



REFLECTIONS FROM THE CHAIRMAN & CHIEF EXECUTIVE

Mohan Pandithage

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Dear Stakeholder,

In my message to our valued stakeholders last year, I shared my optimism and hope for the future of Sri Lanka, the Hayleys Group and the economic climate we are operating in. As the country gradually but definitively emerges from the unprecedented economic vulnerabilities of 2022/23, today I am even more hopeful of what the future holds. I have experienced firsthand how remarkably our team persevered during this transitional and volatile period, relying on their characteristic spirit and agility to anchor the Group's value creation. Against this backdrop, it is my pleasure to present to you the 11th Integrated Annual Report and the Audited Financial Statements of Hayleys PLC for the financial year ended 31st March 2024.

With today's global reality being one in which ambiguity and constancy of change outweighs any semblance of certainty, the Hayleys Group performed credibly to generate a Consolidated Revenue of Rs. 436.83 bn and a Profit Before Tax of Rs. 25.34 bn. While these numbers represent a normalisation from the record highs of the previous year, I believe this year it is important to look beyond the financial statements to truly appreciate the Group's underlying achievements, which have strengthened the Group's resilience and positioned it for transformational growth. We entered new markets with significant upside potential, debuted exciting innovations, strategically embedded environmental and social considerations into our processes and continued to invest in developing the capabilities of our people as well as across industry value chains.

As Sri Lanka's corporate inspiration, the Group continued to be recognised for excellence across numerous aspects of its operations. Hayleys solidified its position as a leader in Sri Lanka's corporate reporting arena winning the Overall Excellence in Corporate Reporting for the 2nd

consecutive year at the TAGS Awards 2023 while securing 17 more awards across the Group. Hayleys was also ranked the overall winner at the ACCA Sustainability Reporting Awards 2023. Hayleys was also recognised for its contribution to exports at the 25th Presidential Export Awards, where the Group clinched an unmatched 17 awards across different industries.

Meanwhile, our plantation subsidiary Talawakelle Tea Estates PLC emerged victorious at the Best Corporate Citizen Sustainability Awards 2023 organised by the Ceylon Chamber of Commerce, marking the first time in history that a plantation sector entity achieved this feat.

OUR WORLD OF VALUE

The Hayleys Group's evolution over the past 147 years has been inextricably linked to the country's trajectory and we have been privileged to witness and contribute to fostering Sri Lanka's resilience and unlocking its potential. We are proud to be one of Sri Lanka's most socio-economically impactful organisations, with deep rooted relationships across value chains, customer networks and communities. We integrate rural farmers and outgrowers to global value chains of international brands, enabling Sri Lankan produce to reach the shelves of the world's leading retailers; our extensive product portfolio ranging from specialised gloves and advanced purification solutions to value-added agricultural products and consumer durables elevate quality of life across communities and facilitate the growth of industries; environmental interventions in our own operations as well as across value chains are accelerating the transition to a green economy and our strategic ESG initiatives are driving meaningful economic, social and environmental change across the country. At a time when social debate is rife on purpose vs profit, Hayleys has demonstrated how the two can go hand-in-hand. It is this ability to thrive as a business entity while injecting value across our

ecosystem and catalyzing positive change that truly defines who we are and make us an integral part of Sri Lanka's growth trajectory.

RESET, RECOVERY AND RESILIENCE

While globally, the year 2023 marked a return to relative stability after consecutive years of material COVID-related disruptions, businesses find themselves in cascading and connected crises, resulting in persistently volatile and complex conditions. Geopolitical tensions escalating to active conflict in several regions led to supply chain disruptions, triggering a surge in inflation and synchronised monetary policy tightening across key markets. Major economies, however, demonstrated surprising resilience contributing towards an estimated 3.1% growth in the global economy in 2023.

Sri Lanka is on a path to recovery, with the economy showing initial, yet definitive signs of stabilisation in 2023. Structural and policy reforms, implemented under the IMF's Extended Fund Facility (EFF) program which included cost-reflective utility pricing and fiscal consolidation measures have contributed to macro-economic stability. The successful completion of the domestic debt restructuring in September 2023 led to increased confidence. Subsequently, in November 2023 an Agreement in Principle for debt restructuring was reached with official creditors and negotiations are currently ongoing with commercial creditors.

As a result of these coordinated interventions, Sri Lanka's economic contraction slowed to 2.3% in 2023, compared to the sharp degrowth of 7.3% experienced in 2022. The economy reversed its decelerating trend in the 3rd quarter of the year, with GDP recording an expansion in the 2nd half of the year following six consecutive quarters of contraction. While demand remained subdued reflecting lower disposable incomes, external and fiscal balances improved;

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foreign exchange liquidity pressures eased significantly supported by the recovery of tourism and Workers' Remittances resulting in foreign exchange reserves improving to about 8-9 weeks of imports by end of 2023. The improved foreign exchange inflows led to the appreciation of the local currency, with the Sri Lankan Rupee appreciating by 8% during the financial year to close the year at Rs. 301.81/USD.

Following soaring prices in 2022, inflation decelerated in 2023 reflecting improved supply conditions, the appreciation of the Rupee and the easing of monetary financing. Resultantly, inflation levels as measured by the Colombo Consumer Price Index (CCPI) fell from 35.30% in the beginning of the financial year to 0.90% in March 2024. As inflation moderated, the Central Bank of Sri Lanka (CBSL) adopted an easing monetary policy stance; the reduction in the policy rates resulted in the Standing Deposit Facility rate and Standing Lending Facility rate decreasing to 9% and 10% respectively. Monetary easing together with better clarity on domestic debt restructuring resulted in market interest rates trending downwards; accordingly, the Average Weighted Prime Lending Rate decreasing to 10.69% from 21.40% a year ago.

While the stabilisation of the country's macro-economic fundamentals were largely conducive to business growth, as an export-oriented business the Group was adversely impacted by the appreciation of the Sri Lankan Rupee during the year as most input costs settled around LKR350-360 per USD. That said, Hayleys continued to leverage its diversity to mitigate external impacts to a large degree, as adverse effects on a particular sector are typically countered by opposing impacts on a different sector.

PERFORMANCE OVERVIEW

Strategic interventions in recent years to build resilience through rationalising

and optimising its businesses enabled the Group to navigate the challenges of the year with agility. Key areas of strategic focus during the year included diversification the Group's geographical footprints and customer segments while relentlessly pursuing customer-centric innovation and service excellence. Following its acquisition by the Group in March 2023, Horana Plantations PLC has been included in the consolidated financial statements of the period under review.

Despite volatile exchange rate dynamics, the Group contained the y-o-y decline in top line to 10% delivering a Consolidated Revenue of Rs.436.83 bn during the year. The Transportation and Logistics Sector maintained its position as the largest contributor to Group Revenue with a share of 21%, followed by Consumer & Retail which accounted for 19%. The Group's key export-oriented sectors recorded Revenue declines amidst unfavourable exchange rate, while Projects & Engineering, Leisure, Consumer & Retail, Plantations, Industry Inputs, Power & Energy and Agriculture recorded Revenue growth.

Group Earnings Before Interest and Tax (EBIT) decreased by 30% to Rs.42.72 bn during the year reflecting cost escalations, appreciation of the Sri Lankan Rupee and subdued demand across key verticals. That said, the Projects & Engineering (Hayleys Fentons) Sector delivered an EBIT growth of 90% while the Textiles Sector also demonstrated strong resilience to achieve an EBIT growth of 37%. Net Finance Cost declined by 8% to Rs.17.24 bn reflecting the downward trajectory of interest rates during the year.

The Group demonstrated resilience in a challenging year to deliver Profit Before Tax of Rs.25.34 bn, with the Purification, Projects & Engineering and Hand Protection Sectors emerging as key contributors to profitability. It is noteworthy that the Projects & Engineering Sector achieved a near

tripling of Profits during the year led by the strong growth in solar energy, which saw the Sector moving up to the rank of 2nd highest profit contributor to the Group.

STRENGTH AND STABILITY

The Group's Total Assets increased by 8% to Rs.446.34 bn during the year, with Non-Current and Current Assets expanding by 5% and 11% respectively. The expansion in Property, Plant and Equipment represents upgrades to research and manufacturing capabilities in the Hand Protection and Purification Sectors, establishment of a pipe manufacturing facility by the Agriculture Sector and geographical expansion of the Tea Exports Sector. The Group has sought to increasingly diversify its geographical presence, through pursuing investments in new geographical locations, thereby further widening its footprint, strengthening foreign exchange generation capabilities and enhancing the resilience of its operating model.

Total equity as at 31 March 2024 increased by 2% to Rs.125.53 bn, supported by profit generation and retention during the year. Total borrowings increased by 8% to Rs.171.88 bn, translating to a Debt-to-Equity ratio of 1.37 compared to 1.30 the previous year. Despite this increase, the Group's financial profile remains solid reflecting a prudent approach to debt-funded acquisitions in recent years, strong cash flow generation capabilities stemming from the Group's large and diversified businesses and relatively good debt coverage levels.

LOCAL ROOTS, GLOBAL MINDSET

With nearly 54% of the Group's Revenue generated through exports during the year, Hayleys continues to masterfully harness local capabilities, products, technology and talent to compete effectively in the global arena, offering the best of Sri Lanka to the world. For instance, the Purification Sector leverages the unparalleled capabilities of its local scientists and its prowess in R&D to develop world-

class supercapacitor products and hard carbons. The Hand Protection Sector introduced a range of advanced sports gloves, scientifically designed to suit the specific requirements of a range of sports activities including mountain biking, golf, winter sports and functional fitness among others. Meanwhile, tea produced in our estates are globally renowned for their quality and sustainability, consistently commanding premium pricing at the Colombo Tea Auction. Our value-added tea exports are skillfully curated by our local artisans to suit the taste palettes of our diverse, global customer base. Through this strategic blend of local authenticity and universal thinking, Hayleys has uniquely positioned itself as a global player in key verticals, supplying to the world's leading brands.

REDEFINING THE FUTURE

Accelerating customer-centric innovation is key to our strategic agenda as we seek to sharpen our competitive edge through focus on value-added solutions. In recent years, sustainability has assumed a greater relevance in our innovation drive and we have sought to adapt product capabilities and processes to shape futures that address key sustainability issues. During the year, we invested over Rs.500 mn across sectors in strengthening product development and innovation capabilities. Key success stories for the year include new product development in the Hand Protection Sector which includes high chemical resistance gloves and specialised sports gloves. In the Textiles Sector, the Group launched innovative fabrics featuring recyclable properties. In Construction Materials, Alumex PLC launched a range of aluminium balconies, decking and artificial walls catering to the export market. These innovations are discussed in further detail on page 275 of this Report.

The surge in generative artificial intelligence (AI) has ushered in a

new era of technological innovation, with rapid advances in machine learning algorithms enabling AI systems to generate content across various domains. While potential job displacement, privacy issues and ethical concerns have prompted many people and organisations to view GenAI through a lens of doubt and uncertainty, at Hayleys we see it as a catalyst for efficiencies, richer data insights and new business opportunities. The Group's digital transformation roadmap which will be rolled out shortly seeks to proactively embed AI and data capabilities across our operations to support value creation through enhanced decision-making.

OUR PEOPLE: OUR POWERHOUSE

Today, for the Hayleys Group, nothing is more important than our people, from our team, and customers to value chain partners and communities across the localities in which we operate. It is these partnerships that drive everything of value, including profits, agility, sustainability, innovation and efficiency. The Hayleys Group's resilience and prosperity is driven by our remarkable team of over 36,000 employees who have the integrity, high standards of professional excellence and capabilities to ensure the Group's ongoing success and value creation. The world of work continues to evolve and during the year, the Group's people strategy centered on creating long-term value through equipping them with stronger skills enabling greater employability, nurturing talent pipelines to enable improved succession planning and increasing diversity around decision-making. During the year, we also introduced several initiatives aimed at creating a family-friendly work environment which included paternity leave, childcare support and access to counselling services, which is anticipated to support employees in effectively balancing their professional and personal responsibilities.

RESPONSIBLE AND RESPONSIVE GOVERNANCE

The Group's demonstrated ability to repeatedly rebound from disruption is anchored by its fit-for-purpose governance frameworks which have supported the creation of an organisational mindset centering on agility and adaptable leadership. Governance structures facilitate strong alignment and engagement between the Board and the GMC; the latter convenes weekly facilitating ongoing collaboration and collective decision-making. During the year, the Board heightened focus on navigating the volatile external environment, strengthening risk management and strategic integration of ESG. Board capabilities and composition were strengthened during the year with the appointment of Mr. Timothy Speldewinde and Mr. Yohan Perera as Independent Non-Executive Directors and I am certain that the knowledge, skills and experience they bring will further enhance the depth and effectiveness of Board deliberations.

The Securities and Exchange Commission announced revisions to the Corporate Governance Rules applicable to entities listed on the Colombo Stock Exchange, issuing Listing Rule No.9 on Corporate Governance. The Rules came into effect from 1st October 2023 with a phased timeline for compliance extending till 1st January 2025 and the Group is fully compliant with the provisions required by 1st April 2024. Changes effected included the implementation of a Bribery and Anti-Corruption Policy (which mandates a zero-tolerance approach) and Shareholder and Investor Communications Policy, formulation of a Nominations and Governance Committee, actioning meetings between the Senior Independent Director (SID) and the Non-Executive Directors and improved disclosures in the Annual Report.

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The Code of Best Practice on Corporate Governance (2023) by the Institute of Chartered Accountants of Sri Lanka was also revised during the year; key changes from the new Code include strengthening the assessment and management of ESG risks and opportunities, for which mechanisms are already in place within the Group.

ESG INTEGRATION: THE WORLD AS IT 'SHOULD' BE

The record-high temperatures and erratic weather we have experienced this year is a humbling reminder that the earth is a complex and fragile system and that nature is more powerful than all of us. As we look to the future, I believe we have a unique opportunity to define a new era for sustainable business leadership by making sustainability progress integral to business strategy and accelerating our interventions for greater impact.

The Group remains committed to achieving its target of driving a 30% reduction in Scope 1 & 2 GHG emissions by 2030, a target we are pursuing aggressively through transitioning to renewable energy sources, reducing reliance on fossil fuels and other decarbonisation activities. To date the Group has invested close to Rs. 5.00 bn in solar power generation across the Group, with a total generation capacity of nearly 28MW. Furthermore, as the market leader in solar power installation in Sri Lanka, Hayleys Fentons is driving the country's transition towards clean energy with total installations of solar power crossing 200 MW during the year.

Strategic efforts were made to strengthen the Group's ESG framework with the formation of Sector-level ESG Committees. Formed with Board representation, these committees are tasked with identifying, managing and mitigating Sector-specific ESG risks while driving the ESG roadmaps of the Sector aligned to the aspirations of the Hayleys Lifecode. Hayleys PLC along with 9 other companies within

the Group have committed to the 10 principles of the United Nations Global Compact. Hayleys has also been an endorser of the CEO Water Mandate since 2008. The progress made against the Group's other environmental, social and governance targets are given on page 100 of this Report.

STAYING THE COURSE: REVIEW OF BUSINESS VERTICALS

The Group's Revenue composition tilted towards the domestic market during the year, reflecting growth in the Consumer & Retail and Projects & Engineering segments as well as moderation in the export-oriented sectors due to the appreciation of the Sri Lankan Rupee. Resultantly, Revenue contribution from inland business increased to 46%, compared to 38% the previous year. Despite these short-term dynamics, the Group continued to pursue growth opportunities outside the country as it seeks to increase contributions from foreign exchange and drive geographical diversification.

The following sections provide a high-level overview of the performance of the Group's business sectors. Please refer to pages 114 to 245 for detailed Portfolio Reviews.

Purification

The Purification Sector delivered a commendable performance in a challenging year, sustaining customer relationships, widening its portfolio of value-added products and driving strategic interventions to improve the security and resilience of its supply chain. The appreciation of the Sri Lankan Rupee and a reduction in prices offered to customers resulted in the Sector's Revenue declining by 29% to Rs.42.74 Bn while Profit Before Tax declined by 26% to Rs 6.11 bn.

Key strategic priorities for the year included pursuing deeper penetration in key markets and ongoing emphasis on developing high-value energy storage carbon including hard carbon for sodium ion batteries. The Sector also strengthened its manufacturing

ECO SOLUTIONS

Strategic focus

Market expansion
Supply chain management
Strategic integration of ESG

Economic Value (Rs. mn)	3,250
PBT (Rs. mn)	68
No. of employees	1,119
Carbon footprint (tCo ₂ e)	5,522

HAND PROTECTION

Strategic focus

Focus on value-added products
Regional expansion
Strategic integration of ESG

Economic Value (Rs. mn)	13,889
PBT (Rs. mn)	4,013
No. of employees	2,171
Carbon footprint (tCo ₂ e)	25,735

PURIFICATION

Strategic focus

Value added products and innovation
Supply chain resilience and security
Strategic integration of ESG

Economic Value (Rs. mn)	17,462
PBT (Rs. mn)	6,107
No. of employees	1,933
Carbon footprint (tCo ₂ e)	26,696

TEXTILES

Strategic focus

Value added product focus
Brand centered strategy
ESG as a strategic differentiator

Economic Value (Rs. mn)	12,054
PBT (Rs. mn)	3,719
No. of employees	3,285
Carbon footprint (tCo ₂ e)	43,953





and R&D capabilities and engaged in proactive negotiations with raw material suppliers to optimise costs. In diversifying its raw material sources, the Sector's 7th manufacturing facility will be commissioned in the Philippines. During the year, the Sector also strengthened its commitment to embedding ESG through the launch of 'Activate' - a holistic ESG roadmap aligned to the Hayleys Lifecode. The outlook for the Sector remains positive, reflecting the global transition to a low-carbon economy which is driving demand for energy storage solutions as well as increasingly stringent water and pollution control regulations.

Projects & Engineering

The Sector, represented by Hayleys Fentons delivered an impressive performance during the year, with Profit Before Tax more than tripling to Rs. 4.33 bn and emerging as the 2nd largest contributor to the Group. The Sector's performance was driven largely by significant growth in the renewable energy cluster; strategic foresight in entering the residential solar segment and pursuing aggressive penetration through the deployment of a stronger sales force augured well for the Company, as it reaffirmed its position as the market leader in the rooftop solar PV segment. Profitability margins also improved during the year reflecting scale efficiencies in line with volume growth.

The acquisition of Fentons, a family-owned company with an operating history of over 100 years in 2016, marked the beginning of a remarkable transformation. The Group revitalised Fentons through a strategic overhaul which included new leadership capabilities, nurturing a performance-driven organisational culture and a growth mindset. These interventions have enabled the Sector to record a dramatic turnaround in performance while emerging as a vibrant entity with significant growth potential. Reflecting Hayleys Fentons' growing significance to the Group's profitability, it has been classified as a separate

Sector in this Report. We believe there is tremendous potential for renewable energy in the mid-to-long term given the government's aspirations to shift to a low-carbon economy and reach net by 2030.

Hand Protection

The performance of the Hand Protection Sector reflected the prevalent external pressures, with Revenue declining by 16% in view of the appreciation of the Sri Lankan Rupee and a marginal decline in volumes as global demand eased. Profitability margins were pressured by the increase in raw material and other cost escalations, resulting in the Sector's Profit Before Tax declining by 24% to Rs.4.01 bn during the year. The performance of the Sector's European operations were below expectations, reflecting subdued demand conditions from the region.

The Sector pursued penetration in to niche markets such as Middle East and Africa while India is also earmarked as a key market for growth. Innovation remains a strategic imperative and during the year, the Sector launched several exciting product propositions including a range of specialised sports gloves catering to leading international sports good retailers. With the launch of the Sector's ESG Roadmap, DPL Pulse, the Sector also intends to leverage ESG as a competitive edge to access new markets and customer segments. The medium to long-term outlook remains favourable given recovering demand conditions in key markets and the Sector's strategic interventions in strengthening product capabilities, particularly in specialised gloves.

Textiles

The strength of its relationships with Tier 1 brands together with strategic foresight in building agility, enabled the Textiles Sector to deliver impressive growth in a challenging year. While Revenue declined by 18% in view of the increased volatility in key markets and the resultant deferment of orders

CONSTRUCTION MATERIALS

Strategic focus

Export drive
Innovation and product development
Cost management and efficiencies

Economic Value (Rs. mn)	3,602
PBT (Rs. mn)	232
No. of employees	774
Carbon footprint (tCO ₂ e)	9,519

PLANTATIONS

Strategic focus

Regenerative agriculture
Quality focus
Transforming industry dynamics

Economic Value (Rs. mn)	13,717
PBT (Rs. mn)	3,525
No. of employees	15,360
Carbon footprint (tCO ₂ e)	26,122

AGRICULTURE

Strategic focus

Innovation
Diversification
Regional expansion

Economic Value (Rs. mn)	10,000
PBT (Rs. mn)	3,020
No. of employees	1,247
Carbon footprint (tCO ₂ e)	4,422

CONSUMER & RETAIL

Strategic focus

Proactive inventory management
Cost management and efficiencies
Customer centricity

Economic Value (Rs. mn)	25,591
PBT (Rs. mn)	611
No. of employees	3,316
Carbon footprint (tCO ₂ e)	9,293

LEISURE

Strategic focus

Strengthen product and service capabilities
Revenue diversification

Economic Value (Rs. mn)	3,773
PBT (Rs. mn)	(1,895)
No. of employees	1,660
Carbon footprint (tCO ₂ e)	12,744

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as well as increasing price pressure, the Sector's relentless pursuit of leaner and agile ways of working enabled it to considerably reduce lead time to customers, thereby sustaining customer relationships and maintaining orders. Meanwhile, ongoing and proactive negotiations with yarn suppliers and cost optimisations derived through a focus on sustainability enabled the Sector to widen its profit margins, resulting in the Sector's Profit Before Tax increasing by 23% to Rs.3.72 bn during the year.

With innovation-led growth remaining a key strategic pillar, the Sector has sought to pivot from basic, conventional cotton-based fabrics to premium, value-added products in both natural and synthetic fibres. The Sector's competitive edge is sharpened by its positioning as a pioneer and leader in sustainability in the industry, having gained international recognition for its sustainable product and process innovations. In a key achievement in its sustainability journey, the Company obtained verification of its emission targets under the Science Based Targets Initiative, one of the first Sri Lankan organisations to do so. As the industry landscape evolves rapidly, manufacturers will be required to build agile operating models which can swiftly adapt to changing market dynamics. The Sector's key priorities in the short-to-medium term include retention of Tier 1 customers, strengthening market share in synthetic fibre and increasing contributions from its portfolio of sustainable products.

Plantations

The Sector demonstrated resilience to numerous adversities including persistent labour shortages and intensifying implications of climate change to record volume growth during the year. Revenue increased by 13% to Rs. 18.13 bn reflecting the consolidation of Horana Plantations PLC to the Sector. Profitability, was however affected by the normalisation

of tea prices from the previous year's record highs, with prices falling by a near 18% (in Rupee terms) during the year. This coupled with escalating costs resulted in the Sector's Profit Before Tax declining by 34% to Rs. 3.53 bn.

During the year, the Sector's strategy was directed towards driving transformation in plantation management by creating social business enterprises through more equitable remuneration models and regenerative agriculture practices. As an industry leader in environmental sustainability, the Sector has in recent years sought to embrace regenerative agriculture practices aimed at revitalising ecosystems, soil conditions and crops. The short-to-medium term outlook of the country's tea industry remains somewhat uncertain reflecting labour challenges, declining yields and escalating cost of production. Against this backdrop, ongoing efforts to modernise and transform our estate operations, drive increased labour productivity and sustainable agriculture practices will position the Sector in good stead, enabling all three RPCs to maintain their position as the most profitable, sustainable and high-quality producers of tea in Sri Lanka.

Agriculture

The Agriculture Sector leveraged the diversity of its businesses and strength of its brands and relationships to remain resilient against external headwinds. Sector Revenue increased by 6% to Rs.34.88 bn during the year driven by the strong performance of the Crop Protection cluster and Overseas Operations. Profitability, however normalised from the record highs of last year, with the Sector's Profit Before Tax declining by 40% to Rs.3.02 bn during the year.

In Crop Protection, the Sector strengthened its product offering which swiftly gained traction to achieve market leadership status. Meanwhile, Overseas Operations (represented by Haychem Bangladesh)

INDUSTRY INPUTS, POWER & ENERGY

Strategic focus

Overseas expansion
Sustainable innovation
Strengthening digital capabilities

Economic Value (Rs. mn)	4,631
PBT (Rs. mn)	1,339
No. of employees	311
Carbon footprint (tCO ₂ e)	803

TRANSPORTATION & LOGISTICS

Strategic focus

Expansion of product and service portfolio
Regional expansion
Enhancing employee value proposition

Economic Value (Rs. mn)	26,003
PBT (Rs. mn)	3,671
No. of employees	2,899
Carbon footprint (tCO ₂ e)	45,863

PROJECTS & ENGINEERING

Strategic focus

Consolidate leadership position in solar
Expansion of product and service portfolio
Focus on quality assurance

Economic Value (Rs. mn)	9,586
PBT (Rs. mn)	4,333
No. of employees	1,492
Carbon footprint (tCO ₂ e)	1,432

TEA EXPORTS

Strategic focus

Innovation and product development
Regional expansion
Quality focus

Economic Value (Rs. mn)	1,480
PBT (Rs. mn)	824
No. of employees	312
Carbon footprint (tCO ₂ e)	384

OTHERS

Economic Value (Rs. mn)	12,023
PBT (Rs. mn)	2,380
No. of employees	387
Carbon footprint (tCO ₂ e)	592

was a key contributor to earnings, as it increased its market share and widened its product offering in new segments. During the year, the Sector entered a new market segment, through establishing a polyethylene pipe manufacturing facility thereby offering advanced irrigation solutions to Sri Lanka's Agriculture industry. Investments were also made in upgrading and revamping the coconut milk facility which was acquired in the previous year and commercial production commenced during the year. The outlook for Sri Lanka's Agriculture Sector is promising given its critical role in ensuring food security and supporting livelihoods. Consistent, conducive and evidence-based policy remains a key prerequisite in ensuring the sustainability of the industry and the livelihoods that depend on it. As a leading player in the industry, we will continue to support its long-term survival through propagating modern and sustainable agriculture practices across our ecosystem of farmers.

Transportation & Logistics

The Sector's performance reflects the multitude of challenges that prevailed during the year, including a decline in freight rates, appreciation of the Sri Lankan Rupee as well as volatile trade activity amidst escalating geopolitical tensions. Accordingly, Revenue declined by 32% to Rs.91.35 bn while Profit Before Tax also declined to Rs.3.67 bn from the record highs of Rs. 15.00 bn the previous year. Against this backdrop, the Sector's strategy reflected its efforts to consolidate operations while focusing on retaining relationships and building capabilities to drive future growth.

During the year, the Sector further refined its international expansion strategy, identifying the four markets of Bangladesh, India, Indonesia and Thailand as presenting the most significant opportunities for growth. The Sector intends to leverage its established relationships and market presence in these regions to offer a wider portfolio of services and

drive deeper penetration. In a key achievement during the year, the Sector (through the Travel & Aviation cluster) won a competitive bid for the General Sales Agency to represent Air India, the flag carrier airline of India.

The short-term outlook for the Sector is clouded by a degree of uncertainty given recent escalation in geopolitical tensions and regional conflicts. That said, Sri Lanka's port activity is poised for strong long-term growth, supported by the gradual recovery of the economy and policy thrust towards exports. The Sector's regional strategy, strong brand name and extensive customer and principal relationships has positioned Hayleys Advantis to effectively leverage upside potential, retaining its position as Sri Lanka's undisputed leader in transportation and logistics.

Industry Inputs, Power & Energy

The Sector delivered a Revenue growth of 12% to Rs.9.73 bn, led by the Industrial Inputs cluster which saw good growth in regional markets for industrial raw materials. However, demand for domestic and export-oriented industries remained subdued given the decline in consumer spending, particularly during the first half of the year. Overall the Sector's Profit Before Tax declined by 10% to Rs.1.34 bn during the year.

In Industrial Raw Materials, the Sector continued to widen its sustainability-linked product portfolio, given the increasing consciousness of environmental factors in industries. It also widened its portfolio of global principals, successfully obtaining the Agency for Avery Weigh-Tronix (UK). The performance of Lifesciences improved during the year, while the performance of Engineering Solutions was dampened by weak demand, reflecting liquidity constraints across the construction value chains.

Meanwhile, the Power & Energy cluster saw Revenue declining marginally, although Profit Before Tax increased

by 2% supported by favourable weather supporting power generation.

Tea exports

A new reporting segment that was constituted during the year, Tea Exports is represented by Mabroc Teas (Pvt) Ltd a leading value-added and bulk tea exporter and Martin Bauer Hayleys (Pvt) Ltd, an innovative manufacturer and exporter of Ceylon tea extract powders and tea aroma. The Sector demonstrated strong operational performance in a challenging year, with both Mabroc and Martin Bauer delivering volume growth through new customer acquisitions. Revenue, however, was impacted by the appreciation of the Sri Lankan Rupee which resulted in a 3% decline to Rs.12.20 bn. Sector profitability was further impacted by the relatively high cost of tea, amidst the low production volumes and escalating cost of production, which resulted in Sector Profit Before Tax declining by 41% to Rs.823.65 mn.

Mabroc maintained its position as the largest exporter of Sri Lankan tea to China, a market which is showing significant upside potential. The Company also pursued market expansion through an investment in a leading FMCG distributor in Poland while also establishing a fully-fledged tea export company in Mombasa-Kenya, thereby diversifying its supply chain. Meanwhile Martin Bauer strengthened its product capabilities to widen its portfolio of aroma and concentrations while leveraging the brand and market reach of the Martin Bauer Group to access new customers. The global demand dynamics for value-added tea and extracts remains favourable, although the short-to-medium term may be adversely impacted by complexities in the country's plantation sector. In navigating these challenges, the Sector will continue to focus on innovation and value-added offerings to sharpen its competitive edge while accessing new markets and diversifying its supply chains.

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Construction Materials

Strategic foresight in pursuing growth in export markets augured well for the Sector during the year, enabling it to counter the subdued local demand. Export volumes increased by 21% during the year, which contributed towards an overall volume growth of 17% during the year. Revenue declined by 2% to Rs.9.94 bn as the Sector passed on the benefit of cost reductions to customers in order to ensure customer retention; overall profitability was however upheld by a significant reduction in finance costs and tax expenses resulting in the Company's Profit Before Tax increasing 51% to Rs.231.72 mn.

Growing exports was a strategic imperative during the year and the Sector pursued new customer acquisition in key markets in the USA and Europe. The Sector also broadened its product range with the addition of several value-added products catering to the export market as well as enhancing the do-it-yourself range and industrial solutions segment. The outlook for Alumex remains promising given the gradual recovery of Sri Lanka's construction sector and the anticipated revival of industrial and residential development projects. The Sector's priorities over the short-to-medium term include strengthening value-added product offerings and driving deeper penetration in key export markets, while maintaining its market leadership position in the domestic market.

Consumer & Retail

The Sector is dominated by Singer (Sri Lanka) PLC which experienced two distinctly different halves of the financial year; the first half characterised by import restrictions and weak purchasing power of customers, while the second half benefitted from the relaxation of import controls, the appreciation of the Sri Lankan Rupee and the gradual recovery of economic conditions. Improving market conditions towards the latter part of the year, together

with proactive efforts to clear high-cost inventory enabled the Sector to generate a Revenue growth of 28% to Rs.81.60 bn. However, narrower profit margins together with a higher tax expense resulted in the Sector's Profit Before Tax falling by 12% to Rs.611.29 mn.

Singer continued to evolve its product and brand offerings to cater to emerging customer needs. The Company also launched the 'Singer Premium Furniture' brand, the initial response for which has been very encouraging. Meanwhile, Singer was once again recognised as the People's Brand of the Year at the SLIM-KANTAR People's Awards 2024, attesting to its status as a household brand in the country. During the year, Singer (Sri Lanka) PLC also sought to amalgamate its subsidiaries other than Singer Finance, into one legal entity with the aim of streamlining processes and generating efficiencies. Accordingly listed entities of Regnis (Lanka) PLC, Singer Industries were delisted and amalgamated with the parent company, along with 3 other unlisted subsidiaries.

Singer Finance (Lanka) PLC continued to perform relatively well amidst challenging industry conditions. During the year, 2 branches were added bringing the total network to 52. The Company also maintained healthy portfolio quality, liquidity and capitalisation levels in comparison to industry peers. The Company emerged as a key contributor to Sector profitability generating a Profit Before Tax of Rs.652.40 mn during the year.

As market conditions gradually improve, we believe the outlook for the Sector is promising; Singer will place strategic emphasis on embedding customer centricity and delivering manufacturing and supply chain excellence through digitalisation with the aspirations of being a world-class brand. The rapid growth of the grey market for consumer electronics remains a key challenge in the short-

to-medium term; the increase in the VAT rate has provided further impetus for the grey market, as the increasing price disparity between legal and illicit products serve as an incentive for consumers to shift towards the grey market.

Eco Solutions

The Sector's performance weakened during the year, reflecting adverse macro-economic and market conditions. Despite a 28% growth in volumes the Sector's Revenue declined by 9% to Rs.13.85 bn due to unfavourable exchange rate dynamics. Meanwhile operating cost escalations amidst intense price competition eroded the Sector's profit margins, resulting in Profit Before Tax declining by 97% to Rs. 68 mn during the year.

In addressing these challenges, the Sector placed relentless focus on management and process efficiencies. The Sector also made considerable progress in its innovation drive with the launch of several new offerings in the growing media and value-added fibre products segment which present significant upside potential. Measures were taken to diversify raw material sources to build a more resilient supply chain, given the country's declining coconut production.

Long-term demand dynamics for the sector remain favourable particularly in categories such as growing media, erosion control and horticulture. The Sector will seek to aggressively pursue growth in new product applications and market segments while enhancing its value-added portfolio through innovation and product development.

Leisure

The Sector's performance strengthened in line with the recovery of the country's tourism sector with Revenue increasing by 35% to Rs.9.02 bn reflecting an overall improvement in average occupancy levels. Improvements in the core performance of The Kingsbury and the Sri Lankan Amaya properties resulted

in the reduction of losses at operating level; however, overall profitability continued to be hampered by the weak performance of Amaya Kuda Rah which was partially closed for repairs during the year.

The Sector's strategy in recent years has centered on sharpening its competitive advantage through mastering product delivery, which has allowed the properties to consistently record high customer ratings. The Kingsbury reaffirmed its position as the preferred venue for restaurants in the city, as evidenced by increased restaurant footfall. Sri Lanka's tourism sector is positioned for a surge in arrivals in 2024 and our properties are aptly positioned to capture the opportunities emerging from this revival. Key areas of focus include enhancing the corporate proposition at The Kingsbury, strengthening the service culture and enhancing the employee value proposition in order to drive increased retention.

Others

The Others Sector comprising Hayleys' Business International Solutions and Group Services of Hayleys PLC recorded a decline in Revenue to Rs.1.44 bn during the year. This, together with a 49% increase in tax expense resulted in the Sector's Profit Before Tax declining by 16% to Rs.2.38 bn during the year.

HBSI remained resilient during the year delivering a top line growth of 13%, supported by strong growth in the BPO operations, which benefited from increased penetration to Australia and a wider portfolio of services. The appreciation of the Sri Lankan Rupee, however, had an adverse impact on profitability which saw the cluster's Profit After Tax declining to Rs. 272.31 mn from 301.88 mn.

SHAREHOLDER VALUE

Despite a decline in the Earnings per Share to Rs.9.19 (From Rs.21.80 the previous year) the Group continued to deliver on its shareholder commitments, declaring an interim

dividend of Rs.5.35 in March 2024. The Hayleys share price increased from Rs.72.50 in April 2023 to close the year at Rs.82.10, an increase of 13% during the period.

EXPECTATIONS AND AMBITIONS

The short-to-medium term is likely to be shaped by a large number of simultaneous and converging challenges and while this drives uncertainty in the short-term, it also allows room for hope. The reality is businesses such as Hayleys operate in dynamic, rapidly evolving, global markets in which conditions are rarely stagnant for long and in parallel to global risks and generational challenges lie unique opportunities to strengthen the resilience of our institutions.

The International Monetary Fund estimates global growth to continue at the same pace with GDP expanding by 3.2% in 2024. Despite the multitude of challenges and monetary and fiscal tightening by many economies, global economic activity has been surprisingly resilient. While downside risks include implications of geopolitical tensions and sticky inflation, the global economy is expected to approach a soft landing over the medium-term. On the domestic front, we are optimistic that the Sri Lankan economy will continue to stabilise in 2024, supported by the revival in the tourism industry, stronger remittance flows and improvements in fiscal and external balances. Notwithstanding the outcome of the upcoming national elections, continued implementation of a strong and credible structural reform program is vital for ensuring long-term economic resilience and stability. We firmly believe this is essential to encourage private sector investment which is a vital prerequisite for growth. Furthermore, a stable exchange rate and conducive tax policies are critical in fuelling the growth of export-oriented businesses and encourage reinvestments. We further reiterate the critical importance of establishing a conducive operating landscape for exporters through establishing

tax policies that enable exporters to compete effectively with neighbouring counterparts, thereby generating much-needed foreign exchange to the country.

While we are likely to be faced with critical choices and opportunities which require our attention, the consequences of inaction are more serious than ever. The complexity of the challenges does not mean that they are insurmountable and as always, I reiterate my belief that optimism is critical for resilient and adaptable leadership and better outcomes, particularly in times of rapid change. We will continue to leverage the Group's unmatched human capital, product capabilities, brands and relationships to drive deeper penetration in selected markets. Strategically embedding ESG to derive a competitive advantage, access new markets and optimise resources while effectively addressing critical social and environmental issues we face as a society will also be a crucial priority in the next financial year.

APPRECIATION

As I reflect on the past year, I am inspired by the significant strides we have made together as a team and the exciting future we are building together. On behalf of the Board, I extend my heartfelt appreciation to each and every member of the Hayleys family, for their spirit, passion and resilience. I thank my colleagues on the Board and members of the Group Management Committee for their authentic leadership in navigating the Group through a challenging landscape. I also appreciate the confidence and trust of our shareholders, customers, suppliers and business partners who have partnered us in this journey.



Mohan Pandithage

Chairman and Chief Executive

17th May 2024