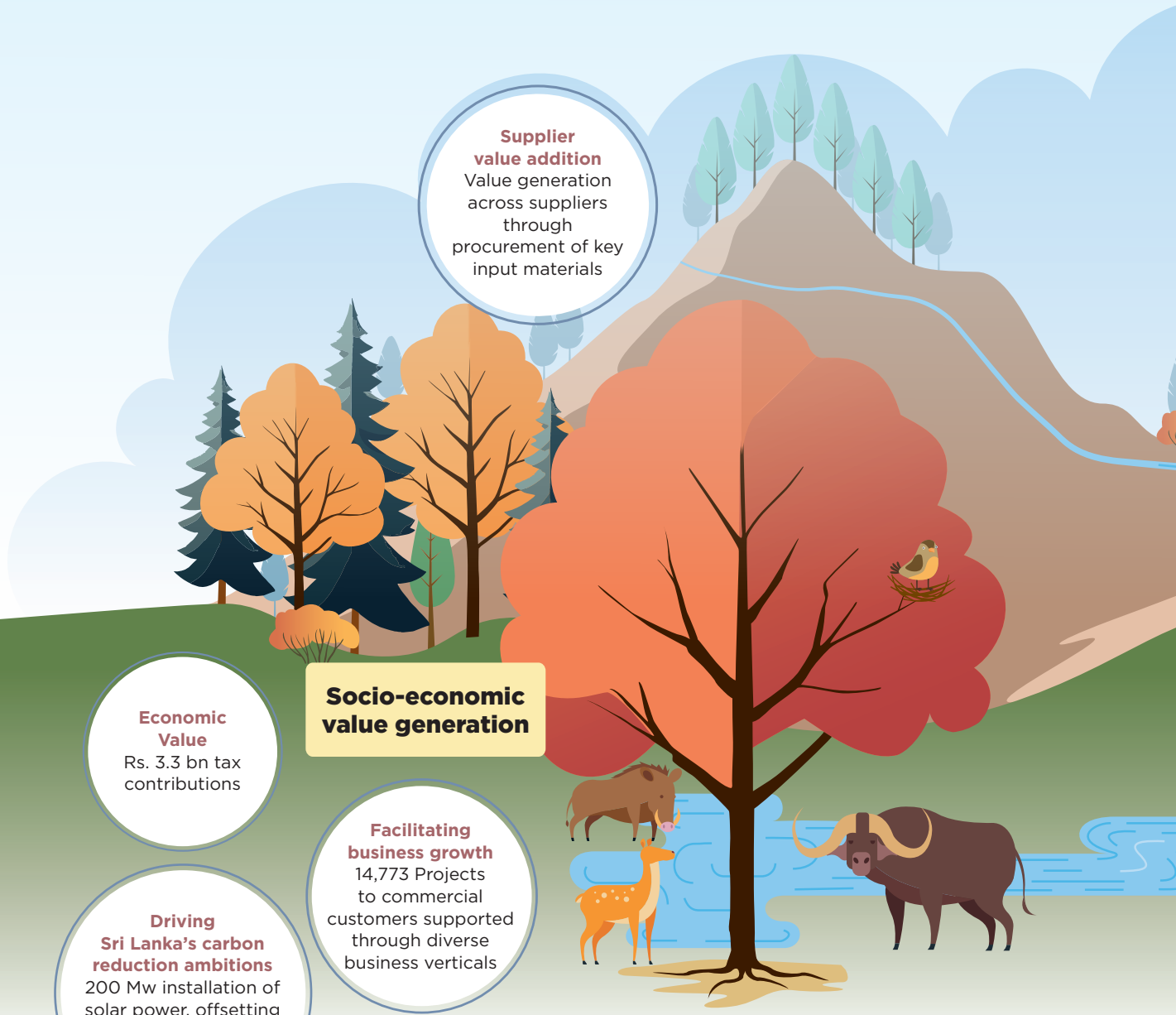




PROJECTS & ENGINEERING

Hayleys Fentons is Sri Lanka's leading provider of integrated engineering solutions, facilitating the growth of local industries and businesses through an array of Solar, ICT, Security, MEP and Facility Management (among other) solutions. As the country's leading rooftop solar PV installer, Hayleys Fentons is also at the forefront of fuelling the country's transition to a low-carbon economy.

PROJECTS & ENGINEERING



Supplier value addition
Value generation across suppliers through procurement of key input materials

Economic Value
Rs. 3.3 bn tax contributions

Socio-economic value generation

Facilitating business growth
14,773 Projects to commercial customers supported through diverse business verticals

Driving Sri Lanka's carbon reduction ambitions
200 Mw installation of solar power, offsetting a carbon footprint of approximately 250,000



Rs. 9.59 bn
Economic value added



6%
Contribution to Group's value creation

Provision of the entire spectrum of transportation and logistics solutions

Employment generation

Direct employees:
1,492
Value created to employees:
Rs. 1.31 bn

Indirect Employees

>900 sub-contractors supported through access to market, capacity development and technology transfer



Renewable Energy



System Integrated Solutions



Mechanical, Engineering and Plumbing services



Facilities management



Architectural drawings and 3D visualisations



Equipment renting



Revenue
Rs. 19.80 bn
(+46%)



Profit Before Tax
Rs. 4.33 bn
(+290%)



Profit After Tax
Rs. 3.78bn
(+232%)



Assets
Rs. 26.53 bn
(+157%)



Liabilities
Rs. 19.68 bn
(+138%)



Employees
1,492
(+42%)



Carbon footprint
1,432 tCO₂e
(-4%)

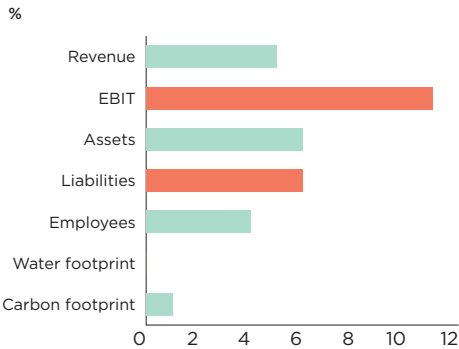
+ denotes y-o-y growth - denotes y-o-y decline

PROJECTS & ENGINEERING

SECTOR OVERVIEW

Hayleys Fentons is Sri Lanka's leading engineering services company, offering an unparalleled array of end-to-end, integrated solutions to the industrial, commercial and residential segments. Over an illustrious history spanning over a century, Hayleys Fentons has emerged as one of Sri Lanka's most trusted engineering brands founded on a strong reputation for quality, service excellence and innovation. Through its partnerships with globally reputed principals, Hayleys Fentons offers the Sri Lankan consumer access to an array of world-class products and solutions with the latest technology, driving the growth of diverse industries and uplifting living standards and quality of life across the island. The Sector emerged as a key contributor to the Hayleys Group's profits during the year, accounting for 14% of PBT and ranking the 2nd largest contributor to Profit Before Tax during the year.

CONTRIBUTION TO GROUP



COMPETITIVE POSITION

Sri Lanka's leading solar EPC (engineering, procurement and construction) company, having installed over 200 MWp of rooftop solar power systems since 2011

Facilitates the **growth of Sri Lanka's construction and infrastructure sector** through offering a variety of diverse services to landmark projects

Leading **mechanical, engineering and plumbing** (MEP) contractor in Sri Lanka, powered by a team of highly skilled professionals

Compliance to a range of domestic and international **environmental, quality and health and safety** certifications.

First ISO-certified Facility Management Service provider in the country

RENEWABLE ENERGY

Sri Lanka's largest solar EPC services provider

Contribution to Sector
Revenue: 66%
PBT: 82%

Performance 2023/24
Revenue: 141% growth
PBT: 233% growth

EQUIPMENT HIRING

Provides industrial equipment on rent-basis to a larger spectrum of customers.

Contribution to Sector
Revenue: 0.03%
PBT: (0.3)%

Performance 2023/24
Revenue: 0% growth
PBT: 0% growth

EQUIPMENT TRADING

Supplier of cutting-edge construction equipment including, electrical, instrumentation, material handling, combustion, and HVAC products

Contribution to Sector
Revenue: 8%
PBT: 7%

Performance 2023/24
Revenue: 97% growth
PBT: 198% growth

SYSTEM INTEGRATED SOLUTIONS

Offers system integrated solutions including information security, enterprise networking, energy storage solutions and IT managed services among others

Contribution to Sector
Revenue: 11%
PBT: 4%

Performance 2023/24
Revenue: 2% decline
PBT: 28% decline

ENGINEERING SERVICES

Largest integrated engineering services provider including facilities management and architectural design visualisation solutions.

Contribution to Sector
Revenue: 15%
PBT: 8%

Performance 2023/24
Revenue: 32% growth
PBT: 204% growth

OPERATING ENVIRONMENT

The Sector's performance is typically correlated to the country's Construction Sector, which despite cascading effects from the economic turbulence of recent years showed signs of recovery towards the latter part of the financial year. While the construction industry contracted by

21% in 2023, it is noteworthy that in the last quarter of 2023 and first quarter of 2024 the sector marked a positive growth. Growth was supported by improving business sentiments together with favourable interest and exchange rate dynamics and liquidity injections by the government as settlement of dues to contractors. Meanwhile, Sri Lanka's solar sector recorded remarkable growth during the year driven by price adjustments in electricity costs. Accordingly, solar (rooftop) generation increased substantially in 2023, accounting for 9% of the total non-conventional renewable energy generation (NCRE). Meanwhile the global prices of solar panels continued its downward trajectory during the year falling by nearly 50% in view of increased production capacity and inventory piling up by suppliers.



21%
Contraction in
construction industry



70%
Sri Lanka's renewable
energy target for 2030



9%
Solar contribution to
the NCRE mix

Summary of external drivers

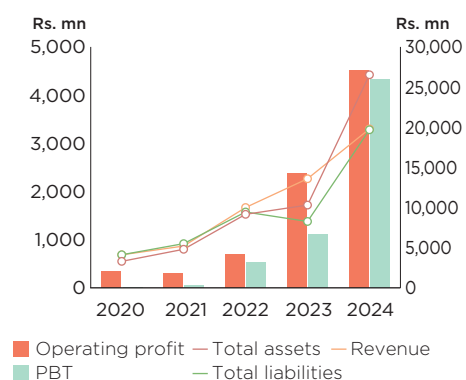
	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Appreciation of the exchange rate	M	+ Favourable to the Sector given its reliance on imported inputs
	Contraction of the construction industry for most part of the year	M	- Subdued demand for MEP, facility maintenance and other related solutions
	Government liquidity injection to construction sector towards the latter part of 2023	M	+ Gradual recovery of construction sector and promising outlook for 2024/25
Industry context	Increase in electricity and energy prices	H	+ Increased demand for solar from both residential and industrial customers
	Decline in global solar panel prices	M	+ Improved affordability
	Intensifying competition in solar	M	- Entrance of new players and intensifying price competition
Sustainability context	Sri Lanka's national climate ambitions of increasing reliance on renewable energy to 70% by 2030	H	+ Anticipated increase in demand for solar
	Increasing popularity of sustainable financing avenues and concessionary funding schemes for green investments	M	+ Potential increase in demand for solar given access to concessionary funding schemes

H-High, M-Medium, L-Low. Brown circle represents adverse effect while yellow circle represents positive affect

STRATEGY AND INTEGRATED PERFORMANCE REVIEW

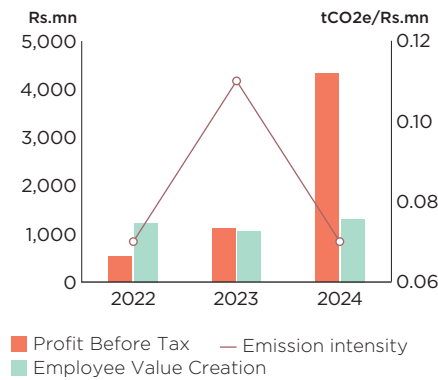
The Sector recorded delivered impressive growth and profitability during the year, emerging as the 2nd largest contributor to Group Profit Before Tax with a share of 14%. Revenue increased by 46% to Rs. 19.80 bn driven primarily by strong growth in the Renewable Energy cluster and supported by broad-based growth across all clusters. Profitability margins also improved during the year reflecting scale efficiencies in line with volume growth. The Sector's finance costs also declined significantly during the year, reflecting relentless focus on optimising working capital requirements as well as the downward trajectory of interest rates. Overall, the Sector generated a Profit Before Tax of Rs. 4.33 bn during the year a near tripling increase of Rs. 1.11 bn compared to the previous year.

SECTOR FINANCIAL PERFORMANCE



PROJECTS & ENGINEERING

INTEGRATED PERFORMANCE



Renewable Energy

The cluster reaffirmed its position as the market leader in the rooftop solar PV segment, completing 200MW of installation and commanding an estimated market share of 25%. Revenue and Profit Before Tax recorded an increase of 141% and 233% during the year and was the largest contributor to the Sector. The cluster’s strategic foresight and timely interventions in penetrating the residential segment through a wider geographical footprint of 6 branches, deployment of stronger sales force and ongoing market activations enabled the cluster to capitalise on the surge in demand for solar during the year. The cluster also continued to strengthen its product proposition through the launch of solar hot water systems and irrigation and industrial pumps. In a landmark project marking a major milestone in Sri Lanka’s renewable energy journey, the Cluster also constructed a 2MWh battery backup system powered by solar PV which can offer up to three days of uninterrupted power to the respective client. In ensuring the accessibility of solar to a wider market and driving the country’s renewable energy aspirations, the Sector also partnered with several banks to introduce easy payment schemes and concessionary rates for solar installations.

Engineering Services

The cluster posted a strong turnaround during the year, generating a positive bottom line during year. Performance was upheld by improvements in core

performance with the recommencement of projects as well as a reduction in finance costs during the year. The cluster also optimised its organisational structure to empower leadership teams and enable better resource allocation, which in turn drove increased customer acquisition. The cluster also sought supply chain efficiencies through disintermediation and proactive negotiations with principals.

System Integrated Solutions

While the cluster secured several new projects during the year, performance was impacted by the deferment of several existing projects to the next financial year. Emphasis was placed on refining the cluster’s product offering through expanding the solutions offered under the security surveillance and audio-visual services range. The cluster also relaunched its ICT services arm as Fentons Information Technology under the brand promise of ‘Dependable tech-Capable hands’ offering access to world-class security and network infrastructure solutions.

The cluster delivered record-high profitability during the year. Performance was supported by customer acquisition in new market segments and diversification of the service portfolio to include equipment maintenance and minor works. In a significant achievement, the cluster also entered Maldives during the year, securing a contract with a multi-national financial institution. The Architectural Drawings and 3D Visualisations cluster also represents

a new business line, which offers 3D modelling of architectural drawings, enabling viewers to obtain the first-of-its-kind immersive experience through virtual reality.

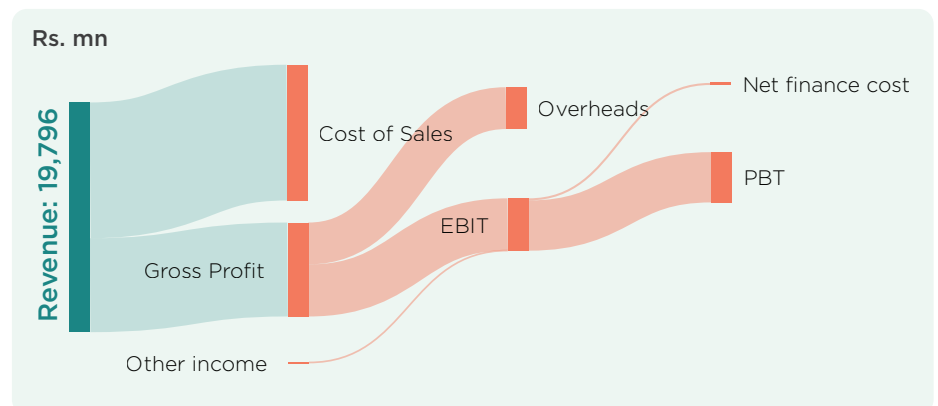
Other segments

The Equipment Trading cluster also delivered its best-ever performance through consolidating its market position in the solar panel trading and expanding its product portfolio. In a new venture, Fentons commenced Equipment Renting during the year, seizing the market opportunity presented by organisations increasingly favouring renting equipment over purchasing. This cluster is powered by a team of highly capable designers and architects.

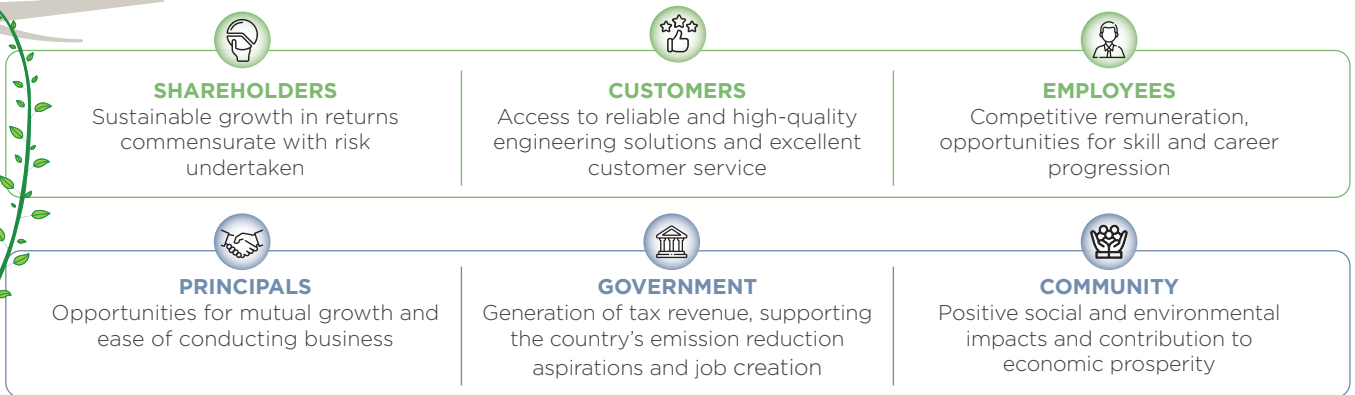
ESG in Action

The Sector commenced its alignment with the Hayleys Group’s ESG Roadmap during the year and is currently in the process of formulating its own ESG strategy with targets, action plans and deliverables up to 2030. Key interventions and developments in the Sector’s ESG integration during the year included the following:

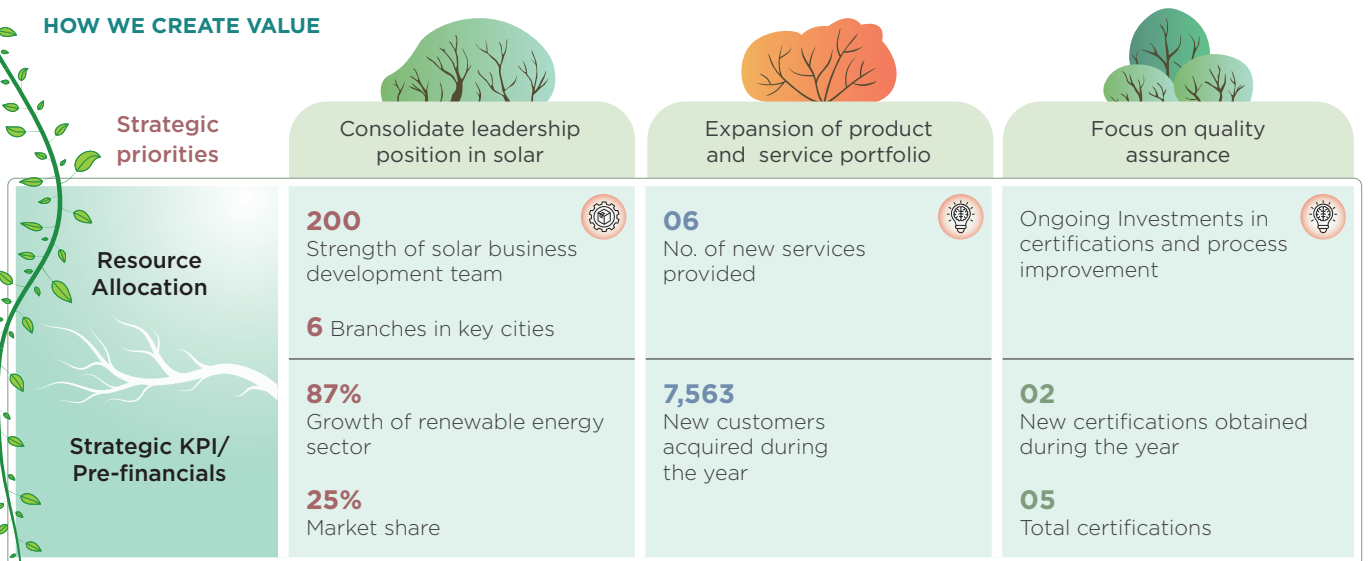
- Establishment of Sector ESG Steering Committee
- Obtaining membership of the United Nations Global Compact and committing to the 10 principles
- Strengthen ESG risk assessment and integration with existing risk processes
- Third-party verification of GHG emissions (2022/23)




HOW WE DEFINE VALUE



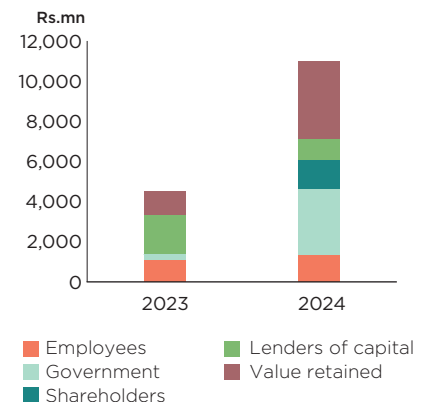
HOW WE CREATE VALUE



HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year increased by 110%
 - Payments to employees increased by 25% reflecting the Sector's increased headcount
 - Value generated to Governments amounted to Rs. 3,327 mn and accounted for 35% of the total value created
 - Payments to lenders of capital decreased by 45%.
 - Value retained in the business for future investment amounted to Rs.9,586 mn compared Rs. 4,561 mn to the previous year
- 

VALUE DISTRIBUTION



PROJECTS & ENGINEERING

FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	19,796	13,592	46	9,473
Earnings Before Interest and Tax	4,513	2,375	90	687
Net finance income/(cost)	(180)	(1,264)	(85)	(161)
Profit Before Tax	4,333	1,111	290	527
Profit After Tax	3,784	1,139	232	384
Assets	26,530	10,315	157	9,164
Liabilities	19,684	8,273	138	9,451
Operating Cash Flow	1,484	1,334	11	(3,632)
Performance against targets				
	Target	Actual	Reason for variance	
ROCE	>15%	51	Significant growth in renewable energy earnings	
ROE	>20%	240		
OPERATIONAL HIGHLIGHTS				
	2024	2023	% y-o-y	2022
Energy Intensity (GJ/Revenue Rs.mn)	0.4	1.2	(65)	0.2
Emission Intensity (tCO2e/Revenue Rs.mn)	0.07	0.1	(35)	0.1
No. of Employees	1,492	1,053	42	642
Revenue per Employee (Rs.mn)	13	13	2	10.3
Remuneration per Employee (Rs.mn)	0.9	1	(12)	1.35
Water intensity (litres/Revenue Rs.mn)	437	216	102	437

ESG HIGHLIGHTS



Greening the customer journey

Through its integrated solar EPC solutions, Fentons has successfully reduced the country's fossil fuel dependence, both for residential and commercial customers.



RESIDENTIAL CUSTOMERS

5,902 residences powered

- Customised services tailored for specific requirements
- Ensured affordability and accessibility through solar loans with favourable terms
- Support value chain through engaging providing panels to SME installers



COMMERCIAL PROJECTS COMPLETED

135 commercial projects completed

- Solar power installation in 800 communication towers in partnership with Dialog Axiata adding 5.6 Mw of capacity
- Hayleys Fabric- largest single roof solar PV system of 4600 kWp
- Coca Cola Biyagama factory-2,000 kWp
- Brandix 3 factories combined capacity of nearly 4,000 kWp

Empowering indirect employees across the value chain

Hayleys Solar empowers and supports over 150 micro-entrepreneurs who are partnered as installers in the operation of solar solutions.

	2024	2023	Y-o-y
Energy consumption (GJ)	8,299	16,466	-50
Carbon footprint (tCO2e)	1,432	1,487	-4%



Roots of resilience

Launched a biodiversity conservation programme at the Bolgoda Lake in partnership with the Department of Coast Conservation and Coastal Resource Management (CCCRMD), with the aim of reforesting 1,000 of mangroves



Employee value proposition

Hayleys Solar empowers and supports over 150 micro-entrepreneurs who are partnered as installers in the operation of solar solutions.

	2024
No. of employees	311
Training investment (Rs.mn)	7
Total training hours	15,783
Payments to employees (Rs.bn)	1.31

PROSPECTS AND PLANS

The Sector's performance is expected to be driven by Renewable Energy over the short-to-medium term, for which the outlook remains extremely promising. The country's gradual shift towards a low-carbon economy, coupled with conducive interest and exchange rates and persistently declining cost of solar modules is expected to support this growth. The dynamics shaping the Sector's operating landscape over the short, medium and long-term are listed below:

INDUSTRY RISK AND OPPORTUNITY LANDSCAPE

Sri Lanka's renewable energy drive

As a signatory to the Paris Agreement, Sri Lanka has committed to achieve carbon neutrality by 2050. This commitment entails a 70% reliance on renewable energy for power generation by 2030 and gradual phasing out of fossil fuel subsidies. On the flip side however, this transition requires the country to bridge a significant funding gap of approximately USD 11 bn.

Response

The Sector intends to leverage on the policy thrust towards renewable energy through further strengthening its market position

+ Anticipated recovery of construction and infrastructure sector

Sri Lanka's construction sector and resultant infrastructure projects are poised for growth with the gradual stabilisation of the exchange rate and relatively favourable interest rate dynamics. The strong recovery of the tourism sector is also expected to drive demand for new constructions.

Response

Strengthen market activations across key verticals to drive new customer acquisition

+ Technology driven business transformations

Emerging technologies such as virtual reality, AI, robotics and digital twins are reshaping engineering, presenting significant opportunities for businesses to drive technology enabled transformation

Response

Leveraging technology to expand the Sector's product proposition (i.e 3D visualisation through NexGen)

- Talent migration

The recent exodus of talent from the country, particularly in the IT and technology fields has posed a considerable challenge in attracting and retaining the right talent

Response

Strategic focus on developing capabilities of team and building the next generation of leaders

Sustainability related risks and opportunities (SRRO)

Supply chain visibility

The boom in production of solar panels in China have raised concerns on the use of forced labour, violations of human rights and the use of coal-fired electricity in certain regions. This has underscored the critical importance of supply chain visibility for solar contractors and suppliers purchasing panels from China.

< 1 year	Limited impact over the short-term
1-5 years	Potential restrictions on imports from selected suppliers linked to labour allegations, particularly in the EU and USA regions
>5 years	Regulations on supply chain assessments
Response	Sourcing from globally reputed suppliers with strong social and environmental practices

+ Decarbonisation goals of businesses

Organisations, particularly those in export-oriented industries are pursuing ambitious decarbonisation goals which will require significant investments in renewable energy

< 1 year	Demand from MNC and export-oriented businesses
1-5 years	Increased demand from both domestic and export-oriented businesses
>5 years	Low emission operating models will become the norm
Response	Currently exploring avenues of low-carbon technologies with the aim of decarbonising vessels

Product end of life management

The global production boom of solar panels is estimated to create a wave of solar trash over the long-term in which recycling infrastructure remains considerably inadequate

< 1 year	Limited impact over the short-term
1-5 years	Solar panel recycling regulations are likely to come into place, aligned with the e-waste regulations in the EU
>5 years	Necessitates increased capacity in solar panel recycling and comprehensive end-of-life infrastructure for uninstallation, transportation and storage
Response	Exploring avenues for responsible disposal and recycling of waste- which is likely to impact the Sector over the long-term



PROJECTS & ENGINEERING

FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none"> Consolidate market leadership position in renewable energy Efficiency and cost management drive Optimise working capital management Market activations of new business lines to drive increased penetration International expansion 	<ul style="list-style-type: none"> Strengthen market position in renewable energy and widen presence in adjacencies. Island-wide penetration of services and improving affordability Participation in the broader spectrum energy following to the reforms of the energy sector
Short-term goals ROCE>25% ROE<30%	Medium-to-long term goals ROCE>30% Gearing>45%

SASB DISCLOSURES

Table: Engineering and Construction Services Standard

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
Environmental Impacts of Project Development	Number of incidents of environmental	Number	IF-EN-160a.1	0
	Discussion of processes to assess and manage environmental risks associated with project design, siting and construction	N/A	IF-EN-160a.2	Environmental risks are identified through compliance obligations, financial implications, stakeholder concerns and environmental impacts. This process is discussed in further detail on page 302.
	Total amount of monetary losses as a result of legal proceedings associated with defect- and safety-related incidents	Presentation currency	IF-EN-250a.2	0 (No such cases identified during the year)
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	Rate	IF-EN-320a.1	Workforce Health & Safety (a) Total recordable incident rate Direct Employee=0.04 Contract Employee =0.04 (b) No fatalities recorded
Climate Impacts of Business Mix	Amount of backlog for (1) hydrocarbon related projects and (2) renewable energy projects	Presentation currency	IF-EN-410b.1	(1) 0 (2) Rs. 15,944,801,194
	Amount of backlog cancellations associated with hydrocarbon-related projects	Presentation currency	IF-EN-410b.2	0 (We are not doing the hydrocarbon-related project in our business scope.)
	Amount of backlog for non-energy projects associated with climate change mitigation	Presentation currency	IF-EN-410b.3	0
Business Ethics	(1) Number of active projects and (2) backlog in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Number, Presentation currency	IF-EN-510a.1	Not applicable
	Total amount of monetary losses due to charges of (1) bribery or corruption and (2) anti competitive practices	Presentation currency	IF-EN-510a.2	N/A
	Description of policies and practices for prevention of (1) bribery and corruption,	N/A	IF-EN-510a.3	Aligned to the Hayleys Group's Bribery and Anti-Corruption policy, which stipulates a zero tolerance for corruption
ACTIVITY METRIC				
Number of active projects (Group)		Number	IF-EN-000.A	28203
Number of commissioned projects		Number	IF-EN-000.B	14773
Total backlog		Presentation currency	IF-EN-000.C	Rs 10,812,000,000