STEPPING UP

Hayleys Fibre PLC

Annual Report 2020/21

Hayleys Fibre
Made in Ceylon

STEPPING UP

Hayleys Fibre PLC
Annual Report 2020/21

IN A YEAR THAT TESTED OUR FIGHT OR FLIGHT INSTINCT WE STOOD OUR GROUND IN MAKING THE BEST OF A CHALLENGING TIME THAT IMPACTED ON A GLOBAL SCALE. WHILE THERE WERE MANY WHO STRUGGLED TO FIND A FOOTHOLD IN A RAPIDLY CHANGING ECONOMIC ENVIRONMENT, WE REFUSED TO GIVE IN AND WORKED TOGETHER IN ORDER TO CREATE CONTINUOUS VALUE, GENERATING INNOVATION, MAINTAINING STANDARDS, LOOKING AFTER OUR PEOPLE AND FULFILLING THE EXPECTATIONS THAT WERE PLACED UPON US AND WITH WHAT WE HAVE LEARNED DURING THE YEAR UNDER REVIEW, WE ARE STRONGER AND STEPPING UP TO THE PLATE AT EXCELLING IN A NEW NORMAL.

CONTENTS

HISTORY OF THE BUSINESS

A subsidiary of the blue-chip, Hayleys Group of Sri Lanka, Hayleys Fibre PLC is a manufacturer and exporter of coir based, eco friendly products with a growing international market. Hayleys Fibre products are made of biodegradable coir fibre and coir fibre pith, extracted from coconut husks through conventional and modern processes and encompasses a full range of traditional and value added products for industrial and domestic use. The Company is part of the Eco Solutions Sector of the Hayleys Group. The award winning Hayleys Group, which commenced commercial operations in 1878 as Chas P. Hayley & Company, by Charles Pickering Hayley, is one of the largest corporate entities in Sri Lanka. With a history spanning over 143 years, Hayleys PLC has diversified business operations in 12 verticals namely Eco Solutions, Hand Protection, Purification, Textile Manufacturing, Construction Material, Agriculture, Plantations, Transportation & Logistics, Leisure & Tours, Consumer & Retail, Industrial Inputs, Power & Energy and Others.

Vision

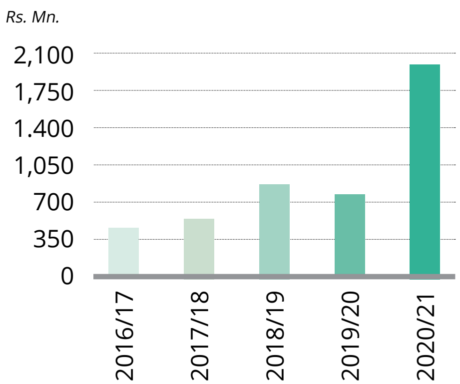
To be the leading provider of innovative, sustainable and environmental friendly products and solutions.

Mission

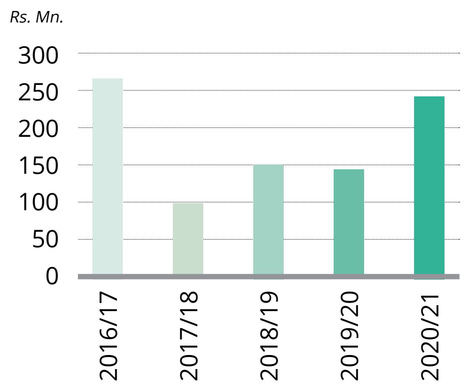
To be the globally preferred choice by delivering value to all stakeholders through a range of sustainable and environmental friendly products and solutions.

FINANCIAL HIGHLIGHTS

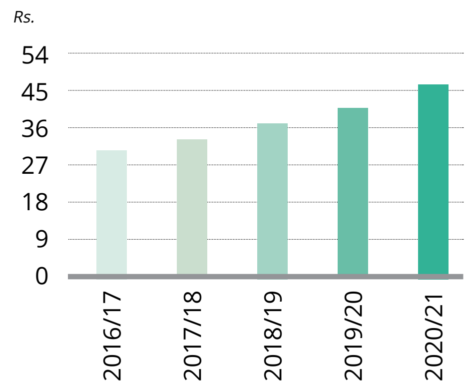
REVENUE



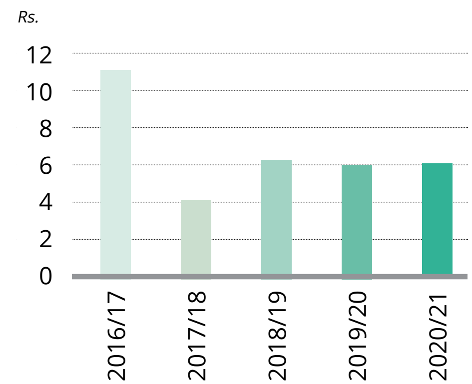
PAT



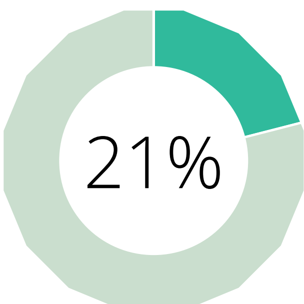
NET ASSET PER SHARE



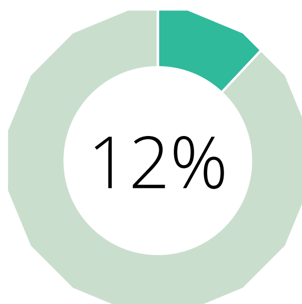
EPS



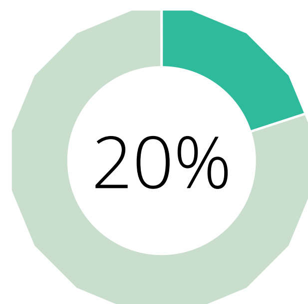
GROSS PROFIT MARGIN



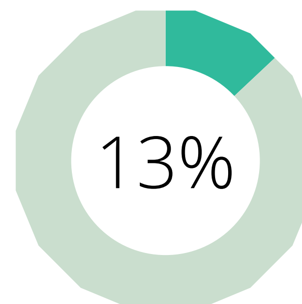
NET PROFIT MARGIN



ROE



P/E RATIO



2,001
REVENUE
(Rs. MN)

259
PROFIT BEFORE TAX
(Rs. MN)

243
Profit After Tax
(Rs. MN)

2,338
TOTAL ASSETS
(RS. MN)

FINANCIAL HIGHLIGHTS

	2020/2021 Rs. Mn	2019/2020 Rs. Mn	Change %
FINANCIAL HIGHLIGHTS			
Revenue	**2,001**	790	153
Profit before tax	**259**	177	46
Tax	**(15)**	(31)	-52
Profit after tax	**243**	146	66
Dividends	**(14)**	(68)	-79
Total assets	**2,338**	1,686	39
Total debt	**417**	278	50
Equity attributable to equity holders of the Group	**1,119**	983	14
Total equity	**1,347**	1,065	26
PROFITABILITY RATIOS			
Gross profit margin	**21%**	23%	-9
Net profit margin	**12%**	19%	-37
Return on assets	**12%**	9%	33
Return on equity	**20%**	14%	43
LIQUIDITY RATIOS			
Working capital	**678**	338	101
Current ratio (times)	**1.82**	1.62	12
Quick assets ratio (times)	**1.25**	1.12	12
EQUITY RATIOS			
Net assets per share (Rs.)*	**46.64**	40.98	14
Earning per share (Rs.)	**6.16**	6.09	1
Dividend per share (Rs.)	**0.58**	2.83	-80
Highest market price per share (Rs.)	**300.00**	124.00	142
Lowest market price per share (Rs.)	**44.45**	78.50	-43
Market price as at end of the financial year	**47.60**	87.10	-45
DEBT RATIOS			
Debt to equity	**30.94%**	26.08%	19
Interest cover (times)	**14**	40	-65
Assets to equity ratio	**173%**	158%	10

**Net assets attributable to equity holders of the Company*

JOINT STATEMENT FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

JOINT STATEMENT FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

THE FISCAL YEAR 2020/21 HAS TESTED OUR METTLE IN TERMS OF OUR RESILIENCE TO FACE PROBABLY THE MOST CHALLENGING WORK ENVIRONMENT IN OUR LIFETIME. THE PANDEMIC SITUATION DEMONSTRATED THE STRENGTH AND RESILIENCE OF OUR BUSINESS MODEL, EMPLOYEES AND MANAGEMENT TEAM, SHOWCASING THE VALUE OF COMMITMENT AND THE CREDIBILITY OF THE MANY RELATIONSHIPS AND PARTNERSHIPS WE HAVE FOSTERED OVER THE YEARS.

We are pleased to share the Audited Accounts and Annual Report of Hayleys Fibre PLC and its Group with the shareholders, for the financial year which ended 31st March 2021. Amidst one of the most challenging periods brought about by the COVID-19 pandemic, the Group recorded a turnover which outperformed the results of the previous year.

It is promising to note that despite the COVID-19 pandemic affecting global trade and supply chains, the Company's strategic investments over the previous years brought in noteworthy results for the financial year under review, and opened up greater opportunities for diversification, expansion and growth.

A key highlight of the year was the increased focus on backward integration and collaborative efforts to ensure seamless business activities, whilst taking steps to protect employees and business continuation through extensive health and safety measures.

We are also glad to state that in the face of multiple challenges during the financial year and with a considerable uncertainty during the first wave, the Hayleys Group along with Eco Solutions Sector Companies that included Hayleys Fibre PLC, made a definitive decision to retain all employees at full remuneration, thereby ensuring their job security whilst granting their annual increments and bonuses.

MACRO ENVIRONMENT

Although the global economy is gradually recovering from the effects of the COVID-19 pandemic, the World Bank predicts that its impacts will continue to remain below pre-pandemic trends for a prolonged period. The World Bank forecasts that the global economic output would expand 4 percent in 2021, but still remain more than 5 percent below the pre-pandemic trend. Global growth is projected to moderate to 3.8 percent in 2022, weighed down by the pandemic's lasting damage to potential growth, according to the World Bank.

Despite the monetary and fiscal stimulus from governments to sustain economic activities and reduce the effects of the pandemic, economic recovery didn't transpire as anticipated. The pandemic continuing into 2021, witnessed most markets remaining in lockdown whilst restricting international trade to mostly essential goods, which were a few reasons for the slow turnaround. In turn, this impacted international shipping activities and rates, the availability and cost of raw materials, and the demand for goods and services in its key markets.

The global economic revival remains challenged and uncertain, nevertheless the ongoing large scale vaccination drive in our key export markets is a positive development and the resumption of normalcy would be key for business continuity. On the other hand, the key manufacturing countries in

JOINT STATEMENT FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

South Asia are still grappling with the latest waves of COVID-19, in the absence of large scale vaccination programmes which are seen in the more developed countries. In that sense, maintaining a safe and uninterrupted supply chain remains a key challenge to be overcome.

FINANCIAL PERFORMANCE

Bonterra Limited (BTL) which was accounted for under Equity Accounted Investee method up to 31st March 2020, has been consolidated as a subsidiary with Hayleys Fibre PLC with effect from 1st April 2020, as per the SLFRS 10 - Consolidated Financial Statements. The financial impacts on the consolidation have been summarised in notes 16.2 and 16.3 to the financial statements. The Group's revenue improved to Rs. 2001 million from Rs. 790 million in the previous financial year with a revenue of Rs. 918 million added from Bonterra consolidation.

Creative Polymats (Private) Limited (CPL) grew its revenue to Rs, 351 million from Rs.93 million in last year which was the first year of its operation. The Group's Profit Before Tax (PBT) increased to Rs.259 million in the current financial year compared to Rs.177 million PBT recorded during the previous year. Group's after-tax profit was Rs. 243 million compared to a profit of Rs. 146 million made in the previous year. The performance of both BTL and CPL improved significantly compared to previous year, as explained in page numbers 17 and 18 of this report under "Operational Review and Management Discussion".

The Company, Hayleys Fibre PLC recorded a 5% revenue growth over the previous financial year despite the rescheduling of orders by its major customers.

The Company also executed a share split of 3 for 1 on 10th February 2021, and as a result the total number of shares increased to 24,000,000 shares compared to the previous number of shares of 8,000,000. Earnings Per Share (EPS) of the Company was recorded as Rs. 5.68 (Rs. 6.07 in 2019/20) while the Net Asset Value (NAV) per share was Rs. 41/- which remains the same as last year.

DIVIDENDS

A first interim dividend of Rs.1 per share on 18th December 2020 and a second interim dividend of 25 Cents per share on 25th March 2021 were paid, and the Board of Directors further recommended a final dividend of Rs.1.75 per share for the financial year ended 31st March 2021.

OUTLOOK FOR 2020

With the 'new normal' setting in and the COVID-19 vaccination drive continuing worldwide, the global economy is expected to gather greater momentum in 2021. Potential demand from the key markets opening up after the year-long partial lockdown situations have been considered within the Group's expansion plans, and its manufacturing and raw material supply plans. As mentioned previously, most of the Asian manufacturing and raw material supply locations are still lagging behind the COVID-19 vaccination programmes, while the impacts of the different phases/waves of COVID-19 remain a key challenge to overcome in the unfolding fiscal year for 2021/22.

The Group has introduced stringent COVID -19 safety management systems with extensive hygiene practices throughout all its manufacturing locations to safeguard its employees and the business. Obtaining the COVID-19 Safety Management System certification through SGS for all our factories is a key step in the right direction. However, securing additional coconut fibre and fibre pith for our expansion needs, under the prevailing COVID-19 situation will pose a key challenge in the new financial year. A number of new initiatives such as the backward integration and the geographic expansion of our supply base will be launched for this purpose.

At Bonterra, a significant capacity expansion has been implemented to cater to the continued rapid growth in the business. Supplementing this effort, a new raw material mix with jute and coco fiber was introduced to the market as a product extension. Venturing into India with erosion control products will be further explored to increase market share in the region.

Creative Polymats (Private) Limited, one of the Sector's new ventures will continue to be a strategic driver in the Group's local market and product expansion plans by introducing a PU Mattress line to our existing mattress range.

Our Company is also exploring new market segments in Russia in addition to traditional growing media, where opportunities lie in reptile bedding. Whilst exploring product development and enhancing the supply chain and production, the Group will also concentrate on raw material bulk purchasing and increased stocking as a strategy to support continuity in uninterrupted production, and eliminate seasonal fluctuations on raw material price levels. At the same time, the Group is setting up plans to extend its

JOINT STATEMENT FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

product offerings in growing media with more value added products that will help to derive future sales and increase profitability.

We remain confident of the successful management of these challenges, whilst capturing new opportunities in the market place along with the product extensions/value addition projects underway to grow the topline and drive profitability in line with our strategic direction. All these efforts will enable us to become a more formidable player in the market or the product segments we operate in.

APPRECIATION

The fiscal year 2020/21 has tested our mettle in terms of our resilience to face probably the most challenging work environment in our lifetime. The pandemic situation demonstrated the strength and resilience of our business model, employees and management team, showcasing the value of commitment and the credibility of the many relationships and partnerships we have fostered over the years.

We thank our customers whose patronage has been pivotal to the Group sailing through the challenges and obstacles under the global pandemic, while appreciating the support extended by all stakeholders to navigate through a difficult operating environment. A special note of appreciation is extended to all our loyal and committed employees, whose dedication, courage and support during the pandemic, made it possible to overcome those challenges and produce outstanding results.

Sincerely,

A. M. Pandithage
Chairman

H. S. R. Kariyawasan
Managing Director

12th May 2021

OUR PRODUCT PORTFOLIO

GROWING MEDIA

Use of coir pith and coconut husk chips as a soil substrate for cultivation; Coir Fibre Pith, Husk Chips, Chopped Fibre, Grow Blocks, Grow Bales and Grow Bags.

OUR PRODUCT PORTFOLIO

INDUSTRIAL FIBRE

Coir Twine, Coir Twisted Fibre and Fibre in raw form.

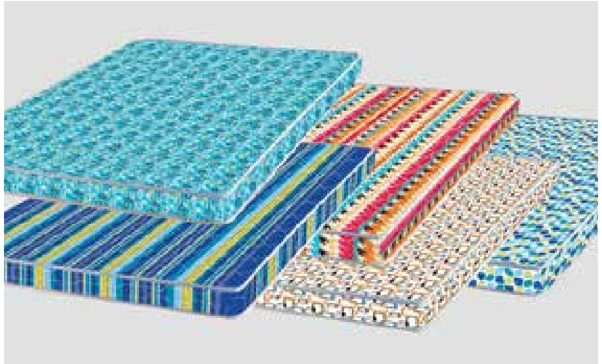
OUR PRODUCT PORTFOLIO

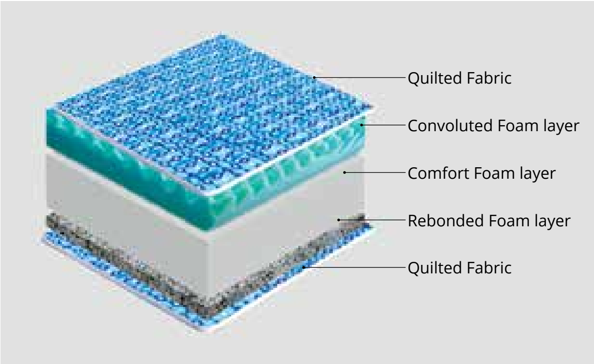
EROSION CONTROL

Erosion control solutions; Stitched Blankets, Geo Textiles, Geo Logs & Pillows.

OUR PRODUCT PORTFOLIO

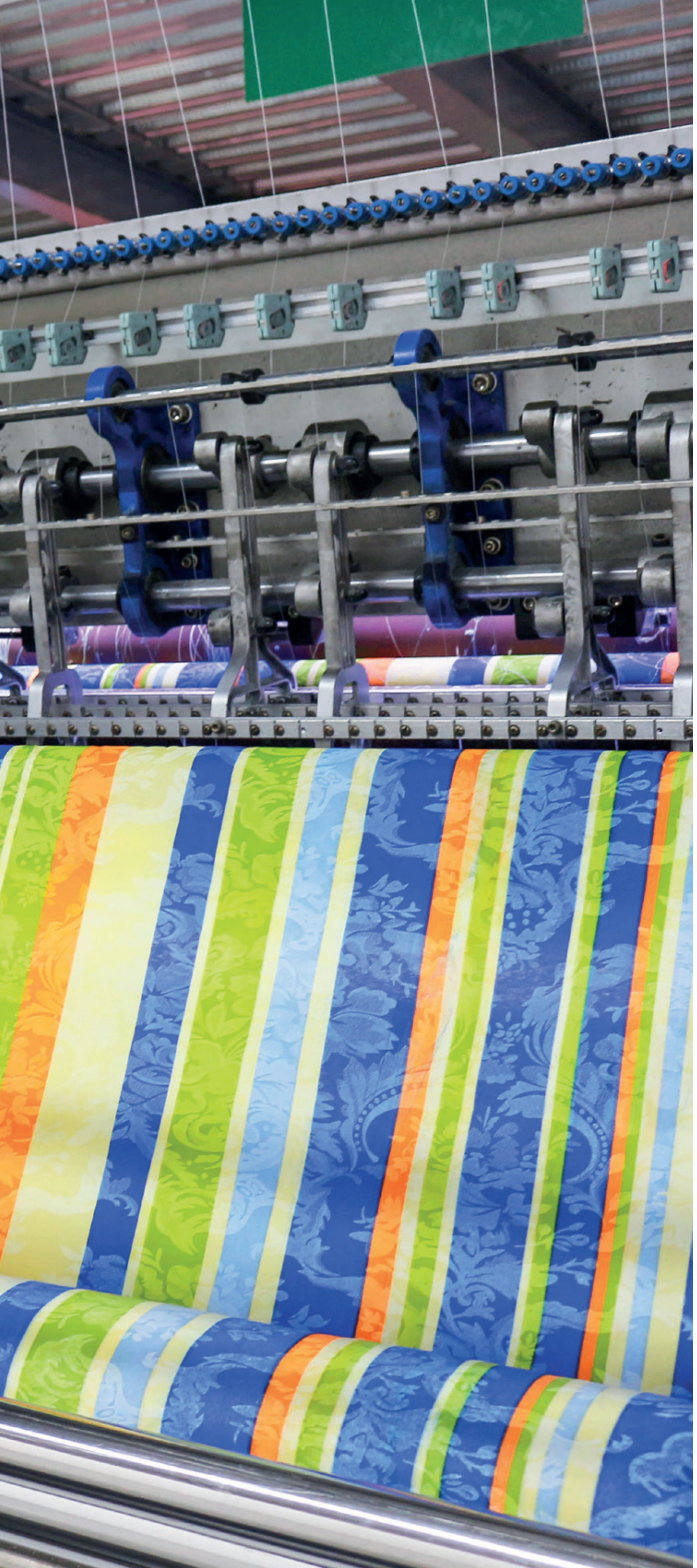
POLYURETHANE MATTRESSES, PILLOWS AND CUSHIONS





OPERATIONAL REVIEW AND MANAGEMENT DISCUSSION

AT A TIME WHEN MOST COMPANIES WERE SCALING DOWN THE BUSINESSES OR ABSORBING HEAVY LOSSES, WE ARE PLEASED TO REPORT THAT HAYLEYS FIBRE PLC AND ITS GROUP, STEERED TO CLOSE THE YEAR ON A POSITIVE NOTE DESPITE STACKING CHALLENGES DURING THE FINANCIAL YEAR.



OPERATIONAL REVIEW AND MANAGEMENT DISCUSSION

THE GROUP REPORTED A PROFIT BEFORE TAX (PBT) OF RS. 259 MILLION AGAINST RS. 177 MILLION REPORTED IN THE PREVIOUS YEAR. THE GROUP'S PROFIT AFTER TAX (PAT) WAS RS. 243 MILLION COMPARED TO A PROFIT OF RS.146 MILLION MADE IN THE PREVIOUS YEAR.

OPERATIONAL REVIEW AND MANAGEMENT DISCUSSION

FINANCIAL OVERVIEW

At a time when most companies were scaling down businesses or absorbing heavy losses, we are pleased to report that Hayleys Fibre PLC and its Group, steered to close the year on a positive note despite stacking challenges during the financial year.

The strategic planning and foresight of the management during the COVID-19 pandemic at the very beginning of the financial year, helped beat the uncertainties and challenges of the 2020/2021 financial year whilst identifying new opportunities and new partnerships to achieve satisfactory operational profitability for the Hayleys Fibre Group.

REVENUE

The Group's revenue grew to Rs. 2,001 million from Rs. 790 million in the previous financial year. Bonterra Limited has been consolidated with Hayleys Fibre PLC with effect from 1st April 2020 and figures are presented accordingly as per SLFRS 10 ; Consolidated Financial Statements. The financial impacts on the consolidation have been summarised in notes 16.2 and 16.3 to the financial statements. The Group has recorded a gross profit of Rs. 411 million (21%) against Rs. 183 Million (23%) reported in the previous year. The capacity expansion of Bonterra Limited business and the new subsidiary operation which is a key component of the diversification strategy kept the Company's revenue positive despite some obstacles in executing the year's strategic plans due to the pandemic and its subsequent global impacts. The growth in the Group's revenue is a testimony to the stability and resilience of the Group, as well as the dynamism, adaptability, speedy decision making ability at focal levels and strong strategic planning capabilities of the senior management.

In addition, strategic shifts in raw material sourcing and new market development helped maintain revenue streams despite these challenges.

PROFITABILITY

The Group reported a profit before tax (PBT) of Rs. 259 million against Rs. 177 million reported in the previous year. The Group's profit after tax (PAT) was Rs. 243 million compared to a profit of Rs.146 million made in the previous year.

The Company reported a pre-tax profit of Rs. 131 million compared to profit of Rs. 182 million made in the previous year. The Company's profit after tax was Rs. 136 million compared to a profit of Rs. 146 million made in the previous year. Unanticipated freight and shipping rate hikes and limited access to ship spaces, increased health and safety measure expenses, a lockdown curfew that lasted for almost 6 months, and rising USD to Sri Lanka Rupee exchange rate impacted operational performance of entities using import based raw materials.

Additional overheads were also incurred for PCR testing and worker welfare activities on ground to mitigate potential risks resulting from COVID.

However, timely strategic shifts and management decisions helped both the Group and the Company remain profitable during this challenging financial year supported by productivity improvements and supply chain efficacy during the latter part of the year.

AFFILIATED BUSINESSES OF THE GROUP

Hayleys Fibre PLC's subsidiary companies recorded satisfactory revenue during the financial year, amidst epidemic impacts affecting orders and raw material supply for production.

The shareholdings of Bonterra Ltd remained unchanged in the year, with Hayleys Fibre PLC holding 50 percent of total shares in the subsidiary company.

OPERATIONAL REVIEW AND MANAGEMENT DISCUSSION

Bonterra Ltd

The subsidiary Bonterra Limited maintained the momentum from last year with a revenue of Rs. 918 million and a profit before tax of Rs. 224 million.

Bonterra Ltd is Hayelys Fibre PLC's erosion control solutions provider, which is engaged in manufacturing erosion control blankets from coir.

During the year, the third plant for manufacturing erosion control products was commissioned, increasing the capacity of Bonterra by 900,000 square meters to 2 million square meters per month.

Bonterra Ltd introduced and expanded its jute and coco fibre mixed erosion control products during the year, whilst growing the market share in India for erosion control products. Bonterra's market share in the Indian continent increased significantly from Rs. 7 Million to Rs. 90 Million despite the severe spread of COVID in the country.

OPERATIONAL REVIEW AND MANAGEMENT DISCUSSION

The market share of the erosion control blanket product segment in the Asian Region could be increased mainly by penetrating and developing the South and South-East Asian markets. The venture would be supported by the infrastructure development projects such as Chinese One Belt One Road and similar road initiatives in the region.

Creative Polymats (Pvt) Ltd

The subsidiary company, Creative Polymats (Private) Limited (CPL) that produces and sells PU foam mattresses, pillows and foam sheets in the local market, reported a revenue of Rs. 351 million but incurred a loss of Rs. 18 million during the reporting period.

Creative Polymats (Pvt) Ltd (CPL) which commenced commercial operations in 2019, had a setback due to the testing time of its first year of operation. Higher operational costs and lower sales revenue recorded at the beginning of the year led CPL to report a loss in 2020/2021.

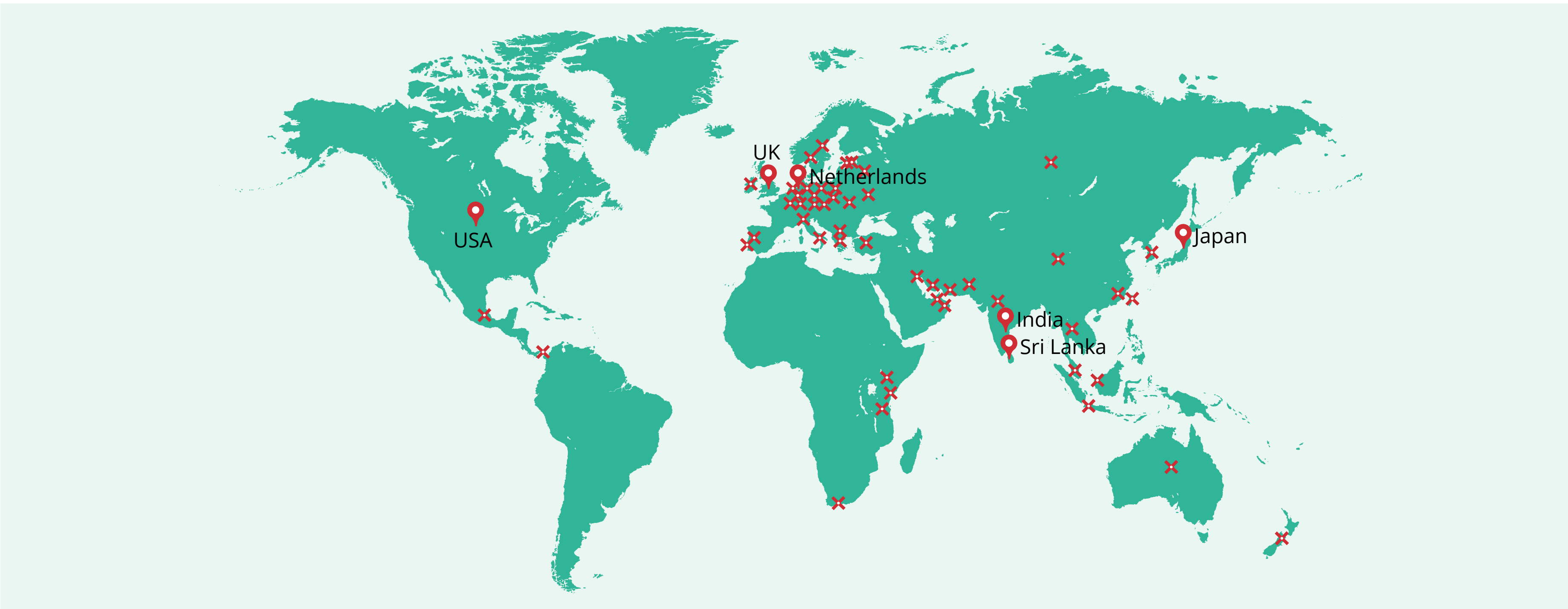
The mattress business in the sector partnered with renowned international brand 'Springwall' during the year. The tie up with the Canadian licensed mattress manufacturer would enhance the mattress business both locally and regionally.

GLOBAL PRESENCE

Hayleys Fibre PLC has been a key market player in the Eco Solutions Sector in most markets such as EU, UK, Japan, and the USA. The Company focused on expanding its footprint in other potential non-traditional markets in the year.

COVID-19 also emphasised the need to explore new markets, away from the traditional ones, especially markets within the region that provide lower shipping and operational costs of supply due to proximity. With this expansion objective, Hayleys Fibre PLC ventured into the Middle East, South America, and the Mediterranean.

GLOBAL PRESENCE AND KEY DESTINATIONS



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OPERATIONAL REVIEW AND MANAGEMENT DISCUSSION

OPERATING ENVIRONMENT

Market uncertainties and turbulence of 2019 that crippled global and domestic trade and commerce continued during the 2020/2021 financial year, aggravated by COVID-19 prompted lockdown curfews and mobility restrictions in overseas markets as well as domestic commercial districts.

UK, Europe and USA markets continued to be restricted as the pandemic spread rapidly with multiple waves during the year which detained international trade and market accessibility. The unpredictability and lack of control of the virus's spread and its ripple effects on trade, demand and supply had severe impacts on confirmed orders that got cancelled during the period.

Access to raw material and cost of supplies escalated during the year fuelled by the exchange rate rise, especially for the CPL business operation. Unexpected price increases in raw material and material scarcity and sourcing was an issue on all fronts. Imported raw material costs increased due to freight cost increases combined with cost increases by the suppliers. The impact of this on import dependent product portfolio such as the PU operation was major. Further, import restrictions imposed by the Government added to raw material scarcity and cost of imports especially in PU mattress manufacturing.

On the domestic front, local sales reduced as a direct result of the sudden curfew imposed by the Government to contain the spread of the virus. The lockdown also led to order cancellations/ postponement and rescheduling.

In addition, large erosion control projects previously confirmed were cancelled during the year due to COVID-19.

The cost of the pandemic was also felt in debt collection on both local and export sales, which slowed as a result, as well as on implementing COVID safety measures across the Group's production floors and offices.

However, the Group managed to quickly turnaround the low performance of the financial year, gathering momentum by end of 2020 to recover losses. By accepting the 'new normal' and acknowledging that the pandemic was not likely to end any sooner, the management took swift action to re-align its strategic focus and strengthen core business areas.

Reassure Customers

The 'new normal' gave rise to concerns at the customer end with low turnout of production floor staff due to lockdown and delivery dates of end products uncertain due to shipping challenges. Speedy remedial action was taken to reinstate customer confidence with apt communication on production processes, delivery status and availability of goods.

On the positive side some overseas customers who relied on a single supplier for orders expanded their supplier base, allowing Hayleys Fibre to cater to orders coming in from new customers.

Reassessment of Demand and Solidifying Supply Chain

The management team initiated discussions with key international buyers to understand market conditions and to plan order patterns and quantities while working towards forward order planning.

Sales & Operations Planning (S&OP), is implemented with an integrated business management process that empowers leadership to focus on key supply chain drivers, including sales, marketing, demand management, production, inventory management, and new product introduction. This process helps in confirming orders, planning raw material, production, scheduling shipments and avoiding delivery delays in the current challenging shipping and logistics context.

OPERATIONAL REVIEW AND MANAGEMENT DISCUSSION

The Group's centralised purchasing initiatives and overseas presence for material sourcing helped the business retain competitive price levels of finished products.

Product Expansion

The team also developed highly technical value added growing media solutions to expand the product portfolio of the Company to buffer single product dependency.

Further initiatives have been taken on research and development to improve the cost-effectiveness of the growing media products without compromising the quality.

TECHNOLOGY, R&D

Technology infusion and automation of certain processes in previous years helped the Company increase productivity and efficiency of processes and systems, whilst reducing wastage and costs. We are exploring innovative solutions to upgrade the conventional fibre extracting methods to a modernised milling technology.

OPERATIONAL REVIEW AND MANAGEMENT DISCUSSION

Hayleys Fibre plans to enhance technology in all aspects of production and processes, in order to remain globally competitive.

The Group is also focusing on setting up a comprehensive facility for producing Value Added Growing Media (VGM) with a fully-fledged R&D center targeting new product development that would cater to dynamic consumer demand shifts and behavioural changes well ahead of the competition. Evaluations and feasibilities are being carried out presently to acquire an appropriate property.

Procurement	Production – Basic Raw Material		Production – Value Added Raw Material			Production – Value Added Products
Husks →	Mill →	Raw materials →	Washing/ Buffering →	Drying →	Value added raw materials →	Manufacture Value added Grow Bags for Exports

QUALITY SYSTEMS, CERTIFICATIONS AND AWARDS

The Group maintains stringent quality standards and best practices to ensure the international quality of all our products. The recent investments made in aligning with global quality parameters have contributed towards consistency in the high standard of our products that are internationally competitive.

The sector companies were recognised with National Chamber of Exporters Awards, in Coconut and Coconut Products (Large Category), comprising Gold, Silver and Bronze awards.

CSR/SUSTAINABILITY

Our initiatives on CSR activities are very much on material and money to support education, protect the environment and improve livelihoods of people living in remote areas.

Hayleys Fibre completed its project to install a plant to supply clean drinking water for families of the Bathalayaya Village in the Mahiyanganaya District. This plant distributes around 10,000 litres per day.

OPERATIONAL REVIEW AND MANAGEMENT DISCUSSION

HUMAN RESOURCES

In keeping with the Company's growth philosophy of the "Triple Bottom Line: People, Planet and Profit", the employees of the Hayleys Fibre Group are at the core of our business and our growth.

We are pleased to share that despite the year being one of the most challenging on the human resource front, Hayleys lived by its commitment to its employees by ensuring job security, health and safety, and work-life balance of all employees.

The Group retained all its employees during the financial year, ending fears of job loss and staff layoffs. The spread of the COVID-19 pandemic during the year led the Group to take measures to ensure staff health and safety. As a result, frequent random PCR/COVID testing, health checks, and office and factory space sanitisation efforts were implemented with the guidance and assistance of the local Public Health Inspectors (PHIs) and the Government Medical Officers of the area (MOH).

The Group also implemented a series of workplace best practice internal awareness campaigns and instigated best practices across all divisions and factories. Efforts were made for the early detection of COVID positive patients to ensure the safety of all employees.

Under the 'new normal' environment, the management did not hesitate to immediately implement priority staff working arrangements for essential jobs and where possible 'work from home' options for others to lower the risk of employee exposure to the virus.

Continuous guidance, assistance and physical and mental health support was provided to all employees in keeping them stable and cared for during the sudden rise in the pandemic situation and subsequent lockdowns that followed.

While remote human resource management was one of the most challenged areas during the financial year, the Human Resource teams were commendable in their efforts to mitigate the impacts of the virus on the staff and the business, as well as to take prompt action in ensuring the seamless functioning of all units.

As a result of the lockdown for most months of the year, training and development activities were not implemented as planned.

However, the Group witnessed leadership, teamwork, and caring for each other, which have been fostered throughout trainings and activities in previous years, come alive in every employee of Hayleys Fibre Group who worked harder, thought strategically, and acted with courage and empathy showcasing an indomitable spirit not to be defeated by the challenges of COVID and related uncertainties, but instead to overcome them and strive towards success.

FUTURE PLANS

Journeying into the 2021/2022 financial year, Hayleys Fibre Group has factored in the potential challenges of the COVID-19 and the 'new normal' in its strategic plans towards achieving the Group's business objectives. The Group believes that the coming financial year will see most markets return to pre-COVID trade activities assured by the worldwide vaccination drive supported by the World Health Organisation to fight against the pandemic.

However, the Group has strengthened the supply chain through bulk purchasing, increased warehousing and stock retention of raw material, as well as domestic and regional raw material sourcing to avoid any potential disruptions to the production process.

We are hopeful that the impacted orders from COVID affected markets will resume to regular demand levels.

OPERATIONAL REVIEW AND MANAGEMENT DISCUSSION

Hayleys Fibre plans to enhance value added product segments in the future, with sales support on ground to develop new markets and explore potential new media demands. While our footprint in international markets is targeted to be increased, a key objective of the Company in the new financial year will be to solidify market share in the local market for mattress sales.

Yet during the coming financial year, the Group foresees domestic and global challenges that would have a direct impact on the import and export trade, as well as on the profitability of products and services. We are aware and concerned that some of these challenges may not be easily overcome. Uncertainties on exchange rate fluctuations, freight and shipping rates, state import and export policies and the depreciation of the rupee, will pose threats to profitability in 2021/2022.

Several measures have been taken to cushion the effects by implementing bulk raw material purchasing for excess stocking, and widening the raw material supplier base to include regional and domestic suppliers.

The strategic move into Russia and India continued and proved feasible. The Company is exploring entry into Russia's significant reptile bedding market as well as India's mattress markets in the future.

With state policies favouring an agriculture based economy, and relief in terms of levies, credit, and land, Hayleys Fibre is certain this is right up the alley of the Eco Solutions arm. Strategically, the Company will expand the sustainability and agro based product portfolio. This includes green house marketing, sustainable solutions, agro-industry development (soil-less growing), and green roofing.

Nevertheless, Hayleys Fibre Group is focused on being dynamic, speedy and strategic in achieving our growth targets, and is prepared to be flexible and tactical in our approach during the short term as well as the longer term, irrespective of obstacles ahead.

We are optimistic that Hayleys Fibre PLC, Bonterra Ltd and Creative Polymats (Pvt) Ltd will prove to outperform current targets in the coming year, strengthened by the strategic investments, partnerships and product developments (R&D) that the companies have benefited from during the year.

PROFILES OF DIRECTORS

A.M. PANDITHAGE –
Chairman & Chief Executive

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

Appointed to the Board of Hayleys Fibre PLC in 2007.

Fellow of the Chartered Institute of Logistics & Transport (UK). Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Shipping Agents. Recipient of the Best Shipping Personality Award by the Institute of Chartered Shipbrokers; Leadership Excellence Recognition – Institute of Chartered Accountants of Sri Lanka; Honored with Lifetime Achievement Award at the Sea trade – Sri Lanka Ports, Trade and Logistics; Lifetime Award for the Most Outstanding Logistics and Transport Personality of the Year – Chartered Institute of Logistics & Transport. Member of the Advisory Council, Ministry of Ports and Shipping.

H. S. R. KARIYAWASAN –
Managing Director

Joined the Hayleys Group in January 2010. Has overall responsibility for the Eco Solutions sector as the Managing Director of Hayleys Fibre PLC. Is also the Managing Director of the Purification Products sector, Haycarb PLC, and the Deputy Chairman of Dipped Products PLC.

Appointed to the Group Management Committee in February 2010 and to the Board of Hayleys PLC in June 2010. Appointed to the Board of Sri Lanka Institute of Nanotechnology (Private) Ltd., (SLINTEC) as a Nominee Director of Hayleys PLC in March 2019.

Holds a B Sc Engineering (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.

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 Organisation, 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

Appointed to the Board of Hayleys Fibre PLC in September 2009. Fellow Member of CA Sri Lanka and Member of institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayawardenepura.

Held several Senior Management positions in large Private Sector Entities in Sri Lanka as well as overseas.

Has responsibility for the Strategic Business Development Unit of Hayleys PLC, He serves on the Boards of Unisyst Engineering PLC, Alumex PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC and Horana Plantations PLC.

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. Mr. Thoradeniya has been credited as a proven business innovator across industries. A marketer by profession, Mr. Thoradeniya was in the pioneering batch of Chartered Marketers of the Chartered Institute of Marketing (UK).

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. Appointed as the Deputy Managing Director / CEO of Eco Solutions sector of Hayleys in April 2019. Holds a Masters in Manufacturing Management from the University of Colombo. Has over a decade of management experience in multi- national organisations, 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.

PROFILES OF DIRECTORS

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

Appointed to the Board in September 2017, Dr. Prasad Samarasinghe is the Managing Director of Lanka Bell Ltd. In addition, he holds the position of Managing Director of Bell Solutions (Pvt) Ltd, Alternative Director positions at HNB PLC, HNB Assurance PLC and HNB General Insurance Limited and the directorships of three non-profit organisations, FITIS, TRACE and Information and Communication Technology Industry Skills Council (ICTSC).

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), he also has a Licentiate (Parts I and II) from the Institute of Chartered Accountants of Sri Lanka with the island's best results in Financial Accounting, Business Mathematics, Statistics and Data Processing. 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. Appointed as the Chief Operations Officer (COO) of Eco Solutions sector of Hayleys in April 2019. Holds a Masters in Business Administration from Anglia Ruskin University, UK/ Dip in Manufacturing Management from University of Colombo. He counts over two decades of management experience in multi-national organisations, Glaxo Smithkline Beachem, Ansell Lanka (Pvt) Ltd and Unilever Ceylon Ltd. Before joining Hayleys Group, held the position of Supply Chain Director of Glaxo Smithkline Beachem.

D. K. DE SILVA WIJEYERATNE

Appointed to the Board in April 2018. Mr. Wijeyeratne is an Associate member of The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), Fellow member of the Chartered Institute of Management Accountants, UK (FCMA) and a Graduate member of the Australian Institute of Company Directors (GAICD).

He 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 for the group offices of HSBC group in the Kingdom of Bahrain. A member of the Senior Management team. Responsible for Corporate Treasury Sales and management of Asset and Liability Management (ALCO) for three legal entities of HSBC group operating in Bahrain. In 2010, joined Third Wave International WLL (TWI) as an equity partner and CEO and embraced entrepreneurship. Leads a team of consultants and facilitates consultancy offerings in Financial Advisory, Human Resources, Marketing, Project and Quality Management, Research and Learning and Development to the private and public sector entities in Bahrain and Oman.

Mr. Wijeyeratne serves as a Non-Executive Director of Regnis (Lanka) PLC, Singer Industries (Ceylon) PLC, Singer (Sri Lanka) PLC and Sampath Bank PLC.

M. C. SAMPATH

Joined Hayleys Group in June 2015 as the Chief Financial Officer of the Eco Solutions Sector. Appointed to the Board in May 2018.

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 more than twenty years of experience in the field of accountancy and financial management at senior positions in local and overseas companies.

W. A. K. KUMARA

Appointed to the Board in August 2018. Joined Bonterra Ltd in May 2016 as a Chief Marketing Officer and was promoted to CEO of Bonterra Ltd in April 2017.

He worked at Volanka Exports Ltd as a Senior Manager Marketing from 2007-2015 and Ceylon Leather Products PLC as Chief Marketing Officer from 2015-2016 prior to joining Bonterra Ltd.

Holds a BSc (General) Degree from University of Kelaniya, MBA (Marketing) from University of Colombo and Postgraduate Diploma in Commerce from University of Kelaniya. Fellow member of the Charted Institute of Marketing-UK.

STATEMENT OF DIRECTORS' RESPONSIBILITY

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 Group, and in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The Directors have confirmed that the Company has satisfied the solvency test requirement under Section 56 of the Companies Act No.07 of 2007 for the interim dividends paid and final dividends proposed. Solvency certificates were obtained from the Auditors in respect of the interim dividends paid and one has been sought in respect of the final dividends 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 pages 48 to 51 sets out their responsibilities in relation to the financial statements.

COMPLIANCE REPORT

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

By Order of the Board,

Hayleys Group Services (Pvt) Ltd.

Secretaries

12th May 2021

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

The details set out, provide the pertinent information required by the Companies Act No.07 of 2007, the Colombo Stock Exchange Listing Rules and are guided by recommended best Accounting Practices.

PRINCIPAL ACTIVITIES

Hayleys Fibre PLC and its subsidiary of Bonterra Ltd are primarily involved in the manufacture and export of coir fibre products. The subsidiary, Creative Polymats (Pvt) Ltd, produces polyurethane mattresses and other related products for local markets.

REVIEW OF THE YEAR

The joint statement from the chairman and the managing director (pages 6 to 9) and operational review and management discussion (pages 14 to 24) describes briefly the activities of the Group and the Company during the year under review. The results for the year are set out in the Income Statement.

The Directors, to the best of their knowledge and belief, confirm that the Hayleys Fibre Group has not engaged in any activities that contravene laws and regulations.

FINANCIAL STATEMENTS

The Financial Statement of the Group and the Company given on pages 52 to 61 in the Annual Report.

AUDITORS' REPORT

The auditors' report on the financial statements is given on pages 48 to 51.

ACCOUNTING POLICIES

The accounting polices adopted in the preparation of financial statements are given on pages 62 to 77 There were no changes in the accounting policies adopted by the Group.

INTERESTS REGISTER

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

Directors' Interest in Transactions

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No.7 of 2007. Note 37 to the Financial Statements dealing with related party disclosures.

Directors' 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 Directors' shareholdings in the Company are given later in this report. There were no changes in holdings during the period.

Directors' Remuneration

The total remuneration of Non Executive Directors for the year ended 31st March 2021 was Rs. 2 million, 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 reviewed 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.

The Committee met Four (04) times in the financial year 2020/2021.

Attendance

Meetings were held on 15th June 2020, 11th August 2020, 06th November 2020 and 10th February 2021.

The attendance of the members at these meeting was as follows.

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

Details of the Related Party Transactions Review Committee are given on page 45 in the annual report.

CORPORATE DONATIONS

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

(2019/2020 – NIL)

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

DIRECTORS' INDEMNITY AND INSURANCE

The ultimate parent of the Company, Hayleys PLC has obtained a Directors' and Officers' Liability insurance from a reputed insurance company in Sri Lanka providing worldwide cover to indemnify all past, present and future Directors and Officers of the Group.

DIVIDEND

3rd Interim Dividend of Rs.4.50 per share for the year 2019/20 was paid to the shareholders on 26th May 2020.

1st Interim Dividend of Rs.1.00 per share for the year 2020/21 was paid to the shareholders on 18th December 2020.

2nd Interim Dividend of Rs. 0.25 per share for the year 2020/21 was paid to the shareholders on 25th March 2021 (after subdivision of shares).

The Board of Directors has recommended the payment of a final dividend of Rs. 1.75 per share payable on 14th July 2021 to the shareholders of the issued ordinary shares of the Company as at close of business on 29th June 2021. 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 the First, Second Interim dividends paid and Final dividend proposed. Solvency certificates were obtained from the Auditors in respect of the First, Second Interim dividends paid and one has been sought in respect of the Final dividend proposed.

(2018/19 - 2nd Interim Dividend of Rs.3/- per share was paid to the shareholders on 17th April 2019).

(2019/20 - 1st Interim Dividend of Rs.2/- per share was paid to the shareholders on 17th October 2019).

(2019/20 - 2nd Interim Dividend of Rs.2/- per share was paid to the shareholders on 22nd January 2020).

DIRECTORATE

The names of the Directors who held office during the financial year are given below and their brief profiles appear on pages 25 to 26.

1. Mr. A. M. Pandithage
2. Mr. H. S. R. Kariyawasan
3. Dr. S. A. B. Ekanayake**
4. Mr. S. C. Ganegoda*
5. Mr. T. G. Thoradeniya**
6. Mr. K. S. Padiwita (Resigned w.e.f. 11/03/2021)
7. Mr. M. I. L. Perera
8. Mr. T. K. D. A. P. Samarasinghe**
9. Mr. L. A. K. I. Kodytuakku
10. Mr. D. K. De Silva Wijeyeratne**
11. Mr. M. C. Sampath
12. Mr. W. A. K. Kumara

** Non-Executive Director*

*** Independent Non-Executive Director*

Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007, of the intention to propose an ordinary resolution for the re-appointment of Mr. A. M. Pandithage, who is 70 years of age, notwithstanding the age limit stipulated by Section 210 of the Companies Act. No 07 of 2007.

Mr. K. S. Padiwita who served as Director of the Company resigned with effect from 11th March 2021.

In terms of Article No.29(1) of the Articles of Association of the Company, Messrs. Dr. S. A. B. Ekanayake, S. C. Ganegoda & W. A. K. Kumara retires by rotation and being eligible offer themselves for re-election.

DIRECTORS' SHAREHOLDINGS

As at	No. of Shares 31 March 2021	No. of Shares 01 April 2020
Mr. A. M. Pandithage	960	320
Mr. H. S. R. Kariyawasan	Nil	Nil
Dr. S. A. B. Ekanayake	Nil	Nil
Mr. S. C. Ganegoda	1,824	608
Mr. T. G. Thoradeniya	Nil	Nil
Mr. M. I. L. Perera	Nil	Nil
Mr. T. K. D. A. P. Samarasinghe	Nil	Nil
Mr. L. A. K. I. Kodytuakku	Nil	Nil
Mr. D. K. De Silva Wijeyeratne	Nil	Nil
Mr. M. C. Sampath	Nil	Nil
Mr. W. A. K. Kumara	Nil	Nil
Mr. K. S. Padiwita (Resigned w.e.f. 11/03/2021)	3,840	1,280

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

- The Directors' shareholding increased as a result of the Sub-division of ordinary shares by splitting each ordinary share into three (03) ordinary shares held as at 10th February 2021.

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.1.66 million (2019/2020 Rs. 1.58 million) and Rs. 2.97 million (2019/2020 Rs. 1.97 million) as audit fees by the Company and the Group respectively. In addition, they were paid Rs. 0.26 million (2019/2020 Rs. 0.75 million) and Rs.0.51 million (2019/2020 Rs. 0.93 million), by the Company and the Group respectively, for non- audit related work, which consisted mainly of tax consultancy and other services.

As far as the Directors are aware, the Auditor does not have any relationship (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 reappointed as Auditors of the Company, in terms of section 158 of the Companies Act No.7 of 2007. A resolution proposing the Directors be authorised to determine their remuneration will be submitted at the Annual General Meeting.

GROUP REVENUE/INTERNATIONAL TRADE

The gross revenue of the Group during the year was Rs. 2,001 million (2019/2020 – Rs. 790 million) of which Rs. 736 million (2019/2020 – Rs. 697 million) was exported by the Company.

RESULTS OF OPERATIONS

The Group profit before taxation amounted to Rs. 259 million. After deducting Rs. 16 million for taxation, the Group profit attributed to equity holders of the Group for the year was Rs. 243 million.

The Group's Statement of Profit or Loss for the year is given on page 52 Details of transfer to/ from reserves in respect of the Group are shown in the Statement of Changes in Equity on pages 56 to 57.

CAPITAL EXPENDITURE

Purchase and construction of property, plant & equipment during the year amounted to Rs. 153 million. The movement in property, plant & equipment is set out in note 13 to the financial statements.

SHARE CAPITAL AND RESERVES

The stated capital of the Company is Rs. 80 million. As per the circular resolution passed on 10th February 2021, the issued and fully paid Ordinary Shares of the Company was sub-divided by splitting each ordinary share held into 03 shares, thus increasing the number of existing issued ordinary shares of the Company from 8,000,000 to 24,000,000 ordinary shares without affecting an increase in the Stated Capital of the Company.

The Group revenue reserves as at 31st March 2021 amounts to Rs. 901 million (2019/2020 – Rs. 769 million), other component of equity Rs. 88 million (2019/2020 – Rs. 84 million) and other reserves of Rs. 51 million (2019/2020 –Rs. 51 million).

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 10 of the financial statements.

SHARE INFORMATION

Information relating to earnings, dividends and dividends per share is given in notes 11 & 12 to the financial statements and on the pages 123 to 125.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Board meeting held on 12th May 2021, the Directors have recommended the Final Dividend of Rs. 1.75 per share subject to the approval by the shareholders at the Annual General Meeting to be held on 29th June 2021 to be paid to the shareholders on 14th July 2021. There have been no any other material events occurred after reporting date,that require adjustments to or disclosure in the statement.

KEY INDICATORS

Market Value	2020/2021		2019/2020	
	Price Rs.	Date	Price Rs.	Date
Highest Price	300.00	22.01.2021	124.00	06.02.2020
Lowest Price	44.50	18.03.2021	78.50	15.05.2019
Closing Price	47.60	31.03.2021	87.10	20.03.2020

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

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/Group are explained in the Corporate Governance statement on pages 33 to 39.

GOING CONCERN

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

ANNUAL GENERAL MEETING

The Annual General Meeting will be held via online platform with the Directors being present at the Registered Office of the Company, No. 400, Deans Road, Colombo 10, Sri Lanka at 11.30 a.m. on Tuesday, 29th June, 2021. The Notice of the Annual General Meeting appears on page 128.

For, and on behalf of the Board

A. M. Pandithage
Chairman

H. S. R. Kariyawasan
Managing Director

Hayleys Group Services (Private) Limited
Secretaries
No.400, Deans Road, Colombo 10.

12th May 2021

RESPONSIBILITY STATEMENT OF CHAIRMAN, MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER

The Financial Statements of Hayleys Fibre PLC and the Consolidated Financial Statements of the Group, as at 31st March 2021, are prepared and presented in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka
- The Companies Act No. 07 of 2007
- The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Listing Rules of the Colombo Stock Exchange
- The Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka

We confirm that the significant accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied, as described in the Notes to the Financial Statements. The significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and our External Auditors.

We have also taken proper and sufficient care in installing systems of internal controls and accounting records to safeguard assets and to prevent and detect frauds as well as other irregularities. These have been reviewed, evaluated and updated on an ongoing basis. Reasonable assurances were provided by periodic audits conducted by Group's internal auditors on the consistently followed policies and procedures of the Company. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the effectiveness of the audits and to discuss auditing, internal controls and financial reporting issues. The Independent Auditors and the Internal Auditors have full and free access to the Audit Committee to discuss any matter of substance.

The Financial Statements were audited by independent external auditors, Messrs Ernst & Young, Chartered Accountants. The Audit Committee approves the audit and non-audit services provided by the External Auditor, in order to ensure that the provision of such services do not impair their independence.

We confirm that,

- The Company and its Subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- There are no material non-compliances; and
- There are no material litigations that are pending against the Group.

A. M. Pandithage
Chairman

H. S. R. Kariyawasan
Managing Director

M. C. Sampath
Director/Chief Financial Officer

12th May 2021

CORPORATE GOVERNANCE

Hayleys Fibre PLC and its Group continue 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 the Group 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 Group.

COMPOSITION AND ATTENDANCE AT MEETINGS

As at the end of the year under review, the Board consisted of Twelve Directors, Five Non-Executive Directors out of which Four are Independent Non-Executive Directors, Seven Executive Directors. Profiles of these Directors are given on page 25 and 26 of this Report. Details of Directors' shareholding in Hayleys Fibre PLC and the directorates they hold in other companies are given on pages 29 and 25 to 26 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 four occasions. The attendance at these meetings during the financial year was:

As at	31 March 2021
A. M. Pandithage – Chairman	4/4
H. S. R. Kariyawasan	4/4
Dr. S. A. B. Ekanayake**	4/4
S. C. Ganegoda*	4/4
T. G. Thoradeniya**	2/4
K. S. Padiwita (Resigned w.e.f. 11/03/2021)	4/4
M. I. L. Perera	4/4
Dr. T. K. D. A. P. Samarasinghe**	4/4
L. A. K. I. Kodytuakku	4/4
D. K. De Silva Wijeyerathne**	4/4
M. C. Sampath	4/4
W. A. Kelum Kumara	4/4

RESPONSIBILITIES

The Board is responsible to:

- Enhance shareholder value.
- Formulate and communicate business policy and strategy to assure sustainable 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 are established.
- Approve annual budgets and monitor performance against budgets.
- 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.
- 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.

** Non – Executive Director*

*** Independent Non – Executive Director*

CORPORATE GOVERNANCE

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 Four 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 and Mr. T. G. Thoradeniya are not compromised by them being board members for more than nine years as the objectivity of their roles are not affected by this period.

Non-Executive Directors profiles reflect their calibre 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 three 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 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.

Re-appointment of Mr. A. M. Pandithage who retires, having attained the age of seventy years in compliance with section 211 of the Companies Act No. 07 of 2007.

The Managing Director does not retire by rotation.

Re-appointment of Mr. A. M. Pandithage who retires, having attained the age of seventy years in compliance with section 211 of the Companies Act No. 07 of 2007.

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. Dhammika 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.

DISCLOSURE OF REMUNERATION

The total of Directors' Remuneration is reported in note 9 to the Financial Statements.

** Non – Executive Director*

*** Independent Non – Executive Director*

CORPORATE GOVERNANCE

Directors have access to programmes arranged by the Hayleys Group Human Resource Development Division when appropriate, to provide updates 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.

The Statement of Directors' Responsibilities for the financial statements is given in page 27 of this report.

CORPORATE GOVERNANCE

MANAGEMENT REPORT

Joint Statement from the Chairman and the Managing Director (pages 6 to 9) and Operational Review and Management Discussion (pages 14 to 24) in this report provide an analysis of the Company and its Group's 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 and the Risk Management Report is given from pages 40 to 44.

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 CONTROLS

The Directors are responsible for the Group 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;

- D. K. De Silva Wijeyeratne** (Chairman)
- Dr. S. A. B. Ekanayake**
- T. G. Thoradeniya**
- Dr. T. K. D. A. P. Samarasinghe**

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 27.

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

** Non – Executive Director*

*** Independent Non – Executive Director*

LEVEL OF COMPLIANCE WITH THE CSE'S LISTING RULING

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 . 1 0 . 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 . 1 0 . 3 (a)	Disclosure relating to Directors	Names of independent Directors should be disclosed in the Annual Report	Compliant	Please refer page 29
7 . 1 0 . 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 34 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 pages 25 to 26
7 . 1 0 . 3 (d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 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 a Remuneration Committee of the Company
7 . 1 0 . 5 (a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors, a majority of whom will be independent	Compliant	As above
7 . 1 0 . 5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Managing Director.	Compliant	As above and stated in this report.
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	Compliant	As above and given in this report
		b) Statement of Remuneration Policy	Compliant	As above
		c) Aggregated remuneration paid to Executive & Non-Executive Directors	Compliant	Please refer the page 28
7. 10. 6 (a)	Audit Committee	The Company shall have a Audit Committee	Compliant	Names of the members of the Audit committee is given on page 46

CORPORATE GOVERNANCE

Rule No.	Subject	Applicable requirement	Compliance Status	Details
7.1 0.6 (b)	Composition of Audit Committee	Shall comprise of Non-Executive Directors, a majority of whom will be independent	Compliant	Audit committee consist of Five 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	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 the Section 7 of the listing rules	Compliant	The terms of reference of the Audit committee are on page 46 As above.
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 46
		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 46
		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 46
9.2.3	Related Party Transactions Re-view Committee	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	02 Independent Non-Executive Directors and 01 Executive Director of Hayleys PLC	Compliant	As above
9.2	Related Party Transactions Review Committee Functions	• 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.	Compliant	As above

Rule No.	Subject	Applicable requirement	Compliance Status	Details
		• 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.		
9.2.4	Related Party Transactions Review Committee Meetings	Shall meet once a calendar year	Compliant	As above
9.3.2	Related Party Transactions Review Committee-Disclosure in the Annual Report	a) Non-recurrent Related Party Transactions- If aggregate value exceeds 10% of the equity or 5% Total assets whichever is lower. b) Recurrent Related Party Transactions – If aggregate value exceeds 10% Gross revenue/income as per the latest audited accounts	Compliant	a) & (b) As above
		c) Report by the Related Party Transactions Review Committee		c) Page 45
		d) A declaration by the Board of Directors		d) Page 28

RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK OF HAYLEYS FIBRE PLC

The Hayleys Fibre PLC (HFP) Enterprise Risk Management (ERM) model is based on the COSO risk management framework which emphasises factors that would diminish the Company's ability to create value for shareholders. The framework consists of identifying and profiling significant risks, determining risk appetites, accepting/transferring/ eliminating and sharing risks, measuring performance and covering the benefits of risk diversification and execution.

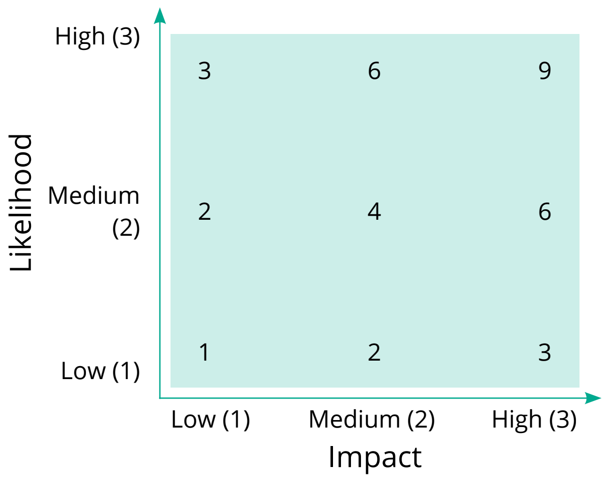
ENTERPRISE RISK MANAGEMENT FRAMEWORK

Objective Setting	The Board sets objectives that support the Company's mission and which are consistent with its risk appetite. The process includes reviewing and setting long-term (three-year) objectives and annual objectives with related performance indicators for monitoring purposes. The senior management team takes the initiative in proposing business objectives and they are reviewed and approved by the board.
Event Identification	Company recognises internal and external events that affect the achievement of its objectives. The distinction between strategic and operational risks is also important. Further, the applicability of risk areas identified previously during management discussions, internal audit reports and management letters of external auditors are reviewed to prepare a comprehensive list of risks of the Company.
Risk Assessment	The likelihood and impact of risks are assessed, as a basis for determining how to manage them. Any significant risks exceeding risk tolerance limits are responded by the management.
Risk Response	Management selects appropriate actions to align risks with risk tolerance and risk appetite. Depending on the significance of the risk, decisions are taken appropriately to manage the risk by accepting, reducing, sharing or avoiding it. Risk responses identified in relation to set objectives are also documented and reviewed.
Control Activities	The corporate management team and the senior managers implement the risk response action plans identified, with a view of managing those risks.
Information and Communication	Documentation and reporting plays a key role in monitoring risk. The corporate plan, which includes objectives and related risks, internal audit reports and management letters of external auditors, are communicated to the management of the Company, the Audit Committee and the Board of Directors of both HFP and its holding Company, Hayleys Plc, for their review and actions.
Monitoring	During the monthly performance review meetings, all significant risks and their actions plans are reviewed by the Corporate Management Team and the Group Managers. The Hayleys Group Management Committee, attended by the Managing Director of the Company, also reviews these risk areas on a monthly basis. The Audit Committee, which has the ultimate responsibility of monitoring the process of risk management, reviews the risks and action plans on a quarterly basis and makes recommendations to the Board.

RISK MANAGEMENT

RISK ASSESSMENT MATRIX

The COSO view of risk assessment is based on the likelihood and impact of a specific type of event; the output is a probability weighted impact. The high risk area in the top right corner of the matrix demands higher and prompt attention.



RISK MANAGEMENT STRUCTURE

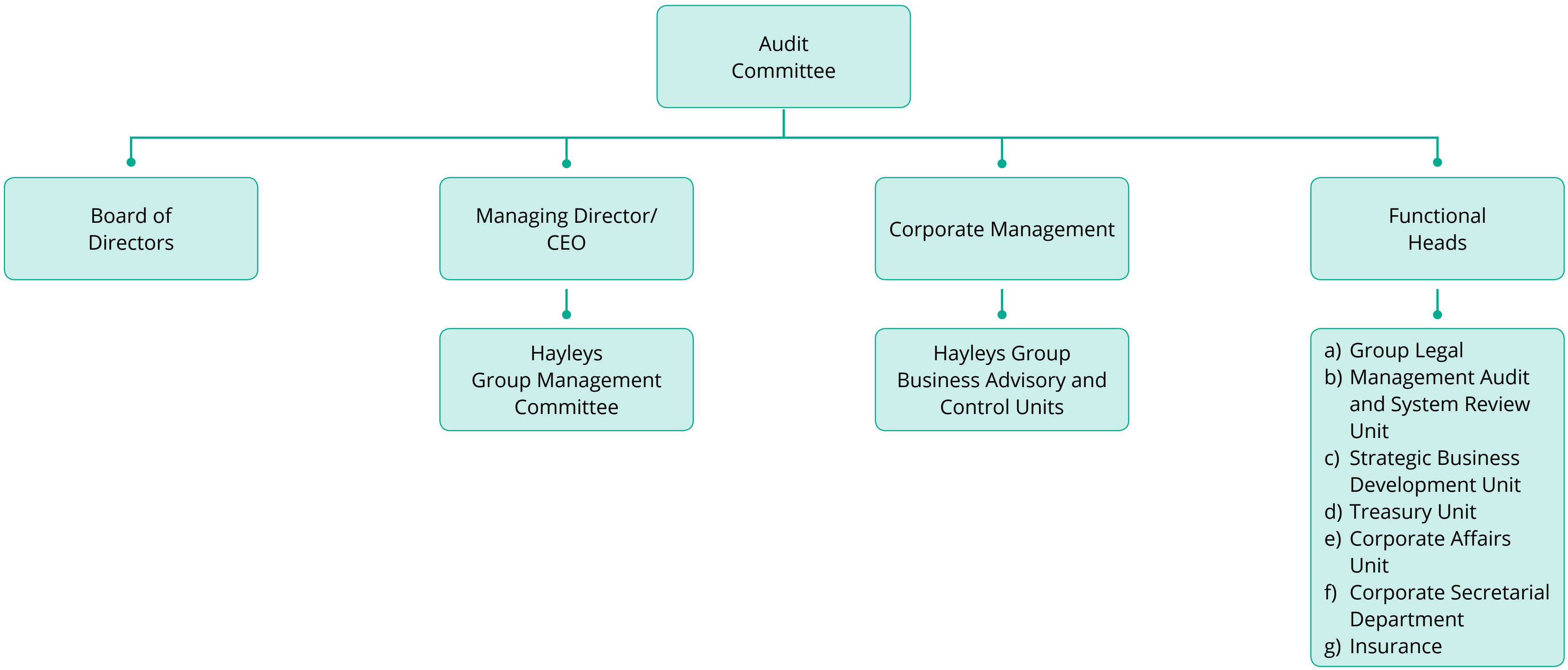
The Board is primarily responsible for ensuring that the risks are identified and appropriately managed across the Company and the Group. The Audit Committee is entrusted with the task of reviewing the effectiveness of the Group risk management framework, including the internal control systems established to identify, assess, manage and monitor risks. The internal audit function also plays a key role in risk identification.

The Corporate Management Team takes the lead in the total risk management process – the identification of risks and finally the implementation and monitoring of identified risks. A bottom-up approach is taken in the process of risk identification. The Corporate Management Team also evaluates the options available to mitigate risks. Functional heads provide useful information and feedback to the Corporate Management Team for risk management with the assistance of the employees of the Group.

The Hayleys Group Management Committee and the business advisory and control units specialised in legal, management audit and system reviews, strategic business developments, treasury, HR and corporate affairs, also play a key role in identifying, assessing, controlling and monitoring the risks applicable to HFP

Organisational structure	Risk Management Role
Board of Directors	Overlook the risk management strategy and the enterprise risk management process
Audit Committee	Oversee and review the enterprise risk management process
Hayleys Group Management Committee	Identify, assess and monitor risks relating to HFP business operations
Hayleys Group Business Advisory and Control Units	Identify and assess risks related to HFP business operations within their expertise in legal, systems and audit, strategic business development, treasury, HR and corporate affairs
Corporate Senior Management Team	Identify, assess, monitor risks, and implement action plans
Functional Heads	Implement, monitor and elicit feedback

RISK MANAGEMENT



RISK MANAGEMENT

The following table sets out the broader categories of risks, along with specific risk elements Hayleys Fibre is exposed to, and the implications of the same, as well as the risk management measures in place.

Risk category	Risk element	Implications	Mitigating measures	Risk level
Risk of Financial Capital (Refer note 39)	**Material Price Risk** • Fluctuations in fibre prices in the local market	**Short-term and long- term;** The increase in raw material prices will create losses due to fixed selling prices	• Monitor prices/standard cost revisions • Quote variable prices to customers,	High
	Foreign currency Risk • Arising due to foreign currency positions	**Short-term and long- term;** Losses can arise when foreign currency assets and liabilities are translated into local currency as at the balance sheet date, or when transactions are carried out in foreign currency	• Monitor trends and book forward • Maintain a natural hedging of foreign currency denominated assets against liabilities	High
	Interest Rate Risk • Arising due to the sensitivity to interest rate changes	**Short-term and long- term;** The increase in interest rates could impact on the cost of finished goods due to high cost of financing and increase in the cost of borrowing	• Effective management of working capital • Maintain a proper combination of fixed and floating rates	Medium
	Liquidity risk • Availability of funds – the Group has to be liquid and solvent to carry out its operations smoothly	**Short-term and long- term;** Unavailability of sufficient funds may interrupt the smooth functioning of the Company's operations	• Effective treasury function to forecast fund requirement and availability • Maintain a portfolio of short term liquid assets • Arrange sufficient financial facilities	Low
	Risk of Bad Debts • Due to payment default by credit customers	**Short-term and long- term;** Could result in direct losses due to bad debts and increase in finance cost due to delayed payments	• Implementation of Group credit policy • Periodic review of receivables, legal and other recovery actions	Medium
Risk of Human Capital	**Labour Shortages** • Reduction in skilled and unskilled labour	**Short-term and long- term;** The increase in production costs due to higher wages	• Automation • Increase living standards of employees to reduce turnover	Medium
	Industrial health and safety • Could lead to workplace accidents, penalties, negative image and hiring difficulties on future requirements	**Short-term and long- term;** Lower productivity due to higher employee turnover and dissatisfaction of existing employees.	• Providing necessary safety equipment to all employees. • Focused training on health and safety to all employees. • Insurance coverage to mitigate the risk	Medium
	Epidemic Situations (COVID 19) • Could lead to a reduction in work force deployment	**Short-term and long- term;** High employee absenteeism and low productivity	• Regular PCR testing/Vaccination • Certification of factory location for COVID 19 by SGS Lanka (Pvt) Ltd	Medium

RISK MANAGEMENT

Risk category	Risk element	Implications	Mitigating measures	Risk level
Risk of Intellectual Capital	**Confidentiality of Information** • Loss of confidential data through security breaches in the IT systems	**Short-term and long- term;** Loss of the unique profile designs of Hayleys Fibre, to competitors.	• Extensive controls and reviews to maintain security of IT infrastructure and data • Regular backup of data and off-site storage of data backup system • Disaster recovery plan	Medium
Risk of Social & Relationship Capital	**Single Customer/Supplier** • Risk of having a few major customers and/or suppliers	**Short-term and long- term;** Loss of a major customer affects revenues and loss of a major supplier affects the supply of critical raw material for manufacture	• Diversify and increase the customer base • Develop multiple supplier network	Medium
Risk of Manufactured Capital	**Old Machineries** • Reliance on old machines and accessories	**Short-term and long- term;** Lower productivity and the lower production due to loss hours affected by frequent shutdowns	• Investment in new machinery. • Upgrading knowledge on maintenance	Medium
	Capacity Shortages • Production capacity shortages	**long-term;** Loss of orders and inherent risk of reduction of market share.	• Capacity expansion	Medium
Risk of Natural Capital	**Epidemic Situations (COVID 19)** The prevalence of epidemic situations; credit risk and liquidity risk to the business.	**Short term and long term;** The possible delays of getting past dues from customers Impact on supply chain management	• Capital expenditures are only restricted to operational capital expenditure. • Stringent working capital management measures. • Regular cash flow projections and reviews by the management.	Medium
	Using Hazardous Chemicals Risk of using hazardous chemicals for the production can cause health and safety issues.	**Short term and long term;** Public resistance and/or regulatory involvement on environmental pollution/ protection	• Shifting to environmental friendly chemicals. • Effluent Water Treatment process	Low

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee of Hayleys PLC, the parent Company, functions as the Committee of the Company in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange.

COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director.

The Committee comprises the following members.

Dr. H. Cabral, PC** – Chairman
Mr. M. Y. A. Perera**
Mr. S. C. Ganegoda *

** Independent Non-Executive
*Executive

ATTENDANCE

The Committee met – 04 times in the financial year 2020/2021

Meetings were held on 15th June 2020, 11th August 2020, 06th November 2020 and 10th February 2021.

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

THE DUTIES OF THE COMMITTEE

- To review in advance all proposed related party transactions of the Group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information, the Committee requires from the 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.

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 recognised the adequacy of the content and quality of the information forwarded to its members by the management.

Dr. Harsha Cabral, PC.
Chairman
Related Party Transactions Review Committee of Hayleys PLC

17th May 2021

AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee, appointed by and responsible to the Board of Directors, comprised of four Independent Non-Executive Directors as at 31st March 2021. 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:

	Meetings
Mr. D. K. De Silva Wijeyeratne** (Chairman)	4/4
Dr. S. A. B. Ekanayake**	4/4
Mr. T. G. Thoradeniya**	2/4
Dr. T. K. D. A. P. Samarasinghe**	4/4

Managing Director, Group Chief Financial Officer, Head of Group Management Audits and Systems Review Department and Sector 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 Group in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka 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 recognised the adequacy of the content and quality of routine management information reports forwarded to its members.

Internal Audits

The Committee reviewed the process to assess the effectiveness of the Internal Financial Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and 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 Financial Statements were audited by independent external auditors, Messrs Ernst & Young , Chartered Accountants. Based on the declaration provided by Messrs. Ernst & Young, Chartered Accountants and to the extent that the Audit Committee is aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Company and the Group, which in the opinion of the Audit Committee, may reasonably be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka, as applicable on the date of this Report.

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

D. K. De Silva Wijeyeratne
Audit Committee

12th May 2021

FINANCIAL REPORTS

FINANCIAL CALENDAR

1st Quarter Report	11 August 2020
2nd Quarter Report	03 November 2020
3rd Quarter Report	02 February 2021
4th Quarter Report	12 May 2021
Annual Report 2020/2021	04 June 2021
35th Annual General Meeting	29 June 2021
1st Interim Dividend Paid	18 December 2020
2nd Interim Dividend Paid	25 March 2021
Final Dividend to be Paid	14 July 2021

INDEPENDENT AUDITOR'S REPORT

Building a better working world

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Chartered Accountants
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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 ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

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Key audit matter	How our audit addressed the key audit matter
Existence and valuation of inventories As of the reporting date, the Group recorded inventories amounting to Rs. 470M carried at the lower of cost or net realizable value, in accordance with the company's accounting policy as noted in note 2.3.11. **The existence and valuation of inventories was a key audit matter due to:** • The magnitude of the balance (represented 20% of the Group's total assets); and • The significance of judgments and estimates applied by the management in determining the valuation of inventories, particularly coir fibre inventories (raw materials) as disclosed in note 20 of the financial statements.	Our audit procedures included (among others) the following; • We performed procedures to understand the design of controls related to existence and valuation of inventories; • We tested the relevant internal control procedures implemented over physical inventory verification, focusing on specific controls over estimation of coir fibre inventory. This includes assessing the actual moisture levels as of the count date by checking a representative sample; • We tested the inventory ageing analysis and the adequacy of the management provision; • We performed analytical procedures including reviewing margins and inventory turnover; and • We tested for a sample of items, the unit costs of inventory and related sales to supporting documentation to assess whether the inventory is held at the lower of cost and net realizable value. We also assessed the adequacy of the disclosures in the note 20 in relation to the valuation of inventories.
Investments carried at fair value through other comprehensive income Hayleys Fibre PLC has investments in unquoted equity shares carried at fair value amounting to Rs. 109M as of the reporting date are disclosed in note 18 to the financial statements. **Investments carried at fair value through other comprehensive income was a key audit matter due to:** • The value represents over 9% of total assets of the Company; and • The absence of a published price, the valuation techniques applied require significant unobservable inputs through assumptions and judgements by the management.	Our audit procedures included (among others) the following; • We involved our internal specialists to assist us in evaluating the appropriateness of methodology and the reasonableness of assumptions used by management in the projected future cashflows, in particular to those relating to discount rates and growth rates. • 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 also assessed the adequacy of the disclosures in the Note 18 in relation to the valuation of investments.

INDEPENDENT AUDITOR'S REPORT

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Other information included in the 2021 annual report

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

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

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

Responsibilities of the management and those charged with governance

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

EY
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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2440.

Ernst & Young

12 May 2021
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31 March	Notes	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
Revenue	4	2,000,736	789,625	736,058	696,565
Cost of sales		(1,589,978)	(606,872)	(627,386)	(525,347)
Gross profit		410,758	182,753	108,672	171,218
Other income	5	39,362	17,727	110,725	17,250
Selling and distribution expenses		(24,053)	(18,435)	(780)	(9,084)
Administrative expenses		(161,513)	(86,952)	(98,751)	(83,802)
Other expenses	6	-	(8,981)	-	(8,981)
Operating profit		264,554	86,112	119,866	86,601
Finance income	7.1	21,531	28,938	19,019	26,520
Finance cost	7.2	(27,300)	(18,789)	(7,794)	(12,676)
Net finance income		(5,769)	10,149	11,225	13,844
Share of profit of a joint venture (net of tax)	8	-	81,061	-	81,061
Profit before tax		258,785	177,322	131,091	181,506
Tax expense	10.1	(15,542)	(31,034)	5,161	(35,750)
Profit for the year		243,243	146,288	136,252	145,756
Profit for the year attributable to:					
Equity holders of the Company		147,794	146,150	136,252	145,756
Non-controlling interest		95,449	138	-	-
		243,243	146,288	136,252	145,756
Basic earnings per share (Rs.)	11.1	6.16	6.09	5.68	6.07
Dividend per share (Rs.)	12			0.58	2.83

Notes from pages 62 to 122 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Notes	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
Profit for the year		243,243	146,288	136,252	145,756
Other comprehensive income					
Other comprehensive income that may not be reclassified to the profit or loss in subsequent periods					
Re-measurement gain/(loss) on employee benefit obligations	30	(1,377)	(2,410)	(1,303)	(2,410)
Income tax effect on re-measurement gain/(loss) on employee benefit obligations	10.2	192	337	182	337
		(1,185)	(2,073)	(1,121)	(2,073)
Revaluation of land	13	-	-	-	-
Income tax effect on revaluation of land	10.2	-	-	-	-
		-	-	-	-
Net gain/(loss) on equity instrument designated at FVOCI	18	7,909	3,863	7,909	3,863
Income tax effect on net gain/(loss) on equity instrument designated at FVOCI	10.2	(797)	4,955	(797)	4,955
		7,112	8,818	7,112	8,818
Share of other comprehensive income of a joint venture (net of tax)	17.1	-	(10)	-	(10)
Other comprehensive income that may be reclassified to the profit or loss in subsequent periods					
Net loss on cash flow hedges	28	(7,778)	-	-	-
		(7,778)	-	-	-
Total other comprehensive income for the year, net of tax		(1,851)	6,735	5,991	6,735
Total comprehensive income for the year, net of tax		241,392	153,023	142,243	152,491
Total comprehensive income for the year attributable to:					
Equity holders of the Company		149,864	152,885	142,243	152,491
Non-controlling Interest		91,528	138	-	-
		241,392	153,023	142,243	152,491

Notes from pages 62 to 122 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
Assets					
Non-current assets					
Property, plant and equipment	13	630,773	484,051	191,216	186,015
Intangible assets	14	48,675	40,700	12,171	-
Right-of-use assets	15	19,531	22,260	18,444	21,111
Investment in subsidiaries	16	-	-	233,034	225,000
Investment in a joint venture	17	-	130,640	-	130,640
Other non-current financial assets	18	109,368	101,459	109,368	101,459
Deferred tax assets	29	21,484	21,672	-	-
Total non-current assets		829,831	800,782	564,233	664,225
Current assets					
Inventories	20	470,460	274,101	80,407	143,519
Trade and other receivables	21	463,605	217,611	68,928	145,554
Other current assets	22	46,329	36,479	4,203	4,922
Income tax receivables		1,838	522	1,409	-
Amounts due from joint venture	23	-	1,313	-	1,313
Amounts due from other related companies	24	116,690	117,869	84,326	99,566
Short-term deposits		348,759	218,846	348,750	218,837
Cash in hand and at bank	25	60,953	18,137	27,010	16,921
Total current assets		1,508,634	884,878	615,033	630,632
Total assets		2,338,465	1,685,660	1,179,266	1,294,857
Equity and liabilities					
Stated capital	26	80,000	80,000	80,000	80,000
Other components of equity	27	87,541	84,318	91,430	84,318
Amalgamation reserves	27	50,625	50,625	50,625	50,625
Revenue reserves	27	901,142	768,501	760,272	761,747
Equity attributable to equity holders of the Company		1,119,308	983,444	982,327	976,690
Non-controlling interest		228,597	81,426	-	-
Total equity		1,347,905	1,064,870	982,327	976,690

STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
Non-current liabilities					
Interest-bearing borrowings	28	**93,421**	-	**6,943**	-
Non-current lease liabilities	15	**24,485**	26,179	**21,967**	23,622
Deferred tax liabilities	29	**15,383**	25,665	**8,371**	25,665
Employee benefit obligations	30	**26,640**	22,174	**24,198**	22,174
Total non-current liabilities		**159,929**	74,018	**61,479**	71,461
Current liabilities					
Trade and other payables	32	**396,196**	119,425	**85,426**	69,472
Current lease liabilities	15	**1,695**	1,658	**1,655**	1,261
Other current liabilities	33	**22,830**	4,744	**1,050**	4,723
Amounts due to other related companies	34	**86,817**	139,244	**28,812**	37,872
Current portion of interest bearing borrowings	28	**65,421**	-	**16,668**	-
Short-term interest bearing borrowings	31	**257,672**	277,714	**1,849**	129,391
Income tax liabilities		**-**	3,987	**-**	3,987
Total current liabilities		**830,631**	546,772	**135,460**	246,706
Total liabilities		**990,560**	620,790	**196,939**	318,167
Total equity and liabilities		**2,338,465**	1,685,660	**1,179,266**	1,294,857

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

M. C. Sampath
Director/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. Kariyawasan
Managing Director

Notes from pages 62 to 122 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

12th May 2021
Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March

Group

	Notes
Balance as at 01 April 2019	
Profit for the year	
Net gain/(loss) on equity instruments designated at FVOCI	18
Re-measurement gain/(loss) on employee benefit obligations	30
Income tax on other comprehensive income	10.2
Share of other comprehensive income of a joint venture	
Total other comprehensive income for the year	
Dividends	12
Balance as at 01 April 2020	
Impact of change in control of a joint venture	
Profit for the year	
Net gain/(loss) on equity instruments designated at FVOCI	**18**
Re-measurement gain/(loss) on employee benefit obligations	**30**
Net gain/(loss) on cash flow hedges	
Income tax on other comprehensive income	**10.2**
Total other comprehensive income for the year	
Dividends	**12**
Balance as at 31 March 2021	

Notes from pages 62 to 122 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Group								
	Other components of equity							
Stated capital Rs. '000	Fair value reserves of financial assets at FVOCI Rs. '000	Revaluation reserves Rs. '000	Cash flow hedge reserve Rs. '000	Amalgamation capital reserves Rs. '000	Amalgamation revenue reserves Rs. '000	Retained earnings Rs. '000	Non-controlling interest Rs. '000	Total Rs. '000
80,000	50,989	24,511	-	14,000	36,625	692,434	81,288	979,847
-	-	-	-	-	-	146,150	138	146,288
-	3,863	-	-	-	-	-	-	3,863
-	-	-	-	-	-	(2,410)	-	(2,410)
-	4,955	-	-	-	-	337	-	5,292
-	-	-	-	-	-	(10)	-	(10)
-	8,818	-	-	-	-	144,067	138	153,023
-	-	-	-	-	-	(68,000)	-	(68,000)
80,000	**59,807**	**24,511**	**-**	**14,000**	**36,625**	**768,501**	**81,426**	**1,064,870**
-	**-**	**-**	**-**	**-**	**-**	**-**	**130,640**	**130,640**
-	**-**	**-**	**-**	**-**	**-**	**147,794**	**95,449**	**243,243**
-	**7,909**	**-**	**-**	**-**	**-**	**-**	**-**	**7,909**
	-	**-**	**-**	**-**	**-**	**(1,340)**	**(37)**	**(1,377)**
-	**-**	**-**	**(3,889)**	**-**	**-**	**-**	**(3,889)**	**(7,778)**
-	**(797)**	**-**	**-**	**-**	**-**	**187**	**5**	**(605)**
-	**7,112**	**-**	**(3,889)**	**-**	**-**	**146,641**	**91,528**	**241,392**
-	**-**	**-**		**-**	**-**	**(14,000)**	**(74,997)**	**(88,997)**
80,000	**66,919**	**24,511**	**(3,889)**	**14,000**	**36,625**	**901,142**	**228,597**	**1,347,905**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March

Company

	Notes
Balance as at 01 April 2019	
Profit for the year	
Net gain/(loss) on equity instruments designated at FVOCI	18
Re-measurement gain/(loss) on employee benefit obligations	30
Income tax on other comprehensive income	10.2
Share of other comprehensive income of a joint venture	
Total other comprehensive income for the year	
Dividends	12
Balance as at 01 April 2020	
Profit for the year	
Impact of change in control of a joint venture	
Net gain/(loss) on equity instruments designated at FVOCI	**18**
Re-measurement gain/(loss) on employee benefit obligations	**30**
Income tax on other comprehensive income	**10.2**
Total other comprehensive income for the year	
Dividends	**12**
Balance as at 31 March 2021	

Notes from pages 62 to 122 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company						
	Other components of equity					
Stated capital	Fair value reserves of financial assets at FVOCI	Revaluation reserves	Amalgamation capital reserves	Amalgamation revenue reserves	Retained earnings	Total
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
80,000	50,989	24,511	14,000	36,625	686,074	892,199
-	-	-	-	-	145,756	145,756
-	3,863	-	-	-	-	3,863
-	-	-	-	-	(2,410)	(2,410)
-	4,955	-	-	-	337	5,292
-	-	-	-	-	(10)	(10)
-	8,818	-	-	-	143,673	152,491
-	-	-	-	-	(68,000)	(68,000)
80,000	**59,807**	**24,511**	**14,000**	**36,625**	**761,747**	**976,690**
-	**-**	**-**	**-**	**-**	**136,252**	**136,252**
-	**-**	**-**	**-**	**-**	**(122,606)**	**(122,606)**
-	**7,909**	**-**	**-**	**-**	**-**	**7,909**
-	**-**	**-**	**-**	**-**	**(1,303)**	**(1,303)**
-	**(797)**	**-**	**-**	**-**	**182**	**(615)**
-	**7,112**	**-**	**-**	**-**	**12,525**	**19,637**
-	**-**	**-**	**-**	**-**	**(14,000)**	**(14,000)**
80,000	**66,919**	**24,511**	**14,000**	**36,625**	**760,272**	**982,327**

STATEMENT OF CASH FLOWS

For the year ended 31 March	Notes	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
Cash flows from operating activities					
Profit before taxation		258,785	177,322	131,091	181,506
Adjustments for:					
Share of profit of a joint venture	8	-	(81,061)	-	(81,061)
Finance cost	7.2	19,091	4,164	2,927	3,055
Finance income	7.1	(18,803)	(26,230)	(16,183)	(24,943)
Provision for employee benefit obligations	30	4,364	2,790	3,305	2,790
Depreciation on property, plant & equipment	13	32,540	16,082	9,604	7,121
Depreciation of right-of-use assets		2,729	-	2,667	-
Amortisation of intangible assets	14	6,629	625	2,433	-
(Profit)/loss on disposal of property, plant and equipment	5	(340)	(1,194)	(340)	(1,194)
Dividend income	5	(10,156)	(481)	(89,232)	(481)
Provision for bad & doubtful debts		1,326	(3,242)	1,782	367
Provision for slow moving inventories	20.1	10,108	6,293	6,210	5,871
Operating profit before working capital changes		306,273	95,068	54,264	93,031
(Increase)/decrease in inventories	20	(107,487)	(190,233)	56,902	(83,314)
(Increase)/decrease in trade and other receivables	21	(139,111)	(62,462)	75,563	26,231
(Increase)/decrease in amounts due from related companies	24	2,492	(102,628)	16,553	(86,160)
Increase/(decrease) in trade and other payables	32	219,062	3,099	12,312	(27,341)
Increase/(decrease) in amounts due to related companies	34	(68,177)	87,227	(9,060)	409
Cash generated from operating activities		213,052	(169,929)	206,534	(77,144)
Interest paid	7.2	(19,091)	(4,164)	(2,927)	(3,055)
Income tax paid		(40,301)	(23,077)	(15,170)	(22,862)
Employee benefit paid	30	(2,584)	-	(2,584)	-
Net cash used in operating activities		151,076	(197,170)	185,853	(103,061)

STATEMENT OF CASH FLOWS

For the year ended 31 March	Notes	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
Cash flows from investing activities					
Purchase of property, plant and equipment	13	(112,855)	(266,200)	(14,804)	(89,124)
On acquisition of ERP system	14	(14,604)	-	(14,604)	-
Development expenditure incurred	14	-	(41,325)	-	-
Proceeds from sale of property, plant and equipment	5	340	1,194	340	1,194
Finance income	7.1	18,803	26,230	16,183	24,943
Dividend income	5	10,156	481	89,232	481
Dividend received from a joint venture		-	29,131	-	29,131
Net cash flows used in investing activities		(98,160)	(250,489)	76,347	(33,375)
Cash flows from financing activities					
Dividend paid	12	(14,000)	(32,000)	(14,000)	(32,000)
Capital payment on lease		(4,987)	-	(4,267)	-
Proceeds of Interest-bearing borrowings	28	485,433	226,339	25,000	81,341
Repayments of Interest-bearing borrowings	31	(326,026)	-	(82,730)	-
Net cash flows from financing activities		140,420	194,339	(75,997)	49,341
Net Increase/(decrease) in cash & cash equivalents		193,336	(253,320)	186,203	(87,095)
Cash & cash equivalents at the beginning of the year		185,608	438,928	187,708	274,803
Cash & cash equivalents at the end of the year (Note - A)		378,944	185,608	373,911	187,708
A. Analysis of cash and cash equivalents as at 31 March					
Cash in hand and at bank	25	60,953	18,137	27,010	16,921
Short-term deposits		348,759	218,846	348,750	218,837
		409,712	236,983	375,760	235,758
Bank overdrafts	31	(30,768)	(51,375)	(1,849)	(48,050)
Cash and cash equivalents at the end of the year		378,944	185,608	373,911	187,708

Notes from pages 62 to 122 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting Entity

Hayleys Fibre PLC is a Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The address of the Company's registered office is Hayleys Building, No. 400, Deans Road, Colombo 10, Sri Lanka and the principal place of business is located at No. 131, Minuwangoda Road, Ekala, Ja-ela. Corporate information is presented in the inner back cover of this Annual Report.

1.2 Consolidated Financial Statements

The Financial Statements for the year ended 31 March 2021 comprise "the Company" referring to Hayleys Fibre PLC as the holding Company and the "Group" referring to Companies that have been consolidated therein.

1.3 Nature of Operations and Principal Activities of the Company and the Group

The Company and its subsidiary of Bonterra Ltd are primarily involved in the manufacture and export of coir fibre products. The subsidiary, Creative Polymats (Pvt) Ltd, produces polyurethane mattresses and other related products for local markets.

Hayleys PLC is the direct and ultimate parent undertaking of Hayleys Fibre PLC.

1.4 Approval of Financial Statements

The Group Financial Statements of Hayleys PLC and its subsidiary (collectively, the Group) for the year ended 31 March 2021 were authorised for issue by the Directors on 12 May 2021.

1.5 Responsibility for Financial Statements

The responsibility of the Directors in relation to the Group Financial Statements is set out in the Statement of Directors' Responsibility Report in the annual report.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

2.1.1 Statement of compliance

The Group Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 07 of 2007.

2.1.2 Basis of Measurement

The Group Financial Statements have been prepared on the historical cost basis, except for:

- Lands which are recognised as property plant and equipment which are measured at cost at the time of the acquisition and subsequently carried at fair value.
- Financial instruments designated as fair value through other comprehensive income (FVOCI) which are measured at fair value.
- Employee benefit obligations which are determined based on actuarial valuations.

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

No adjustments have been made for inflationary factors in the consolidated Financial Statements.

2.1.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (Rs.), which is also the Company's and Subsidiary's functional currency.

2.1.4 Rounding

All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand (Rs.'000), except when otherwise indicated.

2.1.5 Offsetting

Assets and liabilities or income and expenses, are not offset unless required or permitted by Sri Lanka Accounting Standards.

2.1.6 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of a dissimilar nature or function is presented separately unless they are immaterial.

2.1.7 Comparative Information

The presentation and classification of the Group Financial Statements of the previous years have been amended, where relevant including the following for better presentation and to be comparable with those of the current year.

In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in Financial Statements.

2.2 Basis of Consolidation

The consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it de-recognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Summary of Significant Accounting Policies

2.3.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a Cash-Generating Unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.3.2 Investment in 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 the unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiary. The Group's/ Company's investment in joint venture is 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 Group's/ 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 Group's and Company's statement of profit or loss reflects the Group's/Company's share of the results of operations of the joint venture respectively. Any change in OCI of those investees is presented as part of the Group's/Company's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group/ Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group/ Company and the joint venture is eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's/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 Statement of the joint venture is prepared for the same reporting period as the Group/Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Group/ Company.

After application of the equity method, the Group/ Company determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group/ Company determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group/ 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 within 'Share of profit of a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the joint control over the joint venture, the Group/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 profit or loss.

2.3.3 Current Versus Non-Current Classification

The Group presents assets and liabilities in the statement of financial position based on current/ non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in a normal operating cycle
- Held primarily for the purpose of trading

- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period The Group classifies all other liabilities as non- current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.3.4 Fair Value Measurement

The Group measures financial instruments such as investments which are designated at fair value through other comprehensive income (FVOCI), and non-financial assets such as owner-occupied land, at fair value as at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the date of measurement. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Group Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Group Financial Statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Investment in non-listed equity shares (FVOCI) note 18
- Land under revaluation model note 13
- Financial instruments (including those carried at amortised cost) note 19
- Disclosures for valuation methods, significant estimates and assumptions notes 18 and 19
- Quantitative disclosures of fair value measurement hierarchy note 19.3

2.3.5 Property, Plant and Equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Buildings, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold lands are measured at fair value and impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Building:	50 Years
Machinery:	10 Years
Furniture and fittings and office equipment:	5-7 Years
Store equipment and motor vehicles:	5 Years

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its' use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is de-recognised.

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

2.3.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits

- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Other intangible assets which are acquired by the Group, with finite useful lives, are measured on initial recognition at cost. Following initial recognition ERP systems are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of intangible assets with a finite life is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date on which they are available for use. The estimated useful lives are as follows

	Product Development costs	ERP System
Useful lives	Finite (10 years)	5 years
Amortisation method used	Amortised on a straight-line basis over the period of expected future sales from the related project	Amortised on a straight-line basis
Internally generated or acquired	Internally generated	Acquired

2.3.7 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.3.7.1 Group as a Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.3.7.1.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and buildings 10 to 30 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

2.3.7.1.2 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in Interest-bearing loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

2.3.7.1.3 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.3.7.2 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.3.8 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3.9 Financial Instruments – Initial

Recognition and Subsequent Measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.3.9.1 Financial Assets

Initial Recognition and Measurement Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income (FVOCI).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15. Refer to the accounting policies in note 2.3.17 for Revenue from contracts with customers.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

2.3.9.1.1 Financial Assets at Amortised Cost (Debt Instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
  And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables.

2.3.9.1.2 Financial Assets Designated at Fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument by- instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

2.3.9.1.3 De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired
  Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of therisks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.3.9.1.4 Impairment of Financial Assets

The Group recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Trade receivables note 21.1

2.3.9.2 Financial Liabilities

Initial Recognition and Measurement Financial liabilities are classified, at initial recognition, as loans and borrowings, payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent Measurement

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

2.3.9.2.1 Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in 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 as finance costs in the statement of profit or loss.

This category generally applies to interest bearing loans and borrowings. For more information, refer to note 28.

2.3.9.2.2 De-recognition

A financial liability is de-recognised 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 de-recognition 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.

2.3.9.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.3.10 Derivative financial instruments and hedge accounting

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

For the purpose of hedge accounting, hedges are classified as Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised as other expense.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

2.3.11 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/ first-out basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

2.3.12 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.3.13 Cash and Short-term Deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.3.14 Provisions

2.3.14.1 General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.3.15 Employee Benefits

2.3.15.1 Defined Contribution Plans

Employees are eligible for employees' provident fund contributions and employees' trust fund contributions in line with respective statutes and regulations. The Company contributes the defined percentages of gross emoluments of employees to an approved employees' provident fund of 12% and to the employees' trust fund of 3% respectively.

2.3.15.2 Defined benefit obligation – Gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any re-measurements gain or losses arising are recognised immediately in the other comprehensive income. Re-measurements are not reclassified to income statement in subsequent periods. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales' and 'administration expenses' in the consolidated statement of profit or loss (by function):

- Service costs comprising current service costs
- Interest cost

Key assumptions used in determining the defined employee benefit obligations are given in note 30.

2.3.16 Investment in Subsidiary

Investments in subsidiaries in the Company's Financial Statements of the parent are stated initially at cost and subsequently at cost less accumulated impairment losses if any.

Bonterra Limited was accounted for under Equity Accounted Investee method up to 31st March 2020. Having considered the level of Company's involvement in relevant activities of the investee together with changes in key management personnel, management concluded such investment to be accounted for as a subsidiary of the Group with effect from 1st April 2020 as per SLFRS 10 - Consolidated Financial Statements.

2.3.17 Revenue from Contracts with Customers

The Group is in the business of manufacturing, exporting coir fibre products Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

2.3.17.1 Sale of Goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, considering relevant terms of delivery. The normal credit term is 30 to 90 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of coir fibre products, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

2.3.17.2 Significant Financing Component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

2.3.17.3 Contract Balances

2.3.17.3.1 Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note 19.1 financial instruments – initial recognition and subsequent measurement.

2.3.17.3.2 Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.3.18 Other Income

Rental income is recognised in the statement of profit or loss as it accrues. Dividend income is recognised when the Company's right to receive payment is established.

2.3.19 Taxes

2.3.19.1 Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity 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.

2.3.19.2 Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in joint arrangements, deferred tax asset is recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed 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.

NOTES TO THE FINANCIAL STATEMENTS

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.3.19.3 Sales Tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.3.19.4 Withholding Tax

Dividend distributed out of taxable profit of the joint venture attracts a 14% 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.

2.3.20 Foreign Currencies

The Group's consolidated Financial Statements are presented in Rs., which is also the parent Company's functional currency.

Transactions in foreign currencies are initially recorded by the Parent Company and subsidiaries at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

2.3.21 Cash Dividend

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

2.3.22 Earnings per Share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

2.4 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group Financial Statements in conformity with SLFRS/LKAS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period and any future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Group Financial Statements is included in the following notes.

2.4.1 Fair Value Measurement of Financial Assets Designated at Fair Value through OCI (Equity Instruments)

The Group assesses fair value of unquoted equity shares as at 31 March 2021. 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 of unquoted equity shares and sensitivity analyses are provided in note 18.

2.4.2 Revaluation of Lands

The Group measures lands which are recognised as property, plant & equipment at revalued amount with change in value being recognised in the Statement of Other comprehensive income. The valuer has used the open market approach in determining the fair value of the land. Further details on revaluation of lands are disclosed in note 13 to the Group Financial Statements.

2.4.3 Development costs

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 March 2021, the carrying amount of was Rs. 36.50 Mn (2020: 40.70 Mn). This amount includes significant investment in the development of Polypropylene (PU) foam product portfolio.

2.4.4 Taxes

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

The Group has Rs. 139 Mn (2020: Rs. 120 Mn) of tax losses carried forward. These losses relates to the subsidiary that has a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

2.4.5 Measurement of the Employee Benefit Obligations

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined employee benefit obligations are given in note 30 to the Group Financial Statements. Any changes in these assumptions will impact the carrying amount of employee benefit obligations.

2.4.6 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The assessment includes the existing and anticipated effects of the COVID-19 pandemic on the significant assumptions that are sensitive or susceptible to change or are inconsistent with historical trends. As the economic effects of COVID-19 continue to evolve, management considered a range of scenarios to determine the potential impact on underlying performance and future funding requirements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Group Financial Statements continue to be prepared on the going concern basis.

2.5 Changes in Accounting Policies and Disclosures

2.5.1 New and Amended Standards and Interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE FINANCIAL STATEMENTS

2.5.1.1 Amendments to SLFRS 3: Definition of a Business

The amendment to SLFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated Financial Statements of the Group, but may impact future periods should the Group enter into any business combinations.

2.5.1.2 Amendments to SLFRS 7, SLFRS 9 and LKAS 39 Interest Rate Benchmark Reform

The amendments to SLFRS 9 and LKAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated Financial Statements of the Group as it does not have any interest rate hedge relationships.

2.5.1.3 Amendments to LKAS1 and LKAS 8: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose Financial Statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the Financial Statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated Financial Statements of, nor is there expected to be any future impact to the Group.

2.5.1.4 Amendments to references to the conceptual framework in SLFRS standards

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated Financial Statements of the Group.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The amended standards that are issued, but not yet effective up to the date of issuance of these Financial Statements are disclosed below. The Group intends to adopt these amended standards, if applicable, when they become effective.

3.1 Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cashflows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2021. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable.

3.2 Amendments to SLFRS 16 – COVID – 19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 01 June 2020. This amendment is not expected to have a material impact on the Financial Statements of the Group in the foreseeable future.

3.3 Amendments to SLFRS 3

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

3.4 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16

In March 2021, the ICASL adopted amenments to LKAS16-Property, Plant and Equipment Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable

3.5 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to LKAS 37

In March 2021, the ICASL adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

3.6 Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2021 , ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively.

Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable

NOTES TO THE FINANCIAL STATEMENTS

4. REVENUE

For the year ended 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	**2021 Rs. '000**	2020 Rs. '000
Export sales	**1,444,338**	625,913	**568,463**	625,913
Indirect export sales	**131,969**	25,444	**131,969**	25,444
Local sales	**424,429**	138,268	**35,626**	45,208
	2,000,736	789,625	**736,058**	696,565

5. OTHER INCOME

For the year ended 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	**2021 Rs. '000**	2020 Rs. '000
Rent income	**-**	6,309	**6,882**	6,309
Net gain on disposal of property, plant and equipment	**340**	1,194	**340**	1,194
Dividend income	**10,156**	481	**89,232**	481
Insurance claim	**7,923**	-	**7,923**	-
Sundry income	**1,752**	1,563	**392**	1,086
Net foreign exchange gain	**19,191**	8,180	**5,956**	8,180
	39,362	17,727	**110,725**	17,250

6. OTHER EXPENSES

For the year ended 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	**2021 Rs. '000**	2020 Rs. '000
Charges on insurance claim finalisation	**-**	(8,981)	**-**	(8,981)

7. NET FINANCE INCOME

7.1 Finance Income

For the year ended 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Interest income	18,803	26,230	16,183	24,943
Foreign exchange gain on interest-bearing loans and borrowings	2,728	2,708	2,836	1,577
	21,531	28,938	19,019	26,520

7.2 Finance Cost

For the year ended 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Interest on debts and borrowings	(19,091)	(4,164)	(2,927)	(3,055)
Foreign exchange loss on interest-bearing loans and borrowings	(4,844)	(11,122)	(1,826)	(6,446)
Interest expenses on lease liabilities	(3,365)	(3,503)	(3,041)	(3,175)
	(27,300)	(18,789)	(7,794)	(12,676)
Net finance Income/(Expenses)	(5,769)	10,149	11,225	13,844

8. SHARE OF PROFIT OF A JOINT VENTURE – BONTERRA LTD.

For the year ended 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Share of profit before tax (refer note 16.1)	-	94,179	-	94,179
Tax expense	-	(13,118)	-	(13,118)
	-	81,061	-	81,061

NOTES TO THE FINANCIAL STATEMENTS

9. PROFIT BEFORE TAX

Profit Before Tax is stated after charging all expenses Including the following.

For the year ended 31 March	Notes	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
Ernst & Young : Audit fees		**2,975**	1,966	**1,657**	1,578
Non audit services		**507**	931	**265**	753
Depreciation on property, plant and equipment	13	**32,540**	16,082	**9,604**	7,121
Provision for inventories	20.1	**10,108**	6,293	**6,210**	5,871
Employee benefits including the following					
– Defined contribution plan cost – EPF and ETF		**3,975**	945	**3,022**	945
– Employee benefit plan cost	30.1	**4,364**	2,790	**3,305**	2,790
Impairment/(reversal) bad debts		**(1,326)**	(3,242)	**1,782**	(1,435)
Directors fees		**2,009**	1,820	**2,009**	1,820

10. TAXATION

10.1 Tax Expense

For the year ended 31 March	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
Current income tax				
Income tax on current year profits	**31,603**	17,025	**11,260**	17,025
Adjustment in respect of current income tax of previous year	**3,582**	3,889	**1,488**	3,889
Taxes on dividends of a joint venture	**(4,078)**	4,078	**-**	4,078
Deferred tax :				
Relating to origination and reversal of temporary differences	**2,725**	(4,376)	**381**	340
Tax on undistributed profit of a joint venture (Note 10.3)	**(18,290)**	10,418	**(18,290)**	10,418
Tax expense reported in the statement of profit or loss	**15,542**	31,034	**(5,161)**	35,750

A reconciliation between tax expense and the result of accounting profit multiplied by domestic tax rate for the year ended 31 March 2021 and 2020 is given on note 10.3.

10.2 Deferred Tax on Other Comprehensive Income

For the year ended 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	**2021 Rs. '000**	2020 Rs. '000
Deferred tax related to items recognised in other comprehensive income during the year				
Re-measurement gain/(loss) on employee benefit obligations	**(192)**	(337)	**(182)**	(337)
Revaluation of financial assets designated at FVOCI	**797**	(4,955)	**797**	(4,955)
Deferred tax charged directly to other comprehensive income	**605**	(5,292)	**615**	(5,292)

10.3 Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	**2021 Rs. '000**	2020 Rs. '000
Profit before tax	**258,785**	177,322	**131,091**	181,506
Share of profit of a joint venture	**-**	(81,061)	**-**	(81,061)
Disallowable expenses	**60,058**	47,120	**33,908**	30,212
Allowable expenses	**(96,172)**	(52,614)	**(105,166)**	(14,444)
Tax exempt income	**-**	-	**-**	-
Tax loss B/F	**119,699**	(60,558)	**-**	-
Adjustment for tax loss B/F	**-**	(33,695)	**-**	-
Tax loss c/f	**(139,346)**	119,699	**-**	-
Taxable income	**203,024**	116,213	**59,833**	116,213
Income tax @ 14%	**23,734**	15,263	**4,315**	15,263
Income tax @ 18%	**506**	266	**50**	266
Income tax @ 24%	**7,363**	1,496	**6,895**	1,496
Income tax on current year profit	**31,603**	17,025	**11,260**	17,025
Adjustment in respect of current income tax of previous year	**3,582**	3,889	**1,488**	3,889
Tax on dividends in a joint venture - tax @ 14%	**(4,078)**	4,078	**-**	4,078
Tax on temporary difference - tax @ 28%	**-**	(4,716)	**-**	-
Tax on temporary difference - tax @ 14%	**2,725**	340	**381**	340
Tax on undistributed profit of a joint venture - tax @ 14%	**(18,290)**	10,418	**(18,290)**	10,418
Tax expense reported in the statement of profit and loss	**15,542**	31,034	**(5,161)**	35,750

NOTES TO THE FINANCIAL STATEMENTS

10.4 As per Inland revenue amendment bill dated 18th March 2021, tax rates of 14%, 18% and 24% are applied for profit from export undertaking, local manufacturing and others respectively. In F/Y 2019/20, In accordance with Inland Revenue Act No. 24 of 2017, companies that predominantly conducted business of exporting goods and services enjoyed a concessionary tax rate of 14% and as per the notice issued by Department of Inland Revenue dated 12th February 2020, for the period from 1st January to 31st March 2020 tax rate of 14%, 18% and 24% are applied for profit from export undertaking, local manufacturing and others respectively.

11. BASIC EARNINGS PER SHARE

Basic Earning Per Share (EPS) is calculated by dividing the Profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

11.1 The following reflects the income and share data used in the basic Earnings Per Share computation.

	Group		Company	
For the year ended 31 March	**2021 Rs. '000**	2020 Rs. '000	**2021 Rs. '000**	2020 Rs. '000
Amounts used as numerator :				
Profit attributable to ordinary equity holders of the Company	**147,794**	146,150	**136,252**	145,756

	Group		Company	
For the year ended 31 March	**2021 Number**	2020 Number	**2021 Number**	2020 Number
Number of ordinary shares used as denominator :				
Weighted average number of ordinary shares issued	**24,000,000**	24,000,000	**24,000,000**	24,000,000
Basic earnings per share (Rs.)	**6.16**	6.09	**5.68**	6.07

11.2 Weighted average number of ordinary shares in 2020 has been adjusted based on post sub-division of 3 shares for every one ordinary share held.

12. DIVIDENDS DECLARED AND PAID

For the year ended 31 March	Company 2021 Rs. '000	Company 2020 Rs. '000
Cash dividends on ordinary shares declared and paid during the year:		
First interim dividend for 2020/2021 - Rs. 1/- per share (2020: First interim dividend for 2019/2020 - Rs. 2/- per share)	8,000	16,000
Second interim dividend for 2020/2021 - Rs. 0.25/- per share (2020 final dividend for 2019/2020 - Rs. 2/- per share)	6,000	16,000
Third interim dividend for 2019/2020 - Rs. 4.50/- per share	-	36,000
	14,000	68,000
Number of shares (no.'000)	24,000	24,000
Dividend per share (Rs.)	0.58	2.83
Dividend payout ratio	10%	47%

The Company executed a share split of 3 shares for 1 share, on 10th February 2021, as a result the total number of shares increased to 24,000,000 shares compared to previous number of shares of 8,000,000.

13. PROPERTY, PLANT AND EQUIPMENT

13.1 Group

As at 31 March	Freehold land Rs. '000	Freehold buildings Rs. '000	Buildings on leasehold land Rs. '000	Furniture, fittings & office equipment Rs. '000	Machinery & stores equipment Rs. '000	Fixtures & fittings Rs. '000	Motor vehicles Rs. '000	Total 2021 Rs. '000	Total 2020 Rs. '000
Cost/Valuation									
As at 01 of April	42,746	269,715	-	27,567	146,800	11,284	323	498,435	205,177
Control change of a joint venture	-	-	-	1,144	67,849	-	-	68,993	-
Additions	-	14,124	-	3,772	4,583	450	2,785	25,714	59,275
Transfer (Note 13.6)	-	9,359	15,804	-	100,432	1,413	-	127,008	234,904
Disposals	-	-	-	(765)	(760)	-	-	(1,525)	(921)
As at 31 March	42,746	293,198	15,804	31,718	318,904	13,147	3,108	718,625	498,435

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March	Freehold land Rs. '000	Freehold buildings Rs. '000	Buildings on leasehold land Rs. '000	Furniture, fittings & office equipment Rs. '000	Machinery & stores equipment Rs. '000	Fixtures & fittings Rs. '000	Motor vehicles Rs. '000	**Total 2021 Rs. '000**	Total 2020 Rs. '000
Depreciation									
As at 01 of April	-	26,440	-	18,289	28,159	2,325	323	**75,536**	60,375
Control change of a joint venture	-	-	-	551	29,083	-	-	**29,634**	-
Charge for the year	-	10,099	130	2,198	17,840	1,855	418	**32,540**	16,082
Disposals	-	-	-	(691)	(760)	-	-	**(1,451)**	(921)
As at 31 March	-	36,539	130	20,347	74,322	4,180	741	**136,259**	75,536
Net book value as at 31 March	42,746	256,659	15,674	11,371	244,582	8,967	2,367	**582,366**	422,899
Capital work in progress (Note 13.6)	-	-	-	-	-	-	-	**48,407**	61,152
Carrying amount as at 31 March	42,746	256,659	15,674	11,371	244,582	8,967	2,367	**630,773**	484,051

13.2 Company

As at 31 March	Freehold land Rs. '000	Freehold buildings Rs. '000	Furniture, fittings & office equipment Rs. '000	Machinery & stores equipment Rs. '000	Fixtures & fittings Rs. '000	Motor vehicles Rs. '000	**Total 2021 Rs. '000**	Total 2020 Rs. '000
Cost/Valuation								
As at 01 April	42,746	88,226	10,199	60,688	11,284	323	**213,466**	142,245
Additions	-	1,170	2,786	1,741	450	2,785	**8,932**	54,945
Transfer (Note 13.6)	-	9,359	-	1,916	1,413	-	**12,688**	17,197
Disposals	-	-	-	(760)	-	-	**(760)**	(921)
As at 31 March	42,746	98,755	12,985	63,584	13,147	3,108	**234,326**	213,466
Depreciation								
As at 01 of April	-	12,421	7,211	24,567	2,325	323	**46,847**	40,647
Charge for the year	-	1,849	708	4,774	1,855	418	**9,604**	7,121

As at 31 March	Freehold land Rs. '000	Freehold buildings Rs. '000	Furniture, fittings & office equipment Rs. '000	Machinery & stores equipment Rs. '000	Fixtures & fittings Rs. '000	Motor vehicles Rs. '000	**Total 2021 Rs. '000**	Total 2020 Rs. '000
Disposals	-	-	-	(760)		-	**(760)**	(921)
As at 31 March	-	14,269	7,919	28,581	4,180	741	**55,690**	46,847
Net book value as at 31 March	42,746	84,486	5,066	35,004	8,966	2,367	**178,635**	166,619
Capital work in progress (Note 13.6)	-	-	-	-	-	-	**12,581**	19,396
Carrying amount as at 31 March	42,746	84,486	5,066	35,004	8,966	2,367	**191,216**	186,015

13.3 Group/Company – Revaluation of Land

Fair value of the lands were determined using the market comparable method. The most recent valuations had been performed by the valuer and were based on prices of transactions for properties of similar nature, location and condition. As at the dates of last revaluation on 31 March 2019, the land valuations was performed by Mr. P. B. Kalugalgedara Chartered Valuation surveyor, an accredited independent valuer who has valuation experience for similar properties.

Description of valuation techniques used and key inputs to valuation of land.

Type of Instrument	Location	Original cost (Rs.'000)	Fair value as at 31 Mar 2019 (Rs.'000)	Extent (Perches)	Valuation technique	Significant unobservable input	Fair value measurement sensitivity to unobservable input
Free hold land	Kuliyapitiya (Last valuation date 31.03.2019)	1,306	29,806	631.50	Open market basis	Value per perch (Rs.37,500 - Rs.50,000)	Significant increase/(decrease) in estimated price per perch in isolation would result in a significantly higher/(lower) fair value

13.4 Building Owned by the Group/Company

Company	Location	Address	Building Sq. ft.	No. of buildings at each locations	Carrying value at cost – 31 Mar 2021 Rs.'000
Hayleys Fibre PLC	Kuliyapitiya	Biginhill Estate,Hettipola Road,Karagahagedara,Kuliyapitiya	47,389	15	42,815
Hayleys Fibre PLC	Bingiriya	Siri Sumangala Mawatha,Mahagama North,Chilaw	20,200	2	41,671
Creative Polymats (Pvt) Ltd	Dankotuwa	Industrial Estate, Bujjampola, Dankotuwa	57,200	9	172,173

Company	Location	Address	Building Sq. ft.	No. of buildings at each locations	Carrying value at cost – 31 Mar 2020 Rs.'000
Hayleys Fibre PLC	Kuliyapitiya	Biginhill Estate,Hettipola Road,Karagahagedara,Kuliyapitiya	47,389	15	38,645
Hayleys Fibre PLC	Bingiriya	Siri Sumangala Mawatha,Mahagama North,Chilaw	20,200	2	37,160
Creative Polymats (Pvt) Ltd	Dankotuwa	Industrial Estate, Bujjampola, Dankotuwa	57,200	9	167,470

13.5 The cost of fully depreciated property plant and equipment which are still in use as at the reporting date is as follows.

	Group		Company	
As at 31 March	**2021 Rs. '000**	2020 Rs. '000	**2021 Rs. '000**	2020 Rs. '000
Freehold buildings	**973**	973	**973**	973
Machinery & stores equipment	**30,498**	14,176	**13,416**	14,176
Furniture, fittings & office equipment	**16,464**	16,465	**6,539**	6,539
Motor vehicles	**323**	323	**323**	323
	48,258	31,937	**21,251**	22,011

13.6 Capital Work In Progress

As at 31 March	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
As at 01 April	**61,152**	89,131	**19,396**	2,414
Control change of a joint venture	**27,122**	-	**-**	-
Additions during the year	**101,745**	206,925	**20,477**	34,179
Transferred to property, plant and equipment during the year	**(127,008)**	(234,904)	**(12,688)**	(17,197)
Transferred to intangible assets	**(14,604)**	-	**(14,604)**	-
As at 31 March	**48,407**	61,152	**12,581**	19,396

14. INTANGIBLE ASSETS

As at 31 March	Group ERP system Rs. '000	Development cost Rs. '000	Total 2021 Rs. '000	Total 2020 Rs. '000
Cost				
As at 01 April	-	41,325	**41,325**	-
Transfer (Note 13.6)	14,604	-	**14,604**	41,325
As at 31 March	14,604	41,325	**55,929**	41,325
Amortisation				
As at 01 April	-	625	**625**	-
Amortisation during the period	2,433	4,196	**6,629**	625
As at 31 March	2,433	4,821	**7,254**	625
Net book value				
As at 31 March	12,171	36,504	**48,675**	40,700

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March	Company	
	ERP system 2021 Rs. '000	ERP system 2020 Rs. '000
Cost		
As at 01 April	**-**	-
Additions	**14,604**	-
As at 31 March	**14,604**	-
Amortisation		
As at 01 April	**-**	-
Amortisation during the period	**2,433**	-
As at 31 March	**2,433**	-
Net book value		
As at 31 March	**12,171**	-

14.1 There has been no impairment of intangible assets.

15. RIGHT OF USE ASSETS/LEASES

Amounts recognised in the Statement of financial position and income statement for the year ended 31 March 2021.

15.1 Right of Use Assets

	Group		Company	
	Land & Buildings 2021		Land & Buildings 2020	
	Rs. '000	**Rs. '000**	Rs. '000	Rs. '000
As at 01 April	**22,260**	**24,990**	21,111	23,778
Amortisation of right of use assets	**(2,729)**	**(2,730)**	(2,667)	(2,667)
As at 31 March	**19,531**	**22,260**	18,444	21,111

15.2 Lease Liabilities

	Group		Company	
	Lease liabilities 2021		Lease liabilities 2020	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 01 April	27,837	28,431	24,883	25,805
Interest cost	3,365	3,503	3,041	3,175
Payments	(5,022)	(4,097)	(4,302)	(4,097)
As at 31 March	26,180	27,837	23,622	24,883
Repayable within one year	1,695	1,658	1,655	1,261
Repayable after one year	24,485	26,179	21,967	23,622

15.3 Amounts Recognised in the Income Statement Relating to Right of Use Assets

Following are the amounts recognised in the income statement for the year ended 31 March 2021.

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Amounts recognised in the income statement				
Amortisation of right of use assets	2,729	2,730	2,667	2,667
Interest expenses on lease liabilities	3,365	3,503	3,041	3,175

NOTES TO THE FINANCIAL STATEMENTS

The payable below summarises the maturity profile of the Group's/Company's lease liabilities based on contractual undiscounted payments:

	0-1 Year Rs. '000	1 to 2 years Rs. '000	2 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Group					
As at 31 March 2021	4,877	5,103	16,779	15,971	42,730
As at 31 March 2020	5,022	4,877	16,032	21,821	47,752
Company					
As at 31 March 2021	4,517	4,743	15,699	11,291	36,250
As at 31 March 2020	4,302	4,517	14,952	16,781	40,552

16. INVESTMENT IN SUBSIDIARIES

	Holding %		No. of shares		Company	
As at 31 March	**2021**	2020	**2021**	2020	**2021 Rs. '000**	2020 Rs. '000
Unquoted						
Bonterra Ltd	**50**	-	**803,400**	-	**8,034**	-
Creative Polymats (Pvt) Ltd	**74**	74	**22,500,000**	22,500,000	**225,000**	225,000
			23,303,400	22,500,000	**233,034**	225,000

16.1 Bonterra Limited was accounted for under Equity Accounted Investee method up to 31st March 2020. Having considered the level of Company's involvement in relevant activities of the investee together with changes in key management personnel, management concluded such investment to be accounted for as a subsidiary of the Group with effect from 1st April 2020 as per SLFRS 10 - Consolidated Financial Statements.

16.2 Summarised Financial Information of Subsidiaries

Summarised statement of profit or loss:

	Creative Polymats (Pvt) Ltd		Bonterra Ltd		Total	
As at 31 March	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Group share of:						
Revenue from contracts with customers	350,964	93,060	917,566	-	1,268,530	93,060
Cost of sales	(314,087)	(81,525)	(652,358)	-	(966,445)	(81,525)
Other income	1,360	477	-	-	1,360	477
Selling and distribution expenses	(27,447)	(3,150)	(1,608)	-	(29,055)	(3,150)
Administrative expenses	(11,992)	(9,351)	(51,346)	-	(63,338)	(9,351)
Finance costs	(17,171)	(3,695)	11,338	-	(5,833)	(3,695)
Profit before tax	(18,373)	(4,184)	223,592	-	205,219	(4,184)
Income tax	(188)	4,716	(24,377)	-	(24,565)	4,716
Profit for the year	(18,561)	532	199,215	-	180,654	532

Summarised statement of financial position:

	Creative Polymats (Pvt) Ltd		Bonterra Ltd		Total	
As at 31 March	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Group share of:						
Non current assets	328,387	340,710	174,830	-	503,217	340,710
Current assets, including cash in hand and at bank	438,783	254,587	476,310	-	915,093	254,587
Total assets	767,170	595,297	651,140	-	1,418,310	595,297
Non -current liabilities	(9,206)	(2,558)	(237,984)	-	(247,190)	2,558
Current liabilities, including trade and other payable	(484,188)	(300,405)	(110,497)	-	(594,685)	300,405
Total liabilities	(493,394)	(302,963)	(348,481)	-	(841,875)	302,963
Total equity	273,776	292,334	302,659	-	576,435	292,334

The above shown information is based on amounts before inter-company eliminations.

NOTES TO THE FINANCIAL STATEMENTS

16.3 Summarised Statement of Cash Flows

	Creative Polymats (Pvt) Ltd		Bonterra Ltd		Total	
For the year ended 31 March	**2021 Rs. '000**	2020 Rs. '000	**2021 Rs. '000**	2020 Rs. '000	**2021 Rs. '000**	2020 Rs. '000
Cash Flows from Operating Activities	**(94,226)**	(94,109)	**64,711**	-	**(29,515)**	(94,109)
Cash Flows from Investing Activities	**(16,743)**	(217,114)	**(87,788)**	-	**(104,531)**	(217,114)
Cash Flows from Financing Activities	**-**	144,998	**(45,904)**	-	**(45,904)**	144,998

This information is based on amounts before inter-company eliminations.

17. INVESTMENT IN JOINT VENTURE

	Holding %		No. of shares		Company	
As at 31 March	**2021**	2020	**2021**	2020	**2021 Rs. '000**	2020 Rs. '000
Unquoted						
Bonterra Ltd (refer note 16.1)	**-**	50	**-**	8,034,000	**-**	8,034
	-	-	**-**	8,034,000	**-**	8,034

17.1 Interest in a Joint Venture

Summarised financial information of the joint venture, based on its SLFRS financial statements and reconciliation with the carrying amount of the investment in the financial statements are set out below.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Summarised statement of financial position of the Bonterra Limited:		
Current assets	-	311,716
Non-current assets	-	66,481
Current liabilities	-	(110,742)
Non-current liabilities	-	(6,175)
Equity	-	261,280
Group's/Company's carrying amount of the investment (Share in equity - 50%)	-	130,640
Summarised statement of profit or loss of the Bonterra Limited:		
Revenue	-	847,544
Cost of sales	-	(596,843)
Other income	-	-
Administrative expenses	-	(49,294)
Selling and distribution expenses	-	(24,933)
Other operating expenses	-	(251)
Net finance income	-	12,135
Profit before tax	-	188,358
Income tax expense	-	(26,236)
Profit for the year	-	162,122
Total other comprehensive income	-	(20)
Total comprehensive income for the year	-	162,100
Group's/Company's share of total comprehensive Income for the year (Share in equity - 50%)	-	81,050
Summarised statement of cash flow		
Cash flows from operating activities	-	110,006
Cash flows from investing activities	-	(31,235)
Cash flows from financing activities	-	(58,263)

NOTES TO THE FINANCIAL STATEMENTS

18. GROUP/COMPANY – OTHER NON CURRENT FINANCIAL ASSETS

As at 31 March	2021 Rs. '000	2020 Rs. '000
Equity instruments designated at fair value through OCI		
As at 01 April	101,459	97,596
Net gain	7,909	3,863
As at 31 March	109,368	101,459

Equity instruments designated at fair value through OCI (FVOCI) consist of Investment in Toyo Cushion Lanka (Pvt) Ltd and Rileys (Pvt) Ltd as at 31 March 2021. The Investment in Toyo Cushion Lanka (Pvt) Ltd and Rileys (Pvt) Ltd are valued using Cash Flow Models.

18.1 Rileys (Pvt) Ltd

	Company	
As at 31 March	2021 Rs. '000	2020 Rs. '000
As at 01 April	55,631	54,351
Net gain	2,128	1,280
As at 31 March	57,759	55,631

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Equity securities	FVOCI Investments in equity securities are valued by using the cash flow model.	• Forecast annual revenue growth rate (2021: 16%; 2020: 10%) • Forecast EBITDA margin (2021: 7%; 2020: 8%) • Discount rate (2021: 11.5%; 2020: 14%)	The estimate fair value would increase/(decrease) if: • The annual revenue growth rate were higher/(lower) • The EBITDA margin were higher/(lower) • The discount rate were lower/(higher)

18.2 Toyo Cushion Lanka (Pvt) Limited

As at 31 March	Company 2021 Rs. '000	Company 2020 Rs. '000
As at 01 April	**45,828**	43,245
Net gain	**5,781**	2,583
As at 31 March	**51,609**	45,828

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Equity securities	FVOCI investments in equity securities are valued by using the cash flow model.	• Forecast annual revenue growth rate (2021: 13%; 2020: 10%) • Forecast EBITDA margin (2021: 7%; 2020: 8%) • Discount rate (2021: 11.5%; 2020: 14%)	The estimate fair value would increase/(decrease) if: • The annual revenue growth rate were higher/(lower) • The EBITDA margin were higher/(lower) • The discount rate were lower/(higher)

18.3 Sensitivity Analysis

For the fair values of equity securities - Equity instruments designated at fair value through OCI, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

Un-quoted Equity Instruments Designated at Fair Value through OCI

	2021		2020	
	Increase Rs. '000	**Decrease Rs. '000**	Increase Rs. '000	Decrease Rs. '000
Effect to the other comprehensive income				
Annual revenue growth rate (±0.5%)	**2,276**	**(2,276)**	1,646	(1,646)
EBITDA margin (±0.25%)	**851**	**(851)**	466	(466)
Discount rate (±0.25%)	**(4,462)**	**4,720**	(2,269)	2,377

19. FINANCIAL ASSETS & FINANCIAL LIABILITIES

19.1 Financial Assets

	Group		Company	
As at 31 March	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Equity instruments designated at fair value through OCI				
Rileys (Pvt) Ltd	57,759	55,631	57,759	55,631
Toyo Cushion Lanka (Pvt) Ltd	51,609	45,828	51,609	45,828
Total non-current financial assets	109,368	101,459	109,368	101,459
Loans and receivables				
Trade & other receivables	379,103	198,505	52,105	139,362
Amount due from other related companies	116,690	117,869	84,326	99,566
Amounts due from a joint venture	-	1,313	-	1,313
Short-term deposit	348,759	218,846	348,750	218,837
Cash in hand and at bank	60,953	18,137	27,010	16,921
Total current financial assets	905,505	554,670	512,191	475,999
Carrying value of financial assets	1,014,873	656,129	621,559	577,458
Fair value of financial assets	1,014,873	656,129	621,559	577,458

19.2 Financial Liabilities

	Group		Company	
As at 31 March	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Financial liabilities measured at amortised cost				
Trade & other payables	396,196	119,425	85,426	69,472
Amount due to other related companies	86,817	139,244	28,812	37,872
Current portion of interest bearing borrowings	65,421	-	16,668	-
Bank overdrafts and short-term borrowings	257,672	277,714	1,849	129,391
Carrying value of financial liabilities	806,106	536,383	132,755	236,735
Fair value of financial liabilities	806,106	536,383	132,755	236,735

The management assessed that, cash in hand at bank, short-term investments, amounts due from related parties, trade and other receivables, trade and other payables, amounts due to related parties and bank overdrafts approximate to their fair value largely due to the short-term maturities of these instruments. The fair value of loans and receivables and financial liabilities does not significantly vary from the value based on the amortised cost methodology for the Group/Company.

19.3 Fair Value Hierarchy

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

Assets Measured at Fair Value

As at 31 March	2021 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Freehold lands carried at fair value (Note 13)	42,746	-	-	42,746
Unquoted equity shares - financial assets designated at FVOCI (Note 18)	109,368	-	-	109,368

As at 31 March	2020 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Freehold lands carried at fair value (Note 13)	42,746	-	-	42,746
Unquoted equity shares - financial assets designated at FVOCI (Note 18)	101,459	-	-	101,459

During the reporting period ended 31st March 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

NOTES TO THE FINANCIAL STATEMENTS

20. INVENTORIES

	Group		Company	
As at 31 March	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Raw materials and consumables*	397,597	223,755	51,820	117,223
Finished goods	44,313	32,516	12,666	20,090
Spares stocks	12,745	6,322	6,500	4,743
Working-in-progress	37,074	20,507	23,775	9,607
	491,729	283,100	94,761	151,663
Less: Provision for write down of inventories (Note 20.1)	(21,269)	(8,999)	(14,354)	(8,144)
	470,460	274,101	80,407	143,519

**Coir fibre inventory amounts to Rs. 52 Mn (2,624 tons in quantity).Inherent nature of the inventories, requires use of estimation techniques and judgments in ascertaining the physical quantities of inventories.*

20.1 Movement in the Provision for Obsolete Inventories

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
As at 01 April	8,999	2,706	8,144	2,273
Control change of a Joint Venture	2,162	-	-	-
Provision made/(reversed) during the year	10,108	6,293	6,210	5,871
As at 31 March	21,269	8,999	14,354	8,144

21. TRADE & OTHER RECEIVABLES

As at 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Trade receivables (Note 21.1)	376,277	172,302	50,169	123,773
Insurance receivables	-	13,786	-	13,786
Deposits and prepayments	7,823	3,632	3,175	1,718
Advance to suppliers	76,679	15,474	13,648	4,474
Other receivables	2,826	12,417	1,936	1,803
	463,605	217,611	68,928	145,554

21.1 Trade Receivables

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Gross trade receivables	382,167	173,737	53,386	125,208
Less: Provision for doubtful debts (Note 21.1 (a))	(5,890)	(1,435)	(3,217)	(1,435)
Net trade receivables	376,277	172,302	50,169	123,773

21.1 (a) Movement in the Provision for Doubtful Debts

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Balance as at 01 April	1,435	4,677	1,435	1,068
Control change of a joint venture	17,195	-	-	-
Provision made during the year	4,455	1,435	1,782	1,435
Provision reversed during the year	(17,195)	(4,677)	-	(1,068)
Balance as at 31 March	5,890	1,435	3,217	1,435

NOTES TO THE FINANCIAL STATEMENTS

21.2 The Aging Analysis of Trade Receivables is as follows:

Group		Past due but not Impaired						
	Neither past due nor impaired Rs. Mn	<60 Days Rs. Mn	61-120 Days Rs. Mn	121-180 Days Rs. Mn	>180 Days Rs. Mn	Total (gross) Rs. Mn	Provisions Rs. Mn	Total (net) Rs. Mn
As at 31 March 2021	268.10	75.81	29.64	2.00	6.61	382.16	(5.89)	376.27
As at 31 March 2020	36.98	126.44	8.45	0.46	1.40	173.73	(1.43)	172.30

Company		Past due but not Impaired						
	Neither past due nor impaired Rs. Mn	<60 Days Rs. Mn	61-120 Days Rs. Mn	121-180 Days Rs. Mn	>180 Days Rs. Mn	Total (gross) Rs. Mn	Provisions Rs. Mn	Total (net) Rs. Mn
As at 31 March 2021	33.46	11.52	5.18	-	3.21	53.37	(3.21)	50.16
As at 31 March 2020	9.80	112.06	1.94	-	1.40	125.20	(1.43)	123.77

22. OTHER CURRENT ASSETS

	Group		Company	
As at 31 March	**2021 Rs. '000**	2020 Rs. '000	**2021 Rs. '000**	2020 Rs. '000
Other tax receivables	**440**	440	**-**	-
Withholding tax refunds	**85**	1,563	**38**	1,543
VAT receivables	**45,804**	34,476	**4,165**	3,379
	46,329	36,479	**4,203**	4,922

23. AMOUNTS DUE FROM A JOINT VENTURE

As at 31 March	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
Bonterra Ltd (refer note 16.1)	-	1,313	-	1,313
	-	1,313	-	1,313

24. AMOUNTS DUE FROM OTHER RELATED COMPANIES

As at 31 March	Relationship	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
Lignocell (Pvt) Ltd	Affiliate	-	724	-	724
Quality Seeds Co.(Pvt) Ltd	Affiliate	2,457	3,035	2,457	3,035
Toyo Cushion Lanka (Pvt) Ltd	Affiliate	690	8,831	4,579	547
Ravi Industries Ltd	Affiliate	-	2,411	621	2,411
Chas P Hayley & Co.(Pvt) Ltd	Affiliate	16,846	91,160	18,666	91,160
Haymat (Pvt) Ltd	Affiliate	-	1,375	909	1,375
Charles Fibres (Pvt) Ltd	Affiliate	-	314	-	314
Singer Sri Lanka PLC	Affiliate	49,361	10,019	-	-
Haycarb USA	Affiliate	47,336	-	47,336	-
Bonterra Ltd	Subsidiary	-	-	9,758	-
		116,690	117,869	84,326	99,566

25. CASH IN HAND AND AT BANK

As at 31 March	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
Cash in hand	496	416	196	196
Cash at bank	60,457	17,721	26,814	16,725
Cash in hand and at bank	60,953	18,137	27,010	16,921

NOTES TO THE FINANCIAL STATEMENTS

26. STATED CAPITAL

As at 31 March	No. of Shares 2021	No. of Shares 2020	Company 2021 Rs. '000	Company 2020 Rs. '000
Fully paid ordinary shares	24,000,000	24,000,000	80,000	80,000

As per the circular resolution passed on 10th February 2021, the issued and fully paid Ordinary Shares of the Company was sub-divided by splitting each ordinary share held into 03 shares, thus increasing the number of existing issued ordinary shares of the Company from 8,000,000 to 24,000,000 ordinary shares without affecting an increase in the Stated Capital of the Company.

27. RESERVES

As at 31 March	Notes	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
Other components of equity					
Cash for hedge Reserve		(3,889)	-	-	-
Revaluation reserves	27.1	24,511	24,511	24,511	24,511
Fair value reserves of financial assets designated at FVOCI		66,919	59,807	66,919	59,807
		87,541	84,318	91,430	84,318
Amalgamation reserves					
Amalgamation revenue reserves	27.3	36,625	36,625	36,625	36,625
Amalgamation capital reserves	27.3	14,000	14,000	14,000	14,000
		50,625	50,625	50,625	50,625
Retained earnings	27.2	901,142	768,501	760,272	761,747
		1,039,308	903,444	902,327	896,690

27.1 Revaluation Reserves

As at 31 March	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
As at 01 April	24,511	24,511	24,511	24,511
Revaluation surplus during the year	-	-	-	-
Income tax effect on revaluation surplus	-	-	-	-
As at 31 March	24,511	24,511	24,511	24,511

27.2 Retained Earnings

As at 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	**2021 Rs. '000**	2020 Rs. '000
As at 01 April	**768,501**	692,434	**761,747**	686,074
Profit for the year	**147,794**	146,150	**136,252**	145,756
Control change of a Joint Venture	**-**	-	**(122,606)**	-
Re-measurement gain/(loss) on employee benefit obligations	**(1,340)**	(2,410)	**(1,303)**	(2,410)
Income tax on other comprehensive income	**187**	337	**182**	337
Share of other comprehensive income of a joint venture	**-**	(10)	**-**	(10)
Dividends	**(14,000)**	(68,000)	**(14,000)**	(68,000)
As at 31 March	**901,142**	768,501	**760,272**	761,747

27.3 Amalgamation reserves consist of net surplus arisen from the amalgamation of Eco Fibre Limited with the Company using the provisions for amalgamation, in the companies Act No. 07 of 2007.

28. INTEREST BEARING LOANS AND BORROWINGS

As at 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	**2021 Rs. '000**	2020 Rs. '000
As at 31 April	**-**	-	**-**	-
New loan obtained**	**156,529**	-	**25,000**	-
Repayments	**(5,465)**	-	**(1,389)**	-
Effect of movements in exchange rates	**7,778**	-	**-**	-
At the end of the year	**158,842**	-	**23,611**	-
Repayable within one year	**65,421**	-	**16,668**	-
Repayable after one year	**93,421**	-	**6,943**	-

***Consist of loan obtained Hayleys Fibre PLC, Bonterra Ltd and Creative polymats (Pvt) Ltd, during the year amounting to Rs. 25 Mn, 111.52 Mn, 20 Mn, respectively.*

NOTES TO THE FINANCIAL STATEMENTS

28.1 Analysis of Long Term Borrowings by Year of Repayment

	1 to 2 years Rs. '000	2 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Group				
As at 31 March 2021	70,649	22,772	-	93,421
As at 31 March 2020	-	-	-	-

	1 to 2 years Rs. '000	2 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Company				
As at 31 March 2021	6,943	-	-	6,943
As at 31 March 2020	-	-	-	-

28.2 Long Term Borrowings Repayable After One Year

Company	Rate of interest (%)	Repayment terms	Security	**2021 Rs. '000**	2020 Rs. '000
Hayleys Fibre PLC	4%	18 monthly installments commencing from March 2021	None	**9,715**	-
Bonterra Ltd	4.2%	24 monthly installments commencing from September 2021	Primary mortgage over machinery	**77,426**	-
Creative Polymats (Pvt) Ltd	4%	18 monthly installments commencing from December 2020	None	**6,280**	-
				93,421	-

29. DEFERRED TAXATION

29.1 Deferred Tax Assets

As at 31 March	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
As at 01 April	**21,672**	16,956	**-**	-
Charge/(reversal)	**(188)**	4,716	**-**	-
As at 31 March	**21,484**	21,672	**-**	-

The closing deferred tax assets is related to the following;

As at 31 March	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
Losses available for off-setting against future taxable income	**33,557**	33,515	**-**	-
Deferred tax liabilities				
Accelerated depreciation for tax purposes	**11,247**	10,861	**-**	-
Amortisation of intangible assets for tax purposes	**826**	982	**-**	-
	12,073	11,843	**-**	-
As at 31 March	**21,484**	21,672	**-**	-

Un-utilised tax losses carried forward of Creative Polymats (Pvt) Ltd as at 31 March 2021 amounting to Rs. 139.3 million

29.2 Deferred Tax Liabilities

As at 31 March	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
As at 01 April	**25,665**	20,200	**25,665**	20,200
Control change of a Joint Venture	**4,866**	-	**-**	-
Charge/(Reversal)	**(15,148)**	5,465	**(17,294)**	5,465
As at 31 March	**15,383**	25,665	**8,371**	25,665

NOTES TO THE FINANCIAL STATEMENTS

The closing deferred tax assets and liabilities are related to the following.

	Group		Company	
As at 31 March	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Deferred tax assets				
Employee benefit obligations	(3,673)	(3,105)	(3,388)	(3,105)
Effect of transition to SLFRS 16	(725)	-	(725)	-
Deferred tax liabilities				
Accelerated depreciation for tax purposes	14,152	5,649	6,855	5,649
Undistributed profit in a joint venture	-	18,290	-	18,290
Revaluation on freehold land	3,990	3,990	3,990	3,990
Revaluation of financial assets designated at FVOCI	1,639	841	1,639	841
	19,781	28,770	12,484	28,770
Net deferred tax liabilities	15,383	25,665	8,371	25,665

30. EMPLOYEE BENEFIT OBLIGATIONS

	Group		Company	
As at 31 March	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
As at 01 April	22,174	16,974	22,174	16,974
Control change of a Joint Venture	1,309	-	-	-
Current service cost	2,145	1,867	1,217	1,867
Interest cost	2,219	923	2,088	923
Re-measurement (gain)/ loss on employee benefit obligations	1,377	2,410	1,303	2,410
	29,224	22,174	26,782	22,174
Employee benefits paid	(2,584)	-	(2,584)	-
As at 31 March	26,640	22,174	24,198	22,174

30.1 Expense recognised during the year in the Statement of Profit or Loss

As at 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	**2021 Rs. '000**	2020 Rs. '000
Current service cost	**2,145**	1,867	**1,217**	1,867
Interest cost	**2,219**	923	**2,088**	923
	4,364	2,790	**3,305**	2,790
Re-measurement (gain)/loss recongnised in other comprehensive income	**1,377**	2,410	**1,303**	2,410

30.2 LKAS 19 - requires the use of actuarial techniques to make a reliable estimate of the amount of Employee benefit that employee 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 employee 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 in determining the cost of employee benefits were:

Rate of discount	8% (2020 : 10%)
Rate of salary increase	7% (2020 : 9%)
Retirement age	55-60 years as specified by the Company (2020-55-60 Years)
Mortality	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.

The present value of employee benefit obligation is carried on annual basis.

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

30.3 Distribution of Employee Benefit Obligation Over Future Working Lifetime

As at 31 March	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
Expected future working life				
Within the next twelve months	**1,365**	3,243	**1,185**	3,243
Between one to five years	**14,192**	9,699	**13,343**	9,699
Between five to ten years	**4,189**	4,458	**3,754**	4,458
More than ten years	**6,894**	4,774	**5,916**	4,774
As at 31 March	**26,640**	22,174	**24,198**	22,174

The Company, weighted average duration of the defined benefit plan obligation at the end of the reporting period is 6.29 years.

30.4 Sensitivity Analysis - Salary Escalation Rate and 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 rate of wage increment & salary increment and discount rate. Simulation made for Employee benefit obligation show that a rise or decrease by 1% of the rate of wage & salary and discount rate have the following changes related to Employee benefit obligation.

Salary Escalation Rate

As at 31 March	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
1% Increase	**28,497**	23,584	**25,797**	23,584
1% Decrease	**24,964**	20,893	**22,746**	20,893

Rate of Discount

As at 31 March	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
1% Increase	**25,082**	20,990	**22,851**	20,990
1% Decrease	**28,395**	23,497	**25,705**	23,497

31. SHORT-TERM INTEREST-BEARING BORROWINGS

As at 31 March	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
Bank overdrafts (31.1)	**30,768**	51,375	**1,849**	48,050
Short term loans (31.2)	**226,904**	226,339	**-**	81,341
	257,672	277,714	**1,849**	129,391

31.1 Bank Overdrafts

Company	Rate of interest	2021 Rs. '000	2020 Rs. '000	Security
Hayleys Fibre PLC	HNB PLC (AWPLR+0.25%)	**1,849**	1,820	Unsecured
	HSBC (LIBOR+3.3%)	**-**	40,210	Unsecured
	HSBC (SLIBOR+2.5%)	**-**	6,020	Unsecured
Bonterra Ltd	HNB PLC (AWPLR+0.25%)	**1,953**	-	Unsecured
Creative Polymats (Pvt) Ltd	HNB PLC (AWPLR+0.25%)	**1,111**	-	Unsecured
	Seylan Bank PLC (AWPLR+1%)	**25,855**	3,325	Unsecured
		30,768	51,375	

31.2 Short-term Loans

Company	Rate of interest	2021 Rs. '000	2020 Rs. '000	Security
Hayleys Fibre PLC	HNB PLC (LIBOR+3.5%)	**-**	81,341	Export Orders
Creative Polymats (Pvt) Ltd	Commercial Bank PLC (AWPLR+1.5%)	**100,000**	100,000	-
	Seylan Bank PLC (AWPLR+.5%)	**126,904**	44,998	Stock & debtors
		226,904	226,339	

NOTES TO THE FINANCIAL STATEMENTS

32. TRADE & OTHER PAYABLES

	Group		Company	
As at 31 March	**2021 Rs. '000**	2020 Rs. '000	**2021 Rs. '000**	2020 Rs. '000
Trade payables	**244,028**	57,794	**8,841**	9,453
Accruals and other payables	**144,243**	44,202	**68,660**	42,590
Dividend payables	**15**	12,615	**15**	12,615
Unclaimed dividends	**7,910**	4,814	**7,910**	4,814
	396,196	119,425	**85,426**	69,472

33. OTHER CURRENT LIABILITIES

	Group		Company	
As at 31 March	**2021 Rs. '000**	2020 Rs. '000	**2021 Rs. '000**	2020 Rs. '000
Advances (Contract liabilities)	**22,830**	4,744	**1,050**	4,723
	22,830	4,744	**1,050**	4,723

34. AMOUNTS DUE TO OTHER RELATED COMPANIES

As at 31 March	Relationship	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
Hayleys PLC	Parent	**12,974**	41,754	**4,055**	33,834
Volanka Exports Ltd	Affiliate	**-**	2	**-**	2
Charles Fibres (Pvt) Ltd	Affiliate	**20,290**	-	**20,290**	-
Lignocell Ltd	Affiliate	**29**	-	**29**	-
Hayleys Travels (Pvt) Ltd	Affiliate	**-**	35	**-**	35
Haymat (Pvt) Ltd	Affiliate	**2,962**	-	**-**	-
Mit Cargo (Pvt) Ltd	Affiliate	**-**	7	**-**	7
Ravi Industries Ltd	Affiliate	**89**	340	**-**	-
Mabroc Teas (Pvt) Ltd	Affiliate	**-**	114	**-**	114
Talawakelle Tea Estates PLC	Affiliate	**-**	65	**-**	65
Hayleys Agriculture Holdings Ltd	Affiliate	**351**	333	**351**	333
Hayleys Tours (Pvt) Ltd	Affiliate	**-**	12	**-**	12
Hayleys Aventura (Pvt) Ltd	Affiliate	**-**	535	**-**	535
Advantis Projects & Engineering (Pvt) Ltd	Affiliate	**15**	-	**15**	-
Advantis Freight (Pvt) Ltd	Affiliate	**3,788**	-	**68**	-
Puritas (Pvt) Ltd	Affiliate	**2,842**	-	**2,734**	-
Toyo Cushion Lanka (Pvt) Ltd	Affiliate	**-**	1,473	**-**	-
Hayleys Business Solutions International (Pvt) Ltd	Affiliate	**157**	46	**28**	46
Volanka (Pvt) Ltd	Affiliate	**2,707**	1,973	**1,073**	1,978
Rileys (Pvt) Ltd	Affiliate	**40,613**	92,312	**169**	668
Singer (Sri Lanka) PLC	Affiliate	**-**	243	**-**	243
		86,817	139,244	**28,812**	37,872

35. CAPITAL EXPENDITURE COMMITMENTS

There were no material commitments which require disclosure as at the date of the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

36. CONTINGENT LIABILITIES

The Group/Company does not have significant contingent liabilities as at the reporting date. (2020: Nil).

37. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key Management Personnel Compensation

Key management personnel comprise of Directors of the Company and details of Directors fees are given in note 9 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.

38. EVENTS OCCURRING AFTER THE REPORTING DATE

The Board meeting held on 12th May 2021, the Directors have recommended the Final Dividend of Rs. 1.75 per share subject to the approval by the shareholders at the Annual General Meeting to be held on 29th June 2021 to be paid to the shareholders on 14th July 2021. There have been no any other material events occurred after reporting date,that require adjustments to or disclosure in the statement.

39. FINANCIAL RISK MANAGEMENT

The Group 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 Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these Group financial statements.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework as described in detailed in Risk Management Report on pages 40 to 44.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities. The Group, 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 Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group 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.

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 Group 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 Group'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 Group's standard payment and delivery terms and conditions are offered.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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 grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's 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 Group 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 prossible delays in getting past dues from the customers and demand for extended credit periods as a result of COVID-19 were reviewed to minimise the exposures,with customer negotiations on settlements and invoicing/letter of Credit discounting arrangements with banks.

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

	Group		Company	
As at 31 March	**2021 Rs. '000**	2020 Rs. '000	**2021 Rs. '000**	2020 Rs. '000
Rupees	**178,952**	92,403	**15,543**	20,346
United states dollar	**242,513**	115,039	**36,889**	115,039
GBP	**16,627**	-	**-**	-
Euro	**25,513**	10,169	**16,496**	10,169
	463,605	217,611	**68,928**	145,554

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 in Hand and at Bank

The Group and the Company held Cash in Hand and at Bank of Rs. 409.71 million and Rs. 375.76 million respectively as at 31 March 2021 (2019/20 – Rs. 236.98 million and Rs. 235.75) 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 - AA-
- Hatton National Bank PLC -AA- (lka)
- Seylan Bank PLC– A (lka)
- Deutsche Bank-BBB+
- Cargills Bank -AA-(lka)
- National Development Bank PLC -A+(lka)

Liquidity Risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and finance leases. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Liquidity risk coming by extending credit periods to customers due to COVID-19 impact is going to mitigate through negotiating additional overdraft/short term financial facilities with Banks and in addition, discounting customers' invoices and Letters of Credit through which 80%-90% advances expected to take upfront from the Banks.

NOTES TO THE FINANCIAL STATEMENTS

Maturity Analysis

The table below summarises the maturity profile of the Group/Company financial liabilities as at 31 March 2021 based on contractual undiscounted payments.

As at March 2021	On demand Rs.	Less than 3 Months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	>5 years Rs.	Total Rs.
Group						
Interest-bearing loans and borrowings	-	39,153	283,940	93,421	-	416,514
Trade and other payables	-	273,031	120,707	2,458	-	396,196
Amounts due to related parties	-	38,479	48,338	-	-	86,817
	-	350,663	452,985	95,879	-	899,527
Company						
Interest-bearing loans and borrowings	-	6,016	12,501	6,943	-	25,460
Trade and other payables	-	82,375	968	2,083	-	85,426
Amounts due to related parties		28,812	-	-	-	28,812
	-	117,203	13,469	9,026	-	139,698

As at March 2020	On demand Rs.	Less than 3 Months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	>5 years Rs.	Total Rs.
Group						
Interest-bearing loans and borrowings	-	230,236	47,478	-	-	277,714
Trade and other payables	-	113,664	3,483	2,278	-	119,425
Amounts due to related parties	-	139,244	-	-	-	139,244
	-	483,144	50,961	2,278	-	536,383
Company						
Interest-bearing loans and borrowings	-	81,913	47,478	-	-	129,391
Trade and other payables	-	63,711	3,483	2,278	-	69,472
Amounts due to related parties		37,872			-	37,872
	-	183,496	50,961	2,278	-	236,735

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group'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 Group's operations.

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

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group'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 Group 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
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance when this is effective.

NOTES TO THE FINANCIAL STATEMENTS

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, financial assets at FVOCI/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 Group mainly borrows in the short term to fund its working capital requirement which are linked and floating interest rates. For other funding needs the Group maintains a proper mix of fixed and floating interest rates based on the predictability of future cash flows.

		Group	Company
	Increase/(Decrease) In Basis Point	Effect on Profit Before Tax Rs. '000	Effect on Profit Before Tax Rs. '000
2021			
	+150	**8,454**	**57**
	-150	**(8,454)**	**(57)**
2020			
	+150	10,786	3,067
	-150	(10,786)	(3,067)

Foreign Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group, 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 Dollars, Sterling Pound (GBP) and Euro exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to change in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency change for all other currencies is not material.

		Effect on Profit Before Tax	
	Increase/(Decrease) in Exchange Rate	Group Rs. '000	Company Rs. '000
2021			
USD	**+5%**	**4,500**	**3,789**
EUR	**+5%**	**(925)**	**669**
GBP	**+5%**	**821**	**3**
USD	**-5%**	**(4,500)**	**(3,789)**
EUR	**-5%**	**925**	**(669)**
GBP	**-5%**	**(821)**	**(3)**
2020			
USD	+5%	(462)	(462)
EUR	+5%	602	602
GBP	+5%	3	3
USD	-5%	462	462
EUR	-5%	(602)	(602)
GBP	-5%	(3)	(3)

Commodity Risk

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

NOTES TO THE FINANCIAL STATEMENTS

Equity Price Risk

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the 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, reserve, retained earnings . The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

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

	Group		Company	
As at 31 March	**2021 Rs. '000**	2020 Rs. '000	**2021 Rs. '000**	2020 Rs. '000
Interest bearing borrowings	**257,672**	277,714	**1,849**	129,391
Less: cash in hand and at bank	**(60,953)**	(18,137)	**(27,010)**	(16,921)
Net debts/ (cash)	**196,719**	259,577	**(25,161)**	112,470
Equity	**1,347,905**	1,064,870	**982,327**	976,690
Equity and net debts	**1,544,624**	1,324,447	**957,166**	1,089,160
Gearing ratio	**13%**	20%	**-3%**	10%

NOTES TO THE FINANCIAL STATEMENTS

40. RELATED PARTY TRANSACTIONS

As at 31 March Relationship with the Company	Settlement Rs. '000	Net funds transfer from/(to) related parties Rs. '000	Sales to related parties Rs. '000	Purchases/ services from related parties Rs. '000	**2021** **Amount due from/(due to) related parties** **Rs. '000**	2020 Amount due from/(due to) related parties Rs. '000
Parent :						
Hayleys PLC	77,632	-	-	(47,853)	**(4,055)**	(33,834)
Subsidiary :						
Bonterra Ltd	-	(15,895)	3,507	20,833	**9,758**	1,313
Affiliate :						
Volanka Exports Ltd	2	-	-	-	**-**	(2)
Chas P Hayley & Co. (Pvt) Ltd	-	(137,538)	113,013	(47,969)	**18,666**	91,160
Lignocell (Pvt) Ltd	-	(580)	-	(173)	**(29)**	724
Volanka (Pvt) Ltd	12,370	-	-	(11,465)	**(1,073)**	(1,978)
Toyo Cushion Lanka (Pvt) Ltd.	-	(37,864)	37,597	4,299	**4,579**	547
Ravi Industries Ltd	96	(3,349)	47	1,416	**621**	2,411
Rileys (Pvt) Ltd	3,609	-	1,826	(4,936)	**(169)**	(668)
Quality Seeds (Pvt) Ltd	(6,187)	-	5,609	-	**2,457**	3,035
Mit Cargo (Pvt) Ltd	7	-	-	-	**-**	(7)
Haymat (Pvt) Ltd	-	36	-	(502)	**909**	1,375
Haycarb USA	-	-	47,336	-	**47,336**	-
Hayleys Business Solutions International (Pvt) Ltd	304	-	-	(286)	**(28)**	(46)
Charles Fibres (Pvt) Ltd	22,216	(314)	-	(42,506)	**(20,290)**	314
Hayleys Travels (Pvt) Ltd	35	-	-	-	**-**	(35)
Hayleys Agriculture Holdings Ltd	-	2,397	-	(2,415)	**(351)**	(333)
Hayleys Aventura (Pvt) Ltd	535	-	-	-	**-**	(535)
Mabroc Teas (Pvt) Ltd	114	-	-	-	**-**	(114)
Thalawakelle Tea Estates (Pvt) Ltd	65	-	-	-	**-**	(65)
Singer (Sri Lanka) PLC	-	243	-	-	**-**	(243)
Advantis Project & Engineering (Pvt) Ltd	50	-	-	(65)	**(15)**	-
Puritas (Pvt) Ltd	3,792	-	-	(6,526)	**(2,734)**	-
Advantis Freight (Pvt) Ltd	724	-	-	(792)	**(68)**	-
Hayleys Tours (Pvt) Ltd	12	-	-	-	**-**	(12)

NOTES TO THE FINANCIAL STATEMENTS

40.1 Terms and Conditions of Transactions with Related Parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

41. SEGMENT ANALYSIS

The segment information is based on the nature of the businesses carried out by the Group. The management is of the view that the chairman is considered the chief operating decision maker and resources are allocated and performances assessed based on the below mentioned segments.

	Coir fibre products		Stitched blanket		Mattresses		Consolidated	
For the year ended 31 March	**2021 Rs.'000**	2020 Rs.'000	**2021 Rs.'000**	2020 Rs.'000	**2021 Rs.'000**	2020 Rs.'000	**2021 Rs.'000**	2020 Rs.'000
Revenue								
External	**732,507**	696,565	**917,265**	-	**350,964**	93,060	**2,000,736**	789,625
Total	**732,507**	696,565	**917,265**	-	**350,964**	93,060	**2,000,736**	789,625
Segment Results								
Result from operating activities	**44,867**	86,601	**220,885**	-	**(1,198)**	(489)	**264,554**	86,112
Net finance income/(expense)	**11,225**	13,844	**178**	-	**(17,172)**	(3,695)	**(5,769)**	10,149
Share of profit of a joint venture (net of tax)	**-**	81,061	**-**	-	**-**	-	**-**	81,061
Profit before tax	**56,092**	181,506	**221,063**	-	**(18,370)**	(4,184)	**258,785**	177,322
Tax expenses	**5,161**	(35,750)	**(20,515)**	-	**(188)**	4,716	**(15,542)**	(31,034)
Depreciation on property, plant and equipment	**9,604**	7,121	**4,572**	-	**18,364**	8,961	**32,540**	16,082
Amortisation of intangible assets	**2,433**	-	**-**	-	**4,196**	625	**6,629**	625
Segment financial position								
Total assets (excluding equity accounted investee)	**945,587**	1,164,217	**625,708**	-	**767,170**	390,803	**2,338,465**	1,555,020
Investment in a joint venture	**-**	130,640		-	**-**	-	**-**	130,640
Additions to property, plant and equipment	**21,619**	72,142	**114,546**	-	**16,557**	222,037	**152,722**	294,179
Additions to intangible assets	**12,171**	-	**-**	-	**-**	41,325	**12,171**	41,325
Deferred tax liabilities	**8,371**	25,665	**7,012**	-	**-**	-	**15,383**	25,665
Employee benefit obligations	**24,198**	22,174	**2,033**	-	**409**	-	**26,640**	22,174
Trade and other payable	**85,426**	69,472	**153,216**	-	**157,554**	49,953	**396,196**	119,425
Segment cash flows								
Segment cash flows from operating activities	**185,853**	(103,061)	**64,711**	-	**(94,226)**	(94,109)	**156,338**	(197,170)
Segment cash flows from investing activities	**76,347**	(33,375)	**(87,788)**	-	**(16,743)**	(217,114)	**(28,184)**	(250,489)
Segment cash flows from financing activities	**(75,997)**	49,341	**(45,904)**	-	**-**	144,998	**(121,901)**	194,339

SHARE INFORMATION

ORDINARY SHAREHOLDERS AS AT 31 MARCH 2021

No. of Shares Held	Residents			Non Residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 – 1,000	4,051	1,681,355	7.01	16	7,269	0.03	4,067	1,688,624	7.04
1,001 – 10,000	587	1,828,393	7.62	7	26,060	0.11	594	1,854,453	7.73
10,001 – 100,000	91	2,361,189	9.84	2	99,132	0.41	93	2,460,321	10.25
100,001 – 1,000,000	10	2,396,602	9.98	-	-	0.00	10	2,396,602	9.98
Over 1,000,000	1	15,600,000	65.00	-	-	0.00	1	15,600,000	65.00
	4,740	**23,867,539**	**99.45**	**25**	**132,461**	**0.55**	**4,765**	**24,000,000**	**100.00**
Category									
Individuals	4,625	6,778,850	28.25	24	95,288	0.40	4,649	6,874,138	28.65
Institutions	115	17,088,689	71.20	1	37,173	0.15	116	17,125,862	71.35
	4,740	**23,867,539**	**99.45**	**25**	**132,461**	**0.55**	**4,765**	**24,000,000**	**100.00**

DIRECTORS' SHAREHOLDINGS AS AT 31.03.2021

Name of Directors	No. of Shares
Mr. A. M. Pandithage	960
Mr. H. S. R. Kariyawasan	NIL
Dr. S. A. B. Ekanayake	NIL
Mr. S. C. Ganegoda	1,824
Mr. T. G. Thoradeniya	NIL
Mr. M. I. L. Perera	NIL
Mr. T. K. D. A. P. Samarasinghe	NIL
Mr. L. A. K. I. Kodytuwakku	NIL
Mr. D. K. DE Silva Wijeyeratne	NIL
Mr. M. C. Sampath	NIL
Mr. W. A. K. Kumara	NIL
Mr. K. S . Padiwita - (Resigned w.e.f. 11/03/2021)	3,840

SHARE INFORMATION

SHARE TRADING INFORMATION -THREE MONTHS ENDED 31.03.2021

Highest price (Rs.) - 22.01.2021	Rs. 300.00
Lowest price (Rs.) - 18.03.2021	Rs. 44.50
Closing price (Rs.) - 31.03.2021	Rs. 47.60

SHARE TRADING INFORMATION -YEAR ENDED 31.03.2021

Highest price (Rs.) - 22.01.2021	Rs. 300.00
Lowest price (Rs.) - 18.03.2021	Rs. 44.50
Closing price (Rs.) - 31.03.2021	Rs. 47.60
Number of transactions	9,632
Number of shares traded	2,567,804
Value of shares traded (Rs.)	352,104,854.35
Percentage of public holding as at 31.03.2021	34.99%
Total Number of shareholders representing public holding	4,765
Float - adjusted market capitalisation (Rs.)	399,725,760.00

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

DIVIDENDS

- First interim dividend 2020/2021 - Rs. 1/= per share paid on 18.12.2020.
- Second interim dividend 2020/2021 - Rs. 0.25/= per share paid on 25.03.2021 (after subdivision of shares).
- The Board of Directors has recommended the payment of a Final dividend of Rs. 1.75 per share payable on 14th July 2021.

The Company executed a share split of 3 shares for 1 share, on 10th February 2021, as a result the total number of shares increased to 24,000,000 shares compared to previous number of shares of 8,000,000.

SHARE INFORMATION

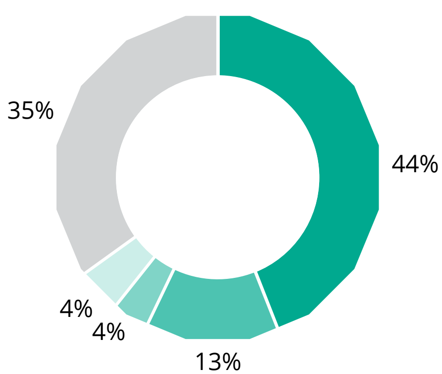
FIRST TWENTY SHAREHOLDERS

	Name of the Shareholder	No of Shares as at 31.03.2021	%	No of Shares as at 31.03.2020	%
1.	Hayleys PLC No. 3 Share Investment A/C	15,600,000	65.00	5,200,000	65.00
2.	Mrs. V. Saraswathi & Mr. S. Vasudevan	671,805	2.80	126,498	1.58
3.	Seylan Bank PLC / Mr. K. L. G. Udayananda	408,519	1.70	143,545	1.79
4.	Mr. S. Srikanthan & Mrs. S. Srikanthan	240,000	1.00	80,000	1.00
5.	New Benson Trading (Pvt) Ltd	176,265	0.73	110,000	1.38
6.	Mr. S. Vasudevan	173,535	0.72	43,869	0.55
7.	Dr. D. Jayanntha	170,700	0.71	56,900	0.71
8.	Acuity Partners (Pvt) Limited / Mr. S. Vasudevan	161,484	0.67	53,828	0.67
9.	Mr. R. E. Rambukwella	157,737	0.66	61,979	0.77
10.	Mr. A. R. Ibrahim	133,500	0.56	42,300	0.53
11.	Mrs. M. J. Nihara	103,057	0.43	50,768	0.63
12.	People's Leasing & Finance PLC / Sadaharitha Capital Trust Limited	87,806	0.37	-	-
13.	Mr. G. T. Mapalana	80,127	0.33	-	-
14.	People's Leasing & Finance PLC / B. S. Navarathna	79,985	0.33	-	-
15.	Miss. P. Navaratnam	78,156	0.33	26,052	0.33
16.	Mr. S.K. Thenabadu & Mrs. L.P. Thenabadu, Ms. C. S. Thenabadu	74,496	0.31	22,122	0.28
17.	Mt T. D. De Jonk	61,959	0.26	20,653	0.26
18.	People's Leasing & Finance PLC / K. L. Udayananda	48,255	0.20	-	-
19.	Ms. S. Durga	48,015	0.20	16,005	0.20
20.	Mr. P. H. A. Chinthaka	48,000	0.20	2,500	0.03
	Total	18,603,401	77.51	6,057,019	75.71

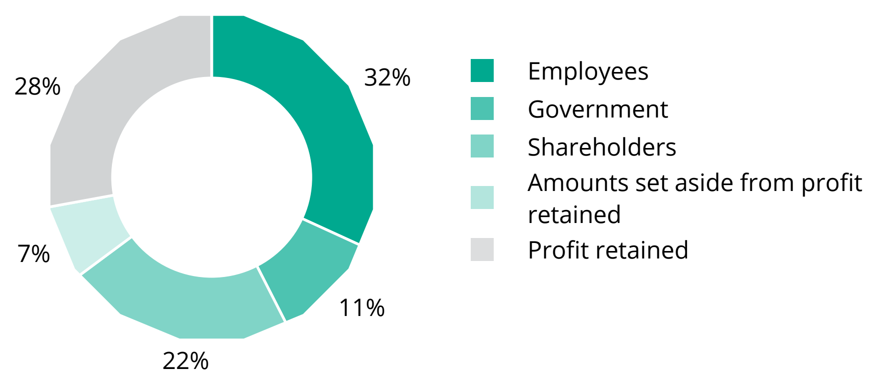
STATEMENT OF VALUE ADDED

For the year ended 31 March	Group				Company			
	2021		2020		2021		2020	
	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%
Revenue	2,000,736		789,625		736,058		696,565	
Other income	39,362		17,727		110,725		17,250	
	2,040,098		807,352		846,783		713,815	
Less: Cost of materials and other costs	(1,650,953)		(503,034)		(574,758)		(441,312)	
	389,145		304,318		272,025		272,503	
Distribution of value added								
Employees	171,173	44	96,852	32	96,011	36	70,848	26
Government	51,134	13	32,457	11	42,076	15	31,285	11
Shareholders	14,000	4	68,000	22	14,000	5	68,000	25
Amounts set aside for provisions	16,975	4	22,124	7	(8,305)	-3	17,879	7
Profit retained	135,863	35	84,885	28	128,243	47	84,491	31
	389,145	100	304,318	100	272,025	100	272,503	100

GROUP VALUE DISTRIBUTION IN 2020-21



GROUP VALUE DISTRIBUTION IN 2019-20



TEN YEAR SUMMARY – GROUP

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
Trading results										
Revenue	2,000,736	789,625	886,099	562,659	478,976	442,038	576,451	468,475	421,827	516,176
Profit/(loss) before taxation	258,785	177,322	185,475	120,342	278,765*	16,019	7,643	27,311	27,668	(9,889)
Tax expenses	(15,542)	(31,034)	(32,927)	(19,377)	(11,495)	366	(4,701)	(2,634)	(1,897)	228
Profit/(loss) after taxation	243,243	146,288	152,548	100,965	267,270*	16,385	2,942	24,677	25,771	(9,661)
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	87,541	84,318	75,500	73,151	74,778	240,787	240,083	233,654	232,778	217,529
Capital reserves	-	-	-	-	-	-	-	-	-	-
Revenue reserves	901,142	768,501	695,507	595,914	531,945	106,510	91,779	88,118	65,019	38,847
Amalgamation reserves	50,625	50,625	50,625	50,625	50,625	50,625	50,625	50,625	50,625	50,625
Equity attributable to equity holders of the Company	1,119,308	983,444	901,632	799,690	737,348	477,922	462,487	452,397	428,422	387,001
Non-controlling interest	228,597	81,426	81,656	-	-	-	-	-	-	-
Total equity	1,347,905	1,064,870	983,288	799,690	737,348	477,922	462,487	452,397	428,422	387,001
Assets less liabilities										
Property , plant & equipment	630,773	484,051	233,933	72,290	64,838	255,293	255,877	247,148	249,212	246,655
Investments	109,368	232,099	176,316	161,704	142,610	146,823	131,835	130,244	126,028	110,149
Other non-current assets	89,690	84,632	16,956	-	-	-	954	1,602	1,422	-
Total non-current assets	829,831	800,782	427,205	233,994	207,448	402,116	388,666	378,994	376,662	356,804
Current assets	1,508,634	884,878	735,601	662,067	614,392	181,736	369,304	259,515	189,128	276,641
Current liabilities	(830,631)	(546,772)	(142,344)	(72,758)	(69,157)	(91,298)	(264,032)	(150,169)	(102,887)	(213,544)
Working capital	678,003	338,106	593,257	589,309	545,235	90,438	105,272	109,346	86,241	63,097
Non-current liabilities	(159,929)	(74,018)	(37,174)	(23,613)	(15,335)	(14,632)	(31,451)	(35,943)	(34,481)	(32,900)
Net assets	1,347,905	1,064,870	983,288	799,690	737,348	477,922	462,487	452,397	428,422	387,001
RATIOS AND OTHER INFORMATION										
Basic earnings per share (Rs.)	6.16	6.09	6.05	4.21	11.14	0.68	0.12	1.03	1.07	(0.40)
Net assets per share (Rs.)	46.64	40.98	37.26	33.32	30.72	19.91	19.27	18.85	17.85	16.13
Current ratio (times)	1.82	1.62	5.17	9.09	8.88	1.99	1.40	1.73	1.84	1.30
Dividend per share - paid (Rs.)	0.58	2.83	2.25	1.33	0.67	-	0.10	0.10	-	-
Dividend payout (%)	9.47	46.53	35.40	31.70	5.99	-	81.08	9.74	-	-
Price earning ratio (times)	7.73	14.30	14.17	16.85	5.32	55.66	323.86	26.06	27.01	(71.79)

** PBT 2016/2017 includes a land disposal gain of Rs. 215 million*

The Company executed a share split of 3 shares for 1 share, on 10th February 2021, as a result the total number of shares increased to 24,000,000 shares compared to previous number of shares of 8,000,000.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the thirty fifth 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, 29th June, 2021 at 11.30 a.m. via online meeting platform for the following purposes :

(1) To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March, 2021, with the Report of the Auditors thereon.

(2) To declare a dividend as recommended by the Directors.

(3) To re-elect Dr. S. A. B. Ekanayake, who retires by rotation at the Annual General Meeting, a Director.

(4) To re-elect Mr. S. C. Ganegoda, who retires by rotation at the Annual General Meeting, a Director.

(5) To re-elect Mr. W. A. K. Kumara, who retires by rotation at the Annual General Meeting, a Director.

(6) To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A. M. Pandithage who retires having attained the age of Seventy years, in compliance with Section 211 of the Companies Act No. 07 of 2007.

ORDINARY RESOLUTION

"That Mr. Abeyakumar Mohan Pandithage, who has attained the age of Seventy years be and is hereby re-appointed a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the appointment of the said Director'.

(7) To authorise the Directors to determine contributions to charities for the financial year 2021/2022.

(8) To authorise 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 2021/2022.

(9) To consider any other business of which due notice has been given.

Note:

1. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to **fibreagm@secretarial.hayleys.com** not later than 48 hours before the start of the Meeting.
2. Please refer the 'Circular to Shareholders' dated 31st May 2021 and follow the instructions to join the meeting on online.
3. In accordance with the rules of the Colombo Stock Exchange, the shares of the Company will be quoted ex-dividend on 30th June 2021 with regard to the Final Dividend.

By Order of the Board,

HAYLEYS FIBRE PLC
Hayleys Group Services (Private) Limited
Secretaries

Colombo
31st May 2021

FORM OF PROXY

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,

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 fifth Annual General Meeting of the Company to be held on Tuesday, 29th June, 2021 on online platform and at any adjournment thereof which may be taken in consequence thereon:

		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, 2021, with the Report of the Auditors thereon.		
2.	To declare a dividend as recommended by the Directors.		
3.	To re-elect Dr. S. A. B. Ekanayake, who retires by rotation at the Annual General Meeting, a Director.		
4.	To re-elect Mr. S. C. Ganegoda, who retires by rotation at the Annual General Meeting, a Director.		
5.	To re-elect Mr. W. A. K. Kumara, who retires by rotation at the Annual General Meeting, a Director.		
6.	To propose the ordinary resolution as set out in the notice for the re-appointment of Mr. A. M. Pandithage, as a Director in terms of section 211 of the Companies Act No. 07 of 2007, who retires having attained the age of Seventy years.		
7.	To authorise the Directors to determine contributions to charities for the financial year 2021/2022.		
8.	To authorise 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 2021/2022.		

(***) 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 .... 2021.

Witness: Signature : ....
Name : ....
Address : ....
NIC No. : ....

....
Signature of Shareholder

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 represent and speak instead of him/her and the proxy need not be a shareholder of the Company.
** Full name of shareholder/proxy holder and their NIC No's and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed. Reg. No. should be given in the case of corporate shareholders.
(c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
(d) Instructions are noted on the reverse hereof.
(e) This Form of Proxy is in terms of the Articles of Association of the Company.
(f) Please refer the 'Circular to Shareholders' dated 31st May 2021 and follow the instructions to join the meeting on online.

FORM OF PROXY

Instructions as to Completion

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd at No.400, Deans Road, Colombo 10, Sri Lanka or to be e-mailed to **fibreagm@secretarial.hayleys.com** 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. 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.
5. In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
7. In the case of Marginal Trading Accounts (slash accounts), the form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained or/and as per the Agreements signed between the shareholders and the Fund Manager/Bank.

NOTES

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CORPORATE INFORMATION

FINAL PROOF

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
Dr. S. A. B. Ekanayake
S. C. Ganegoda
T. G. Thoradeniya
K. S. Padiwita (Resigned w. e. f. 11.03.2021)
M. I. L. Perera
Dr. T. K. D. A. P. Samarasinghe
L. A. K. I. Kodytuakku
D. K. De Silva Wijeyeratne
M. C. Sampath
W. A. K. Kumara

REGISTERED OFFICE

Hayleys Building
400, Deans Road, Colombo 10, Sri Lanka
Telephone : (94-11) 2627000
Fax : (94-11) 2627645

OFFICE

131, Minuwangoda Road,
Ekala, Ja-Ela, 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

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.

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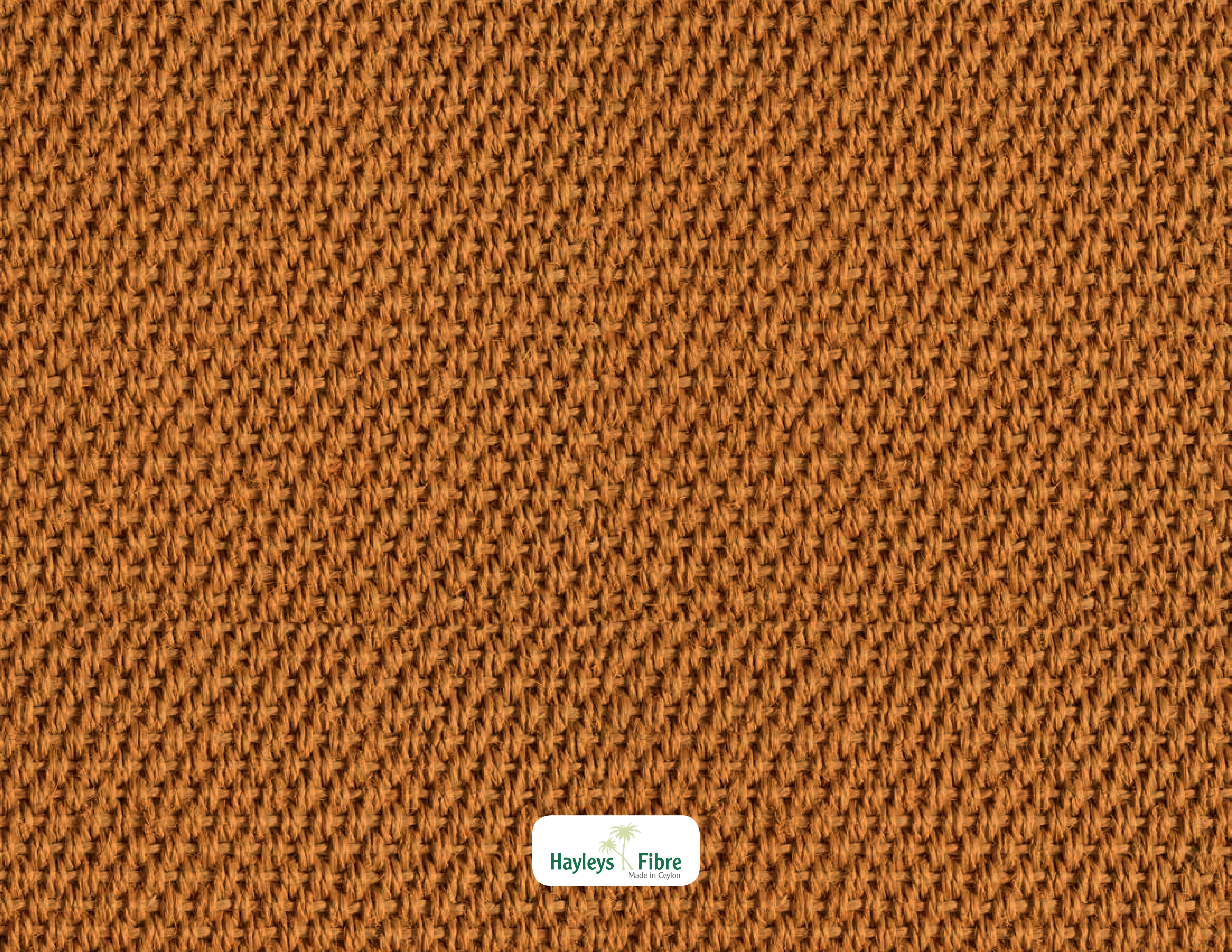
Hayleys Fibre
Made in Ceylon