Common expenses	3,986	1,100	(29)
		H. .S .R Kariyawasan	Rent expence	(345)		
		S. C. Ganegoda	Settlements	(2,512)		
		M. .I .L Perera				
Volanka (Pvt) Ltd	Affiliate	A. M. Pandithage	Common expenses	(6,461)	(510)	(237)
		H. S. R. Kariyawasan	Settlements	6,188		
		S. C. Ganegoda				
Toyo Cushion Lanka (Pvt) Ltd.	Affiliate	A. M. Pandithage	Common expenses	(3,232)	1,260	(856)
		H. S. R. Kariyawasan	Purchase of fibre	(972)		
		S. C. Ganegoda	Sale of fibre	16,773		
		K. S. Padiwita	Settlements	(10,453)		
		M. I. .L Perera				
Ravi Industries Ltd	Affiliate	A. M. Pandithage	Common expenses	124	(112)	87
		H. S. R. Kariyawasan	Purchase of fibre	(61)		
		S. C. Ganegoda	Settlements	(262)		
		K. S. Padiwita				
		L. A. K. I. Kodytuakku				
Rileys (Pvt) Ltd	Affiliate	A. M. Pandithage	Common expenses	(954)	(69)	(155)
		H. S. R. Kariyawasan	Purchase of fibre	(2,641)		
		S. C. Ganegoda	Settlements	3,681		
		K. S. Padiwita				
		M. I. .L Perera				
Quality Seeds (Pvt) Ltd	Affiliate	A. M. Pandithage	Sale of fibre Settlements	4,199 (4,679)	717	1,197
Mit Cargo (Pvt) Ltd	Affiliate	A. M. Pandithage S. C. Ganegoda	Common expenses Settlements	(151) 136	(39)	(24)

NOTES TO THE FINANCIAL STATEMENTS

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

35 RELATED PARTY TRANSACTIONS (Contd)

Company	Relationship	Name of the Director	Nature of Transaction	2018	2018	2017
				Rs.'000	Rs.'000	Rs.'000
				Volume Balance	Balance Receivable / (Payable)	Receivable / (Payable)
Haymat (Pvt) Ltd	Affiliate	A. M. Pandithage	Common expenses	(493)	(50)	(128)
		H. S. R. Kariyawasan	Purchase of fibre	(60)		
			Settlements	631		
Hayleys Business Solutions International (Pvt) Ltd	Affiliate	A. M. Pandithage	Common expenses	(203)	(55)	(26)
		S. C. Ganegoda	Settlements	174		
Charles Fibres (Pvt) Ltd	Affiliate	A. M. Pandithage	Common expenses	44	44	-
		H. S. R. Kariyawasan	Sale of fibre	5,655		
		S. C. Ganegoda	Settlements	(5,655)		

The Company has a controlling related party relationship with its parent Company Hayleys PLC.

For the purposes of these financial statements, parties are considered to be related to the Company, if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence.

All the above related party transactions have been conducted on relevant commercial terms with the respective parties.

TEN YEAR SUMMARY

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

Year ended 31st March	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
TRADING RESULTS										
Turnover	562,659	478,976	442,038	576,451	468,475	421,827	516,176	684,157	492,956	476,535
Profit/(Loss) before taxation	120,342	278,765	16,019	7,643	27,311	27,668	(9,889)	(48,523)	1,055	(36,354)
Tax expenses	(19,377)	(11,495)	366	(4,701)	(2,634)	(1,897)	228	(959)	(417)	(2,098)
Profit/(Loss) after taxation	<u>100,965</u>	<u>267,270</u>	<u>16,385</u>	<u>2,942</u>	<u>24,677</u>	<u>25,770</u>	<u>(9,661)</u>	<u>(49,482)</u>	<u>638</u>	<u>(38,452)</u>
SHARE CAPITAL & RESERVES										
Stated capital	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Other component of equity	73,151	74,778	240,787	240,083	233,654	232,778	217,529	-	-	-
Capital reserves	-	-	-	-	-	-	-	272,588	272,588	161,860
Retained earnings	595,914	531,945	106,510	91,779	88,118	65,019	38,847	(61,003)	(11,521)	38,466
Amalgamation reserves	50,625	50,625	50,625	50,625	50,625	50,625	50,625	50,625	50,625	-
Total equity	<u>799,690</u>	<u>737,348</u>	<u>477,922</u>	<u>462,487</u>	<u>452,397</u>	<u>428,422</u>	<u>387,001</u>	<u>342,210</u>	<u>391,692</u>	<u>280,326</u>
ASSETS LESS LIABILITIES										
Property , plant & equipment	72,290	64,838	255,293	255,877	247,148	249,212	246,655	248,812	249,437	170,750
Investments	161,704	142,610	146,823	131,835	130,244	126,028	110,149	90,527	114,932	77,941
Non current assets	-	-	-	954	1,602	1,422	-	-	-	-
	<u>233,994</u>	<u>207,448</u>	<u>402,116</u>	<u>388,666</u>	<u>378,994</u>	<u>376,662</u>	<u>356,804</u>	<u>339,339</u>	<u>364,369</u>	<u>248,691</u>
Current assets	662,067	614,392	181,736	369,304	259,515	189,128	276,641	232,107	197,006	184,110
Current liabilities	(72,758)	(69,157)	(91,298)	(264,032)	(150,169)	(102,887)	(213,544)	(194,801)	(137,540)	(120,488)
Working capital	589,309	545,235	90,438	105,272	109,346	86,241	63,097	37,306	59,466	63,622
Non current liabilities	(23,613)	(15,335)	(14,632)	(31,451)	(35,943)	(34,481)	(32,900)	(34,435)	(32,143)	(31,987)
	<u>565,696</u>	<u>737,348</u>	<u>477,922</u>	<u>462,487</u>	<u>452,397</u>	<u>428,422</u>	<u>387,001</u>	<u>342,210</u>	<u>391,692</u>	<u>280,326</u>
Ratios and Other Information										
Basic earning per share (Rs.)	12.62	33.41	2.05	0.37	3.08	3.22	(1.21)	(6.19)	0.08	(4.81)
Net assets per share (Rs.)	99.96	92.17	59.74	57.81	56.55	53.55	48.38	42.78	48.96	35.04
Current ratio (times)	9.09	8.88	1.99	1.40	1.73	1.84	1.30	1.19	1.43	1.53
Dividend per share - Paid (Rs.)	4.00	2.00	-	0.30	0.30	-	-	-	-	-
Dividend payout (%)	31.69	5.99	-	81.08	9.74	-	-	-	-	-
Price earning ratio (times)	5.61	1.77	18.54	107.29	8.70	9.01	(23.88)	(7.35)	481.25	(2.91)

* Adjusted for Script Issue

FORM OF PROXY

HAYLEYS FIBRE PLC ANNUAL REPORT 2017-2018

I/We*..... (full name of shareholder**)

NIC No./Reg. No. of Shareholder (**) of.....

being a shareholder/shareholders* of **HAYLEYS FIBRE 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, 26th June, 2018 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof:

	For	Against
1) To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March, 2018, with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2) To declare a dividend as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-elect Dr. T. K. D. A. P. Samarasinghe, who has been appointed by the Board, since the last Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4) To re-elect Mr. L. A. K. I. Kodytuakku, who has been appointed by the Board, since the last Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-elect Mr. D. K. De Silva Wijeyeratne, who has been appointed by the Board, since the last Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6) To re-elect Mr. M. C. Sampath, who has been appointed by the Board, since the last Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
7) To re-elect Mr. A. M. Pandithage, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
8) To re-elect Mr. S. C. Ganegoda, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
9) To re-elect Mr. K. S. Padiwita, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
10) To authorize the Directors to determine contributions to charities for the financial year 2018/19.	<input type="checkbox"/>	<input type="checkbox"/>
11) To authorize the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, who are deemed to have been re-appointed as Auditors for the financial year 2018/19.	<input type="checkbox"/>	<input type="checkbox"/>

(***) The proxy may vote as he thinks fit on any other resolution brought before the Meeting of which due notice has been given

As witness my/our * hands this..... day of 2018.

.....
Signature of Shareholder

Witness Signature :

 Name :

 Address :

 NIC No. :

- Notes: (a) * Please delete the inappropriate words.
- (b) A shareholder entitled to attend and vote at the Extraordinary General meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the company.
- ** Full name of shareholder/proxy holder and their NIC Nos and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed.
- (c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
- (d) Instructions are noted on the reverse hereof.
- (e) This Form of Proxy is in terms of the Articles of Association of the Company.

INSTRUCTIONS AS TO COMPLETION:

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd at No.400, Deans Road, Colombo 10, not less than 48 hours before the start of the Meeting.
2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly Sign and fill in the date of signing.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at (1) overleaf. The proxy need not be a member of the Company.
4. Please indicate with an X in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (***) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
5. In the Case of a Company /Corporation the proxy must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association.

In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.

6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
7. In 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.



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