

Within

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<https://www.hayleysfibre.com/annual-reports/>



Within

The year under review for Hayleys Fibre PLC, has been one of holistic integration as we continued to fulfill our responsibilities at every level of our business through the amalgamation of sustainable partnerships, strengthened by long-term action. Central to this success is our sustainability framework, which guides us in our quest for excellence.

Our commitment to Environmental, Social, and Governance (ESG) principles is a cornerstone of this framework. By integrating ESG considerations into our core strategies, we ensured that our growth is assessed not just by financial outcomes but also by our positive influence on the planet and society, permeating every aspect of our work. This comprehensive approach allowed us to embed sustainable practices into all areas of our operations, meeting our social and environmental responsibilities while also enhancing our resilience and market competitiveness.

From protecting our natural world to ensuring that our stakeholders are provided the best opportunities in deriving conscious value, to strengthening our triple bottom line, we are fulfilling our duties as an ethical and resilient corporate citizen. Our ESG initiatives include rigorous environmental management practices, such as reducing carbon emissions and waste, promoting biodiversity, and ensuring sustainable sourcing of raw materials. Socially, we are dedicated to fostering an inclusive and equitable workplace, supporting local communities, and upholding human rights throughout our supply chain. Governance-wise, we maintain the highest standards of transparency, accountability, and ethical conduct, ensuring that our decision-making processes align with our commitment to sustainability and responsible business practices.

Our adherence to these principles not only helps us mitigate risks but also opens up new opportunities for innovation and growth, reinforcing our position as a leader in sustainability within the industry. By staying true to our values and continuously evolving our practices, we aim to create long-term value for our stakeholders and contribute to a sustainable future for all, as we remain ever committed to fostering a more vibrant and growing nation from within.

About the Report

GRI 2-1, 2-2, 2-3

This is the 3rd consecutive integrated report published by Hayleys Fibre PLC (hereinafter known as Hayleys Fibre or the Group). The report covers the activities of Hayleys Fibre PLC (HFP) and its subsidiaries Bonterra Limited (BL) and Creative Polymats (Pvt) Ltd (CPL) for the period from 01st April 2023 to 31st March 2024.

While the overall scope and boundary of this report is much the same as the previous report published for FY 2022/23, this current report strives to improve voluntary disclosures regarding the Group's performance across both quantitative and qualitative domains.

Key Improvements in FY 2023/24 Report

SLFRS Early Adoption

In the current financial year, the Hayleys Fibre Group proactively adopted SLFRS S1 and S2 ahead of schedule. As part of this initiative, the Group undertook a comprehensive series of scenario analyses to assess both the physical and transitional risks associated with climate change.

Refer page 41 of this annual report



Reporting Boundary for the FY 2023/24 Integrated Report

RISKS | OPPORTUNITIES | GOVERNANCE

FINANCIAL AND STATUTORY REPORTING BOUNDARY

Stakeholders		Material Matters		Capitals
▶ Shareholders	▶ Regulators	▶ Consistent Returns	▶ Cash Flow Position	▶ Financial Capital
▶ Customers	▶ Lenders	▶ Market Expansion	▶ Competitive Position	▶ Manufactured Capital
▶ Suppliers	▶ Investors	▶ Customer Loyalty	▶ Employee Retention	▶ Intellectual Capital
▶ Employees	▶ Community/ Society	▶ Employee Motivation	▶ Community Relationship	▶ Human Capital
		▶ Supply Chain Partnerships	▶ Environment	▶ Social and Relationship Capital
				▶ Natural Capital

The Group's most recent past integrated reports for FY 2021/22 and FY 2022/23 are available for viewing and download under the "Annual Report" section on the corporate website - www.hayleysfibre.com



Scan this QR to access the web version of these reports



GRI 2-4, 2-5

Materiality

The report is structured according to Materiality, emphasising factors crucial to the Hayleys Fibre Group’s capacity to generate and maintain value across short, medium, and long-term horizons. The approach used to determine Material Topics is elaborated further on page 33 of this report.

REPORTING FRAMEWORKS		
Financial Reporting		<ul style="list-style-type: none"> The Companies Act No. 07 of 2007 Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
Governance and Risk Reporting		<ul style="list-style-type: none"> The Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) The new Corporate Governance rules issued by the Colombo Stock Exchange (CSE) and Regulations of Securities and Exchange Commission (SEC)
Integrated Reporting		<ul style="list-style-type: none"> Integrated Reporting Framework <IR> by the International Integrated Reporting Council (IIRC)
Sustainability Reporting		<ul style="list-style-type: none"> Global Reporting Initiative (GRI) Standards “In Accordance” (The GRI Content Index is on page 195) United Nations Sustainable Development Goals (SDGs) Sri Lanka Sustainability Disclosure Standards - SLFRS S 1 and S 2 (early adoption)

Assurance

Assurance regarding this report is provided through a combination of internal and external sources, where the content included herein has been approved by the respective Business Heads and reviewed by the Corporate Management Team prior to submission to the Board of Directors for approval.

An independent review of Hayleys Fibre PLC Consolidated Financial Statements as at 31st March 2024 by the external Auditors Messrs. Ernst & Young. Their report is shown on pages 129 to 132.

Forward Looking Statements

Certain information contained in this Integrated Report may constitute “forward-looking statements”. It is important to note that the actual results and the Group’s performance at a later date, may differ from those implied by such statements due to many factors. Readers are therefore cautioned not to place undue reliance on such “forward-looking statements”.

Hayleys Fibre PLC does not undertake any obligation to update any revisions to these statements publicly after the date of this report.

Board Responsibility Statement

The Hayleys Fibre PLC Board of Directors understands their responsibility for ensuring the accuracy and completeness of this Integrated Report. Accordingly, the Board confirms that it has collectively reviewed the content of the Integrated Report, and has approved the report for release. The Board further confirms that there are no material restatement of information provided in earlier reports.

Signed for and on behalf of the Board,

Feedback on the Report

In line with the commitment to continuously improve the quality of its reporting suite, Hayleys Fibre PLC encourages stakeholders to provide their feedback on this report or any other matters, to:

The Secretaries

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

Hayleys Fibre PLC is a subsidiary of the award-winning blue-chip conglomerate Hayleys PLC Sri Lanka, which is one of the country's largest diversified corporate entities comprising business operations in 16 verticals.

We are a leading manufacturer and exporter of coir-based, 100% biodegradable products, providing sustainable solutions to a growing international market. The Company is part of the Eco Solutions Sector of the Hayleys Group. Reputed globally for its innovative and tailor-made solutions, this sector manufactures and distributes more than 400 products, both locally and internationally.

A deep understanding of the market and product possibilities through tried and tested solutions, has enabled us to consistently deliver market-winning coir products through accessible channels across the globe. Serving diverse customers, we are equipped with raw material sourcing facilities to cater to any requirement.



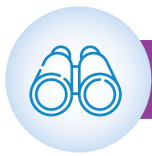
*The power
of change
has helped
us find new
ways to build
our product
portfolio*

Our Purpose, Vision, Mission and Values



Our Purpose

“Inspire Innovative and Inclusive Eco-Friendly living”.



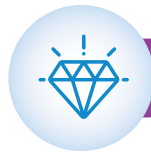
Vision

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.



Hayleys Values

H - Honesty and Integrity - ethical and transparent in all our dealings

A - Accountability - holding ourselves responsible to deliver what we promise

Y - Yes, WE can! (Teamwork) - working with each other and with our partners across boundaries, to make things happen

L - Love for Humanity - treating everyone with respect and dignity, providing for the development of our people and rewarding them for good performance

E - Enduring Customer Value - enhancing experiences for every customer, from the rural farmer to the global consumer

Y - Yes, we WILL WIN! (a will to win) - exhibiting the will to win which is important to Hayleys and its shareholders

S - Social Responsibility as a Good Corporate Citizen - caring for the communities in which we work, actively supporting their growth and being environmentally responsible in all we do

&

I - Innovation - transforming ideas into products and services to create economic, social and environmental value in the pioneering spirit of Hayleys





A. M. Pandithage
Chairman & Chief Executive

Appointed to the Board in January 2007.

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

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

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

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



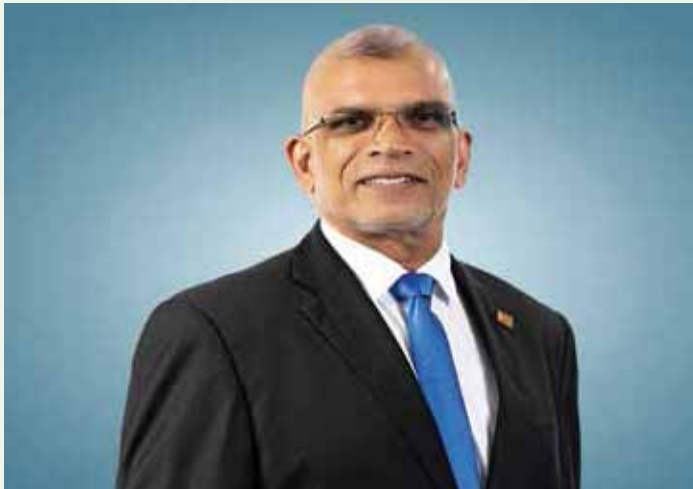
H. S. R. Kariyawasan
Deputy Chairman

Appointed to the Board in May 2017.

Mr. Kariyawasan, 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 Group, 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.

Mr. Kariyawasan joined the Hayleys Group in January 2010. He is also a Member of the Hayleys PLC Board of Directors and is also the Managing Director of Haycarb PLC and the Deputy Chairman of the Eco Solutions Sector and Dipped Products PLC. He was appointed to the Board of Sri Lanka Institute of Nanotechnology (Pvt) Ltd (SLINTEC) as a Nominee Director of Hayleys PLC in March 2019 and as a Lead Member of the Hayleys ESG Steering Committee representing the Hayleys Executive Directors in 2022.



M. M. A. R. P. Goonetilleke
Managing Director

Appointed to the Board in September 2021.

Mr. Goonetilleke holds a B.Sc. Eng (Mechanical) from University of Moratuwa and a M.Eng – Industrial Engineering from Asian Institute of Technology – Thailand.

Mr. Goonetilleke joined the Hayleys Group in September 2021 as a Group Management Committee Member and the Managing Director of Eco Solutions Sector.

Prior to joining the Hayleys Group he served Brandix as the CEO of Brandix Apparel Solutions – Deep Discounter, as the Supply Chain Director of Glaxo Smithkline – Sri Lanka and Country Head/ GM of MAS Fashionline in Vietnam.



S. C. Ganegoda
Non-Executive Director

Appointed to the Board in November 2009.

Mr. Ganegoda holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. He is a Fellow Member of Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and Member of Institute of Certified Management Accountants of Australia.

He worked for Hayleys Group between 1987 and 2002, ultimately as an Executive Director. Subsequently, held several senior management positions in large private sector entities in Sri Lanka and overseas. Rejoined Hayleys in March 2007. Appointed to the Group Management Committee in July 2007.

Mr. Ganegoda has responsibility for the Strategic Business Development Unit, Group Information Technology of Hayleys PLC and appointed as the Deputy Chairman of Alumex PLC in October 2020. He serves on the Boards of Hayleys PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Kelani Valley Plantations PLC, Horana Plantations PLC, Singer (Sri Lanka) PLC, The Kingsbury PLC and Hayleys Leisure PLC.



L. A. K. I. Kodytuakku
Deputy Managing Director

Appointed to the Board in November 2017.

Mr. Kodytuakku holds a Masters in Business Administration from Anglia Ruskin University, UK and Diploma in Manufacturing Management from University of Colombo.

He counts over two decades of management experience in multinational organisations Glaxo Smithkline Beecham, Ansell Lanka (Pvt) Ltd and Unilever Ceylon Ltd. Before joining the Hayleys Group, he held the position of Supply Chain Director of Glaxo Smithkline Beecham.

Joined Hayleys Group in May 2017 as the Chief Executive Officer (CEO) of Ravi Industries. In addition to his appointment to the Board of Hayleys Fibre PLC, he was also appointed to the Board of Ravi Industries Ltd and Ravi Marketing Services (Pvt) Ltd as an Executive Director in November 2017. Mr. Kodytuakku, was appointed as the Chief Operations Officer (COO) of Eco Solutions Sector of Hayleys PLC in April 2019. Appointed as the Deputy Managing Director in 2021.



D. K. De Silva Wijeyeratne
Independent Non-Executive Director

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, Singer (Sri Lanka) PLC, Sampath Bank PLC and Janashakthi Life Insurance PLC.



Dr. T. K. D. A. Prasad Samarasinghe
Independent Non-Executive Director

Appointed to the Board in September 2017.

Dr. Samarasinghe obtained his Doctorate in Telecommunications from the world-ranked research University, the Australian National University, Canberra, Australia. He holds a B.Sc. (Eng) Degree in Electronics and Telecommunications with First Class Honors and an M.Sc. in Engineering, both from the University of Moratuwa, Sri Lanka. A Member of the IEEE (Institute of Electrical and Electronics Engineers) and the IET (Institute of Engineering and Technology), he also has a Licentiate (Part 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.

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 & Bell Vantage (Pvt) Ltd, Director of HNB PLC, HNB Finance PLC and Chairman of the Sri Lanka Rupavahini Corporation.

In the past, Dr. Samarasinghe held the posts of Chief Operating Officer at Sri Lanka Insurance and, Head of Information Technology at Commercial Bank of Ceylon PLC.



M. C. Sampath
Executive Director/Chief Financial Officer

Appointed to the Board in May 2018.

Holds a special degree in B.Sc. Accountancy and Financial Management from the University of Sri Jayewardenepura. Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

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

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



L. Uralagamage
Executive Director

Appointed to the Board in June 2021.

Mr. Uralagamage is currently the Director/ General Manager (Head of Manufacturing) at Chas P. Hayley & Company (Pvt) Ltd in the Eco Solutions Sector, with over 39 years of experience in fibre and brushware related products. He received the Hayleys Chairman's Award in 2017 for introducing a new type of fibre (Fibre 40) to the industry and in 2023 for innovating 4ply machine and 4ply twine. He invented several machineries that contributed towards the betterment of the Hayleys Fibre industry. He also received a scholarship from HIDA – Japan (The Overseas Human Resources and Industry Development Association) for Quality Management.



Saumya Amarasekera, P.C.
Independent Non-Executive Director

Appointed to the Board in January 2024.

Mrs. Saumya Amarasekera P.C., Attorney-at-Law, counts over 35 years in active legal practice mainly in Civil Law practicing in the Original, Appellate and the Supreme Court and was appointed a President's Counsel in the year 2018. Her extensive knowledge and practice center around the areas of Property Law, Family Law, Testamentary Law, Trust and Condominium Law. In addition, she has a wide exposure and practice in handling litigation on behalf of Finance Companies, Banks, etc., in respect of money recovery cases. She has also participated in many arbitrations both local and international, as a Counsel as well as an Arbitrator.

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

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

Mrs. Amarasekera presently serves as the Chairperson of the Advisory Committee appointed by the Ministry of Justice, for the review of the Registration of Title Act. She is currently serving as an Independent Non-Executive Director on the Board of WindForce PLC, Hayleys Fabric PLC, Kelani Valley Plantations PLC, and as a Member of the Board of the Data Protection Authority of Sri Lanka.



M. J. S. Rajakariar
Independent Non-Executive Director

Appointed to the Board in January 2024.

Mr. Rajakariar is an alumnus of PricewaterhouseCoopers and has worked for them both in Sri Lanka and abroad, largely in the areas of audit, assurance and compliance.

He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, a Fellow of the Chartered Institute of Management Accountants UK and a Fellow of the Institute of Certified Management Accountants of Sri Lanka.

Mr. Rajakariar counts over 30 years of experience in the field of Financial and Management Accounting, Auditing, Risk and Compliance and has held various senior management positions within the John Keells Group including John Keells Holdings PLC.

He currently serves as the Chief Financial Officer for South Asia Gateway Terminals Private Limited (SAGT). He joined the John Keells Group in 1996 and initially was the Sector Financial Controller for the Tea Broking and Plantations Sector, and later CEO of their Shared Services arm and finally held the position of Group Financial Controller before joining SAGT in 2018.

Mr. Rajakariar also functions as a Non-Executive Independent Director at Alumex PLC.



Dr. N. S. J. Nawaratne
Non-Executive Director

Appointed to the Board in January 2024.

Dr. Nawaratne, obtained his first degree in B.Sc. (Business Management) from Sri Jayawardenapura University, his Diploma in Business Management from PIM, MA in Economics, Kagawa University, Japan and PhD in Management, at Keio University, Tokyo, which is considered as one of the prestigious universities in Japan. He is a visiting faculty member of MBA/MSc programs of University of Colombo, USJ, UOM, SLIIT and NIBM and NSBM. Since August 2023 he holds the position of Director – Finance at Associated Newspaper Co. Ltd.

Dr. Nawaratne worked as the Director General of National Institute of Education (NIE) at Maharagama from 2020-2023.

He has served as the Secretary of the Ministry of Higher Education, Ministry of Poverty Alleviation, Rural Development, Parliamentary Affairs and Up- Country Development as well as the Chairman and Director General of National Youth Services Council, Director General of Sri Lanka Samurdhi Development Authority and the Chairman of Road Development Authority and Sri Lanka Fertilizer Company.

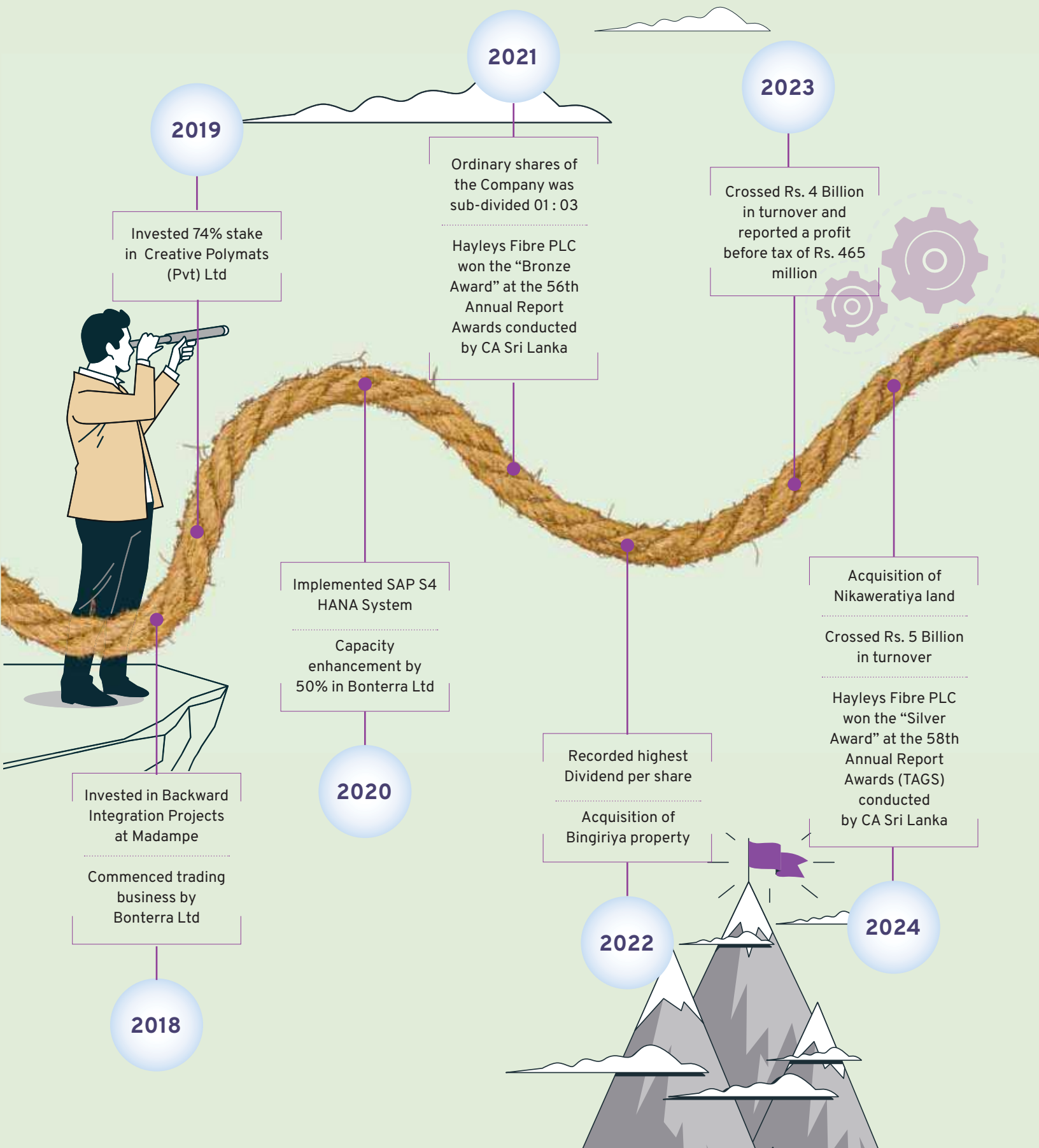
He has served on the Boards of Hayleys Fabric PLC, Pan Asia Bank PLC, Sri Lanka Institute of Information Technology (SLIIT), The Video Team (Pvt) Ltd (TVT), Business School of CA Sri Lanka and Outstanding Song Creators Association (OSCA). He was the Director, Human Capital Development and Director, Training & Development of Cargills Ceylon PLC. He was also the Competent Authority (CA) of the Institute of Technology, University of Moratuwa (ITUM) until he joined the NIE as the Director General.

Management Committee



1. H. S. R. Kariyawasan - Deputy Chairman
2. M. M. A. R. P. Goonetilleke - Managing Director
3. L. A. K. I. Kodytuakku - Deputy Managing Director
4. M. C. Sampath - Executive Director/CFO
5. L. Uralagamage - Executive Director
6. G. S. De Silva - Head of HR
7. Duminda Gunawardana - CEO, Brushware

Historical Milestones







Within

us is the need for innovation and improving our “products” to meet new standards.

Hayleys Fibre MEDIA

Financial Highlights

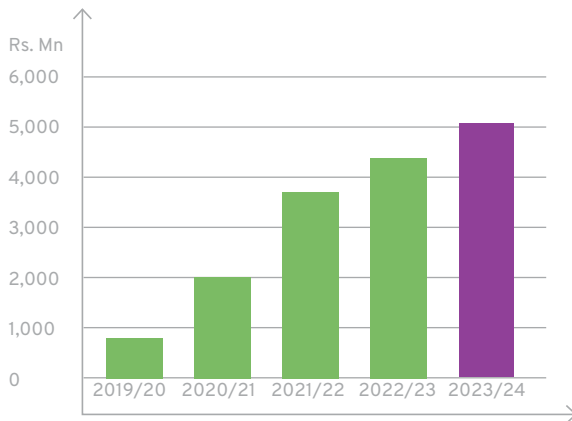
Hayleys Fibre PLC
Annual Report 2023/24

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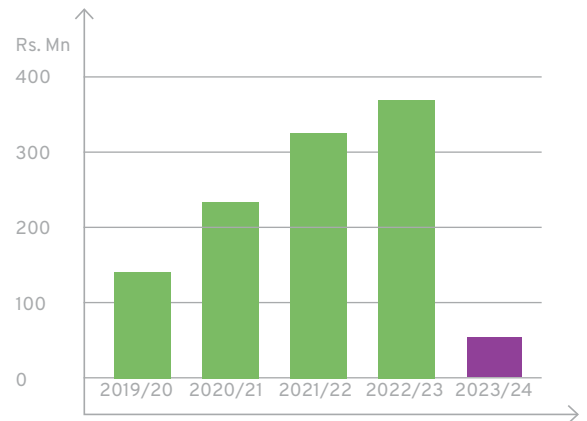
	2023/2024 Rs. Mn	2022/2023 Rs. Mn	Change %
FINANCIAL HIGHLIGHTS			
Revenue	5,125	4,389	17%
Profit before tax	133	466	-71%
Tax	(74)	(81)	-9%
Profit after tax	58	384	-85%
Dividends	-	(91)	-100%
Total assets	3,967	3,035	31%
Total debt	1,389	690	101%
Equity attributable to equity holders of the Group	1,397	1,408	-1%
Total equity	1,664	1,649	1%
PROFITABILITY RATIOS (%)			
Gross profit margin	13%	21%	-38%
Net profit margin	1%	9%	-88%
Return on assets	2%	12%	-83%
Return on equity	4%	23%	-83%
LIQUIDITY RATIOS			
Working capital	966	764	26%
Current ratio (times)	1.51	1.59	-5%
Quick assets ratio (times)	1.11	0.79	40%
EQUITY RATIOS			
Net assets value per share (Rs.)	58.21	58.69	-1%
Earnings per share (Rs.)	(1.05)	12.43	-108%
Dividend per share (Rs.)	-	3.80	-100%
Highest market price per share (Rs.)	66.00	84.90	-22%
Lowest market price per share (Rs.)	48.00	40.10	20%
Market price end of the financial year (Rs.)	52.10	50.10	4%
DEBT RATIOS			
Debt to equity (%)	83%	42%	98%
Interest cover (times)	2	3	-33%
Assets to equity (%)	238%	184%	30%

Highlights of the Year

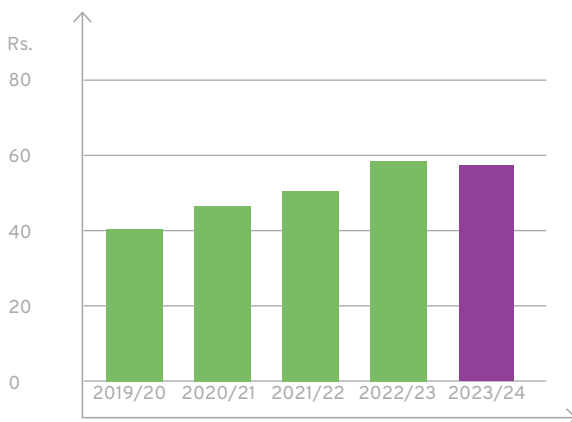
Revenue



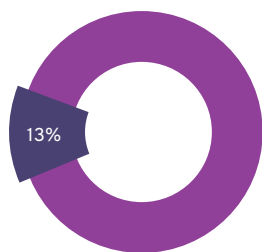
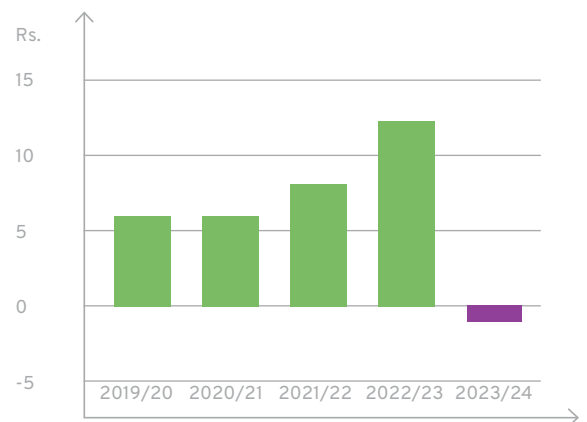
PAT



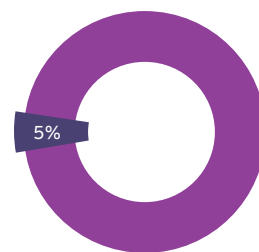
Net Asset Per Share



EPS



Gross Profit Margin (GP)



Operating Profit Margin (EBIT)



5,125

Revenue
(Rs. Mn)



133

Profit Before Tax
(Rs. Mn)



58

Profit After Tax
(Rs. Mn)



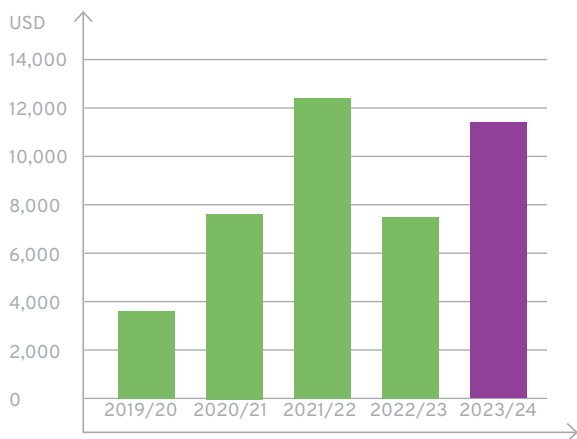
3,967

Total Assets
(Rs. Mn)

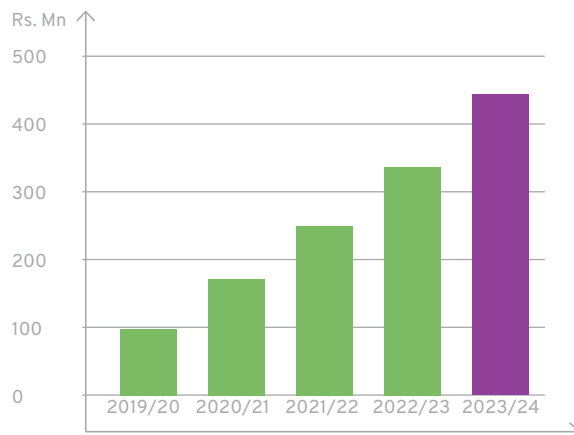
Socio Economic Impact

GRI 201-1,204-1

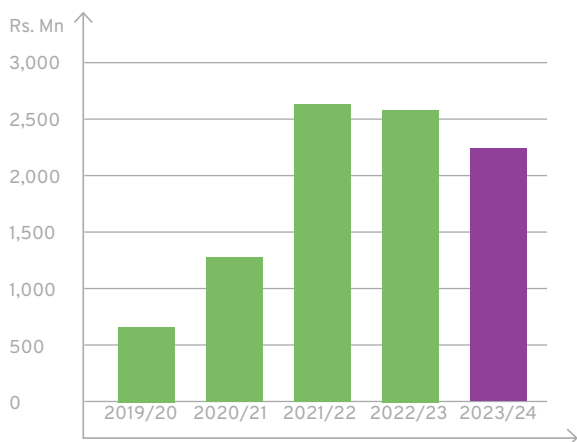
Inflow of Foreign Exchange



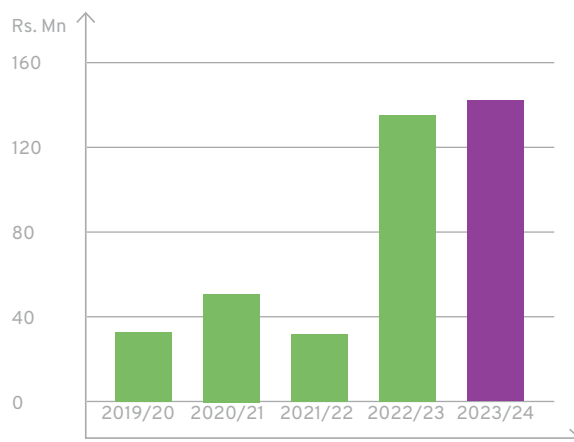
Payments to employees



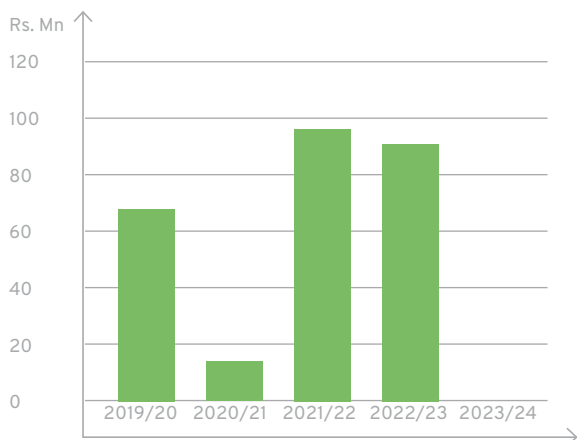
Payments to suppliers



Taxes paid



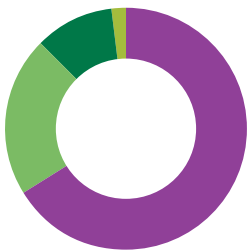
Dividend paid to Shareholders



Statement of Value Added

GRI 201-1

For the year ended 31 March	Group				Company			
	2024 Rs '000	%	2023 Rs '000	%	2024 Rs '000	%	2023 Rs '000	%
Revenue	5,125,081		4,388,616		2,826,346		1,977,544	
Other income	3,998		4,430		9,931		9,159	
	5,129,079		4,393,046		2,836,277		1,986,703	
Less: Cost of materials and other costs	(4,481,950)		(3,577,195)		(2,566,518)		(1,461,325)	
	647,129		815,851		269,759		525,378	
Distribution of value added								
Employees	445,046	69	332,977	41	279,517	104	179,363	34
Government	142,207	22	134,893	17	38,567	14	54,198	10
Shareholders	-	0	91,200	11	-	-	91,200	18
Amounts set-aside for provisions	71,169	11	41,782	5	13,496	5	(9,872)	(2)
Profit retained	(11,293)	-2	214,999	26	(61,821)	(23)	210,489	40
	647,129	100	815,851	100	269,759	100	525,378	100



Group Value Distribution in 2023/24

■ Employees	69%
■ Government	22%
■ Shareholders	0%
■ Amounts set-aside from profit retained	11%
■ Profit retained	-2%



Group Value Distribution in 2022/23

■ Employees	41%
■ Government	17%
■ Shareholders	11%
■ Amounts set-aside from profit retained	5%
■ Profit retained	26%

**Enjoy
Undisturbed
Sleep Every
Night**

Hayleys
MATTRESSES
SLEEP HAPPILY EVER AFTER

Spring,
Coir and
PU Mattresses.



Awards and Recognition



Winner at Hayleys Chairman's awards for innovation of 4 PLY Twine and 4 PLY Twine Machine



Merit Award at Hayleys Chairman's awards for "Weda Bimai Haritha Yayai" – Cultivation Project



Silver award for Hayleys Fibre PLC annual report at the 58th Annual Report Awards (TAGS) Ceremony conducted by CA Sri Lanka, in the category of manufacturing companies with turnover up to Rs. 10 Bn in 2023



Silver Award- Coconut & Coconut Products Sector (Large category) at National Chamber of Exporters of Sri Lanka - Bonterra Ltd



Silver Award- Coconut & Coconut Products Sector (Large category) at National Chamber of Exporters of Sri Lanka - Hayleys Fibre PLC

Joint Statement by the Chairman and Managing Director



“The Group delivered a resilient performance for FY 2023/24, supported by strong volume-driven top-line growth in the core business”

Dear Stakeholders,

We are pleased to present to you the 38th Annual Report and Financial Statements for Hayleys Fibre PLC for the year ending 31st March 2024. The Group delivered a resilient performance for FY 2023/24, supported by strong volume-driven top-line growth in the core business. However, it is pertinent to mention that these improvements were not reflected in the Group bottom line amidst severe headwinds.

Macroeconomic Headwinds

It was a difficult year for the global market due to a multitude of factors including low aggregate demand amidst inflationary conditions and heightened geo-political tensions that further exacerbated supply pressure. A confluence of these elements placed the global economy under tremendous stress with a majority of advanced economies as well as most emerging economies recording sub-par economic growth in 2023, resulting in global growth falling well short of predictions.

In Sri Lanka, the prolonged stress due to the economic crisis in 2022 continued to drag down economic activity in the first half of 2023. However, a gradual recovery was seen in the second half of the year triggered by sustained improvements in inward remittances and a sharp acceleration in tourism related earnings as well as successful implementation of IMF-led policy reforms. Monetary policy easing measures that followed the conclusion of the government’s Domestic Debt Optimisation (DDO) process in mid-2023, saw a progressive deceleration in market interest rates, which provided further impetus for a firmer economic resurgence towards the latter part of 2023. With robust multi sector-growth in the fourth quarter 2023, offsetting Sri Lanka’s dismal performance earlier in the year, the Country was able to limit its GDP contraction to 2.3% in 2023, a significant improvement from the 7% negative GDP growth reported in 2022.

Performance of Group Companies

It was a challenging year for Hayleys Fibre PLC's core business which depends largely on global market trends for its growing media product line. As demand from primary markets in the US softened amid subpar economic conditions, we moved to consolidate ties with key buyers in these regions. At the same time, we activated a broad-based new market development campaign with a view to forge new partnerships in non-traditional and emerging markets. Testifying to the success of these market diversification efforts, Hayleys Fibre was appointed as the exclusive supplier of generic growing media to multiple countries in the CIS region and the EU region.

It is indeed very encouraging to see more positive outcomes from these efforts, which resulted in robust volume growth compared to the previous year. Another notable trend that speaks to the success of our diversification approaches, was the shift in the market composition, with non-traditional markets representing 66% of the total annual volumes for FY 2023/24, a significant increase from just 40% in the preceding year.

Meanwhile continued volume expansion over the course of the year saw Hayleys Fibre rising to be among the top three value-added fibre exporters in Sri Lanka in 2023, further solidifying its status quo as a prominent contributor to the Country's export earnings.

Supply chain dynamics remained challenging during the year, with Sri Lanka's coconut industry continuing to be plagued by low yields owing to worsening implications of climate change and longstanding resistance to the application of technology.

Amidst this backdrop, we took some firm steps to improve supply chain security by investing in enhancing downstream capabilities through backward integration thereby diversifying our raw material sources. We also expect the backward integration efforts will offer flexibility for better assurance over end-to-end quality, which will undoubtedly be a key differentiator, for driving growth in the growing media range.

"It is with much pride that we announce the formal unveiling of the Hayleys Fibre ESG Roadmap - Entwine"



The erosion control product range which caters to industrial needs recorded volume growth on the back of strong year round demand as global industries seized the opportunity to reboot following a forced period of dormancy. Buttressed by strong growth momentum across our key markets, the erosion control line outperformed expectations, recording a remarkable 20% year on year volume expansion compared to the previous financial year.

Meanwhile, the mattress operation, after experiencing low domestic demand in the first half amidst erosion of aggregate disposable incomes, staged an impressive comeback following the resurgence of economic activity in the Country in the latter part of 2023.

Financial Performance

Bolstered by consistent volume growth throughout the year, the Hayleys Fibre Group recorded healthy top-line results, with consolidated revenue improving from Rs. 4,389 million in the previous financial year to Rs. 5,125 million for FY 2023/24, a commendable 17% growth. We believe this reflects the success of the market diversification strategies that helped to boost our order book, effectively offsetting weaker demand from our traditional export markets.

Within the Group, Hayleys Fibre PLC remained the largest contributor to Group top-line, accounting for 55% of total Group revenue, followed by Bonterra Ltd at 27% and Creative Polymats (Pvt.) Ltd rounding up the balance.

Regrettably however top-line results were largely eroded owing to the impact of the LKR appreciation against the USD during the financial year which adversely affected exporters, including Hayleys Fibre. Suffice to say, the cascading effect on the Hayleys Fibre Group operating results was quite significant. Consequently, the Group reported gross profit of Rs. 680 million for the FY 2023/24 as against Rs. 932 million reported in the previous year. Gross Profit Margins were also similarly affected, with the GP margin for the current year standing at 13% compared to 21% in the previous year. Margin pressure was evident in the Group PAT which declined to Rs. 58.5 million in the year under review from Rs. 384.2 million in the previous financial year.

Strategic ESG integration

It is with much pride that we announce the formal unveiling of the Hayleys Fibre ESG Roadmap - "Entwine", which sets out the Group's environmental, social and governance aspirations, aligned to the purpose of the Sector as well as the ESG

objectives of the parent entity. Crafted as a purpose-driven ESG strategy pivoted on four fundamental pillars - Responsible Leadership, Optimising Resources, Improving Lives and Nurturing our Planet, "Entwine" serves as a strategic blueprint for the Eco Cluster to amplify its commitment to sustainability and social responsibility by working to enhance the harmony between business, the environment and the wider community.

Awards and Accolades

In 2023, Hayleys Fibre was honoured with several prestigious awards in recognition of our commitment to excellence across various aspects. At the National Chamber of Exporters awards in 2023, Hayleys Fibre clinched the Silver award in recognition of excellence in exports in the coir-based products category.

Meanwhile our commitment to reporting excellence was recognised at the TAGS Awards 2023 organised by the Institute of Chartered Accountants of Sri Lanka, where Hayleys Fibre PLC secured the Silver award in the Manufacturing Companies Turnover up to LKR 10Bn category.

Governance and Leadership

Being a member of the Hayleys Group, we are guided by the principles of transparency, accountability and good governance of our parent. Under the advice of our parent, we made excellent strides in aligning with the new corporate governance rules introduced by the Colombo Stock Exchange (CSE) for listed entities. Our policy frameworks were reviewed and updated with several new policies implemented to reinforce good governance. For instance, the new anti-bribery and anti-corruption policy marks a crucial step towards fostering a culture of integrity and accountability throughout our Group.

To further improve alignment with the new rules, we also embarked on a comprehensive exercise to strengthen the Board, with more emphasis on improving diversity, expertise, and independence at Board level. Accordingly, three new Non-Executive Directors were appointed to the Hayleys Fibre PLC Board in line with the new CSE regulations. The new appointees were Dr. Sunil Nawaratne who joined the Hayleys Fibre Board in the capacity of a Non-Executive Director, along with Ms. Saumya Amarasekera PC and Mr. Manoha J. S. Rajakariar who were both appointed to the Board as Independent Non-Executive Directors. All three new appointments were effective from 03rd January 2024.

Meanwhile Mr. W. A. K. Kumara who served on the Hayleys Fibre PLC Board in the capacity of an Executive Director, resigned with effect from 15th December 2023, while Dr. S. A. B. Ekanayake

resigned from his capacity as an Independent Non-Executive Director with effect from 31st December 2023. Mr. T. G. Thoradeniya stepped down from the Board as a Non-Executive Director on 09th January 2024.

We would like to take this opportunity to extend our sincere appreciation to all outgoing Directors for valuable counsel and expertise to the Hayleys Fibre PLC Board over the years.

At the same time, we warmly welcome newly appointed Directors, whose skills and expertise will no doubt be invaluable to the Hayleys Fibre PLC in the coming years.

Looking Ahead

If the turbulent times over the past few years have taught us anything, it is that agility and adaptability are key levers of success in the current operating context. As the flagship operation of the Hayleys Group Eco Solutions Cluster, Hayleys Fibre will continue to build resilience by staying true to the sector purpose - “Inspiring innovative and inclusive eco-friendly living.”

That said, we do foresee the risk of near-term volatility in the exchange rate, especially as the stronger LKR coupled with already high cost base would lead to ever thinner margins. Meanwhile stiff competition from regional peers especially in India is also likely to exert further pressure on margins especially if the LKR continues to remain strong, underscoring how vital it is that Sri Lankan manufacturers improve the agility of the business model to derive sustained cost efficiencies in order to stay ahead of competition.

However, we remain optimistic about the long-term outlook for coir fibre products, amidst the backdrop of increased eco-consciousness of global customers alongside more stringent environmental regulations in major export markets.

For our part, we expect to leverage the benefits derived from our investments in backward integration to significantly improve scalability which we expect will translate into cost synergies and an expanded product range that together will spearhead our pitch to reach a wider global audience through our 100% eco-friendly growing media and erosion control solutions. Similarly, we foresee exponential growth for our bedding operation as tourism sector and overall economic recovery gathers momentum in the years ahead.

We also expect to make notable strides in our ESG endeavours. Having launched “Entwine” in February 2024, we are eagerly looking forward to mobilising time and resources to achieve the ambitious targets we have set for ourselves over the next few years.

Appreciations

We wish to take this opportunity to express our heartfelt gratitude to our fellow colleagues on the Board for their invaluable guidance and unwavering support throughout this past year and always.

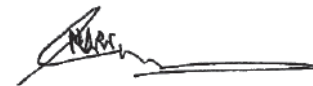
On behalf of the Board, we wish to extend our deep appreciation to our management team for their leadership in advancing our mission. We also wish to place on record our gratitude to each member of our staff, for their perseverance, dedication, and invaluable contributions.

To our esteemed customers, suppliers, business partners, shareholders and all stakeholders, we wish to express our heartfelt appreciation for your ongoing support and confidence in our initiatives. We warmly invite you to remain on this journey with us as we explore new horizons in the years ahead.

Sincerely,



Mohan Pandithage
Chairman



Rajeeve Goonetilleke
Managing Director

8th May 2024





Within

*us is an
unfailing
commitment to
our "people"*

Input



Financial Capital

Equity Capital - Rs. 1,664 million
Debt Capital - Rs. 1,389 million
Investor Capital - Rs. 80 million



Manufactured Capital

Total Investment in Property Development
Machinery and Equipment - Rs. 178 million
Hayleys Fibre PLC Plant - Kuliyaipitiya
Hayleys Fibre PLC Plant - Bingiriya
Hayleys Fibre PLC Plant - Madampe
Hayleys Fibre PLC Plant - Nikaweratiya
Bonterra Ltd Plant - Kuliyaipitiya
Creative Polymats (Pvt) Ltd Plant - Dankotuwa



Intellectual Capital

Brand Reputation
Standards and Certifications
AQL 2.5 Quality Inspection Guidelines
ISO 9001:2015 Total Quality Management Standard
SLS 1335:2008 Sri Lanka Standard
Specification for Polyurethane Foam Mattresses
Team Expertise
Research and Development



Human Capital

537 Employees
Compliance and Best Practices
HR Governance and Policy Framework
Strategic Recruitment
Industry Competitive Remuneration and Benefits
Performance Management
Training and Development
Employee Relations
Occupational Health and Safety
Employee Wellbeing



Social and Relationship Capital

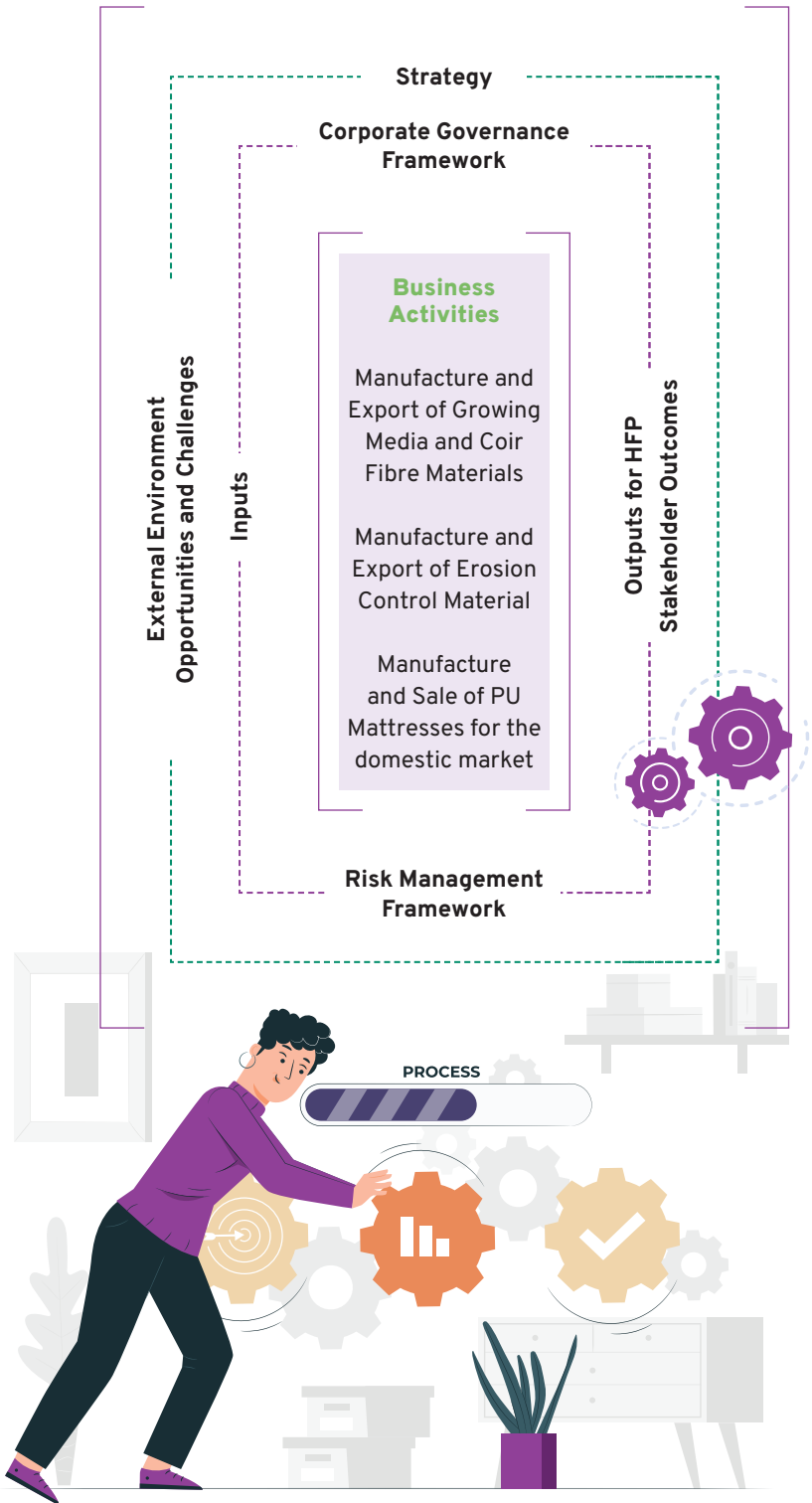
Product Responsibility
Customer Relationship Management
Supply Chain Management
Supplier Development
Community Welfare



Natural Capital

Waste Management
Energy and Emission Management
Managing Water Resources
Training and Awareness
Environmental Projects

Our Purpose, Vision, Mission and Values



Outputs for HFP Group

Asset Turnover Ratio - 1.5 times	Minimised customer complaints
Capacity utilisation HFP 65% BL 69% CPL 43%	Improved industry standards
36% increase in coir fibre export volumes	Competitive edge through innovation
12 new markets reached	Improve reliability of the supply chain
Launch of a new branded line of growing media under the "Hay green" label	Enhanced operational efficiency
Strong communities	Higher employee productivity
Commitment to ESG and Sustainable Business	Minimised lost days

Stakeholder Outcomes



Shareholders

ROE - 4% (23% - FY 2022/23)
Dividend per share - Nil (Rs. 3.80 - FY 2022/23)
Maintaining healthy net assets per share



Customers

Assurance of guaranteed high quality products
Product customisation
Access to the latest innovations
100% customer satisfaction
Minimised defects



Employees

Monetary Benefits Distributed - Rs. 445 million (Rs. 333 million - 2022/23)
Ratio of entry level wage between men and women 1:1
Incidents of discrimination - None
243 job opportunities created through recruitments
10 employees were promoted
375 skill training hours
190 hours of safety training



Suppliers

Consistent relationship with suppliers
Amount paid to suppliers - Rs. 2,238 million (Rs. 2,579 million - 2022/23)



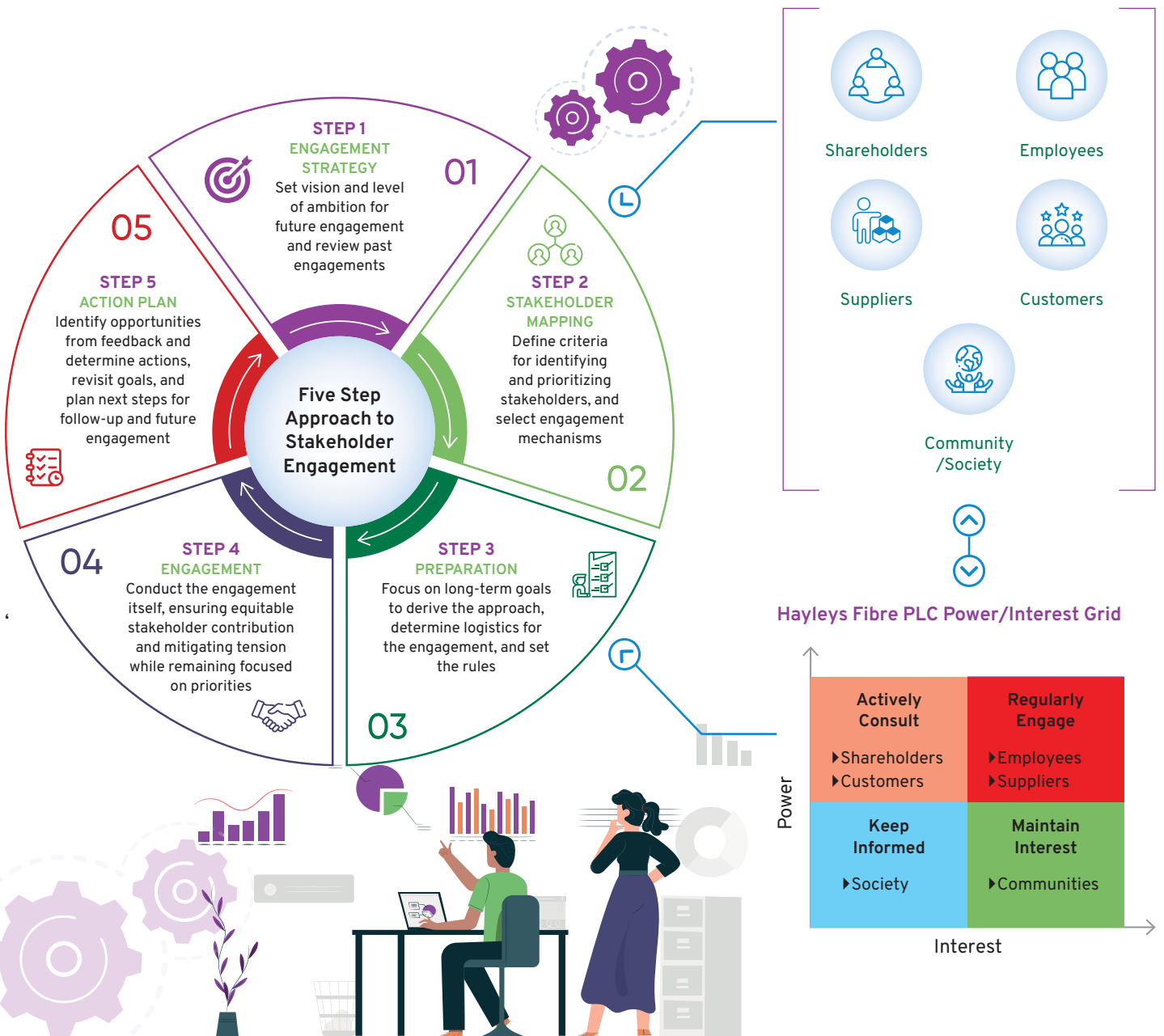
Community/Society

Supported for the rural education system
734 MT of waste recycled
45% reduction of Scope 1 emissions
Managing water consumption

GRI 2-29

Management Approach

Hayleys Fibre PLC prioritises proactive and inclusive stakeholder engagement as a cornerstone of its corporate strategy. Recognising the diverse interests and perspectives of stakeholders, the Group employs a multi-faceted approach that emphasises transparency, dialogue, and collaboration. The Group has adopted a disciplined approach to stakeholder engagement based on the globally accepted best practices.



Group uses the Power / Interest matrix to enhance the effectiveness of the overall stakeholder engagement process by deploying tailored engagement strategies to ensure optimal outcomes through the engagement process. Accordingly, stakeholders in the high power/high interest quadrant, require close collaboration and proactive communication to ensure their needs are addressed, while those in the low power/low interest quadrant may only necessitate minimal engagement efforts. By utilising the power/interest matrix, the Group aims to allocate resources efficiently, mitigate risks, and foster productive relationships with stakeholders to facilitate mutual growth.

Governance Responsibilities

The Hayleys Fibre Board is the ultimate authority responsible for stakeholder engagement. While retaining overall supervisory oversight, the Board has delegated the execution of stakeholder engagement to the Group’s Corporate Management Team headed by the Group Managing Director. The Board continues to closely monitor the outcomes of stakeholder intersections through feedback provided by various Board and Management-level committees to ensure appropriate action as needed.

Stakeholder Group	Medium and Frequency of Engagement	Key concerns raised	Our Response	Responsible Authorities
Shareholders Strength of the relationship - Strong	<ul style="list-style-type: none"> Monthly Management Meetings with Hayleys Group Management Committee 	<ul style="list-style-type: none"> Delivery of consistent financial results to augment the Group’s overall vision 	<ul style="list-style-type: none"> Continuously monitor and measure progress against Group goals Revenue diversification and cost management Strengthen business resilience through effective risk management Improve productivity through continuous innovation 	<ul style="list-style-type: none"> Hayleys Fibre Group Managing Director and Corporate Management Team
Employees Strength of the relationship - Good	<ul style="list-style-type: none"> Monthly meetings with trade union representatives Daily / weekly team briefings at plants Plant visits by Hayleys Fibre Group Management Committee Annual Management Committee forum Annual Performance Review Meeting Internal communications (Continuous) Open Door Policy (As needed) 	<ul style="list-style-type: none"> Fair employment terms including equitable pay and benefits and opportunities for training and development Safe working environment Long term career prospects 	<ul style="list-style-type: none"> Create a dynamic workplace where all employees are inspired and encouraged to aim for continuous personal and professional growth Ref. Human Capital Report on page 78 	<ul style="list-style-type: none"> Hayleys Fibre Group HR Department

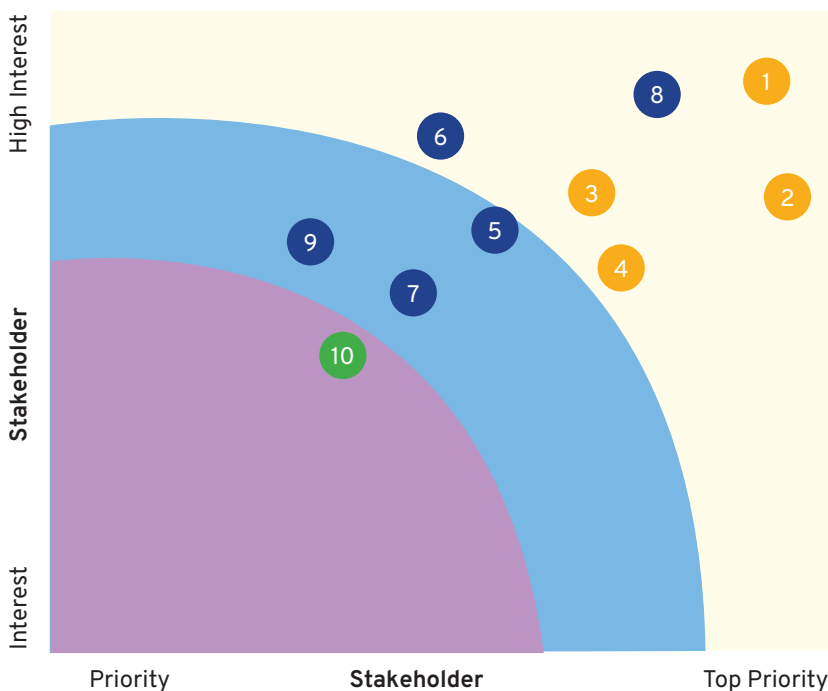
Stakeholder Group	Medium and Frequency of Engagement	Key concerns raised	Our Response	Responsible Authorities
Customers Strength of the relationship - Strong	<ul style="list-style-type: none"> Continuous interaction through one-on-one meetings Participation in trade fairs and other promotional activities 	<ul style="list-style-type: none"> Product Quality and Safety Product Availability Price Competitiveness On-time delivery 	<ul style="list-style-type: none"> Produce and deliver high quality products as per customer specifications supported by on-time delivery Ref. Social and Relationship Capital Report on page 70 	<ul style="list-style-type: none"> Hayleys Fibre Group Marketing Team
Suppliers Strength of the relationship - Healthy	<ul style="list-style-type: none"> Ongoing interactions with local and overseas suppliers Supplier on-Boarding (As needed) Annual evaluation of local suppliers 	<ul style="list-style-type: none"> Fair pricing On-time payments Opportunities for business expansion 	<ul style="list-style-type: none"> Honour all supplier commitments on-time and without delay Diversify the supply chain to provide opportunities for new entrants Ref. Social and Relationship Capital Report on page 70 	<ul style="list-style-type: none"> Hayleys Fibre Group Central Procurement Team
Community/ Society Strength of the relationship - Healthy	<ul style="list-style-type: none"> Continuous and ongoing engagement with community members in and around plants 	<ul style="list-style-type: none"> Assistance to improve community infrastructure 	<ul style="list-style-type: none"> Community capacity building initiatives Ref. Social and Relationship Capital Report on page 70 	<ul style="list-style-type: none"> Hayleys Fibre Group Sustainability Team

GRI 3-1, 3-2, 3-3

Material Topics represent the crucial aspects that influence the Hayleys Fibre Group’s strategic direction over the short, medium and long term. These Material Topics are derived through an assessment of the Group’s business risks, opportunities, and emerging trends vis-a-vis the operating environment as well as feedback from internal and external stakeholders. Information and insights gathered in this way are further disseminated and mapped on the Materiality Matrix, to measure their impact to the Group against their importance to stakeholders, a process that helps to determine how best to integrate Material Matters into the Group strategy in order to drive value creation objectives.

This is the second consecutive year that the Hayleys Fibre Group has opted to apply the double materiality filter to establish the broader societal and environmental implications associated with each Material Topic. By applying the double materiality filter, the Group aspires to take a more responsible approach to strategy formulation by focusing not only on financial performance and operational resilience but also to consciously drive broader societal and environmental well-being over time.

Materiality Matrix



Economic

- 1 Consistent Returns
- 2 Cash Flow Position
- 3 Market Expansion
- 4 Competitive Position

Social

- 5 Customer Loyalty
- 6 Employee Retention
- 7 Employee Motivation
- 8 Supply Chain Partnerships
- 9 Community Relationship

Environment

- 10 Environmental Stewardship

Materiality Matrix

Material Topic	Topic Boundary	Impact to the Hayleys Fibre Group	Management Approach	GRI Relevance
Consistent Returns	Relates to the Group's operations, employees, customers, supply chain as well as the broader operating environment	Enhances shareholder returns and improves long term business prospects	Board approved strategic plan supported by strong risk and governance frameworks	-
Cash flows Position	Relates to the Group's operations, customers as well as the broader operating environment	Safeguards business continuity, improves business resilience times and ensures stakeholder value creation targets are met	Effective treasury management and contingency funding plans	-
Market Expansion	Relates to the Group's operations, customers as well as the broader operating environment	Fuels current and future business growth	Board approved marketing strategy to drive global market development and market penetration	-
Competitive Position	Relates to the Group's operations, customers, supply chains as well as the broader operating environment	Drives captive market share and supports business resilience	Holistic strategy to ensure productivity and cost efficiency at all levels of the business	-
Customer Loyalty	Relates to the Group's customer base	Creates a platform for sustained growth	Continuous and ongoing interaction to build customer trust	GRI 416 GRI 417 GRI 418
Employee Retention	Relates to the Group's workforce	Ensures year round uninterrupted business operations	Best in-class employee value proposition	GRI 401 GRI 402 GRI 406 GRI 408 GRI 409
Employee Motivation	Relates to the Group's workforce	Improves productivity and drives efficient operations	Talent development and succession planning	GRI 403 GRI 404 GRI 405
Supply Chain Partnerships	Relates to the Group's supply chain partnerships	Continuous availability of raw materials to minimise business disruption	Supply chain management programme and supplier development initiatives	GRI 308 GRI 414
Community Relationships	Relates to the Group's commitment to support national agendas	Builds brand trust and enhances the Company's reputation and standing	Board approved CSR programme	GRI 413
Environmental Stewardship	Relates to the Group's operations and the commitment to support national agendas	Strengthens the Company's credentials as a responsible corporate	Board approved environmental Policy and Hayleys Group Lifecode	GRI 302 GRI 303 GRI 304 GRI 305 GRI 306

GRI 406-1

Hayleys Fibre PLC employs a comprehensive strategy of leveraging the six capitals; financial, manufactured, intellectual, human, social and relationship and natural, to drive value creation.

The Group allocates financial resources to bolster its balance sheet, ensuring robust cash flows and strategic investments. In terms of manufactured capital, the Group prioritises modernising its production facilities and adopting innovative technologies to enhance efficiency and output quality. Intellectual capital is nurtured through continuous research and development, fostering innovation in product offerings and process improvements. Human capital is a focal point, with investments in employee training, well-being, and talent retention to build a motivated and skilled workforce. Social and relationship capital is strengthened by cultivating strong relationships with stakeholders, including customers, suppliers, and the communities in which it operates, ensuring mutual growth and trust. Lastly, Hayleys Fibre is committed to sustainable practices, efficiently managing natural resources to minimise environmental impact and championing initiatives that promote biodiversity and preserve ecosystems.

This holistic approach ensures that the Hayleys Fibre Group strategy and resource allocation are aligned with its vision of “To be the leading provider of innovative, sustainable and environmental friendly products and solutions”.



Financial Stability

The Group strategy to achieve Financial Stability is based on a strong balance sheet and healthy cash flows. Accordingly, strategic investments are meticulously planned to ensure they align with long-term goals, providing a solid return on investment. This includes prudent capital allocation to high-yield projects and cost-effective operations management. By diversifying revenue streams and maintaining a conservative approach to debt, Hayleys Fibre aims to minimise financial risk and enhance resilience against market volatility. The Group also places a strong emphasis on financial transparency and accountability, ensuring that shareholders and stakeholders are kept informed about financial performance and strategic initiatives. This rigorous approach to Financial Stability not only supports ongoing operational needs but also positions the Group to seize growth opportunities and overcome economic fluctuations.



Manufacturing Excellence

Manufacturing Excellence is a cornerstone of Hayleys Fibre PLC’s strategy, reflecting its commitment to high-quality production and operational efficiency. The Group continually invests in machinery and technologies to optimise production processes and improve product quality. Lean manufacturing principles are implemented to eliminate waste, reduce costs, and enhance productivity. Additionally, the Group adopts stringent quality control measures to ensure that all products meet international standards and customer expectations. Continuous productivity improvement is encouraged through regular training programmes and workshops for employees as well as by fostering a culture of innovation and excellence. By staying at the forefront of manufacturing practices, Hayleys Fibre not only enhances its competitive edge but also increases its operational agility, to ensure adaptability to changing market demands.



Dynamic Workplace

The Dynamic Workplace strategy focuses on creating an engaging, inclusive, and innovative environment for its employees. Recognising that its workforce is its most valuable asset, the Hayleys Fibre Group invests heavily in training and development to enhance skills and foster career growth. Employee well-being is prioritised through comprehensive health and wellness initiatives, alongside a focus on work-life balance. Diversity and inclusion are integral to the corporate culture and aim to promote a collaborative and supportive atmosphere where diverse perspectives are valued and leveraged for better decision-making and innovation. Regular feedback mechanisms and open communication channels ensure that employees feel heard and valued, contributing to high levels of engagement and job satisfaction. By cultivating a dynamic workplace in this way, the Group aspired to attract and retain top talent, driving higher performance and enabling a culture of continuous improvement and innovation.



Sustainable Operations

Sustainable operations are at the heart of Hayleys Fibre PLC's strategic vision, reflecting the commitment to environmental stewardship and long-term ecological balance. The Group adopts sustainable practices across all aspects of its operations, from raw material sourcing to production and waste management. Efforts are made to minimise environmental impact through the efficient use of resources, reduction of emissions, and implementation of eco-friendly technologies. The Group also invests in renewable energy and promotes recycling and waste reduction initiatives. Additionally, the Group undertakes Corporate Social Responsibility (CSR) initiatives that focus on community development, education, and health. By embedding sustainability into its core operations, Hayleys Fibre not only mitigates environmental risks but also enhances its reputation as a responsible corporate citizen, ensuring long-term operational viability and community trust.

Financial Stability

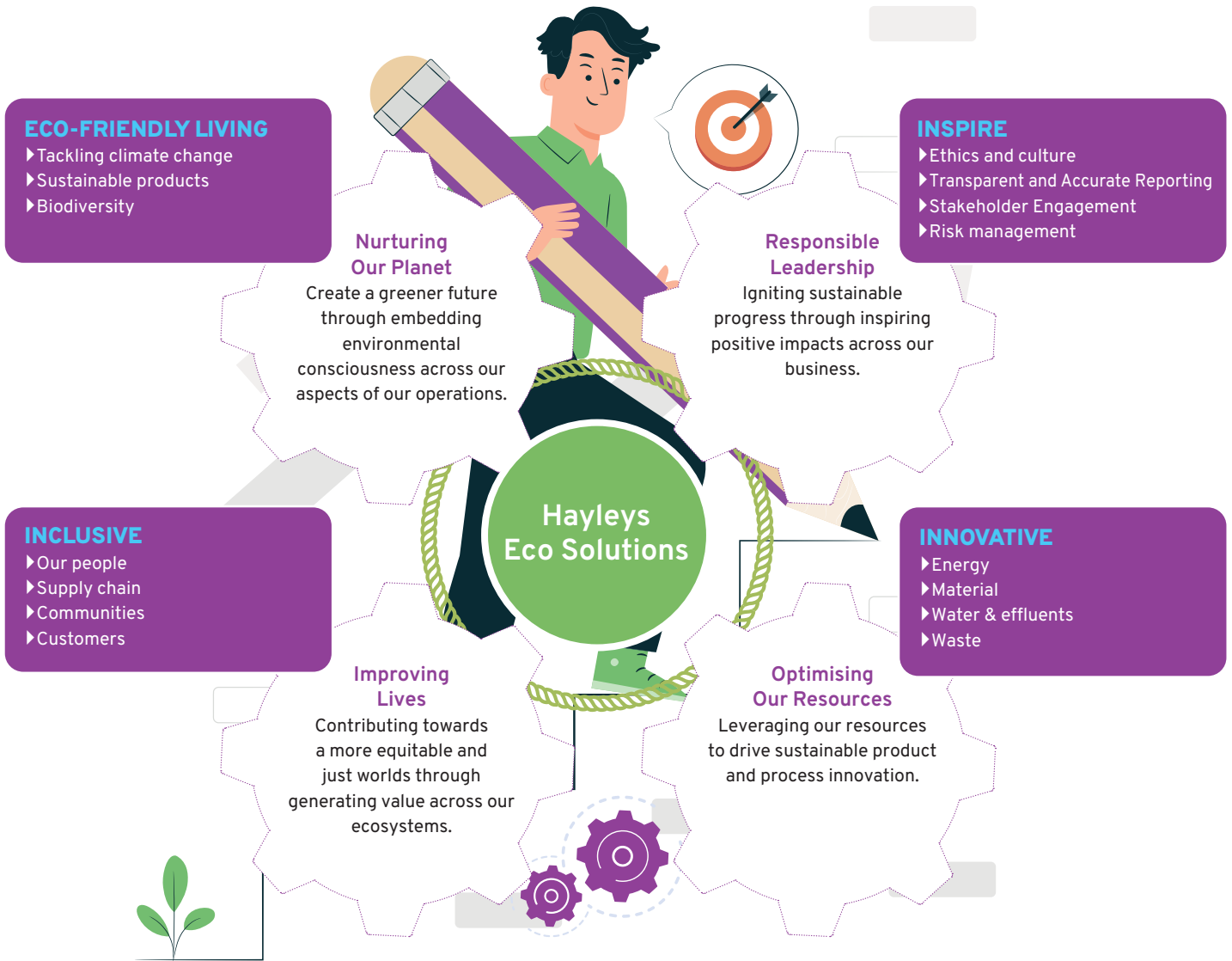
Material Topics	<ul style="list-style-type: none"> • Consistent Returns • Cash Flows Position • Market Expansion • Competitive Position
Risks	<ul style="list-style-type: none"> • Stiff competition from new and emerging global players • Exchange rate volatility impacting revenue
Opportunities	<ul style="list-style-type: none"> • Continuously evolve the product suite with the inclusion of first to market products
Resources Allocation	<ul style="list-style-type: none"> • Rs. 10.37 million incurred on marketing and promotional activities to capture new markets • Focus on innovation and new product development
<ul style="list-style-type: none"> ▶ Financial Capital ▶ Intellectual Capital ▶ Social and Relationship Capital 	
Value Created	<ul style="list-style-type: none"> • 36% increase in coir fibre export volumes • 12 new international markets reached • Appointment as the exclusive supplier of generic grow media to several countries in the CIS region and the EU region
Focus for the Future	<ul style="list-style-type: none"> • Deepen the penetration into non-traditional markets • Appoint product specific agents/distributors in key markets to promote the "Haygreen" globally

Manufacturing Excellence	
Material Topics	<ul style="list-style-type: none"> • Consistent Returns • Market Expansion • Competitive Position
Risks	<ul style="list-style-type: none"> • Rapid evolution in global technology resulting in outdated or obsolete machinery and equipment • High cost of imported machinery due to the devaluation of the LKR against the USD
Opportunities	<ul style="list-style-type: none"> • Pursue external partnerships to access the technical knowledge to improve operational efficiencies • Explore the possibility of local fabrication of machinery for bespoke needs of the company • Early adoption of best practices • Invest in backward integration for supply chain security
Resources Allocation	<ul style="list-style-type: none"> • Rs. 33 million invested in acquiring new technology • Rs. 80 million incurred in factory machinery repair and maintenance • Rs. 140 million invested in the land to set up a new coir fibre extraction plant and drying yard to strengthen supply chain
<ul style="list-style-type: none"> ▶ <i>Financial Capital</i> ▶ <i>Manufactured Capital</i> ▶ <i>Social and Relationship Capital</i> 	
Value Created	<ul style="list-style-type: none"> • Capacity utilisation <ul style="list-style-type: none"> • HFP 65% • BL 69% • CPL 43% • 100% customer satisfaction • Zero defects • 4 New products launched • Rs. 2,238 million paid to suppliers
Focus for the Future	<ul style="list-style-type: none"> • Focus on automation of key production processes

Dynamic Workplace	
Material Topics	<ul style="list-style-type: none"> • Employee Retention • Employee Motivation
Risks	<ul style="list-style-type: none"> • High attrition rate of unskilled labour at factory level • Skilled labour migration for overseas employment opportunities
Opportunities	<ul style="list-style-type: none"> • Undertake succession planning to improve employee career alignment • Invest in leadership development to build a reliable talent pipeline for all key positions
Resources Allocation	<ul style="list-style-type: none"> • Rs. 445 million distributed as monetary benefits to employees • Annual performance appraisal for employees • Rs. 0.70 million invested on training and development • Rs. 4.67 million invested in strengthening safety systems
<ul style="list-style-type: none"> ▶ <i>Financial Capital</i> ▶ <i>Human Capital</i> 	
Value Created	<ul style="list-style-type: none"> • 10 employees were promoted • 1,320 total training hours • 190 hours of safety training • Zero incidents of discrimination
Focus for the Future	<ul style="list-style-type: none"> • Obtain the ISO 45001:2018 Occupational Health and Safety Standard certification • Establish dedicated learning centres at each plant to support continuous learning

Sustainable Operations	
Material Topics	<ul style="list-style-type: none"> • Consistent Returns • Competitive Position • Community Relationships • Environmental Stewardship
Risks	<ul style="list-style-type: none"> • Atmospheric changes affecting temperature and precipitation levels in coconut growing regions leading to lower average yields during cropping season • Scarcity of raw materials due to fragmentation of coconut lands to facilitate urbanisation and due to pest attacks
Opportunities	<ul style="list-style-type: none"> • Invest in renewable energy • Use of low toxicity chemical agents • Use of biodegradable/ reusable waste materials
Resources Allocation	<ul style="list-style-type: none"> • Seven green projects with in the reporting year <ul style="list-style-type: none"> ▶ <i>Financial Capital</i> ▶ <i>Social and Relationship Capital</i> ▶ <i>Natural Capital</i>
Value Created	<ul style="list-style-type: none"> • 734 MTs of non-hazardous fibre waste recycled back for the coir fibre production • 49% year on year reduction in fossil fuel consumption • 928 tCO₂eq - Carbon Footprint (806 tCO₂eq - 2022/23)
Focus for the Future	<ul style="list-style-type: none"> • Implement the ISO 14001:2015 Environment Management Standard Certification • Collective target of 15% reduction of Scope 1 & 2 emissions by 2030 • 10% reduction in waste intensity by 2030 • Zero waste to landfill by 2030

Approach to Sustainability and Commitment to Sustainable Development Goals (SDGs)



GRI 2-14, 2-22

The Hayleys Fibre Group’s approach to sustainability is anchored to the Eco Solutions Sector’s purpose of “Inspiring Innovative and Inclusive Eco-Friendly Living”. Through this alignment, the Hayleys Fibre Group launched “Entwine” the purpose-driven ESG Roadmap that creates a platform for the Eco Solutions Cluster to embed environmental, social and governance matters as part of the strategic imperatives and decision making processes to ensure effective management of ESG risks and opportunities to support the achievement of value creation objectives.



ESG Roadmap 2030



Online Version
www.hayleysfibre.com





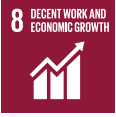

Approach to Sustainability and Commitment to Sustainable Development Goals (SDGs)

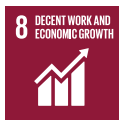





“Entwine” is also broadly aligned to that of the ‘Hayleys Lifecode’ which articulates the Hayleys Group’s environmental, social and governance aspirations and sustainability roadmap for 2030. The Lifecode and its related social, environmental and governance policies are applicable as a minimum standard across all Group companies.

Governance and Oversight

The Hayleys Eco Solutions Sector ESG Unit is responsible for the ground-level actioning of “Entwine” in collaboration with relevant internal and external stakeholders. The unit is responsible for tracking, monitoring and reporting relevant ESG metrics to the Sector ESG Committee and to the Hayleys Group ESG Steering Committee to determine areas for potential improvement.

Key Commitments and Targets

Policy	ESG Strategy	2030 Target	Link to UN SDGs	Action plan
Energy and Emission Management Policy	Increase reliance on renewable and sustainable energy sources	65% reliance on sustainable and renewable energy sources 100% biomass sourcing		<ul style="list-style-type: none"> Conversion of all heaters/boilers to biomass energy sources Explore opportunities in implementing solar PV systems
	Phase out absolute carbon footprint	15% reduction of Scope 1 & 2 emissions 10% reduction in Scope 3 emissions		<ul style="list-style-type: none"> Strengthen biomass supply chain through collaborations with suppliers Maximise the use of wooden briquettes 100% map all direct and indirect Greenhouse Gas (GHG) emissions for the Sector Obtain third-party verification capturing all direct and indirect GHG emissions across the Sector Assign carbon reduction targets for manufacturing locations Reduce dependence on fossil fuel-based energy sources
Material and Waste Management Policy	Responsible packaging	75% sustainable packaging material (including recycled, recyclable, reusable and/ or compostable material)		<ul style="list-style-type: none"> Research & Development to invent waste to packaging mechanisms. Reach for sustainable packaging material suppliers locally & Internationally.
Biodiversity Conservation Policy	Biodiversity conservation and preservation relating to our business operations	Implementing and improving biodiversity within the area we operate and beyond		<ul style="list-style-type: none"> Establish micro habitat development areas within production facilities Development of 2 acres of biodiversity enhancing area with a marshy habitat Tree planting and biodiversity conservation initiatives Continued support to the ‘Kirulu’ afforestation programme
Employment policies	Developing an engaged team	Achieve 5% attrition rate	 	<ul style="list-style-type: none"> Strengthen employee engagement activities focusing on mental health, stress management and work-life balance Improve grievance handling procedure across the organisation

Policy	ESG Strategy	2030 Target	Link to UN SDGs	Action plan
Health and Safety policy	Ensure health, safety and well-being of all employees	Obtain ISO 45001:2018 Occupational Safety and Health Management system certification		<ul style="list-style-type: none"> Standardise and ensure complete reporting of accident-related data
Procurement policy	Drive best practices across our supply chain	40% of suppliers to be assessed on social and environmental criteria		<ul style="list-style-type: none"> Formulation of supplier assessment criteria which includes screening for good environmental practices, human rights in farming communities and good agricultural practices among others. Training and awareness programmes for procurement teams
Community Relationships	Uplifting livelihoods and empowering communities	Increase CSR beneficiaries by 50%	 	<ul style="list-style-type: none"> Identify and select several high impact CSR projects within the area we operate focusing on local education development
Energy and Emission Management Policy	Reduction in energy intensity through operational improvements	10% reduction in energy intensity		<ul style="list-style-type: none"> Energy efficient manufacturing infrastructure Conduct annual energy audits to identify areas for improvement Continuous process innovations Employee awareness and capacity building on energy consciousness
Water Management Policy	Application of sustainable water sources	10% reliance on sustainable water sourcing		<ul style="list-style-type: none"> Increase efficiency of effluent treatment plants in selected manufacturing locations Establish wastewater treatment units for locations with high water demand Develop water recycling units at mattress production facilities

Voluntary early adoption of SLFRS S1 & S2

In the current financial year, the Hayleys Fibre Group strengthened its sustainability reporting, opting for the early adoption of the SLFRS S1 and S2 Sustainability Disclosure Standards. The Group has adopted the standards under the following transitional relief offered to first-time adopters:

- Climate-first reporting:** Application of SLFRS S2 in accordance with SLFRS S1, to the extent that SLFRS S1 refers to climate-related information
- Proportionality:** Qualitative approach to determine anticipated financial effects of Sustainability Related Risk and Opportunities (SRROs) and climate-related scenario analysis

- Information is limited to what is reasonable, supportable and available without undue cost or effort** in measurement of Scope 3 emissions and determination of the scope of the value chain

In line with the direction of the parent entity, the Group established the following process and structural improvements to enable the more effective identification of climate-related-risks and opportunities.

- Formation of a Sector-level ESG Steering Committee
- Quarterly completion of ESG Risk templates
- Integration of ESG risk management processes with business risk

The Group also initiated qualitative scenario analysis to evaluate the physical and transitional risks posed by climate change. It was found that physical risks were more relevant in the short to medium term, while transitional risks were more applicable in the long term. Hence, it was decided to conduct scenario analyses for two physical risks and one transitional risk under the preliminary S2 analysis.

The Risks identified as significant were as follows:

Physical Risk 01 : Changes in Precipitation and rainfall patterns (Financial Impact - Short / Medium Term)

Changes in precipitation and rainfall patterns significantly impact the coir industry, which relies on coconut husks for production. Altered rainfall frequencies and intensities affect the availability and quality of these husks, a primary raw material.

In regions with increased precipitation, there may be a surplus of coconut husks due to higher crop growth. Conversely, areas with reduced rainfall may face a scarcity of husks, decreasing production capacity and increasing competition for limited resources. This leads to supply chain disruptions and higher raw material costs. Additionally, fibre produced during rainy seasons requires mechanical drying, adding to production costs.

Furthermore, precipitation changes can affect the quality of coconut husks. Excessive rainfall can cause water-logging, diminishing husk quality and suitability for processing. Prolonged droughts result in smaller, weaker husks that yield lower-quality coir fibre.

Physical Risk 02 : Outbreaks of Pests and disease (Financial Impact – Short/Medium Term)

The coir industry faces significant challenges from pests and diseases exacerbated by global warming. Rising temperatures and changing climate conditions create environments conducive to the proliferation of pests and diseases, which can devastate coconut plantations and impact the availability and quality of coconut husks, a key raw material for coir production.

Insect pests like coconut mites, beetles, and caterpillars thrive in warmer climates, causing increased infestations and crop damage. Similarly, fungal diseases such as root rot and stem bleeding become more common in humid and warm conditions, threatening coconut palms and reducing the yield and quality of coconut husks.

These outbreaks lead to decreased coconut yields, resulting in raw material shortages and higher production costs for the coir industry. Additionally, infested or diseased husks produce lower-quality coir fibres, affecting the overall quality and market competitiveness of coir-based products.

Transitional Risk 01 : Policy and Legal (Financial Impact - Long Term)

Global warming is prompting significant policy and legal changes worldwide, impacting various industries, including the coir industry. Governments are increasingly implementing measures to mitigate climate change, affecting the operations and practices of coir manufacturers and exporters.

Key policy changes include carbon emissions regulations and carbon pricing mechanisms aimed at reducing greenhouse gas emissions. Sri Lanka, for instance, has published its Nationally Determined Contributions (NDC) in line with the Paris Agreement to reduce GHG emissions. As governments strive to meet climate targets, coir businesses may face increased scrutiny and pressure to minimise their carbon footprint, requiring investments in renewable energy, improved energy efficiency, and sustainable practices.

Additionally, policies promoting sustainable land use and biodiversity conservation may affect coconut cultivation practices, impacting the availability and cost of coconut husks for coir production. Regulations aimed at preserving natural habitats and preventing deforestation could influence where and how coconut plantations are managed.

Furthermore, waste management and circular economy principles are driving efforts to recycle and reuse coir products. Coir manufacturers may need to comply with waste disposal regulations and implement eco-friendly product disposal and recycling strategies.

Moreover, regulations on packaging, including recycling targets, Extended Producer Responsibility (EPR) programs, and bans on single-use plastics, could pose challenges. Compliance with these regulations may require significant changes in packaging practices, potentially incurring additional costs and risks.

According to the risk identified, we have aligned our scenario models which were used to assess the resilience of our activities, considering various climate scenarios.

Scenario 1 - Net Zero - Sri Lanka meets its climate commitments with rapid decarbonisation

Assumptions

- Sri Lanka meets its conditional and unconditional NDC commitments achieving rapid decarbonization of energy systems and technically, socially and financially feasible transition plans.
- Significant reduction in the demand for fossil fuels and pricing strategies for fuel which in turn leads to steep declines in emissions.

	Physical Risk 01	Physical Risk 02	Transitional Risk 01
	Changes in Precipitation and rainfall pattern	Outbreaks of Pests and disease	Policy and Legal
Risks	<ul style="list-style-type: none"> • Additional costs for the mitigation and climate resilient activities and investments. • Risk of competitors and expansion of coir production due to the availability of coir and optimum weather conditions will pose a threat on the distinctiveness of the business while creating competitive pricing and less margins. 	<ul style="list-style-type: none"> • Cost for Long term Sustainable farming practices, such as Integrated Pest Management (IPM) • Financial costs to gain market access due to quarantine measures or trade restrictions due to pest outbreaks. 	<ul style="list-style-type: none"> • Higher costs on account of investments in greening the operations and migration to renewable energy. • Financial costs due to the short and medium-term investments that will replace the existing technologies/machineries before end of their useful lives. • Stringent policies and legal requirements add extra pressure on the business operations and the risk of significant additional expenditure on carbon certifications and decarbonizing mechanisms. • Risk of Non-compliance with regulations to manage climate changes like carbon pricing may lead to reputation & revenue risks.
Opportunities	<ul style="list-style-type: none"> • Cost savings due to reduced risks of interruptions to the supply chains and raw material production. 	<ul style="list-style-type: none"> • Pursue R & D partnerships to focus on biodiversity conservation to maximize integrated pest management. 	<ul style="list-style-type: none"> • The increasing demand for low carbon and biodegradable products will impact positively on the business growth.

Scenario 2 - Current pathway - Sri Lanka meets its unconditional NDC commitments.

Assumptions

- The country meets its unconditional NDC commitments, meetings its adaptation ambitions and sectoral reduction targets.
- Limited external investments in technology and funding to drive the transition to low carbon.
- Average temperatures expected to increase by approximately 2.5°C.

	Physical Risk 01	Physical Risk 02	Transitional Risk 01
Risks & Opportunities	Changes in Precipitation and rainfall pattern	Outbreaks of Pests and disease	Policy and Legal
Risks	<ul style="list-style-type: none"> • The risk of interruptions to coir based raw material production will lead to additional cost in the procurement processes. • Increased material prices and operational costs due to lack of raw material availability. • Product quality related issues. • The risk of losing the cottage industry will also affect the continuous growth of the group. 	<ul style="list-style-type: none"> • The pest outbreaks and diseases due to the increasing global temperature will result in possible risk in reduction of coconut production which ultimately affect on coir raw material availability and the quality of the raw material. • The products made with low-quality raw material will carry a possible risk of financial claims that will affect the financial position of the group. 	<ul style="list-style-type: none"> • The upcoming regulation changes will result in added financial costs for Certifications, Compliance regulations and Voluntary disclosures. • Additional costs involved in shifting to sustainable packaging, low carbon/ carbon neutral products & environmental standards
Opportunities	<ul style="list-style-type: none"> • Opportunities to optimize material usage to eliminate the wastage while reducing externalities related to waste management. 	<ul style="list-style-type: none"> • Prospects to strengthen the quality control procedure to produce high quality material with a better profit boundary. • Improve supply chain reliability by providing technical knowhow and infrastructure for the development of cottage industries 	<ul style="list-style-type: none"> • Adopting sustainable best practices in the group will create opportunities to attract new and potential customers.

Scenario 3 - Divergence - Global and local implementation gap, climate commitments not met

Assumptions

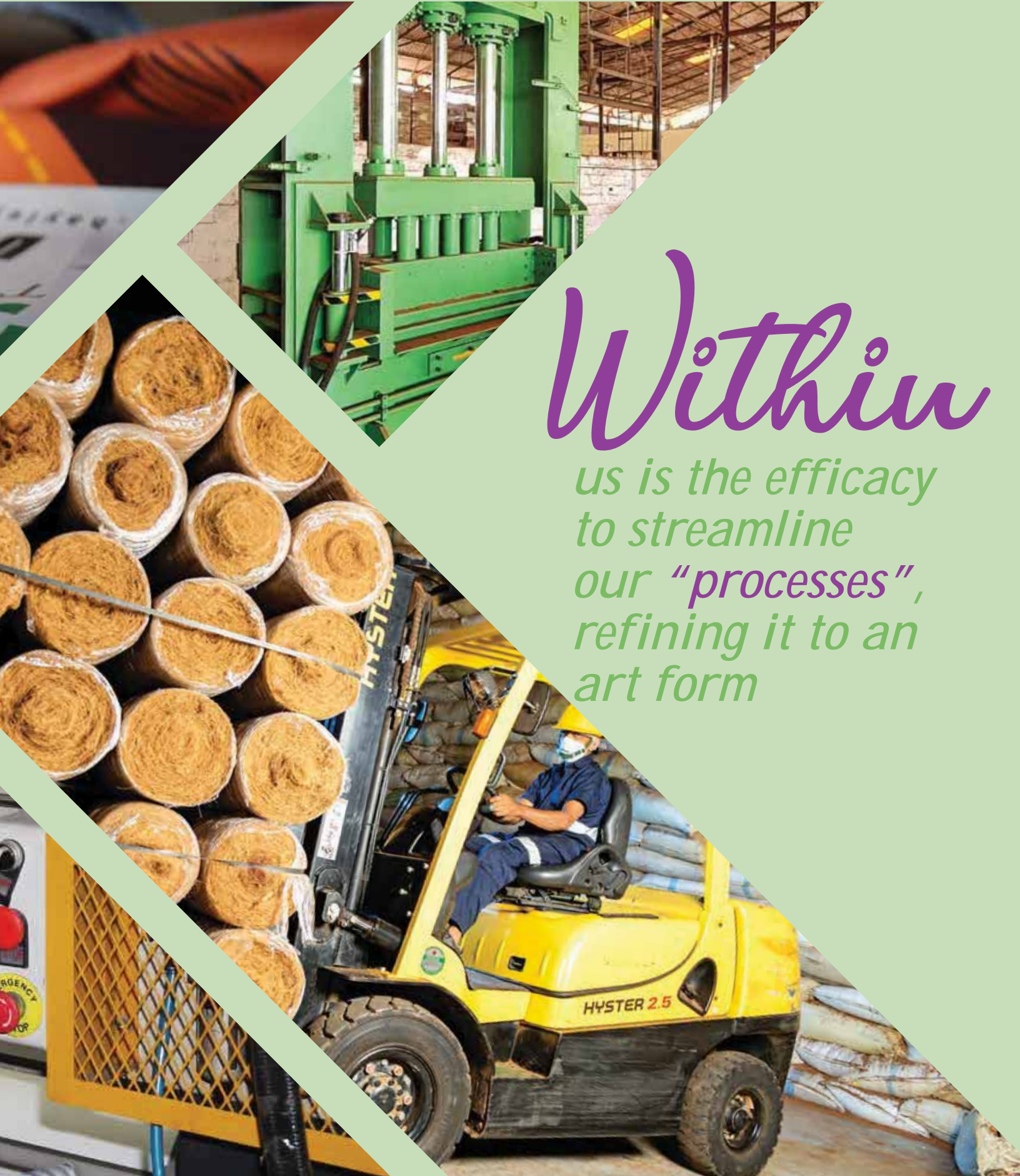
- Global and local implementation gap to achieve decarbonization goals with significant weather-related impacts on businesses and communities.
- No specific climate related interventions and represents a continuation of the current trajectory.

	Physical Risk 01	Physical Risk 02	Transitional Risk 01
Risks & Opportunities	Changes in Precipitation and rainfall pattern	Outbreaks of Pests and disease	Policy and Legal
Risks	<ul style="list-style-type: none"> Permanent closures in raw material production facilities leading to collapse of the business and financial losses The risk of shifting the coconut triangle to further North and risk of high employee turnover due to relocation of settlements will result in additional financial costs for recruitments, trainings and logistics. 	<ul style="list-style-type: none"> Extreme pest and disease outbreaks resulting in poor quality raw material and less raw material production. Shortage of raw material that affects on continuous production process which ultimately impacts on business profit. 	<ul style="list-style-type: none"> The risk of losing critical customers for the business due to failing to achieve international/regional emission targets or legal terms will greatly impact on the group's revenue growth. Additional costs to comply with the policy and legal standards will reduce the profit margins of the products and monetary fines due to inability to meet the compliance. The reputation damage from the above will also pose a threat to attracting new customers.
Opportunities	<ul style="list-style-type: none"> The room for shifting to cleaner production practices while discovering most suitable products and alternative production materials. 	<ul style="list-style-type: none"> Empowering raw material producers and cultivators with the knowhow on advanced pest management practices. The increased pest outbreaks will shift open cultivations to protected cultivation methods with soil substitutes- growing media that will increase the demand on the products. 	<ul style="list-style-type: none"> Maximize the global presence with the attribute of eco friendliness of the coir based products in the changing world towards green products.

Proposed Action by Hayleys Fibre PLC

Physical Risk 01	Physical Risk 02	Transitional Risk 01
Changes in Precipitation and rainfall pattern	Outbreaks of Pests and disease	Policy and Legal
<ul style="list-style-type: none"> Strategic diversification of raw material sources. Development of cottage industries by providing technical know-how and aiding in infrastructure development to maintain a steady phase of production in supply chain. Northern coir industry development programmes and backward integration project. Implementation of climate change mitigation best practices with the guidance of Sector's ESG roadmap. 	<ul style="list-style-type: none"> Strengthen quality assurance benchmarks to eliminate the use of low quality raw material in production Strengthening the procurement arm to reach new raw material producers Empowering raw material producers and cultivators with the knowhow on advance pest management practices. 	<ul style="list-style-type: none"> Strategic adaptation of global / regional climate related standards and certifications Enhancing the knowledge of the operational and non-operational teams on the upcoming changes in policies and legal requirements in the markets Adjusting the company protocols to the global best practices.





Within

*us is the efficacy
to streamline
our "processes",
refining it to an
art form*

Global Economy

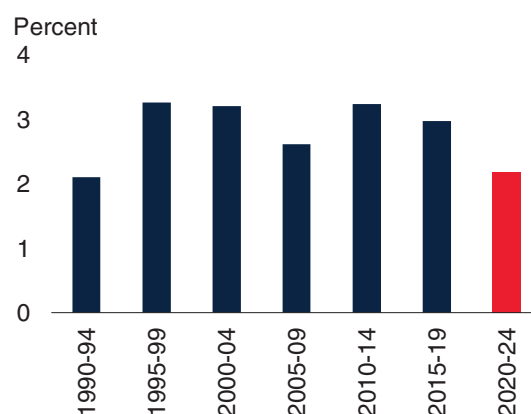
Global economic activity continued to weaken in 2023, influenced by stringent monetary policies, restrictive financial conditions, and sluggish global trade growth. Following a significant slowdown in 2022, global GDP further declined to 2.6% in 2023.

In advanced economies, growth moderated in 2023, but the decline was less severe than anticipated, primarily due to the resilient performance of the US economy. Robust consumer spending, bolstered by expansionary fiscal policy, sustained US economic activity. Conversely, the euro area's growth plummeted to an estimated 0.4%. High energy prices, exacerbated by Russia's invasion of Ukraine, curtailed household spending and hindered business activity, particularly in the manufacturing sector. The situation further deteriorated with the eruption of the Israel-Palestine conflict and the Red Sea crisis later in the year.

Growth in Emerging Markets and Developing Economies (EMDE) is estimated to have accelerated to 4% in 2023. However, excluding China, EMDE growth decelerated to 3.2%. This slower pace reflects subdued demand for goods in advanced economies, leading to weaker export performance from EMDEs.

In 2023, global trade growth experienced its slowest pace outside of global recessions in the past 50 years. Substantial contractions in goods trade were observed amid sluggish global industrial production, compounding the challenges faced by economies worldwide. This stagnation in trade further underscored the fragility of the global economic recovery, as weak demand and production slowdowns in key industrial sectors impeded broader economic progress.

Global growth



Risks and Opportunities for Hayleys Fibre Group stemming from developments in the Global Economy

Risks	Intensity of Impact	Impact on Materiality	Opportunities
Weaker demand for core export products from key global markets	High	<ul style="list-style-type: none"> Consistent Returns Cash Flows Position Market Expansion Competitive Position Customer Loyalty 	<ul style="list-style-type: none"> New market development to tap into emerging markets Drive product innovation to gain first mover advantage in high value and premium markets

Outlook for 2024 and Beyond

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

In the near term, major economies are anticipated to experience subdued growth. However, some Emerging Markets and Developing Economies (EMDEs) with robust economic fundamentals are likely to see improved conditions in 2024. Conversely, EMDEs with significant vulnerabilities face precarious prospects due to high debt levels and rising financing costs.

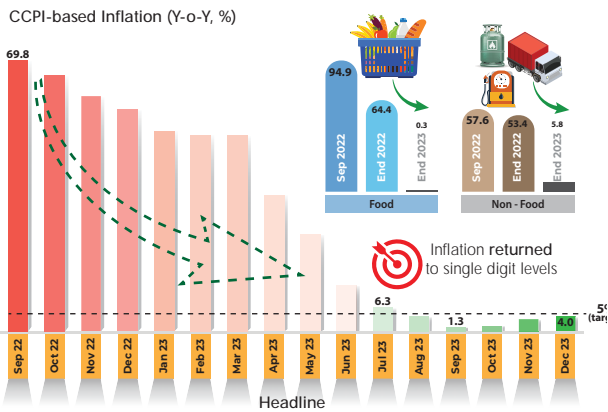
Experts warn that downside risks will play a crucial role in shaping global growth in 2024. The potential for further conflict escalation could result in soaring energy prices, which would have widespread repercussions for global economic activity and inflation. These challenges highlight the fragile nature of the global economic recovery, as geopolitical tensions and financial instability continue to pose significant threats.

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

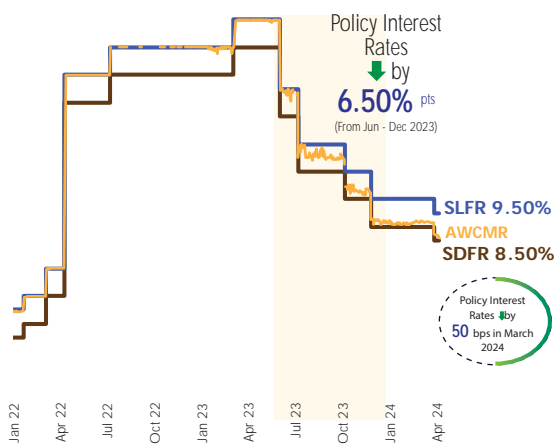
Sri Lankan Economy

In 2023, the Sri Lankan economy showed signs of recovery following a severe economic crisis that had resulted in six consecutive quarters of contraction. This positive turnaround was driven by a series of strategic measures and favourable conditions. Swift disinflation helped stabilise consumer prices, alleviating some of the financial pressures on households and businesses. After reaching an all-time high in September 2022, inflation in Sri Lanka returned to single-digit levels and remained close to the target by the end of 2023.

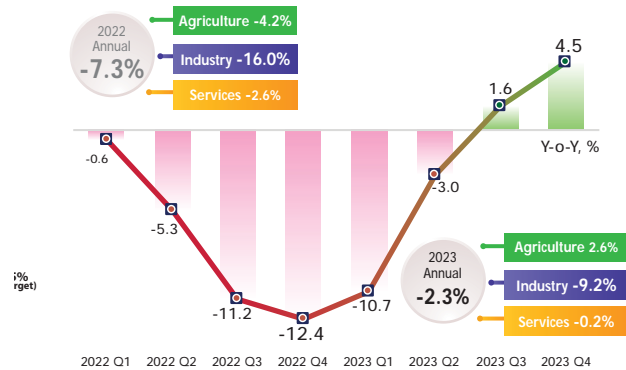
Inflation registered a rapid disinflation process...



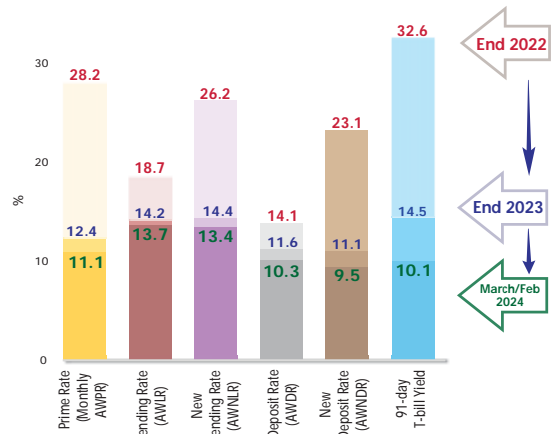
Policy interest rates were reduced...



Steady rebound in real GDP growth...



Notable decline in market interest rates...



The Central Bank's adoption of an accommodative monetary policy stance from mid-2023, combined with reduced risk premiums following the completion of the Domestic Debt Optimisation (DDO) process, led to a significant decline in market interest rates, including yields on government securities, throughout the year.

Meanwhile, the country's external resilience was bolstered by an improvement in foreign exchange reserves and a more favourable balance of payments situation, which reduced vulnerability to external shocks. Fiscal balances were reinforced

through prudent fiscal management and the implementation of crucial reforms, ensuring better budgetary control and reducing deficits. Additionally, stability in the financial system was maintained through sound regulatory measures and the strengthening of financial institutions, which helped restore confidence in the banking sector.

The country's external sector experienced a strong revival in 2023. Bolstered by a substantial increase in worker remittances and significant improvements in tourism-related earnings, the external current account recorded a surplus for the year. The merchandise trade deficit reached its lowest level since 2010, as the considerable rise in service-related export earnings helped offset the expenditure on merchandise imports

These efforts collectively contributed to a gradual but steady recovery, which saw the Sri Lankan economy recording a moderate contraction of 2.3%, a significant shift from 7.3% contraction in 2022, thereby positioning Sri Lanka on a more stable economic footing by the end of 2023.

Risks and Opportunities for Hayleys Fibre Group stemming from developments in the Sri Lankan Economy

Risks	Intensity of Impact	Impact on Materiality	Opportunities
Supply chain disruption owing to economic stress on local fibre producers	Moderate	<ul style="list-style-type: none"> Consistent Returns Market Expansion Competitive Position Supply Chain Partnerships 	<ul style="list-style-type: none"> Invest in backward integration to improve supply chain security

Outlook for 2024 and Beyond

The prospects for the Sri Lankan economy in 2024 and beyond are cautiously optimistic, yet marked by challenges. The continued implementation of prudent fiscal and monetary policies will be crucial for sustaining the positive momentum achieved in 2023. Efforts to further enhance external resilience, diversify exports, and attract foreign investment will be essential to mitigate vulnerabilities and promote sustainable growth. However, the economy faces risks from external factors such as global economic uncertainties, geopolitical tensions, and potential disruptions to trade and investment flows. Domestically, addressing structural issues such as high public debt, fiscal deficits, and structural reforms will be imperative for ensuring long-term economic stability and resilience. Moreover, fostering a conducive business environment, promoting innovation and technology adoption, and investing in human capital will be key drivers of economic transformation and competitiveness in the years ahead. Collaboration between the government, private sector, and international partners will be crucial in navigating these challenges and unlocking the full potential of Sri Lanka's economy.

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

Review of Group Operations

Overview

	Hayleys Fibre PLC		Bonterra Ltd		Creative Polymats (Pvt.) Ltd	
	2024	2023	2024	2023	2024	2023
Ownership Status	Parent		Subsidiary		Subsidiary	
Contribution to Group Revenue (%)	55%	45%	27%	30%	18%	25%
Contribution to Group Operating Profit (%)	-44%	15%	78%	48%	66%	37%
Share of Group Assets (%)	53%	41%	19%	26%	28%	33%
ROA	-8%	13%	18%	17%	5%	6%

Hayleys Fibre PLC

The Company made steady progress towards achieving its targets established for the current financial year. As demand from primary markets in the US moderated amidst signs of a recession, the Company moved to firm up ties with key buyers in these markets. Further as part of the broad based effort to mitigate the risk of overexposure to a single market, the Company's market diversification strategies gathered momentum driven by focused efforts to form new partnerships in non-traditional and new emerging markets which saw Hayleys Fibre appointed as the exclusive supplier of generic growing media to several countries in the CIS and the EU region.

Spearheaded by ongoing initiatives to strengthen ties with buyers in traditional markets as well as make inroads into new non-traditional markets, the Company recorded strong volume growth compared to the previous year. A key trend noted in the current year was the change in the market mix, which showed non-traditional markets accounting for 66% share of the annual volumes for FY 2023/24 compared to only 40% in the previous year. Consistent volume expansion throughout the year also enabled Hayleys Fibre to significantly elevate its standing as one of the leading local exporters of growing media to claim a spot among the top three Sri Lankan exporters in that space in 2023.

Despite recording strong volume expansion in its growing media range, the Company's topline came under pressure owing to the steady appreciation of Rupee against the USD in the latter part of the financial year. Keen to manage the resulting margin pressures, cost structures were revisited with more emphasis on driving downstream efficiency. To that end, the Company took the first steps towards backward integration which is expected to provide Hayleys Fibre with enhanced supply chain security, thereby leading to significant cost advantages in time. Moreover, this high level of integration will give Hayleys Fibre greater control regarding end-to-end quality assurance, which it is hoped will prove to be a key differentiator that will set the Company apart from peers.

Hayleys Fibre PLC, PBT of Rs. 133 million for the year under review, compared to the PBT of Rs. 466 million recorded in the previous financial year.

Bonterra Limited

Though not in direct competition with Hayleys Fibre's generic growing media line, Bonterra Limited's (BL's) niche range of erosion control products too are positioned in a broadly similar operating space as that of its parent. However, catering to a niche segment ensured BL's product range benefited from consistent year round demand from all key markets. BL's product range including Stitched Blankets, Geo Textiles, Geo Logs & Pillows are typically used in large scale agriculture and road construction, all industries which have experienced a strong resurgence globally after being dormant throughout the COVID-19 pandemic period.

Aiming to build on the success achieved thus far, the Company continued to consolidate its position in existing strongholds in the current financial year, while working concurrently to make inroads into new territories and customer segments.

Going forward, BL too will share in the benefits from the backward integration efforts undertaken by Hayleys Fibre. It is hoped that leveraging these strategic advantages will allow BL to refine its product range to improve its ability to offer bespoke solutions based on customer needs.

Creative Polymats (Pvt.) Ltd

The Company serves the Sri Lankan market by providing local customers with world class bedding solutions, including a specialised range of PU mattresses and PU sheets.

Witnessing subdued demand for its core product range in the first half of the year amidst the lower disposable incomes resulting from inflationary conditions attributed to prolonged economic stress, cost containment was the main priority for CPL.

However with improved economic activity and lower inflation fuelling consumer demand in the latter part of 2023, CPL's marketing efforts resumed in earnest. To retain market share amidst stiff competitive pressures, the Company leveraged its long standing channel partnership with Hayley's Singer (Sri Lanka) PLC to carry out a series of promotional activities to drive volumes.

Financial Capital

Financial Capital refers to the availability of adequate monetary resources for business purposes - to generate wealth through investment, pursue operational activities and finance future expansion of businesses.



S

Strengths

Hayleys Fibre Group synergies enabling access to contingency funding

W

Weaknesses

Increased reliance on borrowings

O

Opportunities

Leverage low rate environment to secure long term funding facilities

T

Threats

Pressure on earnings owing to currency volatility

Management Approach

The Hayleys Fibre Group's approach to managing Financial Capital is based on sound financial management practices including strategic planning to determine the optimal capital structure, balancing debt and equity financing to manage risk and cost of capital. Budgeting, forecasting, and cash flow management to ensure adequate liquidity to meet financial obligations, along with monitoring and analysing key financial metrics and performance indicators to enable proactive adjustments to capital allocation strategies, also forms an important part of the approach to manage financial capital.

Material Matters

- Consistent Returns
- Cash Flow Position
- Market Expansion
- Competitive Position

Value Drivers

- Revenue
- Operating Expenses
- Earnings Before Interest and Tax (EBIT)
- Profit After Tax (PAT)
- Cash Flows and Liquidity Position
- Return on Capital Employed (ROCE) and Return on Equity (ROE)
- Asset Turnover
- Borrowings
- Capital Structure and Gearing
- Earnings Per Share (EPS) and Dividend Per Share (DPS)

Outputs

Effective management of Financial Capital bolsters operational capabilities and supports improved scalability and business expansion to strengthen overall reputation and enhance stakeholder ties.

Key Highlights for FY 2023/24

Earnings Before Interest and Tax (EBIT) - Rs. 232 million

Profit After Tax - Rs. 58 million

Return on Capital Employed (ROCE) - 11%

Return on Equity (ROE) - 4%



Stakeholder Value Creation Outcomes

Rs. 3,628 million generated as export revenue to the Country

Rs. 142 million paid as taxes

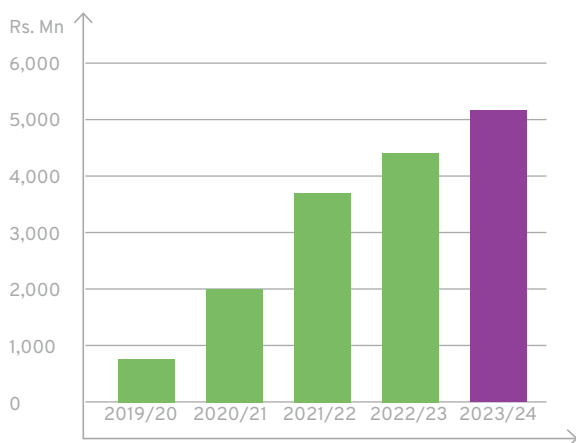
Link to SDGs



Revenue

Despite considerable macroeconomic challenges, the Hayleys Fibre Group reported annual turnover of Rs. 5,125 million compared to Rs. 4,389 million in the previous year, a commendable 17% growth year on year reflecting the success of global market expansion strategies to promote the value-added coir fibre product range. Meanwhile, unprecedented growth in the local business resulted in local revenue of Rs. 1,169 million in the year under review, in comparison to the previous year's revenue of Rs. 1,104 million, denoting an increase of 6% year on year. Creative Polymats (Pvt) Ltd remained the single largest contributor to Group local sales, accounting for 18% annual Group turnover for FY 2023/24.

Revenue



Operating Expenses

The Group's operating expenses consist of selling and distribution expenses and administrative expenses. Operating expenses increased by 7% to Rs. 31 million in the current financial year primarily due to higher distribution costs, reflecting the combination of inflationary pressures, adjustments to employee remuneration along with added expenses to ensure their safety and well-being.

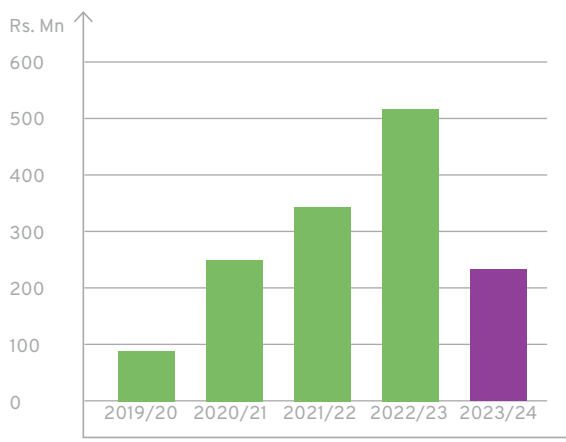
Earnings Before Interest and Tax (EBIT)

The Hayleys Fibre Group gross profit declined to Rs. 680 million in the current financial year, down by 27% from Rs. 932 million reported in the preceding year. Consequently, gross profit margin experienced a downward shift to 13% in the current financial year from 21% in the financial year 2022/23.

The adverse movement in gross profit is partly attributed to increase in material prices and the impact on export revenue owing to the 11% appreciation in the LKR against the USD. Nevertheless, stringent cost control strategies together with improved operational efficiency helped mitigate the impact of decline in gross profit to a certain extent.

In line with reduction in gross profit and dividend income, EBIT decreased to Rs. 232 million while an EBIT margin of 5% was maintained during the year under review.

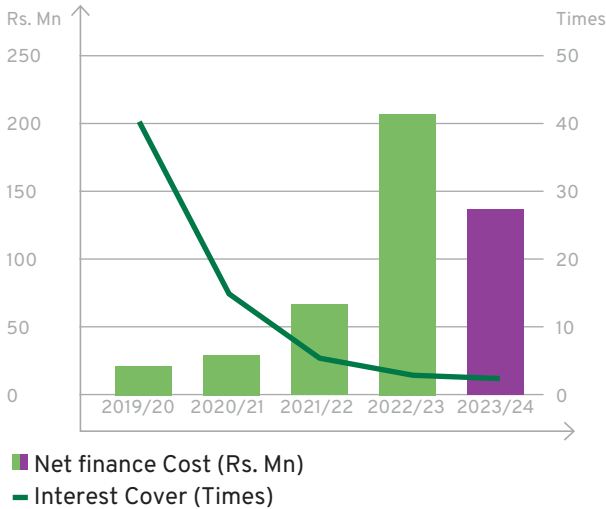
EBIT



Finance Cost and Interest Cover

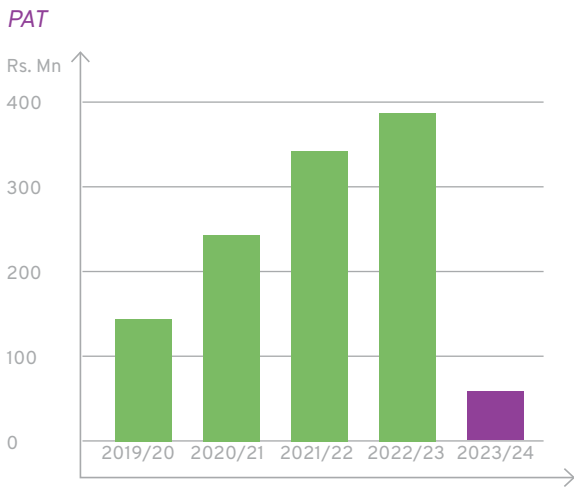
Group interest cost declined from Rs. 200 million in the previous financial year to Rs. 133 million in FY 2023/24, mainly on account of the lower borrowing cost due to favourable interest rates. Leveraging the downward trend in rates, Hayleys Fibre PIC obtained an additional Rs 320 million long term facility for the purpose of financing the VGM project, in turn causing an increase in long term borrowings. Meanwhile on the back of the reduction in EBIT, Interest cover also declined to 2 times from 3 times from the previous financial year.

Net Finance Cost and Interest Cover



Profit After Tax (PAT)

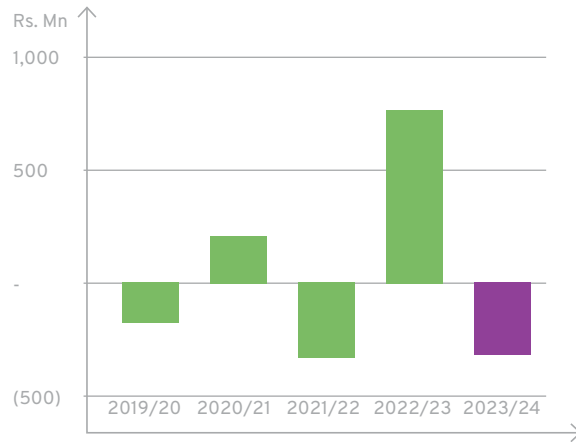
The Profit After Tax of the Group decreased to Rs. 58 million from the Rs. 384 million in the previous year. Tax expenses for the period were reduced to Rs. 74 million from Rs. 81 million from the previous year. Refer note 8.1.



Cash Flow and Liquidity Position

Owing to increase in working capital, especially from trade and other receivables, the Group's cash generated from operating activities declined to Rs. 312 million compared to a positive cash generation of Rs. 771 million in the previous year.

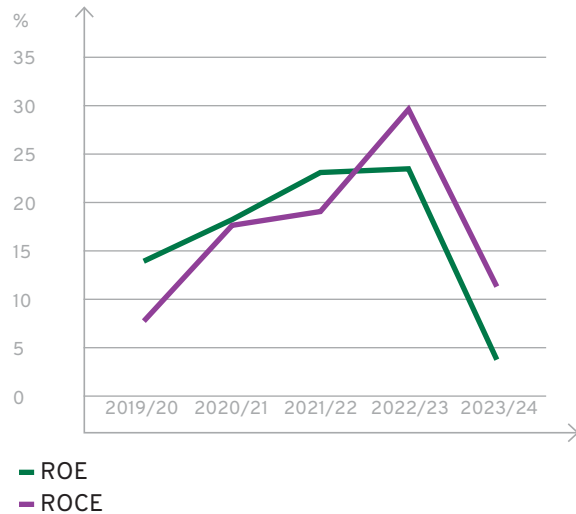
Cash Flow and Liquidity Position



Return on Capital Employed (ROCE) and Return on Equity (ROE)

The decrease in PAT mainly due to adverse exchange rate impact resulted in lowering both ROCE and ROE for FY 2023/24. Group ROCE decreased to 11% from 30% in the previous year while ROE decreased to 4% from 23% in FY 2022/23.

ROCE & ROE



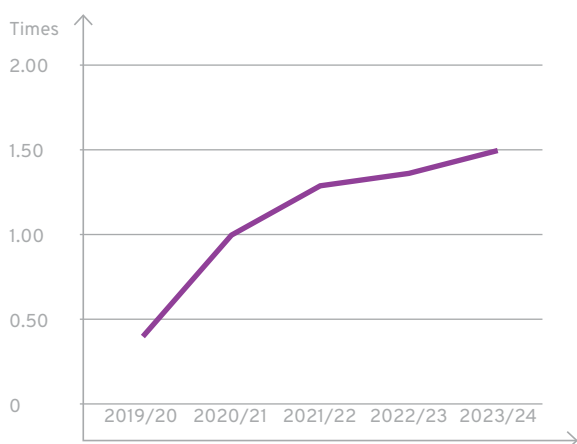
Asset Turnover

The Group's asset base grew substantially during the year following the acquisition of land as part of its strategic capacity expansion project for Hayleys Fibre PLC. Accordingly, out of the Rs. 178 million (Rs. 143 million in 2022/23) incurred on acquisition of Property, Plant & Equipment (PPE) during the year, Rs. 140 million was on account of the land for the new project. Another Rs. 33 million was incurred for the purpose

of acquiring machineries for Hayleys Fibre PLC. Further Rs. 19 million was included as capital work in progress which was on account of production enhancement and storage facility at the Creative Polymats (Pvt) Ltd in Dankotuwa.

Asset Turnover of the Group was recorded as 1.5 times, an improvement from 1.4 times reported in the preceding year. The Group's non-current assets turnover ratio has remain consistent at 4.6 times for both current financial year and previous financial year. As a result, the generation of economic returns from investments are expected to be realised in the ensuing financial year.

Asset Turnover

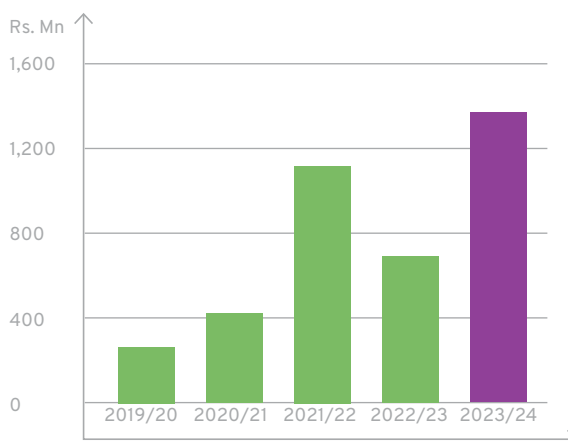


Borrowings

Group borrowings in the current year comprised long term interest-bearing borrowings, import loans, short-term loans and overdrafts. Long-term interest-bearing borrowings outstanding at the year-end amounted to Rs. 314 million, (new loan obtained during the year was Rs. 320 million), indicating an increase of 100% compared to previous year. The Long term loan was obtained by Hayleys Fibre PLC for a period of four years including one-year-grace period.

As at 31st March 2024, the Group reported short term interest-bearing borrowings amounting to Rs. 1,069 million, consisting of short-term loans, import loans as well as overdrafts (2022/23 - Rs. 656 million), to support the working capital requirements of the Group. The interest payable on short-term loans, import loans and overdrafts were determined based on money market rates and was reviewed periodically by the Hayleys Group Treasury Department. Details of borrowings appear in notes 24 and 27 to the Financial Statements.

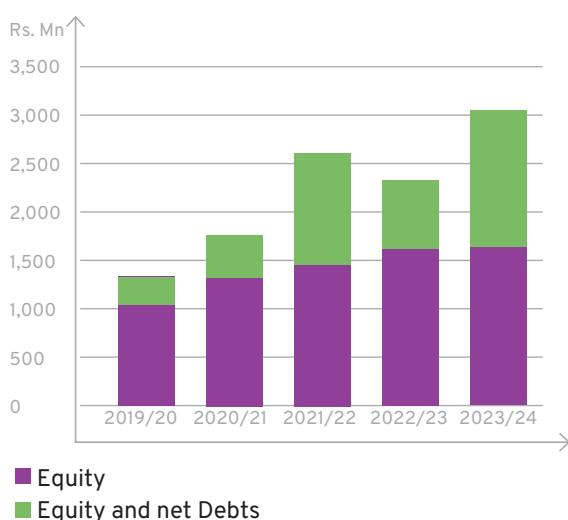
Borrowing



Capital Structure and Gearing

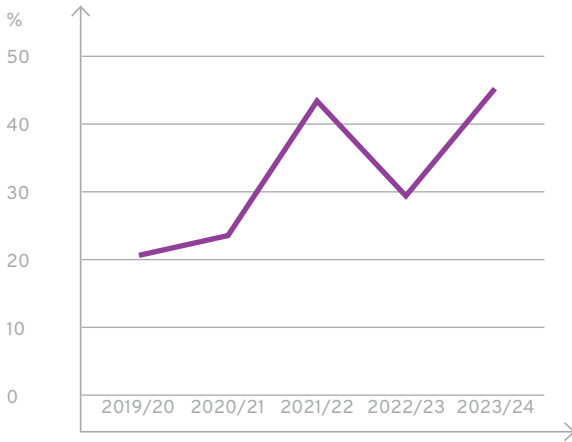
The capital structure of Hayleys Fibre PLC Group consists of both equity (55%) and debt (45%). Equity includes stated capital, other components of equity, amalgamation reserves and revenue reserves while debt consists of interest-bearing borrowings. The Group's debt to equity ratio stood at 83% during the reporting period compared to 42% in the preceding year, while financial gearing increased to 45% from 29% in the current year. Meanwhile, the change of composition of the capital structure was mainly due to the increase in long term debt owing to Hayleys Fibre PLC's strategic capacity expansion project.

Total Debt & Total Equity



■ Equity
■ Equity and net Debts

Gearing



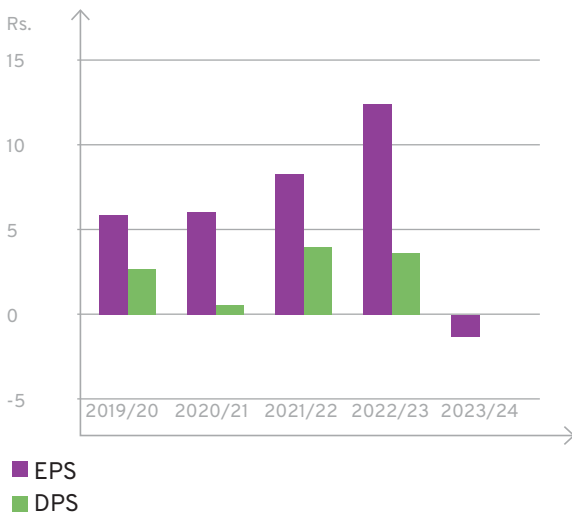
Way Forward

The Hayleys Fibre Group will aim to further bolster its financial capital through strategic tie ups and broad based market diversification initiatives to reduce revenue pressure owing to fluctuations in the exchange rate. At the same time stringent management of working capital to improve cost efficiency will also remain a critical priority.

Earnings Per Share (EPS) and Dividend Per Share (DPS)

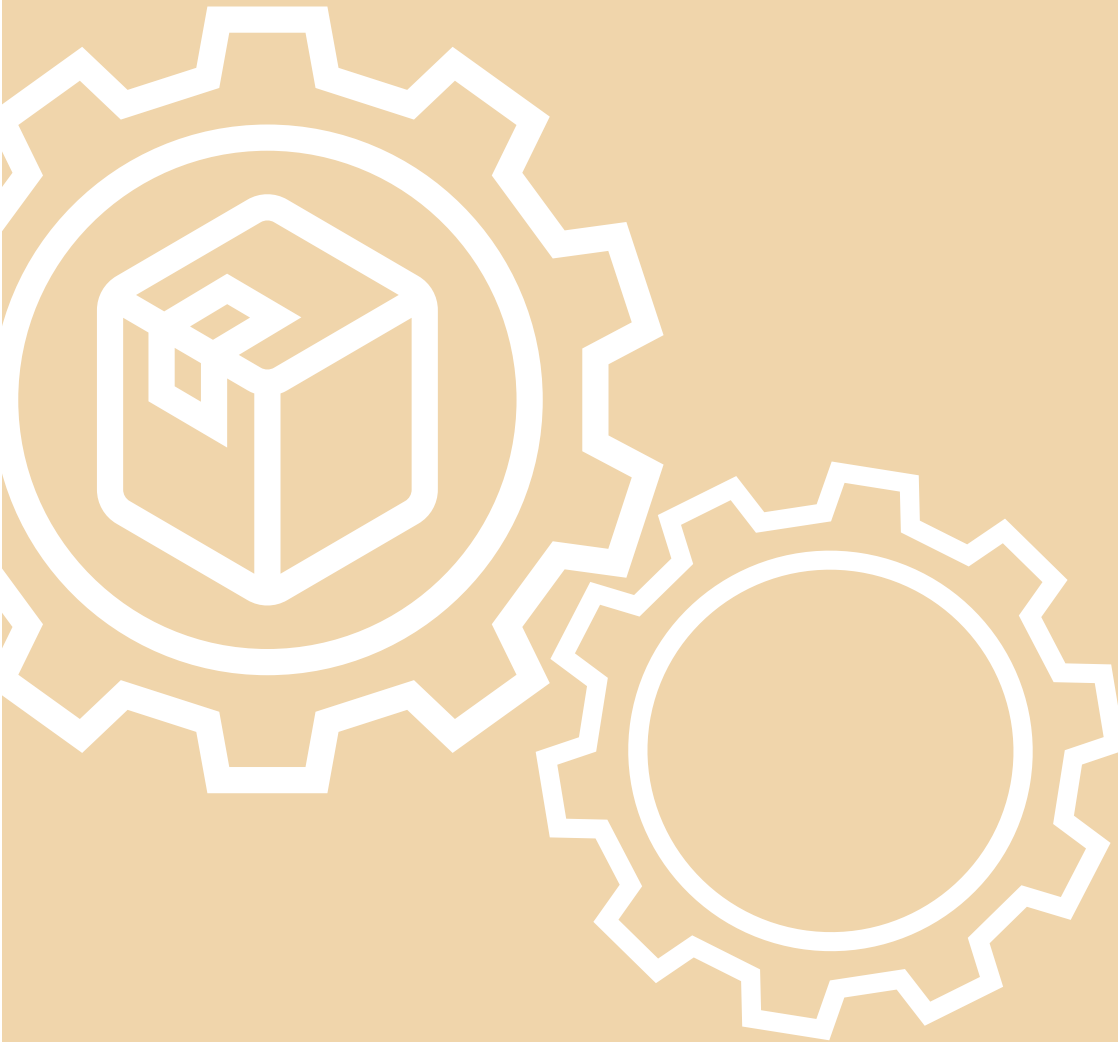
The Group dividend policy is formulated taking into consideration the overall performance and growth plans as well as economic and market dynamics. Shareholder returns as measured in terms of EPS decreased to Rs. (1.05) per share from Rs. 12.43 in the previous year. Due to downward trend in performance and investments in backward integration project, no dividend was declared in 2023/2024 compared to Rs. 3.8 per share paid in 2022/2023.

EPS/DPS



Manufactured Capital

Manufactured Capital encompasses the tangible assets, such as the property, plant and equipment as well as the IT infrastructure, that together support Hayleys Fibre PLC and its subsidiaries (collectively known as the Hayleys Fibre Group) to produce and deliver its products to the market.



S

Strengths

Well established infrastructure and reliable distribution networks

W

Weaknesses

Inherent delays associated with the heavy reliance on manual processes

O

Opportunities

Explore the possibility of local fabrication of machinery for bespoke needs of Group companies

T

Threats

Rapid evolution in global technology resulting in outdated or obsolete machinery and equipment

Management Approach

The Hayleys Fibre Group’s approach to developing its Manufactured Capital is based on ensuring all companies are equipped with robust, resilient and high-performing physical and digital infrastructure to improve productivity and achieve cost leadership, thereby strengthening competitive positioning in their respective operating space. Equally importantly, the Group places strong emphasis on continuously strengthening distribution channels.

Material Matters

- Consistent Returns
- Market Expansion
- Competitive Position
- Customer Loyalty

Value Drivers

- CAPEX Planning
- Procurement Practices
- Best Manufacturing Practices
- Factory Maintenance and Upkeep
- Strengthening Distribution Networks

Outputs

A strong, reliable asset base creates a platform to improve scalability in order to meet customer demand, contributing towards enhancing reputation and improving returns over time.

Key Highlights for FY 2023/24

Invested Rs. 140 million to acquire land to support backward integration in the fibre operations

Rs. 33 million invested in capacity expansion for fibre operations

Rs. 3 million invested in improving ventilation systems at the Mattress Finishing section

Version upgrade of SAP ERP system

Rs. 80 million incurred on factory machinery repair and maintenance

84 new dealers added to the network



Stakeholder Value Creation Outcomes

Guaranteed high quality products

Reliable and uninterrupted access to products

Link to SDGs



CAPEX Planning

Capital expenditures are carefully evaluated, planned and overseen by the Board to ensure all investments are in line with the Group's short, medium, and long-term objectives. Accordingly resources are allocated to all new ventures as per the Board-approved annual CAPEX plan and authorised budget. Any interim investments not outlined in the annual plan necessitate specific approval from the Board.



Capital investment for FY 2023/24 amounted to Rs. 178Mn, of which Rs. 140Mn was to acquire a 33.5 acres plot of land in Nikaweratiya.



This acquisition forms part of the Group's long term plan to invest in backward integration by commissioning a mill for the extraction and drying of coconut fibre and coir fibre pith. Also included in the total CAPEX for the year was Rs. 33Mn on account of machinery and equipment.

Another 60 perch leasehold land was also secured at cost of Rs. 19 million at the Dankotuwa Industrial Zone with the aim of expansion of the business and to increase storage capacity.

PPE	FY 2023/24 Rs. Mn	FY 2022/23 Rs. Mn	FY 2021/22 Rs. Mn	FY 2020/21 Rs. Mn	FY 2019/20 Rs. Mn
Freehold land	207	67	67	43	43
Freehold buildings	374	388	356	257	243
Building on leasehold land	13	14	15	16	-
Furniture, fittings & office equipment	16	19	13	11	9
Machinery & stores equipment	288	288	254	244	119
Fixtures & fittings	5	6	7	9	9
Motor Vehicle	11	14	6	2	-
Total	914	796	718	582	423

Procurement Best Practices

Sourcing of machinery and equipment is undertaken based on the Group's procurement policy which sets out strict guidelines to ensure the acquisition of equipment correlates to the precise needs of each business. Accordingly, all machinery suppliers undergo rigorous vetting based on various criteria, encompassing quality, price, delivery performance and after-sales service support as well as their adherence to social and environmental best practices. If required, site visits are also made to the suppliers to finalise technical specifications.

Best Manufacturing Practices

All Hayleys Fibre Group manufacturing facilities are certified under ISO 9001 Quality Management Standard, ensuring alignment with global best manufacturing practices. Furthermore, internal due diligence processes, complemented by random audits conducted by the Hayleys Group compliance unit, offer additional assurance regarding the efficiency of all manufacturing operations.



As part of the ongoing effort to integrate best manufacturing practices, Hayleys Fibre undertook an ambitious workflow automation initiative with the implementation of the SAP ERP (Enterprise Resource Planning) system upgrades in the current financial year.



A centralised platform for managing core business functions such as Finance, Sales and Marketing, Material Management, Production Planning and Plant Maintenance, the ERP is expected to provide greater visibility, support improved decision-making, and drive increased collaboration across departments. The SAP ERP system also enables real-time data access, facilitating informed strategic planning and resource allocation.

Factory Maintenance and Upkeep

Maintenance and upkeep efforts are conducted to guarantee peak performance of all assets. Trained technical teams across all Group companies manage maintenance tasks, including regular servicing of machinery and equipment in accordance with manufacturer guidelines to avoid unforeseen breakdowns. In the year under review, a consolidated total of Rs. 80 million was incurred as factory machinery repair and maintenance.



Factory machinery repair and maintenance	FY 2023/24 Rs. Mn	FY 2022/23 Rs. Mn	FY 2021/22 Rs. Mn	FY 2020/21 Rs. Mn	FY 2019/20 Rs. Mn
Hayleys Fibre PLC	55	34	13	8	16
Bonterra Limited	12	12	12	8	7
Creative Polymats (Pvt) Ltd	13	12	5	2	2
Total	80	58	30	18	25

Strengthening Distribution Networks

The Group maintains a strong global partner network to support the distribution of its export product range in key markets around the world. Considerable resources are invested each year to strengthen these partnerships as well as to grow the network through new strategic tie ups.

The Group's mattress line designed exclusively for the domestic market is distributed through the Company's own outlets in Colombo, Ekala and Galle as well as through a network of authorised dealers across Sri Lanka. During the year under review, 84 new dealerships were added to the network to increase the total dealer footprint to 1,502 as at 31st March 2024.





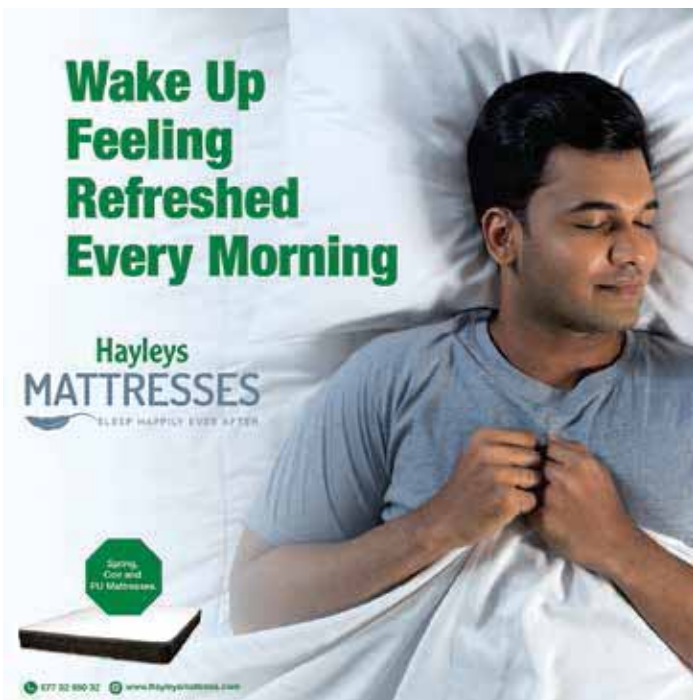
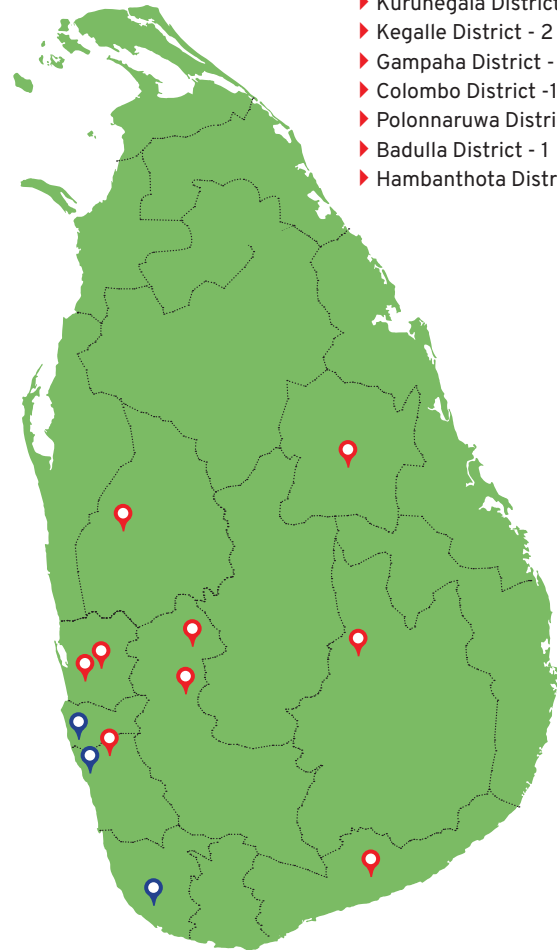
Showroom & Distributor Network

Showroom

- ▶ Galle
- ▶ Colombo
- ▶ Ekala

Distributor Network

- ▶ Kurunegala District - 1
- ▶ Kegalle District - 2
- ▶ Gampaha District - 2
- ▶ Colombo District - 1
- ▶ Polonnaruwa District - 1
- ▶ Badulla District - 1
- ▶ Hambanthota District - 1



Visit our
mattress shop
online



Way Forward

The Hayleys Fibre Group will look to further develop the newly acquired 33.5 acres plot of land in Nikaweratiya to set up a coir fibre extraction plant. The investment forms part of the long term endeavour to invest in backward integration, in order to strengthen reliability and integrity of the supply chain, thereby providing significant cost advantages to enhance competitive positioning.

Intellectual Capital

Intellectual Capital encompasses the intangible assets of the Hayleys Fibre Group, comprising the brands and core competencies, including, systems, processes, and procedures that collectively contribute towards enhancing the perceived value of the Group.



S

Strengths

Long standing reputation and industry expertise

Dedicated and experienced team for NPD process

W

Weaknesses

Availability of easily accessible low cost substitutes

O

Opportunities

Invest in product innovation to gain first mover advantage in emerging markets Tap product specific markets

T

Threats

Competitive pressure from low cost operators

Management Approach

HFP's comprehensive strategy for nurturing Intellectual Capital focuses on continually improving each individual intangible component to bolster the Group's competitive stance. This approach also aims to foster greater synergy among these components, enhancing resilience and sustainability over time.

Material Matters

- Consistent Returns
- Market Expansion
- Competitive Position
- Customer Loyalty
- Employee Motivation

Value Drivers

- Brand Strength
- R & D and Innovation Capability
- Standards and Certifications
- Group Synergies

Outputs

Strengthening intangible assets to boost their credibility and reliability creates a platform to reach new markets, thereby fueling consistent returns. At the same time, the focus on R & D and innovation helps to bolster the core competencies of employees which paves the way for ongoing efficiency improvement of physical infrastructure.

Key Highlights for FY 2023/24

Launch of a high-tensile strength coir twine for the hop industry

Introduced 6" PU Bloom Mattress and 6" PU Breeze Mattress to the local market

Rs. 5.66 million investment in the Vertical Block Machine to support quality enhancement of the 5kg block

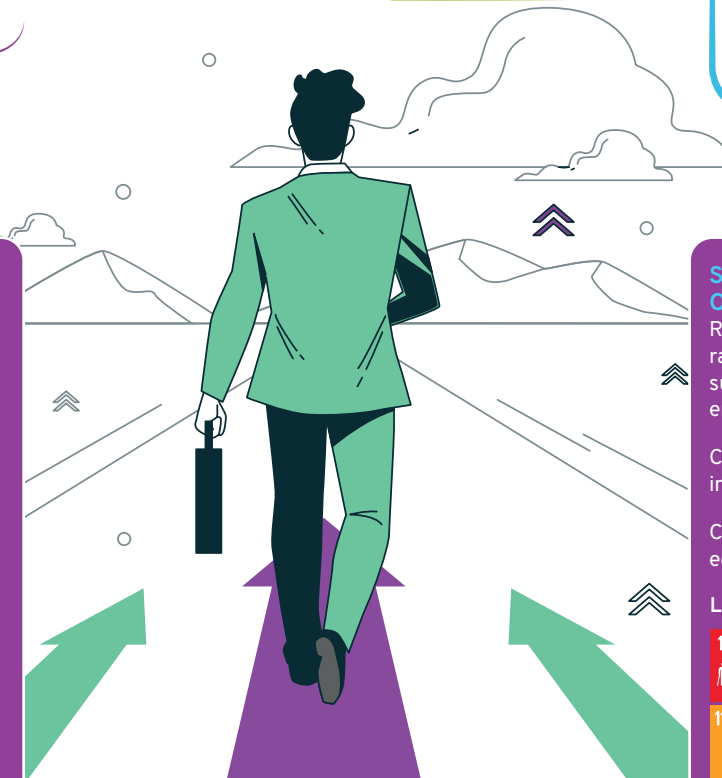
Stakeholder Value Creation Outcomes

Reliable, high quality product range comprise of fully sustainable growing media and erosion control solutions

Customised products for industry specific needs

Cost efficiencies resulting from economies of scale

Link to SDGs



Brand Strength

Every Company within the HFP Group boasts a strong brand identity which embodies their unique position within the Hayleys Eco Solutions cluster. Accordingly, the HFP Group as a whole strives to uphold the Hayleys Eco Solutions cluster brand promise of offering high quality, fully sustainable products that promote environmental preservation and prioritise people's well-being.



Backed by over 3 decades of operation, the HFP Group has carved out a distinct identity as one of the leading local producers of coir fibre based growing media and erosion control solutions. A strong commitment to product innovation over the years has seen HFP diversifying its product range which currently comprises 100% biodegradable products that cater to diverse global industries.



4 Ply Twine Machine



Hayleys Fibre PLC and Bonterra Limited won the Silver awards at National Chamber of Exporters awards in 2023 in recognition of excellence in exports in the coir based products category.



Hayleys Fibre PLC won the Silver award at the TAGS Awards – CA Sri Lanka, Under Manufacturing Companies Turnover upto LKR 10Bn category.

From agriculture and horticulture to construction and mining. HFP products have long been used in countries around the world, including North & South America as well as Europe and more recently have penetrated the Middle East and Australia.

Moreover, with the Group's branded range of solutions with increased water retention properties and charcoal infused

growing media launched in 2022 under the “Haygreen” label also gaining good traction in key markets in the Middle East, HFP has succeeded in further solidifying its reputation as a pioneering innovator in the global growing media value chain. Building on these efforts, the Group launched a new innovation - a high tensile coir twine for the hop industry. Given the strong acceptance for this product from the market, HFP is in the process of securing the necessary approvals for a patent.

Today, with average annual export revenue of USD 11.50 million the HFP Group stands among the top 3 coir fibre exporters from Sri Lanka. The Group’s reputation is further underscored by its contribution towards the development of the domestic coir fibre and coir pith industry. HFP sources coir based raw material which is the key for its growing media and erosion control products from a network of 400 small-scale suppliers around Sri Lanka, resulting in job creation and development of regional economies around the Country.

At the same time, the Group’s mattress products manufactured and distributed in the domestic market under the “Hayleys Mattress” tag, reflect the commitment to ensure that the Sri Lankan consumer has access to the latest ergonomically designed bedding solutions on par with global standards.



Research and Development (R&D) and Innovation Capability

The HFP Group considers R&D and innovation to be vital tools when competing to build trust and retain customer loyalty amidst the fast paced global economic environment. A dedicated New Product Development (NPD) Team is in place and takes the lead in exploring new materials, formulations, and technologies to enhance the effectiveness and sustainability of growing media and erosion control solutions against diverse environmental conditions. The NPD team’s expertise is also extended to focus on value additions to the Group’s mattress range as well.

Key R & D Activities for FY 2023/24

- Trialing crop specific growing media for anthurium, ginger, strawberry and blueberry
- Studying the viability of developing panels made out of coir fibre for alternative applications, such as partition boards, etc
- Development of new PU mattress using gel-based memory-foam

A major part of the Group’s R & D initiatives involve collaboration with external specialists. In this regard, the HFP Group has ongoing research partnerships with several prestigious state universities to explore cutting-edge growing techniques, wherein the Group’s NPD team works closely to provide university teams with the required material, and infrastructure resources, along with technical expertise. These collaborations also serve as a valuable learning opportunity for university undergraduates to benefit from hands-on research activities, thereby contributing to the development of the Country’s knowledge base.

As a result of ongoing collaborations, a series of research papers were published in 2023 on various topics, including:

- Biorational Enriched Coir-based Soilless Growing Media for Yield Enhancement of Brinjal (*Solanum melongena L.*)
- Improvement of Water Holding Capacity and Performance of Coir Media Using Potassium Polyacrylamide for *Cucumis sativus* in a Controlled Environment
- Effect of Different Coco-Peat Media and Electrical Conductivity Levels on Potted Marigold (*Tagetes sp.*) Plant Production
- Evaluation of Different Coir based Growing Media Supplemented with Organic Amendments for Scotch Bonnet (*Capsicum chinense*)

The Group’s commitment to R & D also focuses on continuous improvement of systems and processes for the purpose of quality enhancement and sustainability. To that end, Rs. 5.66 million was invested to fabricate a custom Vertical Block Machine to streamline the manufacturing process in order to further enhance product quality.



Vertical Block Machine

Continuous Improvement through Innovation

The introduction of the Vertical Block Machine has yielded significant improvements in the quality of 5kg block production. The machine has ensured consistent material distribution in line with the optimal material mixtures. In this way, the new unit has helped to mitigate the associated risks, greatly enhancing overall customer satisfaction.

Standards and Certifications

Global standards and certifications are an important part of Hayleys Fibre PLC operational architecture, as they represent the Group's commitment to excellence, sustainability in line with international standards. Moreover certifications serve as tangible evidence of the Group adherence to rigorous quality control measures, environmental stewardship, and ethical business practices. They also validate the quality and safety of its products and open doors to new markets and opportunities by ensuring compliance with regulatory requirements in various regions. By aligning with globally recognised standards and certifications such as ISO standards and other industry-specific accreditations, Hayleys Fibre PLC seeks to demonstrate its credibility and reliability to customers, partners and stakeholders across the globe.



GRI 2-28

Standard / Certification	Scope and Coverage	Key Benefits to the Company / Stakeholders
ISO 9001:2015 (HFP/BL)	Design, Development, Manufacture of Coir fibre pith & husk chips in compressed form and Manufacture of Industrial, Agricultural, Horticultural & Erosion Control products using Coir fibre and other degradable fibre.	Continuous improvement in quality management systems across all departments.
Organic (OCS – Version 03) (HFP)	Spinning & trading of coir fibre products	Creates a platform to improve value chain traceability for organic agriculture production.
GMP (SLS 1487: 2014) (HFP)	Manufacture of coir fibre pith substrate as per the customer specifications	Compulsory for obtaining Coconut Development Authority (CDA) export licence.
ISO 9001:2015 (CPL)	Manufacture and dispatch of polyurethane foam mattresses, cushions, sheets, cleaning sponges and synthetic pillows.	Continuous improvement in quality management systems across all departments.
SLS 1335:2008 (CPL)	The Permit is issued to “Hay Plus” brand Polyurethane Foam Mattresses, manufactured by Creative Polymats (Pvt) Ltd. (Hereinafter referred to as the “Permit Holder”) conforming to the requirements specified in Sri Lanka Standard Specification for Polyurethane Foam Mattresses & Cushions; SLS 1335:2008, at the factory loacted at Industrial Estate, Bujjampola, Dankotuwa.	Confirmation of the quality level of the products which are above density 18. Also, it is helpful to develop and maintain testing parameters.

Group Synergies

As a member of the Hayleys Group, Hayleys Fibre PLC and its subsidiaries automatically benefit from the equity associated with being part of one of the largest conglomerates in Sri Lanka. The vast and unparalleled business footprint of Hayleys PLC also provides considerable opportunities for HFP in terms of building scalability and global reach. Additionally, HFP also benefits from the best in-class governance frameworks, sustainability principles, and business ethics established by the Hayleys Group.



“Entwine” - Hayleys Eco Solutions ESG Road Map 2030

In the reporting year, Eco Solutions Sector launched its Environmental, Social and Governance aspirations and sustainability roadmap for 2030

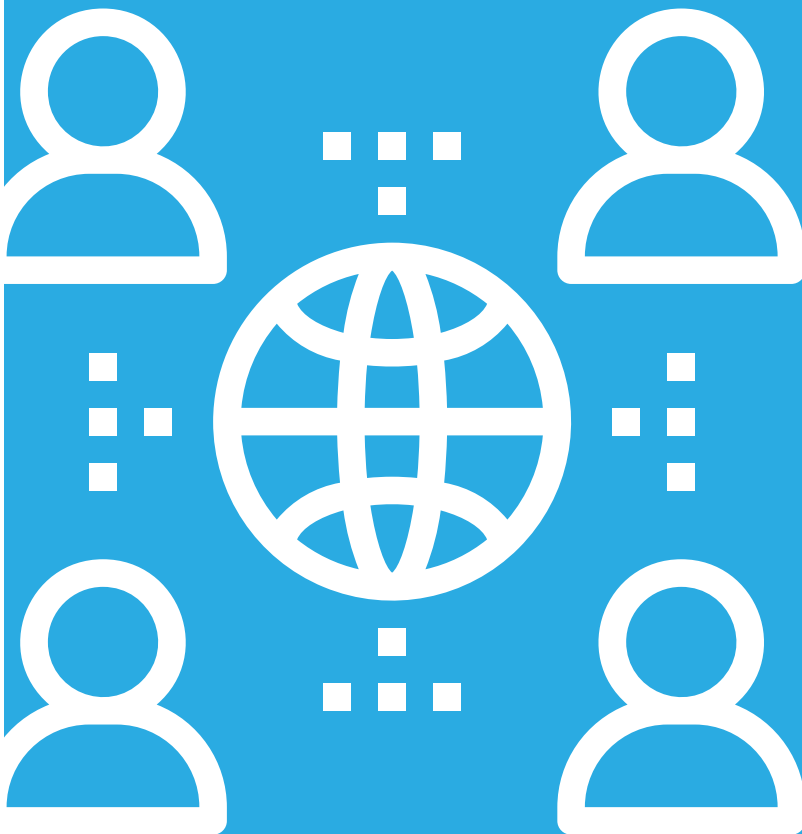


Way Forward

The Hayleys Fibre Group will aim to strategically strengthen brand leadership against peers through consistent investments in R & D and innovation to support product diversification. In this regard, with several research projects showing considerable promise, the Group will aim to expedite the trial process in order to spearhead commercialisation over the next year.

Social and Relationship Capital

Social and Relationship Capital pertains to the value derived from the quality of relationships between Hayleys Fibre and its stakeholders, including customers, suppliers and the community at large. It encompasses the trust, goodwill, and mutual understanding cultivated through positive interactions and experiences, which contribute to long-term loyalty, reputation, and organisational success.



S

Strengths

Well established customer relationships across key global markets

W

Weaknesses

Low switching costs for customers

O

Opportunities

Invest in backward integration to strengthen supply chain security

T

Threats

Exposure to supply chain disruptions owing to the nature of the supply chain

Management Approach

Hayleys Fibre Group places a strong emphasis on nurturing Social and Relationship Capital, recognising the pivotal role it plays in driving sustainable growth. As such the Group seeks to build ties with stakeholders based on trust, integrity, and mutual respect.

Material Matters

- Consistent Returns
- Market Expansion
- Competitive Position
- Customer Loyalty
- Supply Chain Partnerships
- Community Relationship

Value Drivers

- Product Responsibility
- Marketing and Communication
- Customer Engagement
- Complaint Handling
- Supply Chain Management
- Supplier Development
- Wellbeing of Communities

Outputs

Good relations with customers, suppliers and the community strengthens the Group's resilience and augments brand reputation, thereby enhancing the ability to perform well despite uncertainties.

Key Highlights for FY 2023/24

Rs. 2,238 million paid to local suppliers

Rs. 3 million allocated for community wellbeing projects

31 New foreign customers

84 New local dealers



Stakeholder Value Creation Outcomes

Top quality product range

Growth opportunities for new and existing suppliers

Socio economic development of communities

Link to SDGs



GRI 416-1, 416-2

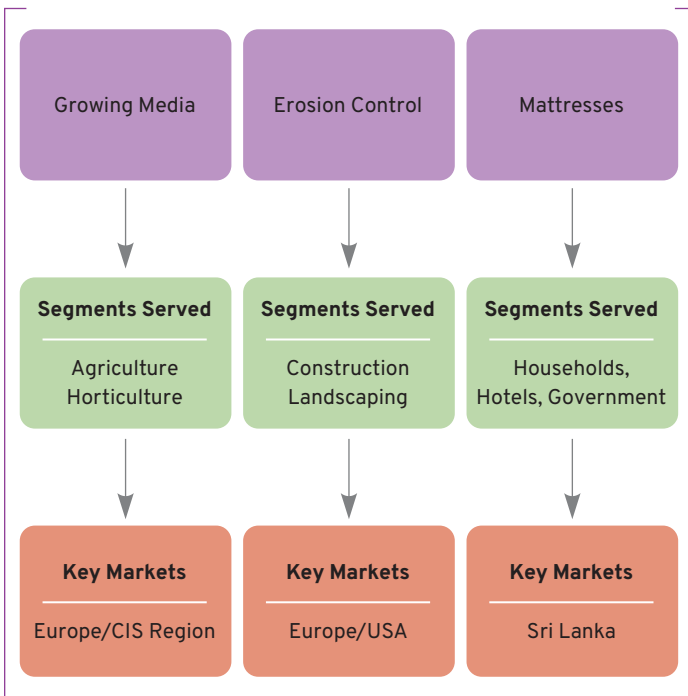
Product Responsibility

The Hayleys Fibre Group demonstrates a steadfast commitment to product responsibility underpinned by a multifaceted approach that prioritises quality, safety, and sustainability of all products across the entire product lifecycle. To that end, all Group manufacturing facilities operate ISO 9001:2015 Total Quality Management Standard certification, ensuring the integrity of all products.

New Products Launched in FY 2023/24

- Erosion control blanket product with longer fibres to enable better fibre distribution along the blanket and sharp roll edges
- 6” Bloom double layer foam mattress
- 6” Breeze double layer mattress with high end cover

In addition, growing media and erosion control products are subject to the AQL 2.5 quality inspection guidelines which promulgates the zero-defects principles across the value chain from the point of sourcing, and production to packaging and dispatch. Similarly, the Group’s mattress manufacturing operation adheres to the mandatory SLS 1335:2008 Sri Lanka Standard Specification for Polyurethane Foam Mattresses.



As part of the overall commitment to product responsibility, the Group allocates substantial resources towards research and innovation to develop new products and drive continuous improvement of the existing product line up in response to the evolving needs of both local and global customers. Collaborations and other value adding partnerships are an important part of the Group’s approach to product innovation.



New product development of rice seedling pad

By integrating product responsibility principles into its core business strategies and practices, Hayleys Fibre not only fosters trust and loyalty among its customer base but also contributes to the broader goal of promoting sustainable consumption and production patterns amongst a broader global audience.

There were no reported incidents regarding non-compliance on health and safety impacts of products and services, in the current financial year.

GRI 206-1, 417-1, 417-2, 417-3

Marketing and Communication

One-on-one interactions with customers remain the cornerstone of the Group’s marketing and customer communication strategy for the growing media and erosion control businesses. Direct interactions with global B2B customers through face-to-face meetings, product demonstrations, customer visits and direct email communications provide the ideal opportunity to gain a deeper understanding of individual customer needs and preferences, thereby enabling the Group to tailor its products, services and communications to better meet the specific requirements of each customer. It also helps to deliver prompt resolution of customer complaints.

By fostering open and transparent communication, Hayleys Fibre aims to not only strengthen its relationships with existing customers but also to solicit new customers in order to drive growth and market expansion in the highly competitive industry. Apart from this, the Group’s marketing teams often attend industry-specific global trade fairs and exhibitions with a view to broadening customer outreach.



accurate, transparent, and culturally sensitive, ensuring that it resonates with diverse audiences while upholding the Group’s values and integrity. Additionally, Hayleys Fibre prioritises inclusivity and representation in its marketing efforts, striving to reflect the diversity of its customer base and promote positive social values. By designing marketing and promotional materials in a responsible manner, the Group also expresses its commitment to anti-competitive behaviour.



Customer relationship management visits

The current financial year saw the Group expanding its global customer base by deepening the penetration in existing stronghold markets as well as by making inroads into new territories such as Chilli, Kuwait and Malaysia for Hayleys Fibre products and Guatemala, Bulgaria and Panama for Erosion Control products.

Meanwhile in the mattress business which serves the domestic market, marketing and communication approach is based on providing timely and relevant information to target customers. Reflecting the Group’s commitment to ethical business practices, the content of marketing materials is designed to be

In the year under review, there were no reported incidents of non-compliance in relation to the disclosure of product information or marketing and communications. Further no legal actions for anti- competitive behaviour, anti-trust and monopoly practices were reported in the FY 2023/24.

GRI 418 - 1

Customer Privacy

Recognising the importance of trust and transparency in customer relationships, the Group remains committed to ensure the confidentiality and security of customer information. This commitment is supported by robust safeguards to prevent unauthorised access, disclosure, or misuse of confidential customer data.

In the year under review, there were no reported incidents relating to the breach of customer privacy.

GRI 2-6, 204-1, 308-1, 308-2, 414-1, 414-2

Supply Chain Management

Suppliers play an integral role in the continuity of the Group’s business operations. Providers of coconut husks and coir fibre pith for the production of growing mediums and erosion control solutions, are the main suppliers for the Hayleys Fibre Group. These key suppliers, all based in Sri Lanka account for more than 50% of the Group’s average annual procurement

spend. Apart from this, the Group’s mattress operation relies on overseas suppliers to provide the essential raw material for the manufacture of PU mattresses. There were no significant changes to the Group’s supply chain reported in the current financial year.

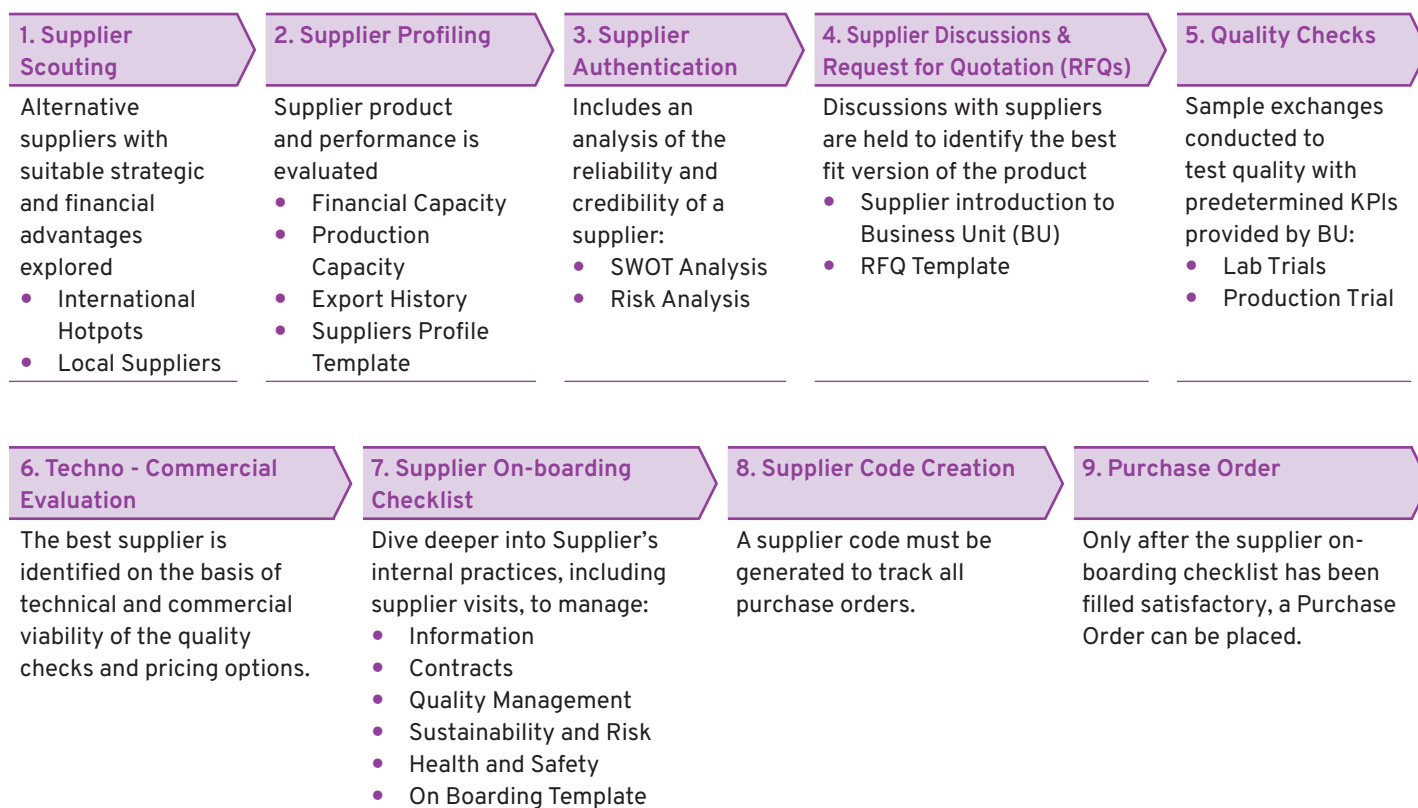
The Hayleys Fibre Group maintains a centralised approach to procurement, ensuring greater control over sourcing activities and effective management of supply chains. In their capacity as the main body for procurement, the central Procurement team drives efforts to strengthen supplier networks.

For local suppliers, this involves a comprehensive on-boarding process encompassing supplier scouting, supplier profiling and authentication as well as quality assurances to identify the best-fit suppliers in terms of quality, price, service delivery and business ethics. Further evaluation of suppliers’ social and environmental practices are carried out through site visits and procedures to verify certifications.



Drying yard at Hayleys Fibre PLC - Bingiriya

Supplier Verification Process



Overseas suppliers are most often engaged through one-on-one interactions at global trade fairs and exhibitions.

Supplier Statistics - FY 2023/24

Supplier Category	No. of new Suppliers On Boarded	Total no. of Suppliers	No. of suppliers subject to the annual social and environmental assessment
Coir Fibre & Pith	25	450	150
Raw Materials & Packing Materials (Local)	5	50	50
Imports Materials	2	10	10

Supplier Development

Supplier development represents a crucial aspect of the Group’s procurement programme. In this regard, the central procurement team focuses on capacity-building aimed at enhancing the capabilities and sustainability practices of its suppliers. Accordingly, all major suppliers, including coir fibre pith and coconut husk suppliers, undergo an annual evaluation assessing their economic, social, and environmental performance. This comprehensive review process results in suppliers being assigned a rating, with those consistently demonstrating higher performance levels designated as preferred suppliers. Leveraging insights gained from these evaluations, the central procurement team collaborates closely with suppliers to assist them in embedding social and environmental sustainability best practices across their operations.

Visit our Corporate websites to view the exclusive range of Eco-friendly products and get the latest updates at your fingertips.



Hayleys Fibre PLC



Bonterra Ltd



Creative Polymats (Pvt) Ltd



Supplier visits in India

Keep updated with **LinkedIn**



Hayleys Fibre PLC



Bonterra Ltd

GRI 203-1, 203-2, 413-1, 413-2

Wellbeing of Communities

While Hayleys Fibre Group's manufacturing operations do not pose any threats or negative impacts to the communities residing in and around the production facilities, the Group assumes a greater responsibility towards promoting the wellbeing of communities. Projects undertaken by the Group are in line with the community outreach framework of the Eco Solutions Cluster which designates Education, Health and wellbeing, Livelihood development, Religion and culture as the main focus areas. Within this framework, the Hayleys Fibre Group has adopted Education and Health as its predominant areas of focus. Approximately Rs. 3 million dedicated towards these efforts in the current financial year.



School items and monthly school expenses donation to Allipalai CCTM school - Pachchilapalli.



Donation of chairs to Haldaduwana Community Welfare Society



Essential school items donation at Aluththarama primary school - Mahiyanganaya



Baby mattress donation to Children's ward- Dankotuwa Divisional hospital



“Poson Dansala” organised by Hayleys Fibre - Kuliypatiya



Multi religious ceremonies



Lecture on “Modern agriculture and environment management” for “Parisara Niyamu” teachers in Puttalam District with Central Environmental Authority (CEA)



Free Medical Camp for employees and the surrounding community

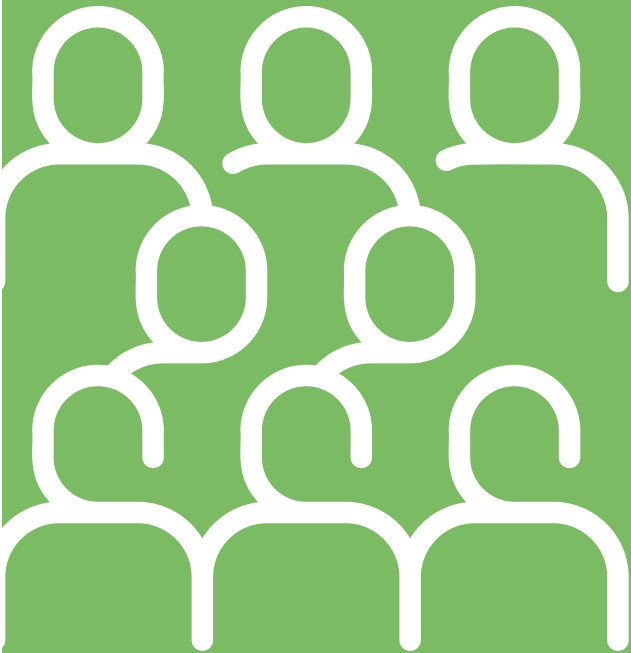
Way Forward

Going forward the Group will look to further enhance its commitment to customers through product innovation, quality enhancements and service deliverables. Equally importantly, the Group will focus on improving product availability and product awareness to reach a wider customer demographic as well as to cater to emerging market segments. Similarly the emphasis on supplier development will be further intensified with a view to building supplier resilience.

Guided by the companies’ ESG roadmap, the process of Identifying and selecting several high impact CSR projects within the area where the Company operates, focusing on local education development.

Human Capital

The Hayleys Fibre Group Human Capital is represented by the 537 men and women who bring to life the Group's core purpose to "Inspire Innovative and Inclusive Eco-Friendly living".



<p>S</p> <p>Strengths Strong, competent workforce</p>	<p>W</p> <p>Weaknesses Heavy dependency on labour for day-to-day operations</p>	<p>O</p> <p>Opportunities Improve employee goal congruence</p>	<p>T</p> <p>Threats High employee attrition due to prolonged economic stress</p>
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<p>Management Approach Guided by the value culture and leadership principles of the wider Hayleys Group, the Hayleys Fibre Group seeks to develop a strong, resilient team with the capacity, capability and motivation to drive the Group forward.</p>	<p>Material Matters</p> <ul style="list-style-type: none"> • Competitive Position • Customer Loyalty • Employee Motivation • Employee Retention 	<p>Value Drivers</p> <ul style="list-style-type: none"> • HR Governance • Manpower Planning • Recruitment and Selection • Remuneration and Benefits • Performance Management • Training and Development • Occupational Health and Safety • Employee Relations • Employee Wellbeing 	<p>Outputs Developing Human Capital establishes a strong foundation to improve productivity resulting in the optimal use of assets to derive significant cost advantages. Further, a reliable and resilient workforce helps to eliminate operational disruptions and maintain business continuity, in turn enhancing the Group's reputation for excellence in customer service.</p>
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<p>Key Highlights for FY 2023/24</p> <p>243 new recruits</p> <p>Introduction of special incentives for factory employees</p> <p>Rs. 4.66 million invested in safety system improvements</p>		<p>Stakeholder Value Creation Outcomes</p> <p>Rs. 445 million distributed as monetary benefits to employees</p> <p>10 Employees promoted</p> <p>1,320 total training hours</p> <p>Link to SDGs</p>
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GRI 2-7, 2-8, 405-1

Hayleys Fibre Group Workforce Statistics - FY 2023/24

		Male	Female	Total
Employment Type	Permanent	98	27	125
	Contract	205	207	412
Region	Kuliyapitiya	96	79	175
	Madampe	10	27	37
	Dankotuwa	110	29	139
	Mahagama	79	97	176
	Colombo	8	2	10
	Age Analysis	<30 years	119	53
	30-50 years	136	104	240
	>50 years	48	77	125
Employee Categories (Permanent)	Factory workers	35	14	49
	Staff	26	4	30
	Executives	37	9	46

Employee Age and Category - Permanent

	<30 years	30- 50 years	> 50 years	Total
Factory workers	11	35	3	49
Staff	25	5	-	30
Executives	14	27	5	46
Total	50	67	8	125

GRI 205-2, 205-3

HR Governance and policy framework

HR Governance across the Hayleys Fibre PLC is a shared service, with all Human Capital development activities centralized under the purview of the Eco Solutions Cluster HR Department. Operating under the guidance of the Hayleys Group HR, the Eco Solutions Cluster HR Department serves as the main custodian in charge of implementing the HR policy frameworks and for ensuring Hayleys Fibre PLC and its subsidiaries comply with all labour laws and operate in adherence to global best practices as set out under the ILO convention and the UNGC Principles.



The Hayleys Fibre Group Leadership works closely with the Eco Solutions Cluster HR Department to keep abreast of all developments in labour regulations as well as global best practices, and often seeks the expertise of the Hayleys Group HR to obtain greater clarity regarding interpretation.

The Key Human Capital related policies of the group are,

- Whistle-blower policy
- Performance management policy
- Anti-sexual harassment policy
- Talent management and succession planning policy
- Recruitment policy
- Human rights policy
- Health and safety policy
- Grievance handling policy
- Bribery and anti-corruption policy

The Group’s bribery and anti-corruption policy emphasises zero tolerance for bribery and corruption. The policy is applicable to the Board of Directors and all employees of Hayleys PLC and its subsidiaries and includes guidelines on gifts, hospitality and promotional expenses, facilitating payments, political contributions and donations, charitable donations, commission payments to third parties and partner due diligence among others. No confirmed incidents of corruption were stated in the reporting year.

Furthermore, the Hayleys Fibre Group does not accept or condone any aspect of forced labour as we believe employees choose to work for us at their own discretion and are free to leave subject to the conditions indicated in all our employment contracts. Accordingly, HFP’s operations are not at risk for forced or compulsory labour. Moreover, the group does not accept any child labour.

Manpower Planning

Given the highly labour intensive nature of the Hayleys Fibre Group operations, manpower planning provides a systematic approach to ensure all businesses are equipped with the necessary human resources at all times. To that end, a rolling manpower plan is prepared and updated annually in line with the strategic objectives of the respective businesses. Other factors considered in the manpower planning process include potential skill gaps and workforce agility. The manpower plan, once approved by the Deputy Managing Director, is used as the basis for preparing the manpower budget for the financial year. The manpower plan and budget dictates recruitments, payroll, performance incentives, training and development activities for a given year.



GRI 202-2, 401 -1

Recruitment and Selection

As stipulated by its Recruitment Policy, the Hayleys Fibre Group endorses equal opportunity and non-discriminatory employment, with vacancies open equally to both external and internal candidates. To further demonstrate its commitment to employment equity, the Group maintains a local hiring policy with a view to providing equal opportunities for regional candidates.



In line with its equity principles, the Group adheres to a merit-based selection process to determine candidates who are the best fit for the respective business. Moreover as a non-discriminatory employer, Hayleys Fibre does not discriminate based on age, race, religious beliefs or any other status protected by law, with selection made without prejudice and based solely on the individual's competence and capability to effectively contribute towards the business requirements. Final selections are subject to verification of the candidates credentials, including age.

All new recruits to the non-executive cadre remain on probation for a period of 6 months during which time their performance is continually assessed by the respective line manager. Meanwhile executive level employees are subject to a 6 months probationary period, thereafter their performance is reviewed by the respective HOD and recommended for confirmation based on performance outcomes.

The senior management cadre (Senior executive and above) of the Hayleys Fibre Group are all hired within Sri Lanka.

		New Recruitment			Resignation		
		Male	Female	Total	Male	Female	Total
Region	Kuliyapitiya	67	44	111	31	16	47
	Madampe	3	1	4	3	1	4
	Dankotuwa	114	4	118	120	3	123
	Bingiriya	8	1	9	4	-	4
	Colombo	1	-	1	2	-	2
Age Analysis	<30 years	132	13	145	124	6	130
	30-50 years	29	18	47	31	9	40
	>50 years	32	19	51	5	5	10

GRI 2-19, 2-20, 202-1, 401-2, 405-2

Remuneration and Benefits

In keeping with its Remuneration and Benefit Policy, the Hayleys Fibre Group ensures all employees receive fair and equitable remuneration in recognition of their skills and dedication to their respective business units. Remuneration structures for executive level employees are designed to be competitive and in line with industry standards, while the minimum wage offered by the Group to all factory workers is well above the national minimum wage requirements.

The Group's commitment to pay equity, is further underscored by the "equal pay for equal work" principle, where a strict 1:1 ratio is maintained between the basic salary paid to men and women performing similar roles within the same employee category at all locations of operation.



Factory Visits by Customers

Meanwhile, employees also have the opportunity to benefit from pay increases based on their individual and team performance as well as annual bonuses depending on Company performance .

In addition, all employees of the Hayleys Fibre Group, regardless of their category are also entitled to the following standard benefits;

- Distress Loan
- Medical
- Insurance

GRI 401-3

Parental Leave

In compliance with the Shop and Office Employees Act of 1954, female employees are entitled to 84 days paid maternity leave, post-delivery as well as two hour nursing time for a period of one year after returning to work.

	FY 2023/24	FY 2022/23
	Female	Female
Total number of employees that were entitled to parental leave	27	23
Total number of employees that took parental leave	1	1
Total number of employees that returned to work in the reporting period after parental leave ended	1	1
Total number of employees that returned to work after parental leave ended and were still employed 12 months after their return to work	1	-

GRI 404-3

Performance Management

The Hayleys Group considers performance management to be a fundamental part of the effort to support employee development and promote career growth. Premised on this, the performance of employees across all categories is reviewed at least once every year if not more often at the discretion of the management.

As per the guidelines encapsulated in the Group Performance Management Policy, the performance of factory employees is assessed on-the-job, by respective line supervisors, followed by a more formal evaluation conducted annually by the Factory Manager to determine appropriate salary increments and bonus entitlements. In line with the policy, the performance of executive level employees is assessed annually against a series of pre-established KPI’s covering both quantitative and qualitative targets. Assessments are conducted by the respective HOD (Head of Department) and submitted to the Group MD along with recommendations for increments, promotions etc. The annual performance evaluation serves as a platform for assessing training needs to address skill gaps and to earmark high performing employees for further development through various talent development initiatives.



Career and Performance Management through “HRIS”



Christmas Carols at Hayleys Fibre Head Office

Employee Category	Employees benefiting from the annual performance evaluation FY 2023/24		Employees receiving promotion FY 2023/24	
	Male	Female	Male	Female
Factory workers	35	14	1	-
Staff	26	4	2	-
Executives	37	9	4	3
Total	98	27	7	3

GRI 404-1, 404-2

Training and Development

Training and development is a critical component of the Hayleys Fibre Group's overall human capital development approach. Each year, considerable resources are dedicated to provide targeted training.

Training activities for factory employees is a continuous process that revolves around on-the-job training, while training for executive level employees is based on the annual training plan which is formulated based on the training needs assessment derived through the annual performance evaluation process.

Training activities are arranged by the Eco Solutions Cluster Group HR Department, typically through a blended learning approach where 70% weightage is assigned to practical training, 20% by way of coaching or mentoring and the remaining 10% through classroom learning.

The People Leaders Development Programme (PLDP), the longstanding leadership development initiative by the Hayleys Fibre Group, represents a batch of 54 staff successfully completing the programme and being awarded certificates.



Graduation ceremony of PLDP "Sand Box" programme

Training Topic	Target Employees
Advanced Microsoft Excel	1
In-house awareness on ISO 9001:2015 quality Management Systems and Document Control	7
Fire training	114
First aid training	60
Boiler operator training	3
Labour law training	2
Risk assessment training	10
Business writing & e-mail etiquette	1
Competency building workshop	2
Debt collection	1
EHS awareness session	5
How to conduct industrial incident investigation	1
Forklift training	3

Employee Category	Training Hours FY 2023/24		Training Hours FY 2022/23	
	Male	Female	Male	Female
Factory workers	841	104	545	300
Staff	6	-	602	92
Executives	273	96	4,734	529
Total	1,120	200	5,881	921

GRI 2-21, 403 -1, 403 -2, 403 -3, 403 -4, 403-5, 403-6, 403 - 7, 403 -8, 403-9, 403-10

Occupational Health and Safety (OHS)

As a responsible manufacturer, the Hayleys Fibre Group is entirely dedicated to creating a secure working environment for its employees. To achieve this goal, the Group complies fully with all mandatory national safety regulations encompassing the safety guidelines stipulated under the Factories Ordinance 1942 and the national fire regulations. A comprehensive Safety Manual developed in line with global best practices is also in place to guide efforts to ensure the safety of employees and any third parties present at any of the Group’s locations across Sri Lanka.



Occupational Health and Safety Trainings

Regional OHS Executives (Safety Champions) have been appointed at each of the Group’s operational locations and charged with providing oversight for the implementation of procedures contained within the Safety Manual. The duties of the Safety Champion also involves conducting routine safety checks, and building safety awareness, including bi-weekly safety briefings to drive safety vigilance and encourage factory employees to come forward with safety concerns within their respective area of operations. As part of their duties, Safety Champions are required to conduct risk assessments to identify potential safety hazards and initiate appropriate remedial measures, while also documenting accidents and injuries and



Trainings on Safety and Non-communicable diseases

reporting the same to the Eco Solutions Cluster OHS Manager for escalation to the Hayleys Group Safety Team for detailed investigation. All accidents, injuries and near misses are carefully inspected to determine the precise root causes and immediate causes. The scale of the investigation and the composition of the investigative team is determined in accordance with the severity or prospective severity.

The Eco Solutions Cluster OHS Manager in collaboration with the Hayleys Group Safety Team conducts routine due diligence activities with a view to providing independent assurance to the Board regarding the efficacy of the Hayleys Fibre Groups’ safety systems. The Eco Solutions Cluster OHS Manager also oversees emergency response and crisis management as needed.

A Long-Range Plan (LRP) was established with the goal of improving the safety culture in the OHS function, as well as the approval of the management team. This LRP was built around six pillars: standardization, capability development, engagement, digitization, process development and infrastructure. Each pillar has targets that must be met through a specific action plan. In accordance with the LRP, a set of standards will be designed to

streamline processes and safeguard the health and safety of the operations.

A sector safety audit has been launched inside the sector, and all locations will be assessed using the same audit criteria across 31 areas. Sites will be assessed in four categories based on the final marks: A, B, C, and D from greatest to worst.

Two safety meetings are held per week with plant teams, headed by the Managing Director and the Management Committee, to discuss health and safety issues. The week begins on Monday with the OHS call at 8 a.m., and a weekly theme will be determined. On Friday, the Management Committee gathers an update from each factory to confirm that everything is on track.

Furthermore, the Management Committee physically visits the sites monthly for the Management Committee Safety Meeting and conducts a Safety Observation Tour (SOT) in the site, followed by a meeting with the Site Leads, to demonstrate the commitment to maintaining the Health and Safety aspects of the sites.

In line with the Workmen’s Compensation Ordinance of 1935, all factory employees of the Hayleys Fibre Group are protected by workmen’s compensation insurance covering work-related injuries.

The nature of the Hayleys Fibre Group businesses is such that factory workers are exposed to occupational health hazards as a result of handling coir dust, chemicals, heavy metals, and microbial contaminants, all of which pose potential health risks like respiratory complications, skin irritation, allergic reactions etc. In order to mitigate these potential hazards as much as possible, the Group has ensured appropriate ventilation, personal protective equipment, training on safe handling procedures, and sanitation protocols have been implemented. In addition, Safety Champions at each factory are tasked with carrying out health surveillance and routine monitoring with the aim of preventing occupational diseases and ensuring worker safety. In the year under review, the Group invested in the following preventive measures;

- Lung Function Test (LFT) for all the chemical handlers
- Commissioning of Local Exhaust Ventilation (LEV) systems
- Exploring new innovative chemicals to reduce the potential risk and ill health conditions

Common Safety Hazards relating to the Hayleys Fibre Group operations

Identified Risk Activity	Safety Measures Adopted
Fire risk due to material used in the industry and the operations	Proactive and reactive safety measures based on the material and activities
Working at heights on high material stacks	Best practices for material storage and fall protection and prevention systems
Risks of injury due to mishandling of equipment	On-the-job training, knowledge sharing and continuous supervision
Lack of adequate safety information for conventional machinery	Investing in new engineering equipment, innovation, supervision and training

	2023/24	2022/23	2021/22
No. of minor injuries	3	3	5
No. of major injuries	2	-	2
No. of fatalities	-	-	-
No. of lost work days due to injury	31	3	102

Safety Training FY 2023/24

Key Topics	Target Employee Group	Total no. of training hours
Risk Assessment and hazard identification	Executives	90
Chemical handling	Staff / Factory Workers	60
EHS committee awareness	All employee categories	40

Going beyond what is expected in the normal course of business, the Hayleys Fibre Group works to advocate the safety culture among key stakeholders. In this regard, the Group conducts road safety education, including defensive driving techniques for operators. As part of the overall approach to improving road safety, the Group also undertakes to perform vehicle safety checks prior to despatch.

GRI 2-25, 2-26, 2-30, 402 -1, 407-1

Employee Relations

Given the heavy dependence on labour for the day operations, the Hayleys Fibre Group has always allocated high priority to building and maintaining strong relationships with employees. As a first step, all operational changes are formally notified two weeks in advance. Executives are notified by e-mail, while factory employees are informed through the on-site notice board.

Moreover, the Group's open-door policy aims to empower employees to come forward with their concerns or suggestions. In this regard, employees are encouraged to use routine team briefings to discuss work related concerns with their superiors, while scheduled plant visits by the Management Committee as well as the annual Management forum allow employees to reach out to the Group's senior leadership to raise any concerns and resolve any grievances they may have. In addition, the Eco Solutions Cluster HR team meets regularly with employee representatives to promote greater employee participation on matters of mutual interest. Cordial relationships with employee representatives have prevented the need for collective bargaining agreements.

A separate Grievance Process is in place, should employees wish to formally escalate any grievances for which suitable solutions were not received through any of the aforementioned meetings avenues.

Employee Well-being

- Medical camp for all staff members at HFPLC - Kuliypitiya
- Women's Day Celebrations
- Cricket Match - HFPLC - Deegalla School Ground – Executive & Supervisory

Way Forward

The main focus going forward will be to create a competent and reliable talent pool for all key positions across the Group. These efforts will be driven by a structured succession plan that will pave the way for employees to plan and work towards advancing their career trajectory.

Natural Capital

Hayleys Fibre PLC depends heavily on Natural Capital, drawing essential resources from the environment to sustain its commercial operations.



S

Strengths

Regenerative products with less harm to the environment across the value chain

W

Weaknesses

High initial cost involved in implementing energy efficiency solutions

O

Opportunities

Invest in renewable energy

Opportunities for alternative raw materials

T

Threats

Supply disruptions due to adverse climate related events

Competition from synthetic alternatives

Management Approach

The Hayleys Fibre Group's approach to preserving Natural Capital is based on the principle of circularity which remains at the heart of the Group's core business operations as a manufacturer of coir fibre products. By embracing the principles of the circular economy, Hayleys Fibre PLC creates economic value and in doing so also contributes to the conservation of natural resources and the reduction of waste, ultimately fostering a more sustainable and resilient future. Additionally, the Group often undertakes high impact green projects in partnership with local communities and environmental organisations.

Material Matters

- Consistent Returns
- Competitive Position
- Environmental Stewardship

Value Drivers

- Environmental Compliance and Best Practices
- Contribution to the Circular Economy
- Waste Management
- Energy and Emission Management
- Water Management
- Green Projects

Outputs

Conserving Natural Capital, helps to strengthen resilience to environmental risk to ensure business continuity and expansion, thereby enabling the generation of stable returns. Moreover, investments in Natural Capital preservation often improves brand equity, in turn augmenting intellectual capital and also helps to earn stakeholder trust which positively impacts Social and Relationship Capital.

Key Highlights for FY 2023/24

734 MTs of non-hazardous fibre waste recycled back for the coir fibre production

49% year on year reduction in fossil fuel consumption

928 tCO2eq - Carbon Footprint (806 tCO2eq - 2022/23)

Seven green projects within the reporting year



Stakeholder Value Creation Outcomes

45% year on year reduction in scope I emissions

25% year on year reduction in the volume of hazardous waste generated

Link to SDGs



GRI 2-23

Environmental Compliance and Best Practices

Environmental Compliance and Best Practices stands as the first point of reference in the Hayleys Fibre Group 's efforts to minimise the erosion of Natural Capital. In line with this commitment, the Group has ensured that each of its manufacturing facilities operates under the Environmental Protection License sanctioned by the Central Environmental Authority. Furthermore, the CPL plant located in the Dankotuwa Industrial Estate holds a Scheduled Waste Management License, enabling effective waste management throughout the manufacturing process.

Going above and beyond mere compliance, the Group has aligned with the Hayleys Group Environmental Policies that offer clear guidelines for achieving resource efficiency and implementing environmental best practices across all manufacturing plants.

The functional responsibility for implementing environmental best practices has been assigned to the Plant Factory Engineer, who operates under the supervision of the Factory Manager who remains the ultimate authority in charge of ensuring compliance and best practices at a factory-level.

GRI 301-1,301-2, 301-3

Contributing to the Circular Economy

As a manufacturer of coir fibre products, Hayleys Fibre plays a leading role in contributing towards a circular economy. Central to this approach is the utilisation of coconut husks, a byproduct of the coconut industry that would otherwise be discarded as waste. Once collected, the husks undergo processing to extract the coir fibres, which are then cleaned, sorted, and treated to meet quality standards. By repurposing these husks into valuable coir fibres, Hayleys Fibre PLC transforms what would otherwise have been waste into a productive resource, thereby reducing the burden on landfills and promoting resource efficiency. Beyond this, the Group strives to implement innovative production processes and product design to enhance the longevity, durability, and recyclability of its products, thereby minimising the environmental footprint throughout the product lifecycle. By embracing the principles of the circular economy, Hayleys Fibre PLC not only creates economic value but also contributes to the conservation of natural resources and the reduction of waste, ultimately fostering a more sustainable and resilient future.

Apart from coconut fibre which are a 100% renewable materials, Hayleys Fibre also utilises other renewable materials such as Fibre Pith, Chips and Jute as well as non-renewable materials such as PU chemicals, Nylon, Cloth material in the manufacturing process and Paper and polythene for product packaging purposes.

Materials used across the HFP's value chain	Unit of measured	2023/24	2022/23	2021/22
Coconut based raw material (Coconut Husks)**	Husk (Nos)	2,480,232	7,157,450	5,114,458
Fibre/Pith/Chips**	(Kgs)	21,530,206	11,107,177	11,176,067
Chemicals*	(Kgs)	361,971	498,018	940,038
Nylon/Polypropylene*	Packing (Nos)	686,000	690,059	571,386
	Netting (Sqm)	21,051,975	21,289,359	27,981,604
Jute**	Netting (Sqm)	2,860,000	1,444,005	4,674,310
Polythene*	Packing (Nos)	5,094,773	1,545,958	983,579
	Packing (Kgs)	39,247	32,869	37,084

*Non-renewable materials

**Renewable material

GRI 306-1, 306-2, 306-3, 306-4, 306-5

Waste Management

Based on the underlying waste management principles set forth by the Hayleys PLC Group, each business vertical under the Hayleys Fibre PLC umbrella has established a comprehensive well documented framework for managing waste generated

from the day to day business operations. Accordingly, waste materials such as excess coconut fibre or by products from the manufacturing process are carefully sorted and repurposed whenever possible. Furthermore, baby fibre and fibre dust generated during production is considered as waste and shared within the Group and among other private companies to be used as a raw material for various products business.

Hayleys Group Waste Management Policy - Key Principles

<ul style="list-style-type: none"> Defining the solid / semi solid waste categories within operating boundaries, mapping them accordingly and implementing mechanisms to quantify waste generation 	Quantifying waste generation by appropriate categories
<ul style="list-style-type: none"> Establishing waste management programmes focusing on minimising, reducing and controlling waste generation. (Programme should be developed based on 7R [Reject, Reduce, Reuse, Reclaim, Replace, Repair, Recycle] concept applications over significant operations identified) 	Waste management programmes based on the 7R concept for significant applications
<ul style="list-style-type: none"> Proper segregation practices should be implemented across all the categories of waste generation (process and non-process) 	Segregation of waste
<ul style="list-style-type: none"> Segregated waste should be stored separately complying with all the relevant legal and other requirements (availability of separate waste storage for hazardous and non-hazardous waste, following defined colour code and labelling mechanism, zero contamination to the environment, application of emergency preparedness programmes, health and safety requirements on waste handling, etc.) 	Compliance with safe storage of waste
<ul style="list-style-type: none"> Ensuring the sustainable disposal of all types of waste by following “zero landfilling” (getting into agreements with legally accepted waste collectors and disposers, ensuring proper disposal through audits and proof documentations, maintaining records of all the waste disposals) 	Sustainable disposal of waste
<ul style="list-style-type: none"> Establishing material and waste management targets and objectives and driving continuous improvement programmes (focusing on monitoring, corrective and preventing actions, auditing and reviews of waste management) 	Establishing targets and objectives to drive continuous improvement
<ul style="list-style-type: none"> Ensuring the availability of relevant information, documents, training tools and guidance to drive the defined waste management programmes 	Training and tools to enable performance

At CPL- the Group’s mattress manufacturing operation, all effluents and industrial waste is managed in line with the conditions of the scheduled waste management licence issued to the Company by the Central Environmental Authority. Additionally PU offcuts from the mattress production are recycled and directed back to the production process to produce re-bonded mattresses, while quilted fabric scrap and bale hoop scrap metal are reclaimed to produce alternative products.

Meanwhile, any waste that cannot be reused or recycled is disposed of in compliance with environmental regulations.

Waste Type		Kg's	Disposal Methodology
Non-Hazardous Waste	Fibre Dust	1,140,000	Sold to sister companies as Raw material
	Fibre Waste	733,933	100% Recycled into the coir fibre production process
	Quilted Fabric Scrap	5,283	Sold to soft toys manufacturers
	Bale Hoop Scrap Metal	4,085	Sold to registered scrap metal vendors
	Polythene	2,390	Disposed through CEA approved waste collectors
Hazardous Waste	Empty Chemical Containers	36,244	100% disposed through CEA approved scheduled waste vendors
	E-waste	112	100% disposed through CEA approved waste collectors

Energy and Emission Management

Electricity serves as the primary energy source for operating machinery across all Hayleys Fibre Group plants. However, given that coir fibre production is highly labour intensive and requires limited use of machinery, electricity consumption at these plants remains low. In contrast, CPL is relatively rely heavily on machinery and equipment due to the nature of its operations. In addition to electricity, the Hayleys Fibre Group also utilises other sources of energy such as diesel for boilers, backup generators, and factory-owned vehicles.

Hayleys Group Energy and Emission Management Policy - Key Principles

<ul style="list-style-type: none"> Implementation of customised energy and emission management programmes focusing on the materiality of relevant energy/emission aspects. In driving these programmes, identify all energy and emission related processes and applications, evaluate the significance, set targets and objectives, continuously monitor performance and drive the programme based on defined KPIs in line with Table 1 Energy & Emission Management Strategies, Targets and KPIs. 	Implement holistic energy and emission management programmes at all entities
<ul style="list-style-type: none"> Ensure the availability of relevant information, documents, training tools and guidance to drive the defined energy and emission management programmes. 	Availability of resources
<ul style="list-style-type: none"> Gradually shift from non-renewable energy sources and increase reliance on renewable energy such as solar, wind, biomass energy, etc. Ensure that purchased biofuel is sustainably sourced and does not result in deforestation. 	Shift to renewable energy
<ul style="list-style-type: none"> Minimising energy-related environmental impact and enhancing the Group's competitiveness through energy costs savings by embracing lean management practices, application of Life Cycle Assessment (LCA) concept, carbon neutral operations and many other recognised green concepts. 	Minimise energy-related impact on environment
<ul style="list-style-type: none"> Adopting energy and emission conscious procurement procedure on all relevant operations and propagating our energy and emission management practices across the supply chain, implementing effective operation and maintenance programmes to ensure energy-efficient operations while minimising emissions for significant energy consuming applications (machines/processes). 	Energy and emission management
<ul style="list-style-type: none"> Nurturing a culture of energy and emission consciousness across all the relevant stakeholder groups (e.g. employees, communities, non-profit organisations, government, etc.); all business entities within the Group should observe the energy practices of its supply chain partners and encourage the use of clean energy across its supply chain. 	Energy and emission conscious cultures
<ul style="list-style-type: none"> Aligning with the Hayleys Group sustainability strategy 	Align with Group

The Hayleys Group energy and emission management principles apply to the Hayleys Fibre Group as well. Plant-wise energy consumption and emissions are tracked through the CUBE Sustainability portal on a monthly basis, while quarterly emissions are

collated by the sector ESG team and shared with the respective companies. Since 2022, the Hayleys Fibre Group's Scope 1, Scope 2 and Scope 3 emissions have been quantified by way of the annual Carbon Footprint Calculation which is supported by independent assurance from an accredited third party verification body.

HFP Group Energy Matrix

GRI 302-1, 302-2, 302-3, 302-4, 302-5

Energy Consumed within the Group	2023/24	2022/23*	Variance %
Electricity (MJ)	5,251,100	3,880,361	35
Diesel (MJ)	1,331,419	2,596,884	-49
Energy Intensity Ratio (MJ/Revenue-Mn)	1,284	1,476	-13

* Values restated according to the GHG verification 2022/23

Plant-wise energy consumption and emissions are tracked through the CUBE system. Stack emissions at plants are also monitored and tested regularly in line with the EPL conditions. We are conducting preliminary studies to assess the feasibility of investing in rooftop solar infrastructure to meet the needs of each plant.

HFP Group Emission Matrix

GRI 305-1, 305-2, 305-3, 305-4, 305-5

With the guidance from the Hayleys Group, Hayleys fibre conducted a third party green house gas verification for the 2022/23 year covering all three scopes. With the verification process, the scope boundaries for emissions were identified and formalized.

Emissions	2023/24 tCO2e	2022/23 tCO2e*	Reduction of GHG emissions (tCO2e) %
Direct (Scope 1) GHG emissions	108.07	199.85	-45.92
Indirect (Scope 2) GHG emissions	684.22	505.61	35.33
Other Indirect (Scope 3) emissions	135.60	100.64	34.74
Total GHG emissions	927.89	806.10	15.11
Emission intensity Ratio (tCO2e/Revenue-Mn)	0.181	0.184	-1.45

* Values restated according to the GHG verification 2022/23

Scope 1 : Consumption of Fossil fuel for mobile and stationary sources, Co2 fire extinguisher, refrigerant

Scope 2 : Electricity usage from the national grid, electricity transmission and distribution losses

Scope 3 : Business air travel, 3rd party transport, employee commuting

GRI 303-1, 303-2

Water Management

The Hayleys Fibre Group's need for water is limited to the drinking and sanitation requirements of employees. Water used for sanitation purposes is drawn from on-site tube wells and purchased from municipal sources as needed, while drinking water is procured from a third party vendors.

The Hayleys Group water management principles underpin the Hayleys Fibre Group's water management efforts.

Green Projects

“Kirulu” Afforestation Project

As part of its unwavering commitment to environmental stewardship, the Hayleys Fibre Group engages in environmental projects aimed at minimising environmental degradation. The Group’s main effort in this regard is the “Kirulu” project, an integrated biodiversity conservation project by the Hayleys Group aimed at ecosystem restoration and creating biological corridors across the hill country, underscoring the Group’s commitment to safeguard Sri Lanka’s flora and fauna systems.



World environment day beach cleanup

Launched in conjunction with World Environment Day 2023, the programme was aimed at cleaning up the Poruthota beach in Negombo. A total of more than 100 Kgs of Plastic, bags full of metal and other non-degradable waste items were collected from the beach and handed over to responsible recyclers.

In addition, garbage bins were placed for collecting PET bottles in the beach area to promote waste segregation in the community.

Less Plastic Movement – The Hayleys Fibre Group joined hands with “Less Plastic Movement” to launch a campaign to raise awareness on plastic pollution and cleaning the public areas that were polluted with single use plastics. This initiative was organised by the Open University of Sri Lanka, in collaboration with the Ministry of Environment, Ministry of Industries, National Innovation Agency, Sri Lanka Environmental Police, Central Environmental Authority and many government and non-government organisations. Hayleys Fibre also participated in the Hayleys Group project to clean up the Crow Island beach in Colombo by collecting and removing non-biodegradable waste items scattered on the beach.



Snake awareness session for employees - As an extension of efforts to coexist with nature & conserve biological diversity, the Group initiated a special programme on snake Identification and safe handling was conducted for employees. The programme was conducted by the Nature Team of Waymba University of Sri Lanka with participants granted the opportunity to learn about different types of snakes in Sri Lanka, how to identify them, safe handling of snakes and safe removal methods from the households. The session also included a special segment of first aid procedures for snake bites.



“Weda Bimai - Haritha Yayai” – Phase 04

The Groups’ flagship social and environmental combination initiative, “Weda Bimai – Haritha Yayai” is successfully carried out to its fourth phase while encouraging environmental preservation via healthy home gardening practices incorporating some of the principles of permaculture. By proving the excellence of the project, it was awarded at the Hayleys Chairman’s Awards and also won merit award for the best home garden from the Divisional Secretariat office in the area.



Sri Pada trail waste management and environmental awareness session- A special awareness campaign conducted by the Hayleys Fibre Group to educate pilgrims on the Sri Pada trail about responsible waste management. Along with the awareness campaign, the Hayleys Fibre Group donated garbage bins to the Department of Wildlife Conservation to manage the waste in this protected area.



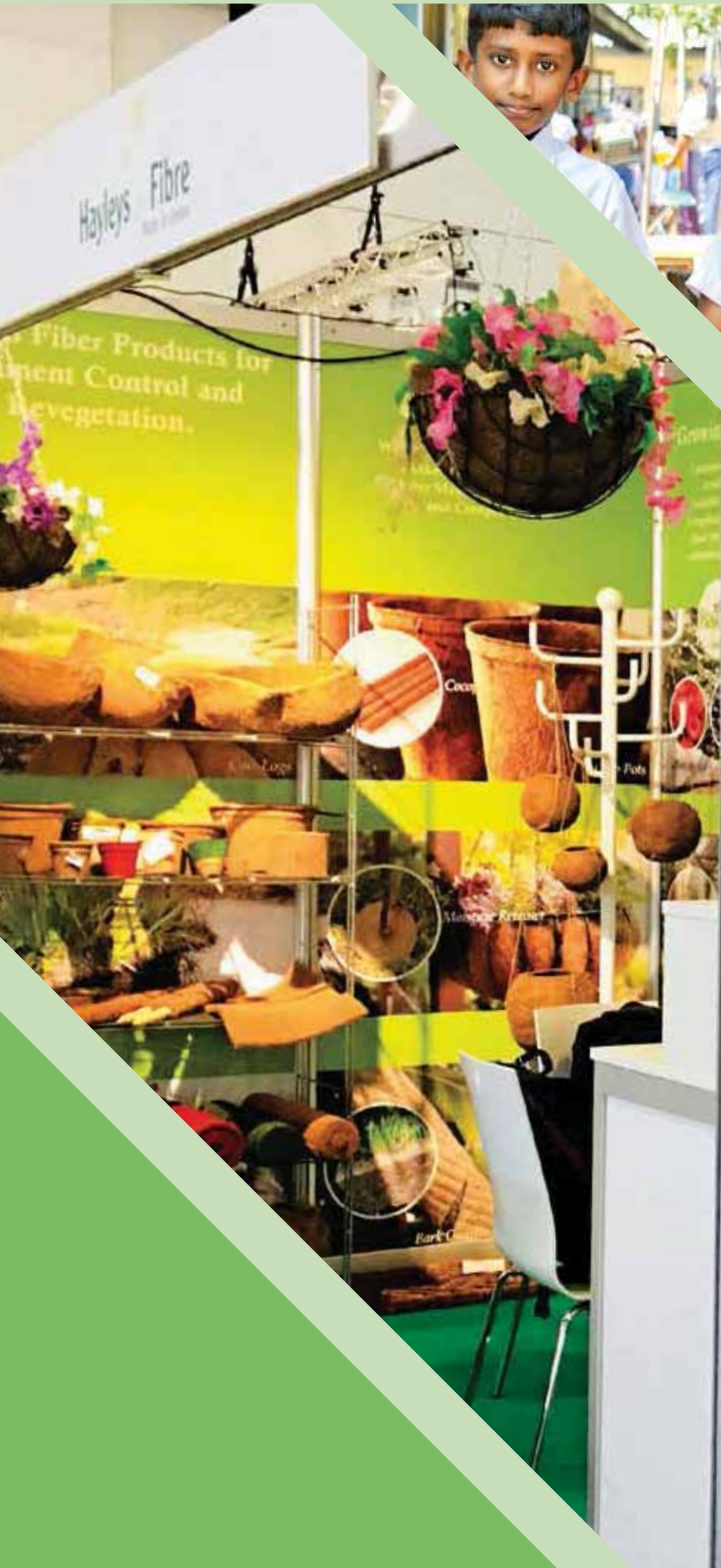
School Cultivation Project

The Group engaged hand in hand to create school gardening concept at some of the neighboring and remote schools in the reporting year. In the project, the Group has donated several type of vegetable and fruit plants along with the growing media to encourage healthy gardening concepts in the school community.



Way Forward

The Hayleys Fibre Group is targeting several key milestones in the coming years, namely to a collective target of 15% reduction of Scope 1 & 2 emissions by 2030, 10% reduction in waste intensity by 2030 as well as zero waste to landfill by 2030. To support these efforts, the Group will explore the feasibility of investing in renewable energy and rainwater harvesting systems at its plants. At the same time, more emphasis will be given to micro habitat development within production facilities as part of a focused effort to contribute towards biodiversity conservation initiatives.





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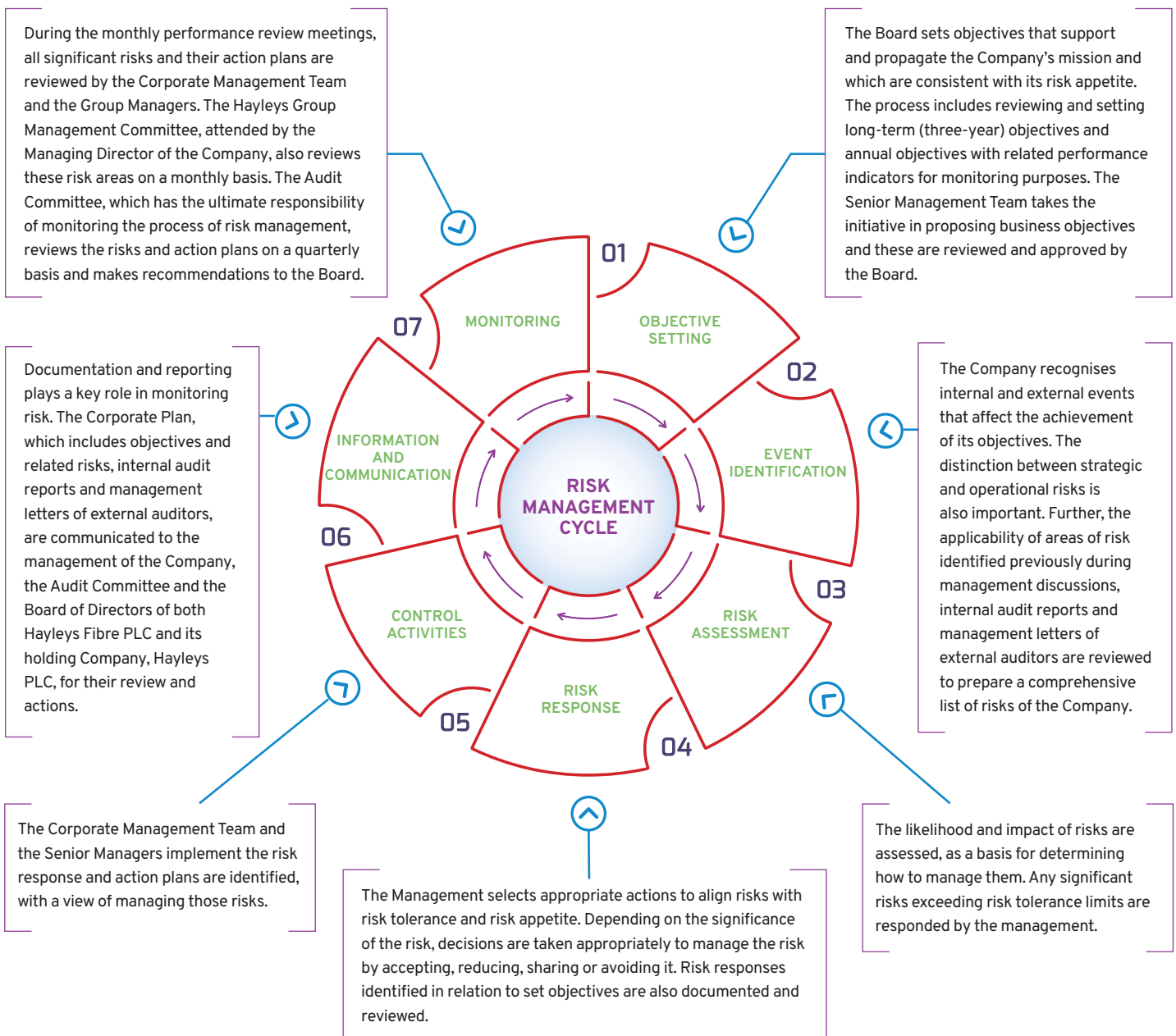
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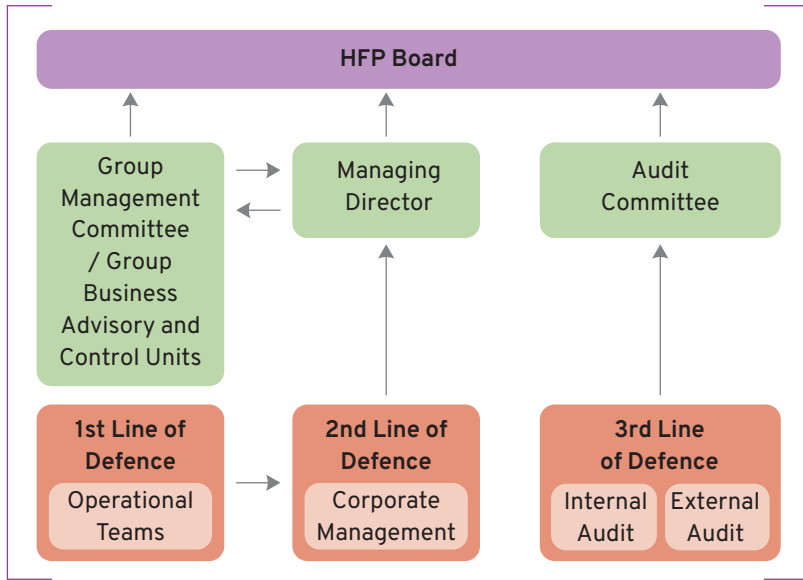


GRI 201-2

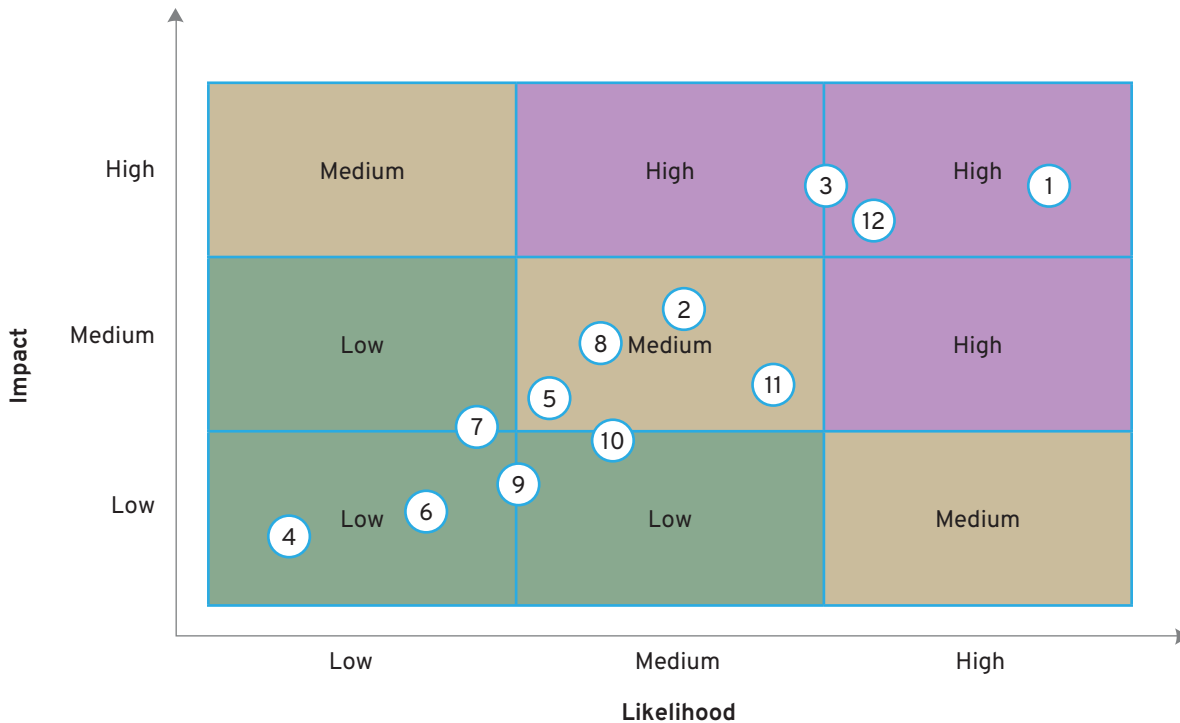
Hayleys Fibre Approach to Risk Management

Hayleys Fibre Group employs a robust and comprehensive approach to Enterprise Risk Management (ERM), integrating risk assessment and mitigation strategies into its core operations. This approach involves systematically identifying, analysing, and addressing potential risks that could impact the Company’s objectives, including financial, operational, and strategic risks. The Company utilises advanced risk management framework and tools to evaluate both internal and external threats, ensuring proactive measures are in place to manage uncertainties effectively. Hayleys Fibre Group prioritises continuous monitoring and review of risk factors, fostering a culture of resilience and adaptability. This proactive stance not only safeguard the Company’s assets and reputation but also enhances its ability to capitalise on emerging opportunities in a rapidly changing business environment.





Risk Matrix - FY 2023/24



- | | | |
|-------------------------|-------------------------------|--------------------------------|
| 1 Material Price Risk | 5 Default Risk | 9 Industrial Health and Safety |
| 2 Foreign Currency Risk | 6 Machinery Obsolescence Risk | 10 Supply Chain Disruptions |
| 3 Interest Rate Risk | 7 Strategic Risk | 11 Competitive Pressure |
| 4 Liquidity Risk | 8 Labour Shortages | 12 ESG Risk |

The Group ERM Model revolves around a 7-step Risk Management cycle that starts with setting of Risk Objectives, and then moving onto Event Identification, Risk Assessment, Risk Response, Control Activities, Information & Communication and Risk Monitoring.

Risk Governance based on the “Three Lines of Defense”
The 1st line of defence comprises risk owners (Heads of Business Units) who are responsible for the daily operations of the Group. Their primary duty is to adhere to established policies and control procedures, ensuring a conducive environment for managing risks inherent in their day-to-day activities. Additionally, they are tasked with proactively monitoring and identifying emerging risk factors that could impact their business decisions over time. By maintaining vigilance and a proactive approach, they help safeguard the Company against potential threats and ensure operational resilience.

The 2nd line of defense consists of the Corporate Management Team, which oversees the Heads of Business Units to ensure they fulfill their risk management responsibilities in accordance with approved protocols. This team is responsible for monitoring the Group’s risk landscape and reporting any changes that could impact the Hayleys Fibre Group overall risk profile. Additionally, the Hayleys Group Management Committee and Business Advisory and Control Units, including Legal, Management Audit and System Reviews, Strategic Business Developments, Treasury, HR, and Corporate Affairs, all play a crucial role in informing the Hayleys Fibre Group leadership about relevant risks affecting the entire Hayleys Group. These combined efforts ensure a cohesive and comprehensive approach to risk oversight and management.

The 3rd line of defense consists of the internal audit function, which provides independent assurance on the effective implementation of established risk management procedures at the operational level. Additionally, external auditors play a crucial role by assessing the Hayleys Fibre Group’s financial statements, thereby confirming the Group’s viability as a going concern and indirectly validating its risk management effectiveness. Both the internal audit function and external auditors report their findings directly to the Board Audit Committee, ensuring transparency and accountability in the risk governance framework.

Risk Awareness Culture

The success of the “Three Lines of Defense” model at Hayleys Fibre PLC is fundamentally anchored in a robust enterprise-wide risk awareness culture. The Board of Directors sets the tone from the top, establishing comprehensive policies and procedures that promote responsible risk management and embed these principles into the company’s strategic objectives. By demonstrating a clear commitment to risk governance, the Board ensures that risk management is not just a compliance function but a core aspect of the company’s ethos.

Heads of Business Units play a critical role in this framework by being directly accountable for ensuring that all employees within their domains are fully informed about, and adhere to, the relevant risk management processes. This involves implementing continuous training programmes, fostering open communication channels, and encouraging a proactive approach to identifying and mitigating risks. They are also responsible for creating an environment where risk awareness is part of the daily routine, ensuring that employees understand the importance of risk management and how it applies to their specific roles.

Additionally, this culture is reinforced through regular reviews and updates of risk management practices to adapt to evolving threats and opportunities.

Approach to ESG risk management

ESG risk assessments are conducted quarterly at Sector-level, under the purview of the Sector ESG Steering Committee. The process is coordinated by both the finance and ESG departments with all Operational Heads being responsible for identifying risks relevant to their own areas. When it comes to climate related risks and opportunities, the team assesses the impacts from changing climate conditions to the business entity considering (but not limited to) Financial impact, Capital and financing, Customer/Reputation, Environmental impact and Staff morale. The risks that are prioritized with risk ranking are being suggested with appropriate risk responses and the completed ESG risk register is integrated with the Sector-level business risk registers and tabled to the Sector Audit Committee on a quarterly basis.

Risk Context - FY 2023/24

Risk Type	Key Risk Events in 2023/24	Risk Impacts to the Hayleys Fibre Group	Potential Opportunities
Political	<ul style="list-style-type: none"> Policy uncertainty 	<ul style="list-style-type: none"> Impact on financial performance owing to higher taxes 	<ul style="list-style-type: none"> Drive volume expansion through market diversification coupled with innovation-led product diversification to tap into premium and niche markets
Economic	<ul style="list-style-type: none"> Exchange rates fluctuations Interest rates movements 	<ul style="list-style-type: none"> Revenue erosion owing to volatility in the exchange rates 	<ul style="list-style-type: none"> Leverage the downward shift in interest rates to negotiate long term financing facilities
Social	<ul style="list-style-type: none"> Labour migration with skilled and unskilled workforce seeking overseas employment opportunities 	<ul style="list-style-type: none"> High employee attrition 	<ul style="list-style-type: none"> Strengthen the employee value proposition to support career mobility employees
Technology	<ul style="list-style-type: none"> Growing demand for technology-driven solutions from global customer markets 	<ul style="list-style-type: none"> High cost and long lead times involved in importing machinery 	<ul style="list-style-type: none"> Local fabrication of machinery to improve production efficiency and lower wastage
Legal	<ul style="list-style-type: none"> Tighter environmental regulations in global markets 	<ul style="list-style-type: none"> Loss of market share, fines or legal actions associated with non-compliance 	<ul style="list-style-type: none"> Voluntary early adoption of global best practices
Environment	<ul style="list-style-type: none"> Escalating risks of climate change and implications on supply chain 	<ul style="list-style-type: none"> The risk on natural raw materials and customer demand for eco-conscious products and practices 	<ul style="list-style-type: none"> Embrace purpose-driven approaches to demonstrate leadership in the ESG sphere

Risk Assessment for FY 2023/24

Risk Type	Risk	Impact	Likelihood of occurrence	Mitigating Actions
Material Price Risk	<p>Unplanned cost escalations owing to inflation-induced increase fibre prices in the local market</p> <p>Fibre raw material prices increased by 25%</p>	Moderate	Moderate	<ul style="list-style-type: none"> Monitor prices/standard cost revisions Negotiate variable pricing structures with customers Strategy on stocks buildups Backward integration projects Expand the sourcing footprint beyond coconut triangle
Foreign Currency Risk	<p>Unfavourable impact on export revenue attributed to the appreciation in LKR against the USD</p> <p>The LKR appreciated by 12% against the USD (71% depreciation in 2022/23)</p>	Very High	Very High	<ul style="list-style-type: none"> Monitor trends and book forward Maintains a natural hedging of foreign currency denominated assets against liabilities Change the proportion of local borrowings to mitigate impacts on currency fluctuations Sri Lanka Export Credit Insurance for Exports

Risk Type	Risk	Impact	Likelihood of occurrence	Mitigating Actions
Interest Rate Risk	<p>Increase in finance costs caused by rising interest rates</p> <p>Interest rates declined by 36% year on year (17% increase in 2022/23)</p>	Low	Low	<ul style="list-style-type: none"> Effective management of working capital Strike the right balance between fixed and floating rates Reduce the dependence on borrowings by mobilising built up internal reserves for business purposes
Liquidity Risk	<p>Lack of adequate funds to support the day to day operations of the business</p> <p>1.51 Current Ratio (1.59 - 2022/23)</p>	Low	Low	<ul style="list-style-type: none"> Effective treasury function to forecast fund requirement and availability Maintain a portfolio of short- term liquid assets Maintain contingent funding plan
Default Risk	<p>Cash flow constraints due to bad debts</p> <p>4.8% bad debts as a % of trade receivables (6% 2022/23)</p>	Moderate	Moderate	<ul style="list-style-type: none"> Adherence to the Group credit policy guidelines in dealings with customers Periodic review of receivables, legal and other recovery actions
Machinery Obsolescence Risk	Production downtime caused by old and inefficient machinery and equipment	Low	Low	<ul style="list-style-type: none"> Detailed CAPEX plan to support necessary investments in new machinery Routine maintenance to ensure optimal efficacy of existing machinery and equipment
Strategic Risk	Improper strategies to drive revenue growth, improve productivity and manage cost efficiency	Low	Low	<ul style="list-style-type: none"> Board approved strategic plan and annual budget Proactive monitoring of external environment to ensure ongoing strategic reorientation
Labour Shortages	<p>High labour attrition owing to workforce out-migration</p> <p>17% employee (executives) (9% - 2022/23) due to migration</p>	High	High	<ul style="list-style-type: none"> Offer the best in-class employee value proposition to attract, and retain employees Increase the level of automation at all levels of the business to replace manual processes
Industrial Health and Safety	Workplace accidents, penalties, negative goodwill	Low	Low	<ul style="list-style-type: none"> World class safety management system in line with global best practices Structured safety training and awareness programme Workmen's compensation insurance cover for employees
Supply Chain Disruptions	Scarcity of raw material owing to adverse weather conditions	Moderate	Moderate	<ul style="list-style-type: none"> Develop a diverse supplier base Introduce special initiatives to strengthen supplier loyalty

Risk Type	Risk	Impact	Likelihood of occurrence	Mitigating Actions
Competitive Pressure	Emergence of new local and global players	Moderate	Moderate	<ul style="list-style-type: none"> • New market development to grow captive market share • Pursue innovation to diversify the product portfolio with the inclusion of first-market products
ESG Risk	Changes in Precipitation and rainfall patterns that impacts on raw material production	High	High	<ul style="list-style-type: none"> • Strategic diversification of raw material sources • Invest in backward integration with special emphasis on developing the coir industry in north region
	Pest and disease outbreaks due to the global warming	High	High	<ul style="list-style-type: none"> • Strengthen quality assurance benchmarks to eliminate the use of low quality raw material in production
	Legal and policy changes	High	High	<ul style="list-style-type: none"> • Strategic adaptation of global / regional climate related standards and certifications
	Concerns arising from climate change and socio-economic advancements	High	High	<ul style="list-style-type: none"> • Launch of “Entwine” - a purpose-driven ESG roadmap with ambitious targets for 2030 that embed environmental, social and governance considerations into the core operations

GRI 2-9, 2-10, 2-11, 2-12, 2-13, 2-16, 2-17, 2-18, 2-27, 205-1

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 by 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 consist of Twelve Directors, Six Non-Executive Directors out of which Four are Independent Non-Executive Directors, Six Executive Directors. Profiles of these Directors are given on pages 6 to 11 of this Report. Details of Directors' shareholding in Hayleys Fibre PLC and the directorates they hold in other companies are given on pages 184 and 6 to 11, respectively.

The Board meets quarterly as a matter of routine. Adhoc meetings are held as and when necessary. During the year the Board met on four occasions.

Board Meeting Attendance

Mr. A. M. Pandithage	4/4
Mr. H. S. R. Kariyawasan	4/4
Mr. M. M. A. R. P. Goonetilleke	4/4
Dr. S. A. B. Ekanayake** (Resigned w.e.f. 31/12/2023)	2/2
Mr. S. C. Ganegoda*	4/4
Mr. T. G. Thoradeniya** (Resigned w.e.f. 09/01/2024)	0/2
Dr. T. K. D. A. P. Samarasinghe**	4/4
Mr. L. A. K. I. Kodytuakku	4/4
Mr. D. K. De Silva Wijeyeratne**	4/4
Mr. M. C. Sampath	4/4
Mr. W. A. Kelum Kumara (Resigned w.e.f. 15/12/2023)	2/2

Mr. L. Uralagamage	4/4
Mrs. S. Amarasekera, PC** (Appointed w.e.f. 03/01/2024)	2/2
Mr. M. J. S. Rajakariar** (Appointed w.e.f. 03/01/2024)	2/2
Dr. N. S. J. Nawaratne* (Appointed w.e.f. 03/01/2024)	2/2

* Non-Executive Director

** Independent Non-Executive Director

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.

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.

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 Four 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 Company formally appointed its own Nominations and Governance Committee on 2nd February 2024. Until such time the Nominations and Governance Committee of Hayleys PLC, the Parent Company functioned as the Committee of the Company. The Board decides on the appointments based on the recommendations made by the Committee.

Re-election of Directors

The provisions of the Company’s Articles require a Director appointed by the Board to hold office until the next Annual General Meeting, and seek re-election by the shareholders at that meeting. The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment/re-appointment. Retiring Directors are generally eligible for re-election.

The Managing Director does not retire by rotation.

Directors who are over seventy years will be reappointed by the shareholders in terms of section 211 of the Companies Act No.07 of 2007.

Remuneration Procedure

The Remuneration Committee of Hayleys PLC, who is the parent of Hayleys Fibre PLC, acted as the Remuneration Committee of the Company until the Company formally appointed its own Remuneration Committee on 2nd February 2024.

Remuneration Committee of Hayleys PLC consists of:

Dr. H. Cabraal, PC** - Chairman
Mr. M. H. Jamaldeen**
Mr. M. Y. A. Perera**
Mr. K. D. G. Gunaratne**
(Appointed w.e.f. 21st April 2023)

Composition of the New Committee

Mr. D. K. De Silva Wijeyeratne** - Chairman
Dr. T. K. D. A. P. Samarasinghe**
Mr. S. C. Ganegoda*

* Non – Executive Director

** Independent Non – Executive Director

The Remuneration Committee recommends the remuneration payable to the 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 7 to the Financial Statements.

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 demand compliance with existing laws and regulations 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 weekly basis to review progress and discuss strategic issues and other important developments that require considerations 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 means 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 shareholder value and provides a total return in excess of the market. It has been the policy of the Board to distribute a reasonable dividend 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 to make more informed decisions.

The Statement of Directors' Responsibilities for the financial statements is given in page 117 of this report.

Management Report

Chairman and Managing Director's Message (pages 22 to 25) and Review of Group Operations (page 51) 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 throughout the year under review and the Risk Management Report is given from pages 98 to 103.

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 a 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:

Mr. D. K. De Silva Wijeyeratne** (Chairman)
Dr. S. A. B. Ekanayake** (Resigned w.e.f. 31/12/2023)
Mr. T. G. Thoradeniya** (Resigned w.e.f. 09/01/2024)
Dr. T. K. D. A. P. Samarasinghe**
Mr. M. J. S. Rajakariar** (Appointed w.e.f. 03/01/2024)

* Non – Executive Director

** Independent Non – Executive Director

The Company carefully selects and trains 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 117.

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

Compliance With CSE Continuing Listing Rules (1st April 2023 to 31st March 2024)

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys' Extent of Adoption
7.6 (i), (ii)	Names of persons who during the financial year were Directors and principal activities during the year	Compliant	Report of the Board of Directors on pages 118 to 121
7.6 (iii), (iv)	Twenty largest Shareholders, float adjusted market capitalization, public holding percentage, no. of public shareholders and minimum required public shareholding	Compliant	Share Information on page 204
7.6 (v)	Directors' and CEO's(MD's) holding in shares	Compliant	Report of the Board of Directors on page 119
7.6.(vi)	Material foreseeable risk factors of the entity	Compliant	Risks and Opportunities on pages 98 to 103
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Compliant	Human Capital on page 78
7.6 (viii)	Extents, locations, valuations, number of buildings	Compliant	Statement of Value of Real Estate on page 161

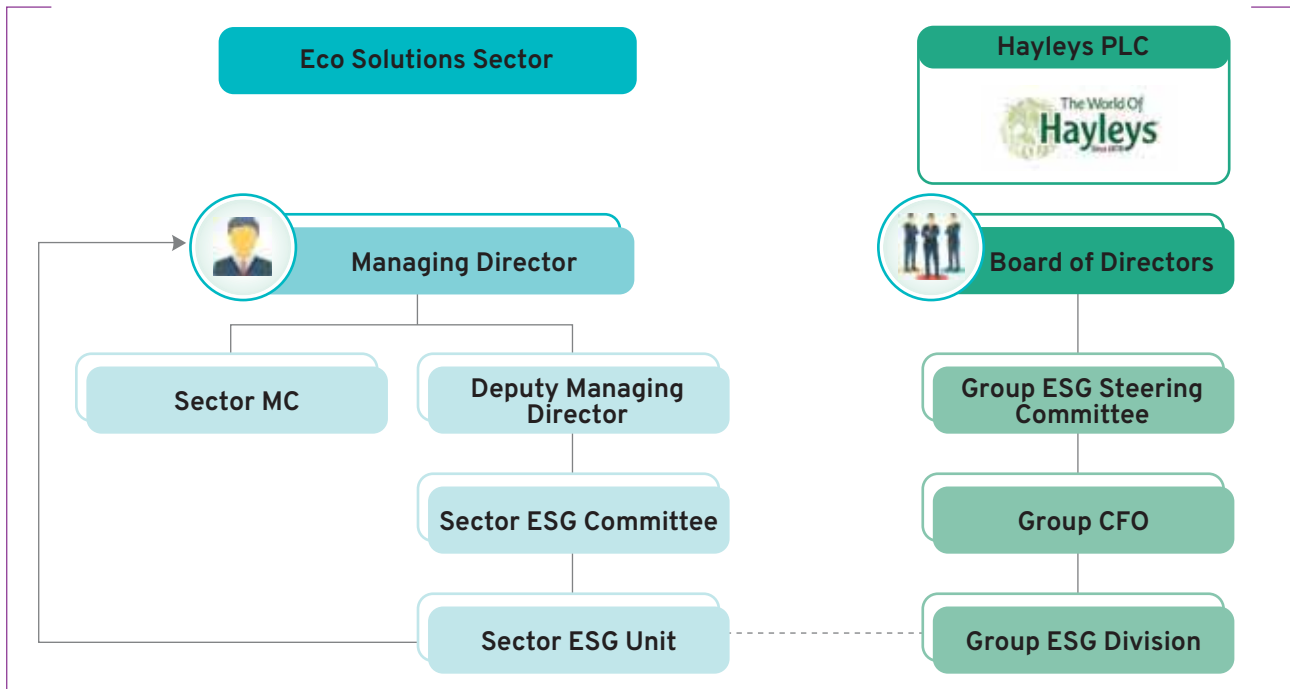
CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys' Extent of Adoption
7.6 (ix)	Number of shares representing the Entity's stated capital	Compliant	Notes to the Financial Statements on page 174
7.6 (x)	Shareholder Distribution Schedule including percentage of total holding in given categories	Compliant	Share Information on page 203
7.6 (xi)	Ratios and Market Price Information		Refer on page 204
7.6 (xii)	Changes in Entity's and subsidiaries fixed assets and market value of land	Compliant	Please refer on pages 159 to 161.
7.6 (xiii)	If during the financial year the entity has raised funds either through a public issue, rights issue or private placement.	N/A	N/A
7.6(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	N/A	
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Listing Rules	Compliant	Corporate Governance Report on pages 104 to 111
7.6 (xvi)	Related party transactions exceeding 10% of Equity or 5% of total assets of the Entity as per audited financial statements, whichever is lower	Compliant	Refer Related party transactions on pages 191 to 192
9.2.1	Policies	Compliant	The Company has established and continues to maintain the policies on Board Committees, Corporate Governance, Nominations, Remuneration, Internal Code of Business Conduct and Ethics (The Hayleys Way), Risk Management and Internal Control, Matters relating to board of Directors and Board Committees (Board Charter), Relations with Shareholders and Investors, Environment, Social Governance and Sustainability (Hayleys Life Code), Whistle Blowing and Anti Bribery and Corruption. The Company is in the process of establishing the other regulatory policies.
9.3	Board Committees	Compliant	The Company has established Nominations and Governance Committee, Remuneration Committee, Audit Committee and Related Party Transactions Review Committee
9.3.3	Chairperson of Board Committees	Compliant	Chairperson of Board Committees is not the Chairperson of the Board
9.4.1	Meeting Procedures	Compliant	Company maintains records of all resolutions passed at General Meetings.
9.4.2	Communication and Relations with shareholders	Compliant	The Company has a Shareholder Communication and Relations policy and it is published on the corporate website. The contact person is mentioned. The policy includes a process whereby Directors are informed of major issues and concerns of shareholders.
9.5.	Policy on matters relating to the Board of Directors	Compliant	The Company maintains a Policy on Matters relating to the Board of Directors.

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys' Extent of Adoption
9.6.2	Chairperson and CEO	Compliant	The Chairperson and CEO/MD is not the same person.
9.6.3	Senior Independent Director	Compliant	The Company has a Senior Independent Director since the Chairperson is an Executive Director.
9.6.3. (b)	Senior Independent Director	Compliant	The SID holds a meeting once a year with the Independent Directors without the presence of other Directors to discuss matters and concerns relating to the Company.
9.6.3. (c)	Senior Independent Director	Compliant	The SID holds a meeting once a year with the Non Executive Directors without the presence of the Chairperson to appraise the Chairperson's performance.
9.6.3. (e)	Senior Independent Director	Compliant	The SID has made a disclosure demonstrating the effectiveness of duties of the SID in page 125
9.7.1	Fitness of Directors and CEO	Compliant	The Company ensures that the persons recommended by the Nominations and Governance Committee fulfill the assessment criteria set out in the Listing Rules
9.7.4	Fitness of Directors and CEO	Compliant	The Directors and the CEO have provided the declaration confirming that they satisfy the Fit and Proper Assessment Criteria during the financial year and as at the date of such confirmation.
9.8.1	Minimum number of Directors	Compliant	The Board consisted of 12 Directors up to 31st March 2024.
9.8.2	Independent Directors	Compliant	Four Directors are Independent
9.8.3	Independent Directors	Compliant	All NEDs have submitted their confirmations on Independence as per the criteria set by Company, which is in line with the regulatory requirements.
9.8.5	Disclosure relating to Directors	Compliant	Each ID signed and submitted a declaration regarding his/her independence. The Board assessed the independence declared by the Director.
9.10.(1)	Disclosure relating to Directors		The Policy on maximum number of directorships a director can hold in listed companies is Twenty (20).
9.10.2	Disclosure relating to Directors	Compliant	Disclosed the appointments of new Directors to the Colombo Stock Exchange, together with a brief resume of Director, capacity of directorship and if they hold any relevant interest in shares of the Listed Entity. Appointments are reviewed by the Nominations and Governance Committee and recommended to the Board. Please refer pages 6 to 11 for the brief resume of each Director.
9.10.3	Disclosure relating to Directors	Compliant	All changes to Board Committees were immediately informed to the Colombo Stock Exchange.
9.10.4	Disclosure relating to Directors	Compliant	Pages 6 to 11 of the Annual Report contains the relevant information
9.11.1-3	Nominations and Governance Committee	Compliant	Refer the Nominations and Governance Committee Report on pages 123 to 124

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys' Extent of Adoption
9.11.4	Composition of the Nominations and Governance Committee	Compliant	The Nominations and Governance Committee comprises 3 Independent Non Executive Directors. Current committee of the company comprises 2 Independent Non-Executive Directors and 1 Non-Executive Director Refer the Nominations and Governance Committee Report on pages 123 to 124
9.11.5	Functions of the Nominations and Governance Committee	Compliant	Refer the Nominations and Governance Committee Report on pages 123 to 124
9.12.1	Remuneration Committee	Compliant	Refer the Remuneration Committee Report on page 114
9.12.7	Functions of Remuneration Committee	Compliant	The remuneration Committee recommends the remuneration payable to the Executive Directors and the CEO.
9.12.8	Disclosure in the Annual Report relating to Remuneration Committee	Compliant	The remuneration paid to Directors is given in note 7 to the financial statements on page 156
9.13.1	Composition of Audit Committee	Compliant	Refer Audit Committee Report on pages 115 to 116
9.13.4	Audit Committee Functions	Compliant	
9.13.5	Disclosure in the Annual Report relating to Audit Committee	Compliant	
9.14.2	Composition of the Related Party Transactions Review Committee (RPTRC)	Compliant	RPTRC comprises 3 Directors out of which 2 Directors are Independent. Please see the Report of the Related Party Transaction Review Committee in pages 112 to 113
9.14.3	Functions of RPTRC	Compliant	Please refer the Report of the Related Party Transaction Review Committee in pages 112 to 113
9.14.4	RPTRC Meetings	Compliant	RPTRC met 04 times during the Financial year 2023/24
9.14.7	Immediate Disclosures	Compliant	Please refer Note 37 of the Notes to the Accounts on pages 191 to 192
9.14.7	Disclosure of Non-Recurrent and Recurrent Related Party Transactions	Compliant	Please refer Note 37 of the Notes to the Accounts on pages 191 to 192
9.14.8	The Report by the Related Party Transaction Review Committee	Compliant	Please refer the Report of the Related Party Transaction Review Committee on pages 112 to 113
9.14.8 (4)	An affirmative declaration by the Board of Directors	Compliant	Please refer the Annual Report of Board of Directors for an affirmative statement of compliance of the Board on pages 118 to 121
9.16	Additional Disclosures	Compliant	Please refer the Report of the Board of Directors on pages 118 to 121

ESG Governance

The effective ESG governance of the group is supported by a clearly defined governance structures, a comprehensive suite of policies and reporting lines supporting the integration of the Sector's ESG strategy to existing functions and decision-making processes. As demonstrated graphically below, the Sector Management Committee (Sector MC), headed by the Managing Director holds oversight responsibility for the Sector's ESG strategy. The Sector ESG Committee is tasked with supporting the Sector MC in this responsibility and oversees the implementation, effective monitoring and reporting of progress against targets while also identifying emerging sector-level ESG risks and opportunities.



Sector ESG Committee

The Committee is headed by the Deputy Managing Director, who is also a member of Hayleys Eco Solutions’s Sector Management Committee. It comprises representatives from diverse functions across the Sector including Finance, Procurement, Human Resources, Quality Management and Marketing. The mandate of the Committee includes the following:

- Provide oversight and monitor the execution of the Sector’s ESG Roadmap-Entwine including progress against environmental, social and governance targets in the short, medium and long-term
- Identify ESG related risks, opportunities and impacts and recommend the implementation of appropriate measures to effectively address these dynamics
- Review and provide guidance on ESG related policies and programmes required to drive the Sector’s ESG strategy
- Review and approve the Sector’s stakeholder engagement strategy which allows management to identify, understand and respond to stakeholders’ legitimate concerns.
- Receive updates at least quarterly or as and when required, on ESG matters including progress against targets, KPIs and strategy implementation.
- Review, approve and make recommendations in respect of sustainability and ESG factors in the corporate reporting and external communications.
- Review emerging trends and issues in the ESG areas and assess potential impact on the Sector

Sector ESG Unit

The Sector’s ESG Unit is responsible for the ground-level actioning in collaboration with relevant internal and external stakeholders. The unit’s responsibilities include tracking, monitoring and reporting relevant ESG metrics to the ESG Committee and to Hayleys, providing qualitative and quantitative information across the organisation to support ESG integration, formulating and driving strategic ESG initiatives across the Sector and providing feedback to the Sector ESG Committee on ESG performance, emerging risks and opportunities and areas for potential improvement among others.

Monitoring Progress

Progress against internal ESG related goals and targets will be monitored on a monthly basis. Environmental and social performance is tracked, collated and monitored through the Hayleys CUBE- the Group’s non-financial information reporting system. Performance is reported to the Sector ESG Committee and Sector MC on a quarterly basis. Performance is also monitored by the Hayleys Group ESG Division on quarterly basis, which in turn reports Sector and Group-level performance to the Hayleys Group ESG Steering Committee and the Group Management Committee.

Related Party Transactions Review Committee Report

The Related Party Transaction Review Committee (RPTRC) of Hayleys PLC, the parent Company, functioned as the RPTRC until the Company established its own Related Party Transactions Review Committee on 2nd February 2024 in terms of Section 9.14 of the Listing Rules of the Colombo Stock Exchange.

The RPTRC of the Parent Company as well as the RPTRC of the Company complies with the rules and regulations promulgated by the Securities and Exchange Commission of Sri Lanka, the Listing Rules of the Colombo Stock Exchange and the 2023 Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

Composition of the RPTRC of the Parent Company and Attendance

The Related Party Transactions Review Committee (RPTRC) of the Parent Company comprises two Independent Non-Executive Directors and one Executive Director.

Parent Company's Committee attendance :

Director	Attendance
Dr. H. Cabral, PC (Chairman) **	3/3
Mr. M. Y. A. Perera **	3/3
Mr. S. C. Ganegoda	3/3

** Independent Non-Executive Director

On 2nd February 2024, the Company established its own RPTRC comprising two Independent Non-Executive Directors and one Non Executive Director. The Composition and attendance is given below:

Director	Attendance
Mr. D. K. De Silva Wijeyeratne (Chairman) **	1/1
Dr. T. K. D. A. P. Samarasinghe **	1/1
Mr. S. C. Ganegoda *	1/1

** Independent Non-Executive Director

*Non-Executive Director

The Chairman, the Group Chief Financial Officer, and any other Officers as may be required by the Committee attend the meetings by invitation.

The Company Secretaries act as the Secretaries to the Committee. The minutes of the RPTRC meetings are tabled at the Board meetings thereby providing all Directors access to the deliberations of the Committee.

The Responsibilities of the Committee

- To review in advance all proposed related party transactions of the Group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the Company are transacted on normal commercial terms and ensure that there is no 'more favourable treatment' given to related parties which may be prejudicial to the interests of the Company/ Group and its minority shareholders.
- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.
- To ensure that there is an adequate and effective process in place to capture information which is relevant to its review function

Task of the Committee

- The Committee reviewed the related party transactions and their compliances of Hayleys Fibre PLC and communicated the same to the Board.
- The Committee in its review process recognized the adequacy of the content and quality of the information forwarded to its members by the management.

Disclosures

A detailed disclosure of all the related party transactions including recurrent and non-recurrent related party transactions which are required to be disclosed under section 9.14.8 of the Listing Rules of the Colombo Stock Exchange has been made in note 37 to the financial statements given in pages 191 to 192 to this report.



D. K. De Silva Wijeyeratne

Chairman

Related Party Transactions Review Committee

8th May 2024

Remuneration Committee Report

Hayleys Fibre PLC
Annual Report 2023/24

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GRI 2-19, 2-20, 2-21

The Company formally appointed its own Remuneration Committee on 2nd February 2024. Until such time, the Remuneration Committee of the Parent Company Hayleys PLC functioned as the Remuneration Committee to the Company.

Composition of the Parent Company

Dr. H. Cabral, PC** – Chairman
Mr. M. Y. A. Perera**
Mr. M. H. Jamaldeen**
Mr. K. D. G. Gunaratne** (Appointed w.e.f. 21st April 2023)

Composition of the New Committee

Mr. D. K. De Silva Wijeyeratne** - Chairman
Dr. T. K. D. A. P. Samarasinghe**
Mr. S. C. Ganegoda*

* Non-Executive Director

** Independent Non-Executive Director

The Chairman assists the Committee by providing relevant information and participating in its analysis and deliberations, except when his own compensation package is reviewed.

The Committee of the Parent Company met twice during the year where all the members attended.

Duties of the Remuneration Committee

The Committee vested with power to evaluate, assess, decide, and recommend to the Board of Directors on any matter that may affect Human Resources Management of the Company and the Group and specifically include:

- Determining the compensation of the Chairman and Chief Executive, Executive Directors and the Members of the Group Management Committee.
- Lay down guidelines and parameters for the compensation of all Management staff within the Group taking into consideration industry norms.
- Formulate guidelines, policies, and parameters for the compensation of all Executive staff of the Company.
- Review information related to executive pay from time to time to ensure same is par with the market/industry rates.
- Evaluate the performance of the Chairman and Chief Executive and Key Management Personnel against the pre-determined targets and goals.

- Assess and recommend to the Board of Directors of the promotions of the Key Management Personnel and address succession planning.
- Approving annual salary increments and bonuses.

The aggregate remuneration of the Executive and Non Executive Directors for the Financial Year amounted to Rs. 76 million.

Remuneration Policy

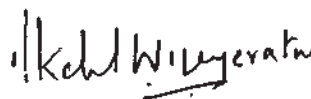
The remuneration policy is to attract, motivate and retain highly qualified and experienced workforce, and reward performance accordingly in the backdrop of industry norms. These compensation packages provide compensation appropriate for each business within the Group and commensurate with each employee's level of expertise and contributions, bearing in mind the business' performance and shareholder returns.

Activities In 2023/24

During the year the Committee of the Parent Company reviewed the performance of the Chairman, the Managing Director and Executive Directors based on the targets set in the previous year and determined the bonus payable and the annual increments if any.

Reviewed Executives' compensation and implemented market corrections to Executives total compensation in line with market median.

Recommended the bonus payable and annual increments if any, to be paid to executive and non-executive staff based on the ratings of the Performance Management System.



D. K. De Silva Wijeyeratne
Chairman
Remuneration Committee

8th May 2024

Composition of the Audit Committee

The Audit Committee, appointed by and responsible to the Board of Directors, comprises the following three Independent Non-Executive Directors.

Mr. D. K. De Silva Wijeyeratne (Chairman)
Dr. T. K. D. A. P. Samarasinghe
Mr. M. J. S. Rajakariar (appointed on 3rd January 2024)

Brief profiles of each member are given on pages 6 to 11 of this report. Their individual and collective financial knowledge and business acumen and the independence of the Committee are brought to bear on their deliberations and judgments on matters that come within the Committee's purview.

Hayleys Group Services (Private) Limited, Secretaries of the Company act as the Secretary to the Committee. The Chairman, Group Chief Financial Officer and Head – Group Management Audit & System Review attend all the meetings of the Committee by invitation.

Charter of the Audit Committee

The Audit Committee Charter is periodically reviewed and revised with the concurrence of Board of Directors to make sure that new developments relating to the function of the Committee are included. The Charter of the Committee was last reviewed and approved by the Board in November 2023. The terms of reference of the Committee are clearly defined in the Charter of the Audit Committee.

The 'Rules on Corporate Governance' under listing rules of Colombo Stock Exchange and 'Code of Best Practice on Corporate Governance' issued by Institute of Chartered Accountants of Sri Lanka in 2023, regulate the functions of the Audit Committee.

Meetings of the Audit Committee

The Committee met 4 times during the 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** (resigned w.e.f. 31/12/2023)	2/2
Mr. T. G. Thoradeniya** (resigned w.e.f. 31/12/2023)	0/2
Dr. T. K. D. A. P. Samarasinghe**	4/4
Mr. M. J. S. Rajakariar (appointed w.e.f.03/01/2024)	2/2

Other members of the Board and the Group Management Committee, as well as the External Auditors were present at discussions where it was appropriate. The proceedings of the Audit Committee are regularly reported to the Board of Directors.

The Authority of the Audit Committee

- Recommend appointment, dismissal, service period and audit fee of the external auditors.
- The audit committee shall establish and maintain a direct communication channel with the external auditors.
- Resolve any issues regarding financial reporting between the management and the external auditor.
- Pre-approve all auditing and non-audit services performed by the external audit firm and internal audit service providers.
- Seek any information it requires from employees or external parties relating to investigations.
- Meet with the management, external auditors as necessary to carry out the assigned duties.

Activities in 2023/24

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 Financial Reporting Standards. The methodology included obtaining statements of compliance from Heads of Finance and Directors-in-charge of operating units. The Committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee, in its evaluation of the financial reporting system, also recognized the adequacy of the content and quality of routine management information reports forwarded to its members.

Internal Audits

The Committee reviewed the process to assess the effectiveness of the Internal Financial Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements.

The Group Management Audit & Systems Review Department reports on key control elements and procedures in Group companies that are selected according to a group annual audit plan. Obtained significant findings and recommendations together with management's responses of the review of the internal controls carried out by internal auditors and provide recommendations for improvement.

Follow up reviews were scheduled to ascertain that audit recommendations are being acted upon.

The Committee evaluated the Internal Audit Function covering key areas such as scope, quality of internal audits, independence and resources. The Committee appraised the independence of the Group Management Audit and System Review Department MA&SRD and other internal auditors, in the conduct of their assignments.

Risk Management

The committee obtained and reviewed statements from the Heads of Business Units identifying their respective major Business risks, mitigatory action taken or contemplated for management of these risks. The COSO Enterprise Risk Reporting Process is presently being implemented within the Group.

The Audit Committee also conducted ESG risk assessments during the year, thereby identifying, prioritizing and monitoring sustainability-related-risks and opportunities.

Review of the risk management, internal controls, business continuity planning and information security systems are carried out and appropriate remedial actions are recommended to the Board.

External Audits

The Committee held meetings with the External Auditors to review the nature, approach, scope of the audit and the Audit Management Letters of Group Companies. Actions taken by the management in response to the issues raised, as well as the effectiveness of the internal controls in place, were discussed with the Heads of Business Units. Remedial actions were recommended wherever necessary.

The Audit Committee has reviewed the other services provided by the External Auditors to the Group to ensure that their independence as Auditors has not been compromised.

Appointment of External Auditors

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young., continued as Auditors for the financial year ending 31st March 2025 after evaluating the scope, delivery of the audit, resources and the quality of the assurance initiatives taken during the year FY 2023/24.

Compliance

The Committee obtained representations from the MD and CFO on the adequacy of provisions made for possible liabilities and reviewed reports tabled by Group Companies certifying their compliance with relevant statutory requirements. Further, the

Committee obtained regular updates from Head of HR and Legal regarding compliance matters.

Ethics and Good Governance

The Committee continuously emphasized on upholding ethical values of the staff members. In this regard, Code of Ethics, Whistle-Blowers Policies and Anti-corruption policies were put in place and followed educating and encouraging all members of the staff. All appropriate procedures are in place to conduct independent investigations into incidents reported through Whistle- Blowing or identified through other means. The Whistle-Blower Policy guarantees strict confidentiality of the identity of the Whistle-Blowers.

Sri Lanka Accounting Standards

Committee reviewed the revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the Group Companies and made recommendation to the Board of Directors.

Progress of Implementation of SLFRS:

The Committee continuously monitored the progress of implementation of SLFRS as per the requirements of Sri Lanka Accounting Standards.

The Committee would continue to monitor the compliance with relevant Accounting Standards and keep the Board of Directors informed at regular intervals.

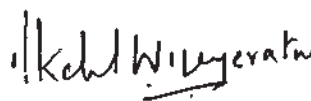
The Committee has pursued the support of Messers Ernst and Young to assess and review the existing SLFRS policies and procedures adopted by the Group.

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.

Evaluation of the Committee:

An independent evaluation of the effectiveness of the Committee was carried out by the other members of the Board during the year. Considering the overall conduct of the Committee and its contribution on the overall performance of the Group, the Committee has been rated as highly effective.



D. K. De Silva Wijeyeratne
Chairman
Audit Committee

8th May 2024

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 frauds and other irregularities.

The Directors are also required to ensure that company has adequate resources to continue in operations to justify applying the going concern basis in preparing these financial statements.

The External Auditors, Messrs Ernst & Young, Chartered Accountants who were re-appointed in terms of the Companies Act were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on pages 129 to 132 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

8th May 2024

Annual Report of the Board of Directors on the Affairs of the Company

Hayleys Fibre PLC
Annual Report 2023/24

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GRI 2-15

The Directors of Hayleys Fibre PLC are pleased to present their report together with the audited Financial Statements of the Company and of the Group for the year ended 31st March 2024.

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 Bonterra Limited 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.

There were no material changes in the nature of the business of the Company and the Group during the Financial Year.

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

Review of the Year

The Chairman and Managing Director's Message (pages 22 to 25) and Review of Business Operations (page 51) 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 and Auditors' Report

The Financial Statements of the Group and the Company are given on pages 133 to 139 in the Annual Report.

The Auditors' Report on the financial statements is given on pages 129 to 132.

Accounting Policies

The accounting policies adopted in the preparation of financial statements are given on pages 140 to 154. There were no changes in the accounting policies adopted by the Group.

Property, Plant and Equipment

Information relating to the movement in Property, Plant and Equipment is given in note 11 to the Financial Statements.

Changes in Fixed Assets

The movement in fixed assets during the year is set out in note 11 to the Financial Statement.

Investments

Details of investments held by the Company and by the Group are given in note 15 to the Financial Statements.

Employees and Industrial Relations

There have been no material issues pertaining to employees and industrial relation of the Company during the Financial Year. The number of persons employed by the Group was 537.

Directorate

The names of the Directors who held office during the financial year are given below and their brief profiles appear on pages 6 to 11.

Executive Directors

1. Mr. A. M. Pandithage (Chairman)
2. Mr. H. S. R. Kariyawasan (Deputy Chairman)
3. Mr. M. M. A. R. P. Goonetilleke (Managing Director)
4. Mr. L. A. K. I. Kodytuakku (Deputy Managing Director)
5. Mr. M. C. Sampath
6. Mr. L. Uralagamage
7. Mr. W. A. K. Kumara (Resigned w.e.f. 15/12/2023)

Non-Executive Directors

8. Mr. S. C. Ganegoda
9. Dr. N. S. J. Nawaratne (Appointed w.e.f. 03/01/2024)

Independent Non-Executive Directors

10. Dr. T. K. D. A. P. Samarasinghe
11. Mr. D. K. De Silva Wijeyeratne
12. Mr. M. J. S. Rajakariar (Appointed w.e.f. 03/01/2024)
13. Mrs. S. Amarasekera, P. C. (Appointed w.e.f. 03/01/2024)
14. Dr. S. A. B. Ekanayake (Resigned w.e.f. 31/12/2023)
15. Mr. T. G. Thoradeniya (Resigned w.e.f. 09/01/2024)

With a view of improving the collective effectiveness and performance of the Board, Board and sub committee evaluations were carried out during the year including an assessment of the systems and processes which are in place.

In terms of Article 29(1) of the Articles of Association of the Company, Messrs. L. Uralagamage, S. C. Ganegoda and Dr. T. K. D. A. P. Samarasinghe retire by rotation and being eligible offer themselves for re-election.

Notice has been given of the intention to propose an ordinary resolution in terms of Section 211 of the Companies Act No. 07 of 2007 ('Companies Act') for the re-appointment of Mr. A.M.

Pandithage who has attained the age of 73 years, resolving that the age limit of 70 years stipulated in Section 210 of the Companies Act shall not apply to him.

Corporate Governance

The Company has complied with the revised Corporate Governance rules laid down under the listing rules of the Colombo Stock Exchange and the recommendations provided in the Code of Best Practice on Corporate Governance 2023, issued by the Institute of Chartered Accountants of Sri Lanka. The Corporate Governance Report on pages 104 to 111 discusses this further.

Mr. D. K. De Silva Wijeyeratne was appointed as the Senior Independent Director on 1st November 2023 in accordance with the Corporate Governance requirements. The Board was of the opinion that Mr. A.M. Pandithage should remain as the Executive Chairman of the Company due to his extensive experience, deep insights and domain knowledge evidenced through the leadership provided to the Group. Please refer the Senior Independent Director's Report on page 125.

The Directors and the CEO/MD satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange. There were no non-compliances by any Director or CEO/MD during the financial year. The Directors have declared all material interests in contracts involving the Company and the Group and they refrain from voting on matters in which they have a material interest. The Board has updated themselves with the applicable laws, rules and regulations and are aware of the changes to the Listing Rules and other regulatory requirements.

There have been no non-compliance with laws or regulations and the Directors to the best of their knowledge and belief confirm that the Company nor the Group have engaged in any activity that contravenes applicable laws and regulations. There have been no material fines imposed on the Company and the Group by the Government or any regulatory authority in any jurisdiction where the Group companies operate.

Interest Register

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

Director's Interest in Transactions

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

Directors' Shareholdings

	As at 31/03/2024	As at 01/04/2023
Mr. A. M .Pandithage	960	960
Mr. H. S. R. Kariyawasan	Nil	Nil
Mr. M. M. A. R. P. Goonetilleke	Nil	Nil
Mr. L. A. K. I. Kodytuakku	Nil	Nil
Dr. S. A. B. Ekanayake (Resigned w.e.f. 31/12/2023)	-	Nil
Mr. S. C. Ganegoda	1,824	1,824
Mr. T. G. Thoradeniya (Resigned w.e.f. 09/01/2024)	-	Nil
Dr. T. K. D. A. P. Samarasinghe	Nil	Nil
Mr. D. K. De Silva Wijeyeratne	Nil	Nil
Mr. M. C. Sampath	Nil	Nil
Mr. W. A. K. Kumara (Resigned w.e.f. 15/12/2023)	-	Nil
Mr. L. Uralagamage	Nil	Nil
Mr. M. J. S. Rajakariar (Appointed w.e.f. 03/01/2024)	Nil	Nil
Mrs. S. Amarasekera, PC (Appointed w.e.f. 03/01/2024)	Nil	Nil
Dr. N. S. J. Nawaratne (Appointed w.e.f. 03/01/2024)	Nil	Nil

Director's Interest in Shares

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

Director's Remuneration

The total emoluments of Executive Directors for the year ended 31st March 2024 was Rs. 71.94 million (2022/2023 Rs. 68.04 million) determined according to scales of payment decided upon by the Board.

The total fees of Non-Executive Directors for the year ended 31st March 2024 was Rs. 3.82 million (2022/2023 RS. 2.46 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.

Annual Report of the Board of Directors on the Affairs of the Company

Hayleys Fibre PLC
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Board subcommittees

Other than the Audit Committee of the Company, the Parent Company's Sub Committees acted as the Remuneration Committee, Nominations and Governance Committee and Related Party Transactions Review Committee of the Company until the Company established its own Sub Committees on 02nd February 2024. Please refer the Sub Committee Reports on page numbers 114,123 and 112 respectively.

Related Party Transactions

The related party transactions of the Company during the financial year were reviewed by the Related Party Transactions Review Committee of Hayleys PLC, the parent Company which acted the Related Party Transactions Review Committee of Hayleys Fibre until the Company formed its own Related Party Transaction Review Committee on 2nd February 2024. Please refer the Related Party Transaction Committee Report on pages 112 to 113.

The related party transactions were reviewed by the Related Party Transactions Review Committee on a quarterly basis in compliance of the Listing Rules of the Colombo Stock Exchange.

Details of the Related Party Transaction Review Committee are given on pages 112 to 113 in the annual report.

ESG Risk and Opportunity

The Group's approach to embed environmental, social and governance (ESG) considerations across its business which includes efforts to conserve scarce and non-renewable resources, as well as its environmental objectives and key initiatives and social aspirations are describes in the Natural Capital.

Remuneration Committee

The Remuneration Committee of the parent Company, Hayleys PLC functioned as the Remuneration Committee of the Company and conforms to the requirements of the Listing Rules of CSE. The Report of the Remuneration Committee is given on page 114.

The Company formally appointed its own Remuneration Committee on 2nd February 2024.

Nominations and Governance Committee

The Nominations and Governance Committee of the parent Company, Hayleys PLC functioned as the Committee of the Company and conforms to the regulatory requirements.

The Company formally appointed its own Nominations and Governance Committee on 2nd February 2024.

Corporate Donations

No Donations were made during the year. (2022/2023 - Nil)

Directors' Indemnity and Insurance

The 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.

Group Revenue/International Trade

The gross revenue of the Group during the year was Rs. 5,125 million (2022/2023 - Rs. 4,389 million) of which Rs. 3,956 million (2022/2023 - Rs. 3,285 million) was exported by the Group.

Results of Operations

The Group profit before taxation amounted to Rs. 133 million. After deducting Rs. 74 million for taxation, the Group profit attributed to equity holders of the Group for the year was Rs. 58 million. The Group's Statement of Profit or Loss for the year is given on page 133. Details of transfer to/from reserves in respect of the Group are shown in the Statement of Changes in Equity on page 136.

Material Foreseeable Risk Factors

Details of material foreseeable risk factors and the risk management measures in place are given in pages 101 to 103 and pages 184 to 190.

Capital Expenditure

Purchase and construction of property, plant & equipment during the year amounted to Rs. 178 million. The movement in property, plant & equipment is set out in note 11 to the financial statements.

Share Capital and Reserves

The stated capital of the Company is Rs. 80 million comprising 24,000,000 ordinary shares. The Group revenue reserves as at 31st March 2024 amounts to Rs. 1,157 million (2022/2023 - Rs. 1,184 million), other component of equity Rs. 110 million (2022/2023 - Rs. 94 million) and other reserves of Rs. 51 million (2022/2023 -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 8 of the financial statements.

Share Information

Information relating to earnings, dividends and dividends per share is given in notes 9 and 10 to the Financial Statements and on the page 158.

Shareholders Distribution & Public Shareholding

The distribution of shareholders is indicated on page 203 in the Annual Report. There were 5,167 registered shareholders as

at 31st March 2024. The percentage of the shares held by the public as at 31st March 2024 was 34.99%, representing 5,164 shareholders. Movement in share price during the year is given in page 204.

Shareholders

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

Policies

The Company has adopted the policies established by the Parent Company on Matters relating to the Board of Directors and Board Committees, Corporate Governance, Nominations and Re-election, Remuneration, Risk Management and Internal Control, Whistleblowing and Anti-Bribery and Corruption. 'The Hayleys Way' serves as the Internal Code of Business conduct and Ethics for all Directors, Key Management Personnel and other employees. The 'Hayleys Lifecode' includes a suite of environmental, social and governance related policies which are applicable across the Group. The Company is in the process of formulating the other required policies

Internal Controls

The Directors acknowledge their responsibility for the Group's system of internal control. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records, reliability of financial information generated and cyber security.

All internal controls which include financial controls, operational and compliance controls and risk management have been reviewed by the Board of Directors and they have obtained reasonable assurance of the effectiveness of the existing controls. The successful adherence to existing controls has been ascertained and improvements have been carried out where necessary. The Board is satisfied with the Group's adherence to and the effectiveness of these controls

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.

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.

Events Occurring After The Balance Sheet Date

Events occurring after the reporting date are given in the note 35 to the Financial Statements on page 184.

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. 2.66 million (2022/2023 Rs. 2.41 million) and Rs. 3.95 million (2022/2023 Rs. 3.55 million) as audit fees by the Company and the Group respectively. In addition, they were paid Rs. 0.85 million (2022/2023 Rs. 0.67 million) and Rs. 1.02 million (2022/2023 Rs. 1.04 million), by the Company and the Group respectively, for non-audit related work, which consisted mainly of tax consultancy services. As far as the Directors are aware, the Auditors do 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, have expressed their willingness to continue in office and in accordance with the Companies Act a resolution proposing the re- appointment of Messrs. Ernst & Young, Chartered Accountants as Auditors, and to authorize the Directors to determine their remuneration is being proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at the Registered Office of the Company, No. 400, Deans Road, Colombo 10, Sri Lanka at 1.00 p.m. on Thursday, 27th June, 2024. The Notice of the Annual General Meeting appears on pages 205 to 206.

For and on behalf of the Board.



Mohan Pandithage
Chairman



Rajeeve Goonetilleke
Managing Director



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

8th May 2024

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 2024, 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 that the established policies and procedures of the Company have been consistently followed were provided by periodic audits conducted by Group's Internal Auditors. 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. Their report is given on pages 129 to 132 of the Annual Report.

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.



Mohan Pandithage
Chairman/Chief Executive



Rajeeve Goonetilleke
Managing Director



Chaminda Sampath
Director/Chief Financial Officer

8th May 2024

Nominations and Governance Committee Report

The Company formally appointed its own Nominations and Governance Committee on 2nd February 2024. Until such time the Nominations and Governance Committee of Hayleys PLC, the Parent Company functioned as the Committee of the Company.

Composition of the new committee

Mr. D. K. De Silva Wijeyeratne** - Chairman

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

Mr. S. C. Ganegoda*

The Committee of the Company met once where all the members participated.

Hayleys PLC Attendance at Committee Meetings

Director	Attendance
Mr. A.M. Pandithage (resigned on 1st November 2024 as Chairman of the Committee)	7/7
Dr. H.C. Cabral ** (was appointed on 1st February 2024 as Chairman of the Committee)	10/10
Mr. M.Y.A. Perera **	10/10
Mr. K.D.G. Gunaratne ** (was appointed to the Committee on 1st November 2024)	3/3

*Non Executive Director

**Independent Non-Executive Director

Duties of the Nominations and Governance Committee

- The Nominations and Governance Committee evaluates and recommends the appointment of Directors to the Board and Committees considering the required skills, experience and qualifications necessary.
- Consider and recommend (or not recommend) the re-election of current directors taking into account the combined knowledge, experience, performance and contribution made by the Director to meet the strategic demands of the Company and the discharge of the Boards overall responsibilities and the number of directorships held by the Director in other listed and unlisted companies and other principle commitments.
- Establish and maintain a formal and transparent procedure to evaluate, select and appoint / re-appoint Directors of the Company.

- Establish and maintain a set of criteria for selection of Directors such as academic / professional qualifications, skills, experience and key attributes required for eligibility taking into consideration the nature of the business of the Company and industry specific requirements.
- Establish and maintain a suitable process for the periodic evaluation of the performance of Board Directors and the CEO of the Company to ensure their responsibilities are satisfactorily discharged.
- Consider if a Director is able to and has been adequately carrying out his or her duties as a Director, taking in to consideration the number of Listed Company Boards on which the Director is represented and other principal commitments.
- Develop succession plans for Board of Directors and Key Management Personnel.
- Review and recommend the overall corporate governance framework of the Company taking into account the Listing Rules and other applicable regulatory requirements and industry best practices. Review and update the corporate governance policies/ framework in line with regulatory and legal developments relating to same.
- Receive reports from the Management on compliance of the corporate governance framework of the Company including the Company's compliance with provisions of the SEC Act, Listing Rules of the Colombo Stock Exchange and other applicable laws and reasons for any deviations or non-compliances.

Disclosure of Activities

The Board performance evaluation has been carried out and discussed at Board meetings. Any major issues relating to the Company are updated to the Independent Directors by the Chairman or Managing Director. Special Board meetings are called if the need arises to discuss an important or critical matter with the Board.

Newly appointed Directors are given an induction to the Company prior to their first Board meeting. The orientation programme includes inviting the Directors to the manufacturing facilities to gain an understanding of the operations of the Company and its subsidiaries. Requirements as per the Listing Rules and applicable rules and regulations are informed to the new Directors. Existing Directors are regularly updated with corporate governance requirements, Listing Rules and other applicable laws.

Non-Executive Directors have submitted declarations regarding their independence / non independence. The Board has declared that Directors who have served on the Board for over 9 years are nevertheless independent, after taking into consideration the fact that they do not exert any control over the day to day activities of the Company and are capable of acting in an impartial and independent manner on matters deliberated by the Board.

The fitness and propriety of the Directors were examined.

Re-appointments / Re- elections

One Third (1/3) of the all the directors except the Managing Director, retire by rotation in terms of the Articles of Association and being eligible submit themselves for re-election at the AGM.

Accordingly, the Committee has recommended to re-elect Mr. L. Uralagamage, Mr. S. C. Ganegoda and Dr. T. K. D. A. P. Samarasinghe to the Board at the Annual General Meeting to be held on 27th June 2024, based on their performance and the contribution made to achieve the objectives of the Board.

Mr. L. Uralagamage was appointed to the Board in June 2021, and last re-appointed as a Director in 2022. His directorships and other principal commitments are given in the profile on page 10.

Mr. S. C. Ganegoda was appointed to the Board in November 2009, and last re-appointed as a Director in 2022. His other directorships and other principal commitments are given in the profile on page 7.

Dr. T. K. D. A. P. Samarasinghe was appointed to the Board in September 2017 and last re-appointed as a Director in 2022. His other directorships and other principal commitments are given in the profile on page 9.

Due to the invaluable contribution made to the Board as a result of his many years of experience, industry knowledge and business acumen, the Committee has recommended to re-appoint Mr. A. M. Pandithage who is over seventy years and who retire in terms of Section 210 of the Companies Act No. 7 of 2007.

None of the Directors who are being proposed for re-election or their family members, have any relationship with the Directors of the Company or shareholders having more than 10% of the shares of the Company.

The Corporate Governance requirements stipulated under the Listing Rules of the Colombo Stock Exchange are met by the Company and details are given in pages 107 to 110.



D. K. De Silva Wijeyeratne

Chairman

Nominations and Governance Committee

8th May 2024

Statement by the Senior Independent Director

Profile of Mr. D. K. De Silva Wijeyeratne is given on page 8 of this Report.

In order to comply with Section 9.6.3 of the Listing Rules of the Colombo Stock Exchange, the Board of Directors of the Company designated me as the Senior Independent Director (SID) of the Company with effect from 1st November 2023.

Section 9.6.3 of the Listing Rules and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka provide that in situations where the Chairman and CEO are the same person or where the Chairman is not an Independent Director, a Senior Independent Director (SID) shall be appointed. At Hayleys Fibre PLC although the Chairman is not the CEO, he is not an Independent Director.

Role of the Senior Independent Director

The Senior Independent Director (SID) provides guidance to the Chairman on matters of governance of the Company.

The role of the SID also provides emphasis to transparency on matters relating to governance and calls for a review of the effectiveness of the Board.

The SID makes himself available to any Director or any employee to have confidential discussions on the affairs of the Company, should the need arise.

Activities during the Year

In line with the regulatory requirements, I presided over the following meetings and exercised my voting rights where necessary.

Meetings were held with the Non-Executive Directors without the presence of the Executive Directors. At these meetings the performance of the Chairman and the Executive Directors were appraised.

A meeting was held with only the Independent Directors. Discussions were held on matters relating to the Company and the operation of the Board.

The outcome of these meetings together with recommendations was duly informed to the Chairman and the Board.

The Company follows a policy of strict compliance with mandatory requirements while embracing voluntary adherence, in order to enhance stakeholder acceptance and making a positive impact on value creation.

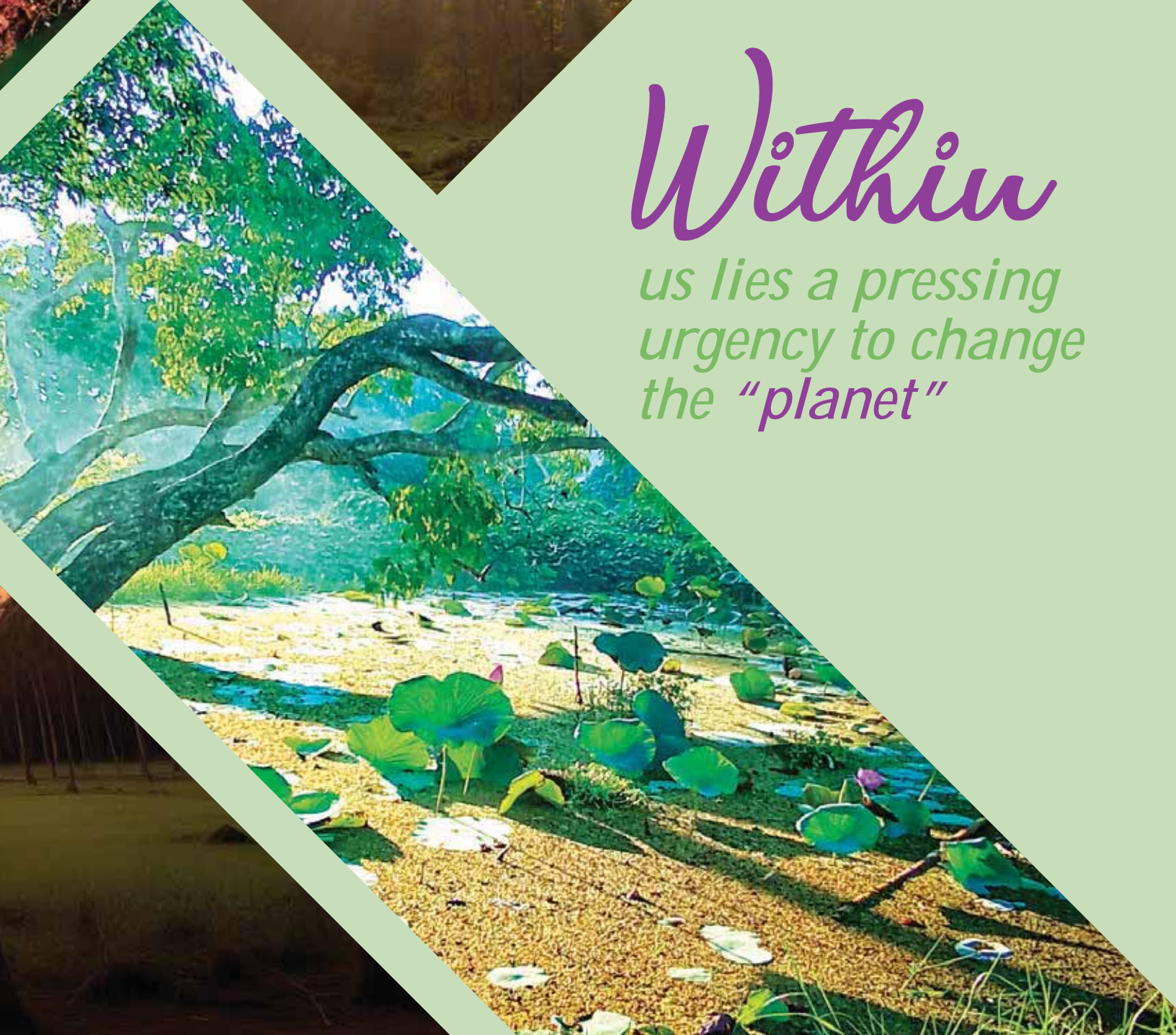
I believe that I have fulfilled the obligations entrusted to the SID in accordance with the Corporate Governance guidelines.



D. K. De Silva Wijeyeratne
Senior Independent Director

8th May 2024





Within
us lies a pressing
urgency to change
the "planet"

Financial Calendar

1st Quarter Report	7th August 2023
2nd Quarter Report	7th November 2023
3rd Quarter Report	2nd February 2024
4th Quarter Report	8th May 2024
Annual Report 2023/2024	3rd June 2024
38th Annual General Meeting	27th June 2024

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Independent Auditor's Report

Hayleys Fibre PLC
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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 subsidiaries (“the Group”), which comprise the statement of financial position as of 31 March 2024, 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 material accounting policy information.

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 of 31 March 2024, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants 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.

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

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

A member firm of Ernst & Young Global Limited

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Report

About the
Company

The Year at
a Glance

Strategic
Focus

Management Discussion
and Analysis

Governance and
Stewardship

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Supplementary
Information

Key audit matter	How our audit addressed the key audit matter
<p>Carrying value of inventories</p> <p>As at 31 March 2024, the carrying value of inventory amounted to Rs. 763 million net of provision of Rs 38 million for slow moving and obsolete inventory as disclosed in Note 17 to the financial statements.</p> <p>We considered the carrying value of inventories as a key audit matter due to:</p> <ul style="list-style-type: none"> the materiality of the reported inventory balance which represented 19% of the Group's total assets as of the reporting date; and significant judgment applied by the management in measuring the quantity of inventories such as the use of estimation techniques to measure the quantity of coir fibre and pith inventories included in raw materials and judgments applied by management in determining provision for slow moving and obsolete inventory, as disclosed in note 2.3.9, 2.4.8 and 17 to the financial statements. 	<p>Our procedures included the following key procedures:</p> <ul style="list-style-type: none"> understood the process involved in the measurement of the inventories observed physical inventory counts and reconciled the count results to the inventory listings compiled by management to support amounts reported as at the period end. As a part of our procedures over measurement of coir fibre and pith inventories, we assessed whether the actual moisture levels as at the count date has been appropriately considered when measuring inventories tested the unit costs of inventory to underlying accounting records and supporting documents tested whether inventory was stated at the lower of cost and net realizable value, by comparing cost with subsequent selling prices of such items assessed the reasonableness of significant management judgements applied in determining provision for slow-moving and obsolete inventory. Our assessment included reviewing the inventory ageing to identify whether slow-moving and obsolete items have been appropriately provided for and testing the mathematical accuracy of provision calculations. <p>We also assessed the adequacy of the disclosures made in Note 2.3.9, 2.4.8 and 17 to the financial statements.</p>
<p>Assessment of fair value of the equity investment classified as Fair Value through Other Comprehensive Income (FVOCI)</p> <p>Non-current financial assets of the Group consist of unquoted equity investments in Toyo Cushion Lanka (Private) Limited and Rileys (Private) Limited in accordance with the accounting policy disclosed in note 15 to the financial statements.</p> <p>The fair value is determined by management based on the discounted cash flow approach, which is derived based on the projected cash flows of Toyo Cushion Lanka (Private) Limited and Rileys (Private) Limited.</p> <p>This was a Key Audit Matter due to:</p> <ul style="list-style-type: none"> the materiality of the reported unquoted equity investment balance which amounted to Rs. 143 million and represented 4% of the Group's total assets as of the reporting date; and the degree of assumptions, judgements and estimates associated in deriving the Discounted Cash Flows used in the unquoted equity investment valuation. <p>Key areas of significant management assumptions, judgements and estimates used in the valuation of unquoted equity investment include cash flow projections and unobservable inputs including revenue growth rate, EBITDA margins, discount rate, etc. as further disclosed in note 2.3.8.1.2, 2.4.1 and 15 to the financial statements.</p>	<p>Our audit procedures focused on the valuation of the investment performed by the management, and included the following key procedures:</p> <ul style="list-style-type: none"> assessed the appropriateness of the valuation technique and reasonableness of the cash flow forecast including significant assumptions, judgements and estimates such as revenue growth rate and EBITDA margins, discount rate, etc. used by the management to ascertain the fair value of the unquoted equity investments. Our evaluation involved the use of comparable market data considering the impacts of the economic conditions prevailing in the country evaluated the appropriateness and completeness of the information included in the cashflow forecast and checked the calculations of discounted cash flows. <p>Further, we evaluated the adequacy of the related disclosures in note 2.3.8.1.2, 2.4.1 and 15 to the financial statements.</p>

Other Information Included in the 2024 Annual Report

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

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

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

Responsibilities of the Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the 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.
- 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.

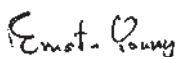
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken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

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.



08 May 2024
Colombo

Statement of Profit or Loss

Hayleys Fibre PLC
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For the year ended 31 March

	Notes	Group		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Revenue	4	5,125,081	4,388,616	2,826,346	1,977,544
Cost of sales		(4,445,292)	(3,457,052)	(2,698,943)	(1,742,179)
Gross profit		679,789	931,564	127,403	235,365
Other income	5	3,998	4,430	9,931	9,159
Selling and distribution expenses		(134,975)	(133,678)	(57,251)	(726)
Administrative expenses		(316,401)	(286,683)	(183,785)	(163,867)
Results from operating activities		232,411	515,633	(103,702)	79,931
Finance income	6	55,006	358,632	75,066	388,614
Finance cost	6	(154,842)	(408,630)	(55,029)	(152,824)
Net finance income/(cost)		(99,836)	(49,998)	20,037	235,790
Profit/(loss) before tax		132,575	465,635	(83,665)	315,721
Tax expense	8	(74,123)	(81,448)	13,878	(8,069)
Profit/(loss) for the year		58,452	384,187	(69,787)	307,652
Profit/(loss) for the year attributable to:					
Owners of the Company		(25,279)	298,232	(69,787)	307,652
Non-controlling interest		83,731	85,955	-	-
		58,452	384,187	(69,787)	307,652
Basic earnings per share (Rs.)	9	(1.05)	12.43	(2.91)	12.82
Dividend per share (Rs.)	10	-	-	-	3.80

Notes from pages 140 to 193 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Comprehensive Income

Hayleys Fibre PLC
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For the year ended 31 March	Notes	Group		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Profit/(loss) for the year		58,452	384,187	(69,787)	307,652
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	26	(3,325)	(1,707)	(1,633)	(1,640)
Income tax effect on re-measurement gain/(loss) on employee benefit obligations	8	998	512	490	492
		(2,327)	(1,195)	(1,143)	(1,148)
Income tax effect on revaluation of land	8	-	(5,460)	-	(5,460)
		-	(5,460)	-	(5,460)
Net gain/(loss) on equity instruments designated at FVOCI	15	12,987	8,921	12,987	8,921
Income tax effect on net gain/(loss) on equity instrument designated at FVOCI	8	(3,878)	(8,276)	(3,878)	(8,276)
		9,109	645	9,109	645
Other comprehensive income that may be reclassified to the profit or loss in subsequent periods					
Net gain/(loss) on cash flow hedges		13,436	27,913	-	-
		13,436	27,913	-	-
Total other comprehensive income/(expense) for the year, net of tax		20,218	21,903	7,966	(5,963)
Total comprehensive income/(expense) for the year, net of tax		78,670	406,090	(61,821)	301,689
Total comprehensive income/(expense) for the year attributable to:					
Owners of the Company		(11,293)	306,199	(61,821)	301,689
Non-controlling Interest		89,963	99,891	-	-
		78,670	406,090	(61,821)	301,689

Notes from pages 140 to 193 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Financial Position

Hayleys Fibre PLC
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As at 31 March	Notes	Group		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Assets					
Non-current assets					
Property, plant and equipment	11	935,737	796,449	531,894	389,855
Right-of-use assets	12	12,345	15,112	10,444	13,110
Intangible assets	13	29,918	36,201	4,597	7,962
Investments in subsidiaries	14	-	-	233,034	233,034
Other non-current financial assets	15	142,895	129,908	142,895	129,908
Total non-current assets		1,120,895	977,670	922,864	773,869
Current assets					
Inventories	17	762,634	1,035,886	383,982	367,210
Trade and other receivables	18	1,288,913	627,590	769,209	161,161
Other current assets	19	12,707	8,466	3,962	5,319
Income tax recoverable	31	12,799	-	12,799	-
Amounts due from other related companies	20	706,317	233,205	255,863	239,471
Short-term deposits		-	105,550	-	105,539
Cash in hand and at bank	21	62,434	46,246	23,654	23,269
Total current assets		2,845,804	2,056,943	1,449,469	901,969
Total assets		3,966,699	3,034,613	2,372,333	1,675,838
Equity and liabilities					
Equity					
Stated capital	22	80,000	80,000	80,000	80,000
Other components of equity	23	110,011	94,184	110,011	100,902
Amalgamation reserves	23	50,625	50,625	50,625	50,625
Revenue reserves	23	1,156,513	1,183,633	921,856	992,786
Total equity attributable to equity holders of the company		1,397,149	1,408,442	1,162,492	1,224,313
Non-controlling interest		266,498	240,244	-	-
Total equity		1,663,647	1,648,686	1,162,492	1,224,313
Non-current liabilities					
Interest-bearing borrowings	24	313,333	-	313,333	-
Non-current lease liabilities	12	18,328	21,458	13,948	17,206
Deferred tax liabilities	25	54,016	39,477	6,207	16,697
Employee benefit obligations	26	37,489	32,350	31,176	25,175
Total non-current liabilities		423,166	93,285	364,664	59,078
Current liabilities					
Trade and other payables	28	600,307	420,663	262,322	189,524
Current lease liabilities	12	3,373	2,758	3,259	2,645
Other current liabilities	29	41,951	41,304	7,720	6,080
Amounts due to other related companies	30	146,378	96,553	164,511	68,744
Current portion of interest bearing borrowings	24	6,667	33,752	6,667	-
Short-term interest bearing borrowings	27	1,068,502	655,801	400,698	105,417
Income tax payable	31	12,708	41,811	-	20,037
Total current liabilities		1,879,886	1,292,642	845,177	392,447
Total liabilities		2,303,052	1,385,927	1,209,841	451,525
Total equity and liabilities		3,966,699	3,034,613	2,372,333	1,675,838

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



Chaminda Sampath
Director/Chief Financial Officer

The Board of Directors are responsible for these Financial Statements. Signed for and on behalf of the Board,



Mohan Pandithage
Chairman



Rajeeve Goonetilleke
Managing Director

Notes from pages 140 to 193 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

8th May 2024
Colombo

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Statement of Changes in Equity

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For the year ended 31 March	Notes	Attributable to equity holders of the Group						Non- controlling interest	Total	
		Stated capital	Other components of equity			Amalgamation reserves	Revenue reserves			
Group			Fair value reserve of financial assets at FVOCI	Revaluation reserve	Cash flow hedge reserve	Capital reserve	Revenue reserve	Retained earnings		
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Balance as at 01 April 2022		80,000	77,376	28,341	(20,675)	14,000	36,625	977,776	264,028	1,457,471
Profit/(loss) for the year		-	-	-	-	-	-	298,232	85,955	384,187
Net gain/(loss) on equity instruments designated at FVOCI	15	-	8,921	-	-	-	-	-	-	8,921
Re-measurement gain/(loss) on employee benefit obligations	26	-	-	-	-	-	-	(1,678)	(29)	(1,707)
Net gain/(loss) on cash flow hedges		-	-	-	13,957	-	-	-	13,956	27,913
Income tax on other comprehensive income	8	-	(8,276)	(5,460)	-	-	-	503	9	(13,224)
Total other comprehensive income/(expense) for the year		-	645	(5,460)	13,957	-	-	297,057	99,891	406,090
Dividends to equity holders		-	-	-	-	-	-	(91,200)	(123,675)	(214,875)
Balance as at 01 April 2023		80,000	78,021	22,881	(6,718)	14,000	36,625	1,183,633	240,244	1,648,686
Profit/(loss) for the year		-	-	-	-	-	-	(25,279)	83,731	58,452
Net gain/(loss) on equity instruments designated at FVOCI	15	-	12,987	-	-	-	-	-	-	12,987
Re-measurement gain/(loss) on employee benefit obligations	26	-	-	-	-	-	-	(2,630)	(695)	(3,325)
Net gain/(loss) on cash flow hedges		-	-	-	6,718	-	-	-	6,718	13,436
Income tax on other comprehensive income	8	-	(3,878)	-	-	-	-	789	209	(2,880)
Total other comprehensive income/(expense) for the year		-	9,109	-	6,718	-	-	(27,120)	89,963	78,670
Dividends to equity holders		-	-	-	-	-	-	-	(63,709)	(63,709)
Balance as at 31 March 2024		80,000	87,130	22,881	-	14,000	36,625	1,156,513	266,498	1,663,647

Notes from pages 140 to 193 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

For the year ended 31 March Company	Notes	Attributable to equity holders of the Company					Revenue reserves Retained earnings	Total
		Stated capital	Other components of equity		Amalgamation reserves			
			Fair value reserve of financial assets at FVOCI	Revaluation reserve	Capital reserve	Revenue reserve		
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Balance as at 01 April 2022		80,000	77,376	28,341	14,000	36,625	777,482	1,013,824
Profit/(loss) for the year		-	-	-	-	-	307,652	307,652
Net gain/(loss) on equity instruments designated at FVOCI	15	-	8,921	-	-	-	-	8,921
Re-measurement gain/ (loss) on employee benefit obligations	26	-	-	-	-	-	(1,640)	(1,640)
Income tax on other comprehensive income	8	-	(8,276)	(5,460)	-	-	492	(13,244)
Total other comprehensive income/(expense) for the year		-	645	(5,460)	-	-	306,504	301,689
Dividends to equity holders		-	-	-	-	-	(91,200)	(91,200)
Balance as at 01 April 2023		80,000	78,021	22,881	14,000	36,625	992,786	1,224,313
Profit/(loss) for the year		-	-	-	-	-	(69,787)	(69,787)
Net gain/(loss) on equity instruments designated at FVOCI	15	-	12,987	-	-	-	-	12,987
Re-measurement gain/ (loss) on employee benefit obligations	26	-	-	-	-	-	(1,633)	(1,633)
Income tax on other comprehensive income	8	-	(3,878)	-	-	-	490	(3,388)
Total other comprehensive income/(expense) for the year		-	9,109	-	-	-	(70,930)	(61,821)
Dividends to equity holders		-	-	-	-	-	-	-
Balance as at 31 March 2024		80,000	87,130	22,881	14,000	36,625	921,856	1,162,492

Notes from pages 140 to 193 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Cash Flows

Hayleys Fibre PLC
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For the year ended 31 March

	Notes	Group		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Cash flows from operating activities					
Profit/(loss) before taxation		132,575	465,635	(83,665)	315,721
Adjustments for:					
Finance cost	6	133,215	199,992	35,362	63,233
Finance income	6	(21,007)	(43,755)	(20,555)	(47,003)
Provision for employee benefit obligations	26	8,310	7,444	5,964	5,039
Depreciation of property, plant and equipment	11	59,510	55,233	27,374	20,463
Depreciation of right-of-use assets	12	2,767	2,825	2,666	2,667
Amortisation of intangible assets	13	7,672	7,200	3,365	3,068
(Profit)/loss on the disposal of property, plant & equipment		31	(996)	31	(996)
Dividend income	6	-	(19,296)	(54,153)	(142,971)
Provision for bad and doubtful debts	18	25,021	(17,659)	35,512	(27,519)
Provision/(reversal) for slow moving inventories	17	13,614	1,484	14,696	1,792
Operating profit before working capital changes		361,708	658,107	(33,403)	193,494
(Increase)/decrease in inventories	17	259,638	(178,450)	(31,468)	(26,583)
(Increase)/decrease in trade and other receivables	18	(690,585)	307,093	(642,203)	156,765
(Increase)/decrease in amounts due from related companies	20	(473,112)	66,653	(16,392)	5,093
Increase/(decrease) in trade and other payables	28	180,906	112,141	75,052	31,767
Increase/(decrease) in amounts due to related companies	30	49,825	(194,237)	95,767	(191,773)
Cash generated from operating activities		(311,620)	771,307	(552,647)	168,763
Interest paid	6	(133,215)	(199,992)	(35,362)	(63,233)
Income tax paid		(104,366)	(102,638)	(32,836)	(53,934)
Employee benefit paid	26	(6,496)	(11,739)	(1,596)	(11,739)
Net cash used in operating activities		(555,697)	456,938	(622,441)	39,857

For the year ended 31 March

	Notes	Group		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(198,829)	(107,620)	(169,444)	(91,995)
Acquisition of intangible assets		(1,389)	(1,780)	-	(1,780)
Proceeds from sale of property, plant and equipment		-	11,442	-	11,442
Finance income	6	21,007	43,755	20,555	47,003
Dividend income	6	-	19,296	54,153	142,971
Net cash flows used in investing activities		(179,211)	(34,907)	(94,736)	107,641
Cash flows from financing activities					
Dividend paid	10	-	(91,200)	-	(91,200)
Dividend paid to non-controlling interest		(63,709)	(123,675)	-	-
Capital payment on lease		(5,326)	(4,743)	(4,979)	(4,743)
Proceeds from interest-bearing borrowings		2,212,749	1,366,733	1,017,863	144,015
Repayments of interest-bearing borrowings		(1,535,614)	(1,743,711)	(480,828)	(353,872)
Net cash flows from financing activities		608,100	(596,596)	532,056	(305,800)
Net increase/(decrease) in cash & cash equivalents		(126,808)	(174,565)	(185,121)	(158,302)
Cash & cash equivalents at the beginning of the year		9,052	183,617	90,780	249,082
Cash & cash equivalents at the end of the year (Note - A)		(117,756)	9,052	(94,341)	90,780
A. Analysis of cash and cash equivalents as at 31 March					
Cash in hand and at bank	21	62,434	46,246	23,654	23,269
Short-term deposits		-	105,550	-	105,539
		62,434	151,796	23,654	128,808
Bank overdrafts	27	(180,190)	(142,744)	(117,995)	(38,028)
Cash and cash equivalents at the end of the year		(117,756)	9,052	(94,341)	90,780

Notes from pages 140 to 193 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

GRI 201-3,207-1, 207-2, 207-3, 207-4

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 2024 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, 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 Fibre PLC and its subsidiaries (collectively, the Group) for the year ended 31 March 2024 were authorised for issue by the Directors on 8 May 2024.

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 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 at 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 Subsidiaries 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 2024. 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 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.

2.3.3 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 15
- Land under revaluation model note 11
- Financial instruments (including those carried at amortised cost) note 16
- Disclosures for valuation methods, significant estimates and assumptions notes 15 and 16
- Quantitative disclosures of fair value measurement hierarchy note 16.

2.3.4 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:

Buildings	50 Years
Plant & Machinery and stores equipment	10 Years
Furniture and fittings and office equipment	5-7 Years
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.

2.3.5 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

2.3.6 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.

2.3.6.1 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.

2.3.6.1.1 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.

2.3.6.1.2 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.

2.3.6.1.3 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.

2.3.6.2 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.

2.3.7 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.

2.3.8 Financial Instruments

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.

2.3.8.1 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 2.3.15 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)

2.3.8.1.1 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.

2.3.8.1.2 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.

2.3.8.1.3 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 the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

2.3.8.1.4 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.

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

- Trade receivables note 18.

2.3.8.2 Financial Liabilities

Initial Recognition and Measurement of Financial liabilities are classified, at initial recognition, as loans and borrowings and 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:

2.3.8.2.1 Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Profit or Loss.

This category generally applies to interest bearing loans and borrowings. For more information, refer to notes 24 and 27.

2.3.8.2.2 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.

2.3.8.3 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.

2.3.8.4 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.

2.3.9 Inventories

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

- 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.

2.3.10 Impairment of non-financial assets

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

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

The Group bases its impairment calculation on 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.

2.3.11 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.

2.3.12 Provisions

2.3.12.1 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 any provision is presented in the Statement of Profit or Loss net of any reimbursement.

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

2.3.13 Employee Benefits

2.3.13.1 Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

2.3.13.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – “Employee benefits”. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 26. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. Actuarial gains or losses are recognised in full in the Other Comprehensive Income.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefits. However, for entities of the Group operating in Sri Lanka, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded. The settlement of the liability is based on legal liability method or the following basis as applied by the respective entities. Length of each service (Years) No. of month's salary for completed year of service.

Length of each service (Years)	No. of months salary for completed year of service
Up to 20	1/2
20 up to 25	3/4
25 up to 30	1
30 up to 35	1 1/4
Over 35	1 1/2

2.3.13.3 Short-term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

2.3.14 Investment in Subsidiaries

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.

2.3.15 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.

2.3.15.1 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).

2.3.15.2 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.

2.3.15.3 Contract Balances

2.3.15.3.1 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 16.1 financial instruments – initial recognition and subsequent measurement.

2.3.15.3.2 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.

2.3.16 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.

2.3.17 Taxes

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

2.3.17.1 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.

2.3.17.2 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.

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 the Statement of Profit or Loss is recognised outside the Statement of Profit or Loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income (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.

2.3.17.3 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.

2.3.18 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.

2.3.19 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.

2.3.20 Earnings per Share (EPS)

The Group presents basic and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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 2024. 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 analysis are provided in note 15.

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 11 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 2024, the carrying amount was Rs. 24.10 million (2023: Rs. 28.24 million) Refer note 13. This amount includes significant investment in the development of Polyurethane (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 upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has Rs. 85 million (2023: Rs. 36 million) of tax losses carried forward. Refer note 8.3. These losses relates to the Companies in the Group those have 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 is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates. Further details about employee benefit obligation are provided in note 26 to the Financial Statements.

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 from the present macro-economic conditions, the circumstances of the external environment, or are inconsistent with historical trends. Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern and the management do not intend either to liquidate or to cease operations of the Group. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.4.7 Revaluation of Property, Plant and Equipment and Investment Properties

The Group measures the freehold land (classified as property, plant and equipment) at revalued amounts, with changes in fair value being recognised in OCI. The freehold lands were valued by reference to transactions involving properties of a similar nature, location and condition. In addition, the Group carries its investment properties at fair value, with changes in fair value being recognised in the profit or loss. For investment properties,

valuation methodologies such as market approach, and income approach (the Discounted Cash Flow (DCF) model) for properties lacked comparable market data were used.

The Group engaged a valuation specialist to assess fair values as at 31 March 2024 for the freehold lands and investment properties. The key assumptions used to determine the fair value of the properties and sensitivity analysis are provided in notes 11 and 15 to the Financial Statements.

2.4.8 Valuation of Inventories

The Group has applied judgment in the determination of impairment in relation to inventories that are slow moving or obsolete. The Group's impairment assessment in relation to such inventories take into account factors such as the use of significant judgement over identifying inventories requiring write down to NRV, including consideration of product life cycles, nature of inventories, future inventory demand and quality/grading assessments, and the existence of significant estimates applied in the determination of NRV, considering expected sales prices and allowance policies based on historical sales.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

3.1 New and Amended Standards and Interpretations

No significant impact resulted on the financial statements of the Group due to changes in Accounting Standards and disclosures during the year.

3.2 Standards Issued but not yet Effective

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

3.2.1 SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which

are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

3.2.2 Classification of Liabilities as Current or Non-current - Amendment to LKAS 1

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024.

3.2.3 Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16

The amendments to SLFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2024.

3.2.4 Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information

about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024.

3.2.5 International Tax Reform—Pillar Two Model Rule - Amendments to LKAS 12

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments are effective for annual periods beginning on or after 1 January 2024.

4 REVENUE

For the year ended 31 March	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Export sales	3,628,002	2,694,998	2,228,908	1,380,231
Indirect export sales	327,880	589,864	321,100	565,326
Local sales	1,169,199	1,103,754	276,338	31,987
	5,125,081	4,388,616	2,826,346	1,977,544

5 OTHER INCOME

For the year ended 31 March	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Rent income	-	-	8,087	7,588
Gain on disposal of property, plant and equipment	-	996	-	996
Sundry income	3,998	3,434	1,844	575
	3,998	4,430	9,931	9,159

6 NET FINANCE INCOME

6.1 Finance Income

For the year ended 31 March	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Interest income	21,007	43,755	20,555	47,003
Dividend income	-	19,296	54,153	142,971
Foreign exchange gain	33,999	295,581	358	198,640
	55,006	358,632	75,066	388,614

6.2 Finance Cost

For the year ended 31 March	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Interest on debts and borrowings	(133,215)	(199,992)	(35,362)	(63,233)
Foreign exchange loss	(18,816)	(205,297)	(17,332)	(86,963)
Interest expenses on lease liabilities	(2,811)	(3,341)	(2,335)	(2,628)
	(154,842)	(408,630)	(55,029)	(152,824)
Net finance income/(cost)	(99,836)	(49,998)	20,037	235,790

7 PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following.

For the year ended 31 March	Notes	Group		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Ernst & Young : Audit fees		3,953	3,553	2,662	2,417
Non audit services		1,022	1,045	856	678
Depreciation on property, plant and equipment	11	59,510	55,233	27,374	20,463
Provision for inventories	17	13,614	1,484	14,696	1,792
Employee benefits including the following					
-Defined contribution plan cost - EPF and ETF		9,022	7,664	5,836	4,599
-Employee benefit plan cost	26	8,310	7,444	5,964	5,039
Impairment/(reversal) bad debts	18	25,021	(17,659)	35,512	(27,519)
Directors' emoluments including Non-Executive Directors' fees		75,764	70,508	42,171	35,039

8 TAXATION

8.1 Tax Expense

For the year ended 31 March	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Current income tax				
Income tax on current year profits	52,908	97,560	-	41,119
Adjustment in respect of current income tax of previous year	-	(2,661)	-	(2,715)
Tax on dividend of subsidiary	9,556	-	-	-
Deferred tax				
Relating to origination and reversal of temporary differences	11,659	(13,451)	(13,878)	(30,335)
Tax expense/ (reversal) reported in the statement of profit or loss	74,123	81,448	(13,878)	8,069

A reconciliation between tax expense and the result of accounting profit multiplied by domestic tax rate for the year ended 31 March 2024 and 2023 is given on note 8.3.

8.2 Deferred Tax on Other Comprehensive Income

For the year ended 31 March	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Deferred tax related to items recognised in other comprehensive income during the year				
Re-measurement gain/(loss) on employee benefit obligations	998	512	490	492
Tax on revaluation reserve	-	(5,460)	-	(5,460)
Revaluation of financial assets designated at FVOCI	(3,878)	(8,276)	(3,878)	(8,276)
Deferred tax charged directly to other comprehensive income	(2,880)	(13,224)	(3,388)	(13,244)

8.3 Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31 March	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Profit/(Loss) before tax	132,575	465,635	(83,665)	315,721
Disallowable expenses	205,466	493,858	147,565	136,842
Allowable expenses	(231,929)	(119,323)	(169,447)	(86,821)
Tax exempt income	-	(11,585)	-	(10,816)
Tax loss brought forward	(35,787)	(120,603)	-	-
Adjustment for tax loss	20,975	(154,304)	20,487	(69,489)
Tax loss carried forward	85,060	35,787	85,060	-
Taxable income	176,360	589,465	-	285,437
Income tax @ 14%	-	67,603	-	38,008
Income tax @ 18%	-	1,405	-	-
Income tax @ 15%	-	396	-	396
Income tax @ 24%	-	2,737	-	2,715
Income tax @ 30%	52,908	25,419	-	-
Income tax on current year profit	52,908	97,560	-	41,119
Tax on dividend of subsidiary	9,556	-	-	-
Adjustment in respect of current income tax of previous year	-	(2,661)	-	(2,715)
Tax on temporary difference - tax @ 30%	11,659	(13,451)	(13,878)	(30,335)
Tax expense/(reversal) reported in the statement of profit and loss	74,123	81,448	(13,878)	8,069

8.4 Pursuant to the Inland Revenue (Amendment) Act, No. 45 of 2022 certified on 19th of December, 2022, corporate income tax arising from export of goods has been increased from 14% to 30% & Local Manufacturing and sales has been increased from 18% to 30% w.e.f. 1st October 2022. As a result of this amendment, in this year, income tax has been calculated based on a tax rate of 30%.

9 BASIC EARNINGS PER SHARE

Basic Earnings 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.

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

For the year ended 31 March	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Amounts used as numerator :				
Profit/ (loss) attributable to ordinary equity holders of the Company	(25,279)	298,232	(69,787)	307,652

For the year ended 31 March	Group		Company	
	2024 Number	2023 Number	2024 Number	2023 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.)	(1.05)	12.43	(2.91)	12.82

10 DIVIDENDS DECLARED AND PAID

For the year ended 31 March	Company	
	2024 Rs. '000	2023 Rs. '000
Cash dividends on ordinary shares declared and paid during the year:		
Final interim dividend for 2021/2022 - Rs.0.30 per share	-	7,200
First interim dividend for 2022/2023 - Rs. 2/- per share	-	48,000
Second interim dividend for 2022/2023 - Rs. 1/- per share	-	24,000
Third interim dividend for 2022/2023 - Rs. 0.50/- per share	-	12,000
	-	91,200
Number of shares (no.'000)	24,000	24,000
Dividend per share (Rs.)	-	3.80
Dividend payout ratio	0%	30%

11 PROPERTY, PLANT AND EQUIPMENT

11.1	Group	Freehold land	Freehold buildings	Building on leasehold land	Furniture, fittings & office equipment	Machinery & stores equipment	Fixtures & fittings	Motor vehicles	Total 2024	Total 2023
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation										
	As at 01 of April	67,200	452,729	15,804	45,910	411,037	14,345	19,374	1,026,399	893,957
	Additions	139,936	812	-	2,049	33,188	1,464	-	177,449	106,725
	Transfer (Note 11.7)	-	-	-	-	895	-	-	895	36,614
	Disposals	-	-	-	(6,054)	(1,201)	-	-	(7,255)	(10,897)
	As at 31 March	207,136	453,541	15,804	41,905	443,919	15,809	19,374	1,197,488	1,026,399
Depreciation										
	As at 01 of April	-	65,112	1,710	27,316	123,493	8,216	4,998	230,845	176,063
	Charge for the year	-	14,692	790	4,493	33,571	2,152	3,812	59,510	55,233
	Disposals	-	-	-	(6,052)	(1,172)	-	-	(7,224)	(451)
	As at 31 March	-	79,804	2,500	25,757	155,892	10,368	8,810	283,131	230,845
	Net book value as at 31 March	207,136	373,737	13,304	16,148	288,027	5,441	10,564	914,357	795,554
	Capital work in progress (Note 11.7)	-	-	-	-	-	-	-	21,380	895
	Carrying amount as at 31 March	207,136	373,737	13,304	16,148	288,027	5,441	10,564	935,737	796,449

11.2 Company	Freehold land	Freehold buildings	Furniture, fittings & office equipment	Machinery & stores equipment	Fixtures & fittings	Motor vehicles	Total 2024	Total 2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation								
As at 01 April	67,200	205,800	22,827	145,724	14,345	19,374	475,270	394,226
Additions	139,936	-	1,657	24,008	1,464	-	167,065	91,100
Transfer (Note 11.7)	-	-	-	895	-	-	895	841
Disposals	-	-	(6,054)	(1,201)	-	-	(7,255)	(10,897)
As at 31 March	207,136	205,800	18,430	169,426	15,809	19,374	635,975	475,270
Depreciation								
As at 01 of April	-	20,456	11,188	41,452	8,216	4,998	86,310	66,298
Charge for the year	-	4,098	2,687	14,625	2,152	3,812	27,374	20,463
Disposals	-	-	(6,052)	(1,172)	-	-	(7,224)	(451)
As at 31 March	-	24,554	7,823	54,905	10,368	8,810	106,460	86,310
Net book value as at 31 March	207,136	181,246	10,607	114,521	5,441	10,564	529,515	388,960
Capital work in progress (Note 11.7)	-	-	-	-	-	-	2,379	895
Carrying amount as at 31 March	207,136	181,246	10,607	114,521	5,441	10,564	531,894	389,855

11.3 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 revaluation on 31 March 2022, the land valuations was performed by Mr. P.B. Kalugalgedara Chartered Valuation surveyor, an accredited independent valuer who has valuation experience for similar properties.

Amounts by which values have been increased in respect of land revalued by independent qualified valuers are indicated below.

As at 31 March

Company	Location	Revaluation surplus	
		2024 Rs. '000	2023 Rs. '000
Hayleys Fibre PLC	Kuliyapitiya (Valuation date 31.03.2022)	30,894	30,894
	Bingiriya (Valuation date 31.03.2022)	2,060	2,060
		32,954	32,954

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

Type of Instrument	Location	Significant unobservable input	Fair value measurement sensitivity to unobservable input	Valuation technique	Extent (Perches)	Original cost (Rs. '000)	Fair value as at 31 March 2024 (Rs. '000)
Free hold land	Kuliyapitiya (Valuation date 31.03.2022)	Value per perch (Rs. 70,000)	Significant increase/ (decrease) in estimated price per perch in isolation would result in a significantly higher/ (lower) fair value	Open market basis	460	1,306	32,200
	Bingiriya (Valuation date 31.03.2022)	Value per perch (Rs. 31,250)			1,120	32,940	35,000
	Nikaweratiya	Value per perch (Rs.26,107)			5,360	139,935	139,936
					6,940	174,181	207,136

11.5 Buildings Owned by the Group/Company

Company	Location	Address	Buildings Sq.ft.	No of buildings at each locations	Carrying Value at cost - 31 March 2024 Rs. '000
Hayleys Fibre PLC	Kuliyapitiya	Biginhill Estate, Hettipola Road, Karagahagedara, Kuliyapitiya	47,389	15	40,900
Hayleys Fibre PLC	Bingiriya	Siri Sumangala Mawatha, Mahagama North, Chilaw	65,200	9	140,346
Creative Polymats (Pvt) Ltd	Dankotuwa	Industrial Estate, Bujjampola, Dankotuwa	65,767	11	192,491
			178,356	35	373,737

Company	Location	Address	Buildings Sq.ft.	No of buildings at each locations	Carrying Value at cost - 31 March 2023 Rs. '000
Hayleys Fibre PLC	Kuliyapitiya	Biginhill Estate, Hettipola Road, Karagahagedara, Kuliyapitiya	47,389	15	42,112
Hayleys Fibre PLC	Bingiriya	Siri Sumangala Mawatha, Mahagama North, Chilaw	65,200	9	140,515
Creative Polymats (Pvt) Ltd	Dankotuwa	Industrial Estate, Bujjampola, Dankotuwa	65,767	11	202,275
			178,356	35	384,902

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

As at 31 March	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Freehold buildings	973	973	973	973
Machinery and stores equipment	41,862	30,598	12,287	13,416
Furniture, fittings and office equipment	2,078	16,638	1,407	6,713
Motor vehicles	323	323	323	323
	45,236	48,532	14,990	21,425

11.7 Capital Work In Progress

As at 31 March	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 01 April	895	36,614	895	841
Additions during the year	21,380	895	2,379	895
Transferred to property, plant and equipment during the year	(895)	(36,614)	(895)	(841)
As at 31 March	21,380	895	2,379	895

12 RIGHT OF USE ASSETS / LEASES

Amounts recognised in the statement of financial position and income statement for the year ended 31 March 2024.

12.1 Right of Use Assets

	Group		Company	
	Land & Buildings		Land & Buildings	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 01 April	15,112	16,802	13,110	15,777
Additions	-	1,135	-	-
Amortisation of right of use assets	(2,767)	(2,825)	(2,666)	(2,667)
As at 31 March	12,345	15,112	10,444	13,110

12.2 Lease Liabilities

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 01 April	24,216	24,484	19,851	21,966
New leases obtained	-	1,134	-	-
As at 31 March	24,216	25,618	19,851	21,966
Interest cost	2,811	3,341	2,335	2,628
Payments	(5,326)	(4,743)	(4,979)	(4,743)
As at 31 March	21,701	24,216	17,207	19,851
Repayable within one year	3,373	2,758	3,259	2,645
Repayable after one year	18,328	21,458	13,948	17,206

12.3 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 2024.

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Amounts recognised in the income statement				
Amortisation of right of use assets	2,767	2,825	2,666	2,667
Interest expenses on lease liabilities	2,811	3,341	2,335	2,628
	5,578	6,166	5,001	5,295

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

Group	0-1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31 March 2024	5,694	5,955	12,843	8,640	33,132
As at 31 March 2023	5,444	5,694	18,281	9,158	38,577
Company	0-1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31 March 2024	5,229	5,490	11,291	-	22,010
As at 31 March 2023	4,979	5,229	16,781	-	26,989

13 INTANGIBLE ASSETS

13.1 Group

As at 31 March	ERP System	Development Cost	Computer Software	Total	Total
				2024	2023
Cost	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 01 April	16,384	41,325	-	57,709	55,929
Additions	-	-	1,389	1,389	1,780
As at 31 March	16,384	41,325	1,389	59,098	57,709
Amortisation					
As at 01 April	8,422	13,086	-	21,508	14,308
Amortisation during the year	3,365	4,132	175	7,672	7,200
As at 31 March	11,787	17,218	175	29,180	21,508
Net book value					
As at 31 March	4,597	24,107	1,214	29,918	36,201

13.2 Company

As at 31 March	ERP System	Total	Total
	2024	2024	2023
Cost	Rs. '000	Rs. '000	Rs. '000
As at 01 April	16,384	16,384	14,604
Additions	-	-	1,780
As at 31 March	16,384	16,384	16,384
Amortisation			
As at 01 April	8,422	8,422	5,354
Amortisation during the year	3,365	3,365	3,068
As at 31 March	11,787	11,787	8,422
Net book value			
As at 31 March	4,597	4,597	7,962

13.3 There has been no impairment of intangible assets.

14 INVESTMENT IN SUBSIDIARIES

As at 31 March	Holding %		No. of shares		Company	
	2024	2023	2024	2023	2024 Rs. '000	2023 Rs. '000
Unquoted						
Bonterra Ltd	50	50	803,400	803,400	8,034	8,034
Creative Polymats (Pvt) Ltd	74	74	22,500,000	22,500,000	225,000	225,000
			23,303,400	23,303,400	233,034	233,034

14.1 Summarised Financial Information of Subsidiaries

14.1.1 Summarised statement of profit or loss:

For the year ended 31 March	Creative Polymats (Pvt) Ltd		Bonterra Ltd		Total	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Group share of:						
Revenue from contracts with customers	898,104	1,115,270	1,428,990	1,311,885	2,327,094	2,427,155
Cost of sales	(652,558)	(795,328)	(1,122,150)	(935,628)	(1,774,708)	(1,730,956)
Other income	2,154	2,859	-	-	2,154	2,859
Selling and distribution expenses	(61,279)	(105,038)	(16,445)	(27,914)	(77,724)	(132,952)
Administrative expenses	(32,259)	(29,173)	(106,809)	(100,001)	(139,068)	(129,174)
Net financial income/(expenses)	(79,886)	(107,254)	13,267	(56,163)	(66,619)	(163,417)
Profit before tax	74,276	81,336	196,853	192,179	271,129	273,515
Income tax	(23,258)	(22,379)	(55,407)	(50,596)	(78,665)	(72,975)
Profit for the year	51,018	58,957	141,446	141,583	192,464	200,540

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

14.1.2 Summarised statement of financial position:

As at 31 March	Creative Polymats (Pvt) Ltd		Bonterra Ltd		Total	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Group share of:						
Non-current assets	284,476	284,675	132,476	144,029	416,952	428,704
Current assets, including cash in hand and at bank	820,552	710,965	611,504	654,273	1,432,056	1,365,238
Total assets	1,105,028	995,640	743,980	798,302	1,849,008	1,793,942
Total equity	398,305	347,740	313,822	287,099	712,127	634,839
Non-current liabilities	29,232	13,740	29,093	27,787	58,325	41,527
Current liabilities, including trade and other payable	677,491	634,160	401,065	483,416	1,078,556	1,117,576
Total liabilities	706,723	647,900	430,158	511,203	1,136,881	1,159,103
Total equity and liabilities	1,105,028	995,640	743,980	798,302	1,849,008	1,793,942

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

14.1.3 Summarised Statement of Cash Flows

For the year ended 31 March	Creative Polymats (Pvt) Ltd		Bonterra Ltd		Total	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Cash flows from operating activities	(181,336)	168,283	266,177	253,070	84,841	421,353
Cash flows from investing activities	(26,776)	(15,161)	(4,344)	(264)	(31,120)	(15,425)
Cash flows from financing activities	(2,917)	(7,429)	(192,486)	(269,567)	(195,403)	(276,996)

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

15 GROUP/COMPANY - OTHER NON CURRENT FINANCIAL ASSETS

As at 31 March	2024 Rs. '000	2023 Rs. '000
Equity instruments designated at fair value through OCI		
As at 01 April	129,908	120,987
Net gain/(loss)	12,987	8,921
As at 31 March	142,895	129,908

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 2024. The Investment in Toyo Cushion Lanka (Pvt) Ltd and Rileys (Pvt) Ltd are valued using Cash Flow Models.

15.1 Rileys (Pvt) Ltd

As at 31 March	Company	
	2024 Rs. '000	2023 Rs. '000
As at 01 April	63,025	61,185
Net gain/(loss)	(30,701)	1,840
As at 31 March	32,324	63,025

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.	<ul style="list-style-type: none"> * Forecast annual revenue growth rate (2024: 20%; 2023: 14%) * Forecast EBITDA margin (2024: 6%; 2023: 8%) * Discount rate (2024: 16%; 2023: 21%) 	<p>The estimate fair value would increase/ (decrease) if:</p> <ul style="list-style-type: none"> * The annual revenue growth rate were higher/(lower) * The EBITDA margin were higher/(lower) * The discount rate were lower/(higher)

15.2 Toyo Cushion Lanka (Pvt) Ltd

As at 31 March	Company	
	2024 Rs. '000	2023 Rs. '000
As at 01 April	66,883	59,802
Net gain/(loss)	43,688	7,081
As at 31 March	110,571	66,883

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.	<ul style="list-style-type: none"> * Forecast annual revenue growth rate (2024: 8%; 2023: 10%) * Forecast EBITDA margin (2024: 13%; 2023: 14%) * Discount rate (2024: 14%; 2023: 19%) 	<p>The estimate fair value would increase/ (decrease) if:</p> <ul style="list-style-type: none"> * The annual revenue growth rate were higher/(lower) * The EBITDA margin were higher/(lower) * The discount rate were lower/(higher)

15.3 Sensitivity Analysis

For the fair values of equity securities - Equity instruments designated at Fair Value Through OCI (FVOCI), 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

	2024		2023	
	Increase Rs. '000	Decrease Rs. '000	Increase Rs. '000	Decrease Rs. '000
Effect to the other comprehensive income				
Annual revenue growth rate ($\pm 0.5\%$)	16,038	(16,028)	3,597	(3,556)
EBITDA margin ($\pm 0.25\%$)	964	(964)	358	(358)
Discount rate ($\pm 0.25\%$)	(4,083)	4,257	7	(7)

16 FINANCIAL ASSETS & FINANCIAL LIABILITIES

16.1 Financial Assets

As at 31 March

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Equity instruments designated at fair value through OCI				
Rileys (Pvt.) Ltd	32,324	63,025	32,324	63,025
Toyo Cushion Lanka (Pvt.) Ltd	110,571	66,883	110,571	66,883
Total non-current financial assets	142,895	129,908	142,895	129,908
Loans and receivables				
Trade & other receivables	1,134,448	477,400	749,176	146,416
Amount due from other related companies	706,317	233,205	255,863	239,471
Short-term deposit	-	105,550	-	105,539
Cash in hand and at bank	62,434	46,246	23,654	23,269
Total current financial assets	1,903,199	862,401	1,028,693	514,695
Carrying value of financial assets	2,046,094	992,309	1,171,588	644,603
Fair value of financial assets	2,046,094	992,309	1,171,588	644,603

16.2 Financial Liabilities

As at 31 March

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Financial liabilities measured at amortised cost				
Trade & other payables	600,307	420,663	262,322	189,524
Amount due to other related companies	146,378	96,553	164,511	68,744
Current portion of interest bearing borrowings	6,667	33,752	6,667	-
Bank overdrafts and short-term borrowings	1,068,502	655,801	400,698	105,417
Carrying value of financial liabilities	1,821,854	1,206,769	834,198	363,685
Fair value of financial liabilities	1,821,854	1,206,769	834,198	363,685

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.

16.3 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	2024 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Freehold lands carried at fair value (Note 11)	207,136	-	-	207,136
Unquoted equity shares - financial assets designated at FVOCI (Note 15)	142,895	-	-	142,895

As at 31 March	2023 Rs. '000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Freehold lands carried at fair value (Note 11)	67,200	-	-	67,200
Unquoted equity shares - financial assets designated at FVOCI (Note 15)	129,908	-	-	129,908

During the reporting period ended 31st March 2024, there were no transfers between Level 1 and Level 2 fair value measurements.

17 INVENTORIES

As at 31 March

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Raw materials and consumables*	621,637	832,476	324,196	256,717
Finished goods	39,441	60,340	10,146	22,109
Spares stocks	62,719	45,231	27,573	21,562
Working-in-progress	76,956	122,344	51,110	81,169
	800,753	1,060,391	413,025	381,557
Less: Provision for write down of inventories (Note 17.1)	(38,119)	(24,505)	(29,043)	(14,347)
	762,634	1,035,886	383,982	367,210

* Coir fibre inventory amounts to Rs. 289 million (7,952 tons in quantity). Inherent nature of the inventories, requires use of estimation techniques and judgments in ascertaining the physical quantities of inventories.

17.1 Movement in the Provision for Write Down of Inventories

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 01 April	24,505	23,021	14,347	12,555
Provision made/(reversed) during the year	13,614	1,484	14,696	1,792
As at 31 March	38,119	24,505	29,043	14,347

18. TRADE AND OTHER RECEIVABLES

As at 31 March

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Trade receivables (Note 18.1)	1,115,657	473,079	731,375	142,521
Deposits and prepayments	35,215	20,738	16,504	9,557
Advance to suppliers	119,250	129,452	3,529	5,188
Other receivables	18,791	4,321	17,801	3,895
	1,288,913	627,590	769,209	161,161

18.1 Trade Receivables

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Gross trade receivables	1,173,432	505,833	779,248	154,882
Less: Provision for doubtful debts (Note 18.1 (a))	(57,775)	(32,754)	(47,873)	(12,361)
Net trade receivables	1,115,657	473,079	731,375	142,521

18.1 (a) Movement in the Provision for Doubtful Debts

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at 01 April	32,754	50,413	12,361	39,880
Provision made during the year	47,932	27,133	47,873	13,522
Provision reversed during the year	(22,911)	(44,792)	(12,361)	(41,041)
Balance as at 31 March	57,775	32,754	47,873	12,361

18.2 The Aging Analysis of Trade Receivables is as follows:

Group	Past due but not impaired					Total (Gross)	Provisions	Total (Net)
	Neither past due nor impaired	<60 Days	61-120 Days	121-180 Days	>180 Days			
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn			
As at 31 March 2024	722.11	330.53	57.13	5.88	57.77	1,173.42	(57.77)	1,115.65
As at 31 March 2023	235.20	194.03	33.00	10.00	33.60	505.83	(32.75)	473.08

Company	Past due but not impaired					Total (Gross)	Provisions	Total (Net)
	Neither past due nor impaired	<60 Days	61-120 Days	121-180 Days	>180 Days			
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn			
As at 31 March 2024	491.25	195.49	40.75	3.88	47.87	779.24	(47.87)	731.37
As at 31 March 2023	118.00	28.88	1.00	-	7.00	154.88	(12.36)	142.52

19 OTHER CURRENT ASSETS

As at 31 March

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Other tax receivables	440	440	-	-
Withholding tax refunds	20	1,187	-	1,167
VAT receivables	12,247	6,839	3,962	4,152
	12,707	8,466	3,962	5,319

20 AMOUNTS DUE FROM OTHER RELATED COMPANIES

As at 31 March

	Relationship	Group		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Quality Seed Co. (Pvt) Ltd	Affiliate	4,945	3,029	4,945	3,029
Toyo Cushion Lanka (Pvt) Ltd	Affiliate	188,439	36,487	39,129	35,903
Ravi Industries Ltd	Affiliate	88	-	88	-
Volanka Exports Ltd	Affiliate	67,024	-	67,024	-
Advantis Projects & Engineering (Pvt) Ltd	Affiliate	-	-	50	-
Chas P Hayley & Co. (Pvt) Ltd	Affiliate	19,765	-	11,975	1,895
Haymat (Pvt) Ltd	Affiliate	3,688	19,198	-	-
Rileys (Pvt) Ltd	Affiliate	214,069	47,586	-	-
Singer (Sri Lanka) PLC	Affiliate	85,630	126,905	-	-
Creative Polymats (Pvt) Ltd	Subsidiary	-	-	-	179,187
Haycarb USA, INC	Affiliate	122,669	-	122,669	34
Bonterra Ltd	Subsidiary	-	-	9,983	19,423
		706,317	233,205	255,863	239,471

21 CASH IN HAND AND AT BANK

As at 31 March

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Cash in hand	486	526	236	246
Cash at bank	61,948	45,720	23,418	23,023
Cash in hand and at bank	62,434	46,246	23,654	23,269

22 STATED CAPITAL

As at 31 March

	No. of Shares		Company	
	2024	2023	2024 Rs. '000	2023 Rs. '000
Fully paid ordinary shares	24,000,000	24,000,000	80,000	80,000

23 RESERVES

As at 31 March

	Notes	Group		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Other components of equity					
Cash flow hedge reserves		-	(6,718)	-	-
Revaluation reserves	23.1	22,881	22,881	22,881	22,881
Fair value reserves of financial assets designated at FVOCI		87,130	78,021	87,130	78,021
		110,011	94,184	110,011	100,902
Amalgamation reserves					
Amalgamation revenue reserves	23.3	36,625	36,625	36,625	36,625
Amalgamation capital reserves	23.3	14,000	14,000	14,000	14,000
		50,625	50,625	50,625	50,625
Retained earnings	23.2	1,156,513	1,183,633	921,856	992,786
		1,317,149	1,328,442	1,082,492	1,144,313

23.1 Revaluation Reserves

As at 31 March

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 01 April	22,881	28,341	22,881	28,341
Revaluation surplus during the year	-	-	-	-
Income tax effect on revaluation surplus	-	(5,460)	-	(5,460)
As at 31 March	22,881	22,881	22,881	22,881

23.2 Retained Earnings

As at 31 March

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 01 April	1,183,633	977,776	992,786	777,482
Profit/(loss) for the year	(25,279)	298,232	(69,787)	307,652
Re-measurement gain/(loss) on employee benefit obligations	(2,630)	(1,678)	(1,633)	(1,640)
Income tax on other comprehensive income	789	503	490	492
Dividends	-	(91,200)	-	(91,200)
As at 31 March	1,156,513	1,183,633	921,856	992,786

23.3 Amalgamation reserves consist of net surplus arisen from the amalgamation as per the provisions for amalgamation, in the Companies Act No. 07 of 2007.

24 LONG-TERM INTEREST BEARING BORROWINGS

As at 31 March

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 01 April	33,752	330,286	-	206,943
New loan obtained	320,000	-	320,000	-
Repayments	(33,752)	(316,643)	-	(206,943)
Effect of movements in exchange rates	-	20,109	-	-
At the end of the year	320,000	33,752	320,000	-
Repayable within one year	6,667	33,752	6,667	-
Repayable after one year	313,333	-	313,333	-

24.1 Analysis of Long Term Borrowings by Year of Repayment

Group	1 to 2 years	2 to 5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31 March 2024	80,004	233,329	-	313,333
As at 31 March 2023	-	-	-	-

Company	1 to 2 years	2 to 5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31 March 2024	80,004	233,329	-	313,333
As at 31 March 2023	-	-	-	-

24.2 Long Term Borrowings Repayable After One Year

Company	Lender/Rate of Interest %	Repayment Terms	2024	2023
			Rs. '000	Rs. '000
Hayleys Fibre PLC	HSBC (SLF+2.25%)	48 Monthly installments commenced from March 2025	313,333	-
			313,333	-

25 DEFERRED TAXATION

As at 31 March	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Deferred tax liabilities (Note 25.1)	54,016	39,477	6,207	16,697
As at 31 March	54,016	39,477	6,207	16,697

25.1 Net Deferred Tax Liabilities

As at 31 March

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 01 April	39,477	39,704	16,697	33,788
Deferred tax recognised in profit & loss	11,659	(13,451)	(13,878)	(30,335)
Deferred tax recognised in other comprehensive income	2,880	13,224	3,388	13,244
As at 31 March	54,016	39,477	6,207	16,697

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

As at 31 March

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Deferred tax assets				
Employee benefit obligations	(11,246)	(9,707)	(9,352)	(7,553)
Amortisation of intangible assets for tax purposes	(2,639)	(809)	(2,607)	(1,842)
Effect of unrealised exchange gain	(9,128)	(25,382)	(6,401)	(15,197)
Effect of transition to SLFRS 16	(2,807)	(2,731)	(2,029)	(2,022)
Losses available for off-setting against future taxable income	(25,518)	(10,736)	(25,518)	-
	(51,338)	(49,365)	(45,907)	(26,614)
Deferred tax liabilities				
Accelerated depreciation for tax purposes	79,294	67,693	27,087	22,162
Amortisation of intangible assets for tax purposes	1,033	-	-	-
Revaluation on freehold land	10,073	10,073	10,073	10,073
Revaluation of financial assets designated at FVOCI	14,954	11,076	14,954	11,076
	105,354	88,842	52,114	43,311
Net deferred tax liabilities	54,016	39,477	6,207	16,697

26 EMPLOYEE BENEFIT OBLIGATIONS

As at 31 March	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 01 April	32,350	34,938	25,175	30,235
Current service cost	3,228	3,149	1,732	1,449
Interest cost	5,082	4,295	4,232	3,590
Re-measurement (gain)/ loss on employee benefit obligations	3,325	1,707	1,633	1,640
	43,985	44,089	32,772	36,914
Employee benefits paid	(6,496)	(11,739)	(1,596)	(11,739)
As at 31 March	37,489	32,350	31,176	25,175

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

As at 31 March	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Current service cost	3,228	3,149	1,732	1,449
Interest cost	5,082	4,295	4,232	3,590
	8,310	7,444	5,964	5,039
Re-measurement (gain)/loss recognised in other comprehensive income	3,325	1,707	1,633	1,640

26.2 LKAS 19 - requires the use of actuarial techniques to make a reliable estimate of the amount of employee benefit that employees have earned in return for their service in the current and prior periods and discount the benefit using the Projected Unit Credit Method in order to determine the present value of the 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	12% (2023 : 18%)
Rate of salary increase	11% (2023 : 16%)
Retirement age	55-60 years as specified by the Company (2023-55-60 Years)
Mortality	Based on A1967/70 mortality table.

Employee contribution plans - EPF/ETF

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Companies contribute the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

Employee defined benefit plan – Gratuity

The liability recognized in the statement of financial position is the present value of the defined benefit obligation as at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognized immediately in other comprehensive income. Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The obligation is not externally funded.

Accounting judgments, estimates and assumptions employee benefit liability – Gratuity

The employee benefit liability of the Group is based on the actuarial valuation carried out by independent actuarial specialists. The actuarial valuations are involved with assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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.

26.3 Distribution of Employee Benefit Obligation over Future Working Lifetime

As at 31 March

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Expected future working life				
Within the next twelve months	1,517	2,793	964	2,237
Between one to five years	15,266	14,363	12,932	11,715
Between five to ten years	12,692	2,856	11,741	1,701
More than ten years	8,014	12,338	5,539	9,522
As at 31 March	37,489	32,350	31,176	25,175

The Company's weighted average duration of the defined benefit plan obligation at the end of the reporting period is 7.8 years.

26.4 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.

As at 31 March	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Salary escalation rate				
1% Increase	40,638	33,927	33,659	26,096
1% Decrease	34,652	29,268	28,908	22,672

As at 31 March	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Rate of discount				
1% Increase	34,836	29,430	29,059	22,795
1% Decrease	40,475	33,777	33,524	25,981

27 SHORT-TERM INTEREST-BEARING BORROWINGS

As at 31 March	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Bank overdrafts (Note 27.1)	180,190	142,744	117,995	38,028
Short term loans (Note 27.2)	888,312	513,057	282,703	67,389
	1,068,502	655,801	400,698	105,417

27.1 Bank Overdrafts

Company	Lender/ Rate of interest	2024 Rs. '000	2023 Rs. '000	Security
Hayleys Fibre PLC	HSBC (SLF+3%) -LKR	65,039	38,028	Unsecured
	HSBC (SOFR+4%) -USD	52,956	-	Unsecured
Bonterra Ltd	HSBC (SLF+3%) -LKR	385	11,082	Unsecured
	HSBC (SOFR+4%) -USD	-	43,101	Unsecured
Creative Polymats (Pvt) Ltd	Sampath Bank PLC (AWPLR+0.5%)	23,047	19,881	Unsecured
	HNB PLC (AWPLR-.25%)	24,868	-	Unsecured
	Seylan Bank PLC (AWPLR + 1.5%/F - 9%)	13,895	30,652	Unsecured
		180,190	142,744	

27.2 Short-term Loans

Company	Rate of interest	2024 Rs. '000	2023 Rs. '000	Security
Hayleys Fibre PLC	HNB PLC (3 Months SOFR +2.5%) - USD	60,100	67,389	Export Orders
	HNB PLC (3 Months ESTR +4%) - EURO	222,603	-	Export Orders
Bonterra Ltd	HNB PLC (3 Months SOFR +2.5%) -USD	125,609	165,668	Export Orders
Creative Polymats (Pvt) Ltd	Commercial Bank PLC(AWPLR+1%)	70,000	75,000	Stock & debtors
	Sampath Bank PLC (AWPLR+0.5%)	235,000	130,000	Stock & debtors
	HNB PLC (AWPLR-.25%)	100,000	-	Stock & debtors
	Seylan Bank PLC (Market Rate (PLR+1%))	75,000	75,000	Stock & debtors
		888,312	513,057	

28 TRADE & OTHER PAYABLES

As at 31 March

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Trade payables	137,839	68,354	57,224	28,617
Accruals and other payables	391,294	338,567	188,077	147,165
Dividend payables	54,153	-	-	-
Unclaimed dividends	17,021	13,742	17,021	13,742
	600,307	420,663	262,322	189,524

29 OTHER CURRENT LIABILITIES

As at 31 March

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Advances (Contract liabilities)	26,301	39,058	7,720	6,080
Other tax payable	15,650	2,246	-	-
	41,951	41,304	7,720	6,080

30 AMOUNTS DUE TO OTHER RELATED COMPANIES

As at 31 March

	Relationship	Group		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Hayleys PLC	Parent	15,336	14,193	8,288	7,556
Charles Fibres (Pvt) Ltd	Affiliate	110,610	52,017	131,537	52,017
Chas P Hayley & Co. (Pvt) Ltd	Affiliate	-	659	-	-
Haymat (Pvt) Ltd	Affiliate	-	-	1,812	302
Ravi Industries Ltd	Affiliate	-	186	-	186
Hayelys Agriculture Holdings Ltd	Affiliate	1,044	776	1,044	776
Hayleys Aventura (Pvt) Ltd	Affiliate	-	309	-	-
Mabroc Teas (Pvt) Ltd	Affiliate	9	-	-	-
Creative Polymats (Pvt) Ltd	Subsidiary	-	-	683	-
COSCO Shipping Lines Lanka (Pvt) Ltd	Affiliate	-	1,099	-	610
Ceva Logistics Lanka (Pvt) Ltd	Affiliate	-	359	-	359
Advantis Projects & Engineering (Pvt) Ltd	Affiliate	39	1,325	-	723
Advantis Express (Pvt) Ltd	Affiliate	44	-	-	-
Hayleys Free Zone Ltd	Affiliate	345	2,356	-	-
Clarion Shipping (Pvt) Ltd	Affiliate	4,735	-	4,735	-
Kelani Valley Plantations PLC	Affiliate	67	317	31	-
Hayleys Travels (Pvt) Ltd	Affiliate	257	-	144	-
The Kingsbury PLC	Affiliate	351	587	56	587
Haycarb USA, INC	Affiliate	-	2,214	-	-
Haycarb PLC	Affiliate	600	367	600	256
Advantis Freight (Pvt) Ltd	Affiliate	8,076	5,981	7,497	422
Puritas (Pvt) Ltd	Affiliate	576	550	92	66
Expelogix (Pvt) Ltd	Affiliate	-	471	-	471
Hayleys Business Solutions International (Pvt) Ltd	Affiliate	264	406	34	61
Volanka (Pvt) Ltd	Affiliate	4,025	12,381	1,453	2,406
Rileys (Pvt) Ltd	Affiliate	-	-	6,505	1,946
		146,378	96,553	164,511	68,744

31 INCOME TAX

31.1 Income tax recoverable

As at 31 March

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Income tax recoverable	12,799	-	12,799	-

31.2 Income tax Payable

As at 31 March

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 01 April	41,811	27,041	20,037	13,058
Taxation on current year`s profit	52,908	97,560	-	41,119
Under provision in respect of previous years	-	(2,661)	-	(2,715)
Tax on dividend	9,556		-	-
Payments made during the year	(104,366)	(80,129)	(32,836)	(31,425)
Net income tax Payable/(Recoverable)	(91)	41,811	(12,799)	20,037
Income tax recoverable	12,799	-	12,799	-
As at 31 March	12,708	41,811	-	20,037

32 CAPITAL EXPENDITURE COMMITMENTS

There were no material commitments which required disclosure as at the date of the reporting date.

33 CONTINGENT LIABILITIES

The Group/Company does not have significant contingent liabilities as at the reporting date. (2023: Nil)

34 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

34.1 Key management personnel compensation

Key management personnel comprise of Directors of the Company and details of Directors fees are given in note 7 to the Financial Statements.

34.2 Other transactions with key management personnel

Directors of the Company hold 0.01% 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.

35 EVENTS OCCURRING AFTER THE REPORTING DATE

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

36 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 98 to 103.

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.

More than 85 percent of the Company's customers have been transacting with the Company for over five years, and no significant 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 maximum exposure to credit risk for trade and other receivables as at the reporting date by currency wise is as follows:

As at 31 March	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Rupees	234,104	472,822	37,835	6,393
USD	453,531	88,160	139,070	88,160
GBP	-	-	-	-
EUR	591,570	66,608	582,596	66,608
RMB	9,708	-	9,708	-
	1,288,913	627,590	769,209	161,161

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 Company held cash in Hand and at Bank of Rs. 62 million and Rs. 24 million respectively as at 31 March 2024 (2022/23 - Rs. 152 million and Rs. 129 million) which represents its maximum credit exposure on these assets.

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

- People's Bank- A(Ika)
- Standard Chartered Bank- A+
- Hong Kong and Shanghai Banking Corporation Ltd- AA-
- Hatton National Bank PLC- A(Ika)
- Seylan Bank PLC- A-(Ika)
- National Development Bank PLC- A-(Ika)
- Sampath Bank PLC- A(Ika)
- Commercial Bank PLC- A(Ika)

Source -<http://www.fitchratings.com>

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.

Maturity Analysis

The table below summarises the maturity profile of the Group/Company financial liabilities as at 31 March 2024 based on contractual undiscounted payments.

As at March 2024	On demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	>5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group						
Interest-bearing loans and borrowings	-	588,502	486,667	313,333	-	1,388,502
Trade and other payables	-	336,077	107,398	72,884	83,948	600,307
Amount due to other related companies	-	145,213	829	336	-	146,378
	-	1,069,792	594,894	386,553	83,948	2,135,187
Company						
Interest-bearing loans and borrowings	-	400,698	6,667	313,333	-	720,698
Trade and other payables	-	209,368	26,532	21,870	4,552	262,322
Amount due to other related companies	-	164,511	-	-	-	164,511
	-	774,577	33,199	335,203	4,552	1,147,531
As at 31 March 2023						
	On demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	>5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group						
Interest-bearing loans and borrowings	-	409,553	280,000	-	-	689,553
Trade and other payables	-	373,294	21,326	26,043	-	420,663
Amount due to other related companies	-	89,987	1,665	4,901	-	96,553
	-	872,834	302,991	30,944	-	1,206,769
Company						
Interest-bearing loans and borrowings	-	105,417	-	-	-	105,417
Trade and other payables	-	158,410	7,077	22,217	1,820	189,524
Amount due to other related companies	-	68,744	-	-	-	68,744
	-	332,571	7,077	22,217	1,820	363,685

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 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.

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.

	Increase/ decrease in basis point	Group Effect on profit before tax Rs. '000	Company Effect on profit before tax Rs. '000
2024	+150	(18,761)	(6,010)
	-150	18,761	6,010
2023	+150	(12,009)	(1,581)
	-150	12,009	1,581

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), Sterling Pound (GBP) and Chinese Renminbi (RMB). The currencies in which these transactions primarily are denominated are EUR, USD, GBP and RMB.

Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the US Dollars, Sterling Pound (GBP), Euro and Chinese Renminbi (RMB) 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.

	Increase / decrease in Exchange Rate	Effect on Profit Before Tax Group Rs. '000	Company Rs. '000
2024			
USD	+5%	2,655	(2,598)
EUR	+5%	12,079	11,947
GBP	+5%	5	5
RMB	+5%	1,813	1,813
USD	-5%	(2,655)	2,598
EUR	-5%	(12,079)	(11,947)
GBP	-5%	(5)	(5)
RMB	-5%	(1,813)	(1,813)

2023	Increase / decrease in Exchange Rate	Effect on Profit Before Tax	
		Group Rs. '000	Company Rs. '000
USD	+5%	(16,161)	(2,057)
EUR	+5%	2,661	2,633
GBP	+5%	5	5
USD	-5%	16,161	2,057
EUR	-5%	(2,661)	(2,633)
GBP	-5%	(5)	(5)

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.

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.

As at 31 March	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Long-term interest bearing borrowings	313,333	-	313,333	-
Current portion of interest bearing borrowings	6,667	33,752	6,667	-
Short-term interest bearing borrowings	1,068,502	655,801	400,698	105,417
	1,388,502	689,553	720,698	105,417
Equity	1,663,647	1,648,686	1,162,492	1,224,313
Equity and net debts	3,052,149	2,338,239	1,883,190	1,329,730
Gearing ratio	45%	29%	38%	8%

37 RELATED PARTY TRANSACTIONS

As at 31st March					2024	2023
Relationship with the Company	Settlement	Net funds transfer from / (to) related parties	Sales to related parties	Purchases / services from related parties	Amount due from / (due to) related parties	Amount due from / (due to) related parties
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Parent :						
Hayleys PLC	117,668	-	-	(118,400)	(8,288)	(7,556)
Subsidiaries :						
Bonterra Ltd	(8,045)	(106,694)	24,486	80,813	9,983	19,423
Creative Polymats (Pvt) Ltd	(179,011)	-	-	(859)	(683)	179,187
Affiliates :						
Chas P Hayley & Co. (Pvt) Ltd	2,657	50,107	413,297	(455,981)	11,975	1,895
Volanka (Pvt) Ltd	15,729	-	-	(14,776)	(1,453)	(2,406)
Volanka Exports Ltd	-	67,024	-	-	67,024	-
Toyo Cushion Lanka (Pvt) Ltd	-	(12,733)	22,547	(6,588)	39,129	35,903
Ravi Industries Ltd	14,848	-	159	(14,733)	88	(186)
Rileys (Pvt) Ltd	20,000	-	108	(24,667)	(6,505)	(1,946)
Quality Seeds (Pvt) Ltd	(13,212)	-	8,051	7,077	4,945	3,029
Haymat (Pvt) Ltd	-	-	-	(1,510)	(1,812)	(302)
Haycarb USA, INC	(27,801)	-	151,151	(715)	122,669	34
Haycarb PLC	6,425	-	-	(6,769)	(600)	(256)
Hayleys Business Solutions International (Pvt) Ltd	671	-	-	(644)	(34)	(61)
Charles Fibres (Pvt) Ltd	170,857	-	-	(250,377)	(131,537)	(52,017)
Hayleys Agriculture Holdings Ltd	8,874	-	-	(9,142)	(1,044)	(776)
Advantis Projects & Engineering (Pvt) Ltd	2,863	-	-	(2,090)	50	(723)
Puritas (Pvt) Ltd	119	-	-	(145)	(92)	(66)
Expelogix (Pvt) Ltd	471	-	-	-	-	(471)
Ceva Logistics Lanka (Pvt) Ltd	359	-	-	-	-	(359)
Clarion Shipping (Pvt) Ltd	19,072	(23,807)	-	-	(4,735)	-
COSCO Shipping Lines Lanka (Pvt) Ltd	1,566	-	-	(956)	-	(610)
The Kingsbury PLC	872	-	-	(341)	(56)	(587)
Kelani Valley Plantations PLC	62	-	-	(93)	(31)	-
Hayleys Travels (Pvt) Ltd	2,018	-	-	(2,162)	(144)	-
Advantis Freight (Pvt) Ltd	3,146	-	-	(10,221)	(7,497)	(422)

37.1 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.

37.2 Listing rules applicable to the Related Party Transactions

37.2.1 Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2023 audited financial statements, which required additional disclosures in the 2023/2024 Annual Report under Colombo Stock Exchange listing Rule 9.14.8 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

37.2.2 Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2023 audited financial Statements, which required additional disclosures in the 2023/2024 Annual Report under Colombo Stock Exchange listing Rule 9.14.8 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

38 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 to be the chief operating decision maker and resources are allocated and performances assessed based on the below mentioned segments.

	Coir Fibre products		Stitched blanket		PU Mattresses and related products		Inter segment		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue										
Total Segmental Revenue	2,826,346	1,977,544	1,428,990	1,311,885	898,104	1,115,270	(28,359)	(16,083)	5,125,081	4,388,616
Segment Results										
Result from operating activities	(103,702)	79,931	183,586	248,342	154,162	188,590	(1,635)	(1,230)	232,411	515,633
Net finance income/ (expense)	20,037	235,790	13,267	(56,163)	(79,886)	(107,254)	(53,254)	(122,371)	(99,836)	(49,998)
Profit/(loss) before tax	(83,665)	315,721	196,853	192,179	74,276	81,336	(54,889)	(123,601)	132,575	465,635
Tax expenses	13,878	(8,069)	(55,407)	(50,595)	(23,258)	(22,379)	(9,336)	(405)	(74,123)	(81,448)
Depreciation on property, plant and equipment	27,374	20,463	9,743	9,662	22,393	25,108	-	-	59,510	55,233
Amortisation of intangible assets	3,365	3,068	175	-	4,132	4,132	-	-	7,672	7,200
Segment financial position										
Total assets	2,372,333	1,675,838	743,980	798,302	1,105,028	995,640	(254,642)	(435,167)	3,966,699	3,034,613
Additions to property, plant and equipment	167,960	91,941	2,955	464	7,429	50,934	-	-	178,344	143,339
Additions to intangible assets	-	1,780	1,389	-	-	-	-	-	1,389	1,780
Deferred tax liabilities	6,207	16,697	26,651	14,607	20,641	7,433	517	740	54,016	39,477
Employee benefit obligations	31,176	25,175	2,103	5,120	4,210	2,055	-	-	37,489	32,350
Trade and other payable	262,322	189,524	236,473	133,545	101,512	97,594	-	-	600,307	420,663
Segment cash flows										
Segment cash flows from operating activities	(622,441)	39,857	266,177	253,070	(181,336)	168,283	(18,097)	(4,272)	(555,697)	456,938
Segment cash flows from investing activities	(94,736)	107,641	(4,344)	(264)	(26,776)	(15,161)	(53,355)	(127,123)	(179,211)	(34,907)
Segment cash flows from financing activities	532,056	(305,800)	(192,486)	(269,567)	(2,917)	(7,429)	271,447	(13,800)	608,100	(596,596)

Ten Year Summary - Group

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For the year ended 31 March	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trading results										
Revenue	5,125,081	4,388,616	3,698,646	2,000,736	789,625	886,099	562,659	478,976	442,038	576,451
Profit/(loss) before taxation	132,575	465,635	438,933	258,785	177,322	185,475	120,342	278,765*	16,019	7,643
Tax expenses	(74,123)	(81,448)	(99,250)	(15,542)	(31,034)	(32,927)	(19,377)	(11,495)	366	(4,701)
Profit/(loss) after taxation	58,452	384,187	339,683	243,243	146,288	152,548	100,965	267,270*	16,385	2,942
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 components of equity	110,011	94,184	85,042	87,541	84,318	75,500	73,151	74,778	240,787	240,083
Revenue reserves	1,156,513	1,183,633	1,000,285	901,142	768,501	695,507	595,914	531,945	106,510	91,779
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	1,397,149	1,408,442	1,215,952	1,119,308	983,444	901,632	799,690	737,348	477,922	462,487
Non-controlling interest	266,498	240,244	264,028	228,597	81,426	81,656	-	-	-	-
Total equity	1,663,647	1,648,686	1,479,980	1,347,905	1,064,870	983,288	799,690	737,348	477,922	462,487
Assets less liabilities										
Property, plant & equipment	935,737	796,449	754,508	630,773	484,051	233,933	72,290	64,838	255,293	255,877
Investments	142,895	129,908	120,987	109,368	232,099	176,316	161,704	142,610	146,823	131,835
Other non-current assets	42,263	51,313	73,619	89,690	84,632	16,956	-	-	-	954
Total non-current assets	1,120,895	977,670	949,114	829,831	800,782	427,205	233,994	207,448	402,116	388,666
Current assets	2,845,804	2,056,943	2,462,183	1,508,634	884,878	735,601	662,067	614,392	181,736	369,304
Current liabilities	(1,879,886)	(1,292,642)	(1,621,840)	(830,631)	(546,772)	(142,344)	(72,758)	(69,157)	(91,298)	(264,032)
Working capital	965,918	764,304	840,343	678,003	338,106	593,257	589,309	545,235	90,438	105,272
Non-current liabilities	(423,166)	(93,285)	(309,477)	(159,929)	(74,018)	(37,174)	(23,613)	(15,335)	(14,632)	(31,451)
Net assets	1,663,647	1,648,686	1,479,980	1,347,905	1,064,870	983,288	799,690	737,348	477,922	462,487
Ratios and Other Information										
Basic earnings per share (Rs.)**	(1.05)	12.43	8.25	6.16	6.09	6.05	4.21	11.14	0.68	0.12
Net assets per share (Rs.)**	58.21	58.69	50.66	46.64	40.98	37.26	33.32	30.72	19.91	19.27
Current ratio (times)	1.51	1.59	1.52	1.82	1.62	5.17	9.09	8.88	1.99	1.40
Dividend per share - paid (Rs.)	-	3.80	4.00	0.58	2.83	2.25	1.33	0.67	-	0.10
Dividend payout (%)	-	30.57	48.50	9.47	46.53	35.40	31.70	5.99	-	81.08
Price earning ratio (times)	(49.62)	4.04	6.68	7.73	14.30	14.17	16.85	5.32	55.66	323.86

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

**All previous years' calculations are adjusted to the share sub division of 1:3 that took place on 10th February 2021 for the purpose of comparison.

GRI content Index

Statement of use	Hayleys Fibre PLC has reported in accordance with the GRI Standards for the period 1st April 2023 to 31st March 2024
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	[Titles of the applicable GRI Sector Standards]

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details	Pg. 2	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	2-2 Entities included in the organization's sustainability reporting	Pg. 2				
	2-3 Reporting period, frequency and contact point	Pg. 2				
	2-4 Restatements of information	Pg. 3				
	2-5 External assurance	Pg. 3				
	2-6 Activities, value chain and other business relationships	Pg. 73				
	2-7 Employees	Pg. 80				
	2-8 Workers who are not employees	Pg. 80				
	2-9 Governance structure and composition	Pg. 104				
	2-10 Nomination and selection of the highest governance body	Pg. 105				
	2-11 Chair of the highest governance body	Pg. 105				
	2-12 Role of the highest governance body in overseeing the management of impacts	Pg. 105				
	2-13 Delegation of responsibility for managing impacts	Pg. 106				
	2-14 Role of the highest governance body in sustainability reporting	Pg. 40				
	2-15 Conflicts of interest	Pg. 118				
	2-16 Communication of critical concerns	Pg. 104				
	2-17 Collective knowledge of the highest governance body	Pg. 105				
	2-18 Evaluation of the performance of the highest governance body	Pg. 105				
	2-19 Remuneration policies	Pg. 82, 114				
	2-20 Process to determine remuneration	Pg. 82, 114				

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
	2-21 Annual total compensation ratio	Pg. 85, 114				
	2-22 Statement on sustainable development strategy	Pg. 39				
	2-23 Policy commitments	Pg. 90, 91, 92				
	2-24 Embedding policy commitments	Pg. 95				
	2-25 Processes to remediate negative impacts	Pg. 87				
	2-26 Mechanisms for seeking advice and raising concerns	Pg. 87				
	2-27 Compliance with laws and regulations	Pg. 108				
	2-28 Membership associations	Pg. 69				
	2-29 Approach to stakeholder engagement	Pg. 30				
	2-30 Collective bargaining agreements	Pg. 87				
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Pg. 33	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	3-2 List of material topics	Pg. 33				
Economic performance						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 34				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Pg. 18, 19				
	201-2 Financial implications and other risks and opportunities due to climate change	Pg. 101				
	201-3 Defined benefit plan obligations and other retirement plans	Pg. 178, 149				
	201-4 Financial assistance received from government	-		N/A	The Group does not receive any financial benefit from the Government	
Market presence						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 79				
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Pg. 82				
	202-2 Proportion of senior management hired from the local community	Pg. 82				

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
Indirect economic impacts						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 71				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Pg. 76, 77				
	203-2 Significant indirect economic impacts	Pg.76, 77				
Procurement practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 72				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Pg. 18, 73				
Anti-corruption						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 81				
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Pg. 107				
	205-2 Communication and training about anti-corruption policies and procedures	Pg. 81				
	205-3 Confirmed incidents of corruption and actions taken	Pg. 81				
Anti-competitive behavior						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 71				
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Pg. 73				
Tax						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 150				
GRI 207: Tax 2019	207-1 Approach to tax	Pg. 150				
	207-2 Tax governance, control, and risk management	Pg. 150				
	207-3 Stakeholder engagement and management of concerns related to tax	Pg.150				
	207-4 Country-by-country reporting	Pg.157				
Materials						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg.90				

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Pg. 90				
	301-2 Recycled input materials used	Pg.90, 92				
	301-3 Reclaimed products and their packaging materials	Pg. 90				
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 92				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Pg. 93				
	302-2 Energy consumption outside of the organization	Pg. 93				
	302-3 Energy intensity	Pg. 93				
	302-4 Reduction of energy consumption	Pg. 93				
	302-5 Reductions in energy requirements of products and services	Pg. 93				
Water and effluents						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 93				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Pg. 93				
	303-2 Management of water discharge-related impacts	Pg. 93				
	303-3 Water withdrawal		303-3 a, b, c, d	Incomplete Data	Not all water sources are measured	
	303-4 Water discharge		303-4 a, b, c, d, e			
	303-5 Water consumption		303-5 a, b, c, d			
Biodiversity						
GRI 3: Material Topics 2021	3-3 Management of material topics			N/A	The group's operations do not carried out in any environmental sensitive areas	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		304-1 a			
	304-2 Significant impacts of activities, products and services on biodiversity		304-2 a,b			
	304-3 Habitats protected or restored		304-3 q,b,c,d			
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		304-4 a			

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
Emissions						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 92				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Pg. 93				
	305-2 Energy indirect (Scope 2) GHG emissions	Pg. 93				
	305-3 Other indirect (Scope 3) GHG emissions	Pg. 93				
	305-4 GHG emissions intensity	Pg. 93				
	305-5 Reduction of GHG emissions	Pg. 93				
	305-6 Emissions of ozone-depleting substances (ODS)		305-6 a,b,c,d	N/A	No emissions activity under this area	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		305-7 a,b,c			
Waste						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 91				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Pg. 91				
	306-2 Management of significant waste-related impacts	Pg. 91				
	306-3 Waste generated	Pg. 92				
	306-4 Waste diverted from disposal	Pg. 92				
	306-5 Waste directed to disposal	Pg. 92				
Supplier environmental assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 73				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Pg. 74				
	308-2 Negative environmental impacts in the supply chain and actions taken	Pg. 74				
Employment						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 82				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Pg. 82				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Pg. 82, 83				
	401-3 Parental leave	Pg. 83				

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
Labor/management relations						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 87				
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Pg. 87				
Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 85				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Pg. 85				
	403-2 Hazard identification, risk assessment, and incident investigation	Pg. 85				
	403-3 Occupational health services	Pg. 85				
	403-4 Worker participation, consultation, and communication on occupational health and safety	Pg. 86				
	403-5 Worker training on occupational health and safety	Pg. 86				
	403-6 Promotion of worker health	Pg. 86				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Pg. 86, 87				
	403-8 Workers covered by an occupational health and safety management system	Pg.85				
	403-9 Work-related injuries	Pg. 86				
	403-10 Work-related ill health	Pg. 86				
Training and education						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 84				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Pg. 84, 85				
	404-2 Programs for upgrading employee skills and transition assistance programs	Pg. 85				
	404-3 Percentage of employees receiving regular performance and career development reviews	Pg. 83, 84				

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
Diversity and equal opportunity						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 80				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Pg. 80				
	405-2 Ratio of basic salary and remuneration of women to men	Pg. 82				
Non-discrimination						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 35				
GRI 406: Non- discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Pg. 35				
Child labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 81				
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Pg. 81				
Forced or compulsory labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg.81				
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Pg.81				
Local communities						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg.76				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Pg.76				
	413-2 Operations with significant actual and potential negative impacts on local communities	Pg.76				

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
Supplier social assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 73				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Pg. 73, 74				
	414-2 Negative social impacts in the supply chain and actions taken	Pg. 73, 74				
Customer health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 72				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Pg. 72				
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Pg. 72				
Marketing and labeling						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 72				
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Pg. 72				
	417-2 Incidents of non-compliance concerning product and service information and labeling	Pg. 72				
	417-3 Incidents of non-compliance concerning marketing communications	Pg. 73				
Customer privacy						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 73				
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Pg. 73				

Share Information

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Ordinary Shareholders as at 31 March 2024

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	4397	1,734,624	7.22	16	7,230	0.03	4,413	1,741,854	7.25
1,001 - 10,000	643	2,101,413	8.76	6	21,660	0.09	649	2,123,073	8.85
10,001 - 100,000	90	2,215,168	9.23	3	121,628	0.51	93	2,336,796	9.74
100,001 - 1,000,000	11	2,198,277	9.16	-	-	-	11	2,198,277	9.16
OVER 1,000,000	1	15,600,000	65.00	-	-	-	1	15,600,000	65.00
	5,142	23,849,482	99.37	25	150,518	0.63	5,167	24,000,000	100.00
Category									
Individuals	5,022	7,144,881	29.77	23	90,849	0.38	5,045	7,235,730	30.15
Institutions	120	16,704,601	69.60	2	59,669	0.25	122	16,764,270	69.85
	5,142	23,849,482	99.37	25	150,518	0.63	5,167	24,000,000	100.00

Directors' Shareholdings (as defined in Colombo Stock Exchange rules)

Name of Directors	As at 31.03.2024	As at 31.03.2023
Mr. A. M. Pandithage	960	960
Mr. H. S. R. Kariyawasan	NIL	NIL
Mr. M. M. A. R. P. Goonetilleke	NIL	NIL
Mr. S. C. Ganegoda	1,824	1,824
Dr. T. K. D. A. P. Samarasinghe	NIL	NIL
Mr. L. A. K. I. Kodytuwakku	NIL	NIL
Mr. D. K. De Silva Wijeyeratne	NIL	NIL
Mr. M. C. Sampath	NIL	NIL
Mr. L. Uralagamage	NIL	NIL
Mrs. Saumya Amarasekera, PC (Appointed w.e.f. 03/01/2024)	NIL	NIL
Mr. M. J. S. Rajakariar (Appointed w.e.f. 03/01/2024)	NIL	NIL
Dr. N. S. J. Nawaratne (Appointed w.e.f. 03/01/2024)	NIL	NIL

Market Value

The Market value of Hayleys Fibre PLC, ordinary shares during the year.

	2024		2023	
	Rs.	Date	Rs.	Date
Highest price	66.00	31.07.2023	84.90	12.08.2022
Lowest price	48.00	30.01.2024	40.10	27.04.2022
Closing price	52.10	28.03.2024	50.10	31.03.2023
Number of transactions	5,287		11,180	
Number of shares traded	1,278,980		6,825,852	
Value of shares traded (Rs.)	72,941,539		459,410,188	
Percentage of public holding as at 31 March	34.99%		34.99%	
Total number of shareholders representing public holding	5,164		5,282	
Float - adjusted market capitalization (Rs.)	437,514,960		420,719,760	

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

Top 20 Shareholders

Name of the Shareholder	No of Shares as at 31. 03. 2024	%	No of Shares as at 31. 03. 2023	%
1 Hayleys PLC No. 3 Share Investment A/C	15,600,000	65.00	15,600,000	65.00
2 Mrs. V. Saraswathi & Mr. S. Vasudevan	545,625	2.27	561,437	2.34
3 Mr. I.D. Bandarigodage	334,000	1.39	275,000	1.15
4 Dedunu Capital (Private) Limited	265,000	1.10	-	-
5 Dr. D. Jayantha	170,700	0.71	170,700	0.71
6 Mr. R. E. Rambukwella	158,237	0.66	159,737	0.67
7 Mr. S. Srikanthan & Mrs. S. Srikanthan	150,000	0.63	170,000	0.71
8 Mr. A. R. Ibrahim	133,634	0.56	142,882	0.60
9 Hatton National Bank PLC - Arpico Ataraxia Equity Income Fund	119,452	0.50	112,744	0.47
10 Mr. R. Y. Alawatte & Mrs. G. T. N. De Silva	111,069	0.46	108,000	0.45
11 New Benson Trading (Pvt) Ltd	107,076	0.45	107,076	0.45
12 Acuity Partners (Pvt) Limited / Mr. S. Vasudevan	103,484	0.43	103,484	0.43
13 Merchant Bank of Sri Lanka & Finance PLC / U. D. Premakumara	82,472	0.34	90,472	0.38
14 Miss. P. Navaratnam	78,156	0.33	78,156	0.33
15 DFCC Bank PLC / D. K. T. Pathirage	75,000	0.31	75,000	0.31
16 Mr. S. K. Thenabadu & Mrs. L. P. Thenabadu, Ms. C. S. Thenabadu	74,496	0.31	74,496	0.31
17 Mr. Sobika Rajeevan	62,201	0.26	51,500	0.21
18 Mr T. D. De Jonk	61,959	0.26	61,959	0.26
19 Rusheda Nasreen	56,126	0.23	56,126	0.23
20 Ms. S. Durga	48,015	0.20	48,015	0.20
TOTAL	18,336,702	76.40	18,046,784	75.21

Notice of Annual General Meeting

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NOTICE IS HEREBY GIVEN THAT THE THIRTY EIGHTH ANNUAL GENERAL MEETING OF HAYLEYS FIBRE PLC, will be held on Thursday, **27th June, 2024 at 1.00 p.m.** at the Chas P. Hayley Lounge of Hayleys PLC, No. 400, Deans Road, Colombo 10 for the following purposes:

1. To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March, 2024, with the Report of the Auditors thereon.
2. To re-elect as a Director, Mr. L. Uralagamage who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
3. To re-elect as a Director Mr. S.C. Ganegoda, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
4. To re-elect as a Director Dr. T.K.D.A.P. Samarasinghe who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
5. To re-elect as a Director Mrs. S. Amarasekera P.C. who has been appointed to the Board since the last Annual General Meeting, in terms of Article 27 (2) of the Articles of Association of the Company.
6. To re-elect as a Director Mr. M.J.S. Rajakariar who has been appointed to the Board since the last Annual General Meeting, in terms of Article 27 (2) of the Articles of Association of the Company.
7. To re-elect as a Director Dr. N.S.J. Nawaratne who has been appointed to the Board since the last Annual General Meeting, in terms of Article 27 (2) of the Articles of Association of the Company.
8. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A.M. Pandithage, in terms of Section 211 of the Companies Act No.07 of 2007.

Ordinary Resolution

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

9. To authorise the Directors to determine donations and contributions to charities for the ensuing year.
10. To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2024/25 and to authorise the Directors to determine their remuneration.

By Order of the Board
HAYLEYS FIBRE PLC



Hayleys Group Services (Private) Limited
Secretaries

Colombo
31st May 2024

Notes to shareholders:

1. The Annual Report of the Company for 2023/24 is available on the corporate website www.hayleysfibre.com and on the Colombo Stock Exchange website - www.cse.lk
2. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the office of the Company Secretaries at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the time fixed for the Meeting.
3. For your reference, the existing Articles are available in the Colombo Stock Exchange website - www.cse.lk.
4. A shareholder who requires a hard copy of the Annual Report must post or hand over the duly completed 'Request Form - Annexure A' to the office of the Secretaries.

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,

i.(full name of proxyholder) NIC No. of
Proxyholderof.....or failing him,

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 Eighth Annual General Meeting of the Company to be held on Thursday, 27th June 2024 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	For	Against
1. To adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March, 2024, with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as a Director Mr. L. Uralagamage, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a Director Mr. S.C. Ganegoda, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as a Director Dr. T.K.D.A.P. Samarasinghe, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect as a Director Mrs. S. Amarasekera P.C. as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect as a Director Mr. M.J.S. Rajakariar as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect as a Director Dr. N.S.J. Nawaratne as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
8. To re-appoint Mr. A.M. Pandithage in terms of Section 211 of the Companies Act No.07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
9. To authorize the Directors to determine donations and contributions to charities for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
10. To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2024/25 and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this day of2024.

.....
Signature of Shareholder
(Instructions are given overleaf)

Instructions:

1. The completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Private) Limited, at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the start of the meeting. Delayed Proxy Forms shall not be accepted.
2. A Shareholder entitled to attend and vote at the Annual General Meeting of the Company, is entitled to appoint a Proxy to attend and vote instead of him/her and the Proxy need not be a Shareholder of the Company.
3. Full name of Shareholder/Proxy holder and their NIC Nos. are mandatory. Your Proxy Form will be rejected if these details are not completed.
4. A Shareholder is not entitled to appoint more than one Proxy to attend on the same occasion.
5. The duly completed Proxy Form must be dated and signed by the Shareholder.
6. Please indicate with an "X" in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy can vote as he/she thinks fit.
7. In the case of a Company/Corporation the proxy must be executed in the manner prescribed by its Articles of Association or by a duly authorised Director.
8. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
9. In case of Marginal Trading Accounts (slash accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

Corporate Information

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

Mr. A. M. Pandithage - Chairman
Mr. H. S. R. Kariyawasan - Deputy Chairman
Mr. M. M. A. R. P. Goonetilleke - Managing Director
Mr. L. A. K. I. Kodytuakku - Deputy Managing Director
Mr. S. C. Ganegoda
Dr. T. K. D. A. P. Samarasinghe
Mr. D. K. De Silva Wijeyeratne - Senior Independent Director
Mr. M. C. Sampath
Mr. L. Uralagamage
Mrs. S. Amarasekera, P.C. (Appointed w.e.f. 03/01/2024)
Mr. M. J. S. Rajakariar (Appointed w.e.f. 03/01/2024)
Dr. N. S. J. Nawaratne (Appointed w.e.f. 03/01/2024)
Mr. W. A. K. Kumara (Resigned w.e.f. 15/12/2023)
Dr. S. A. B. Ekanayake (Resigned w.e.f. 31/12/2023)
Mr. T. G. Thoradeniya (Resigned w.e.f. 09/01/2024)

Registered Office

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

Office

131, Minuwangoda Road, Ekala, 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
National Development Bank PLC
Sampath Bank PLC
Commercial Bank of Ceylon PLC

Auditors

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

Legal Advisors

Corporate Legal Department
Julius & Creasy - Attorneys At Law

Secretaries

Hayleys Group Services (Private) 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.



Hayleys Fibre PLC,
No 400, Deans Road, Colombo 10, Sri Lanka.
www.hayleysfibre.com