Hayleys Fabric PLC

Annual Report 2015/16

Knitting together

a story of success

Knitting together

a story of success

Contents

Knitting together

a story of success

It was just three years ago that Hayleys Fabric began the transformation that has resulted in the success story we record here today. In this short time, we have achieved much, now offering total solutions in fabric manufacture and delivering the kind of significant increases in profitability that will certainly support our aspirations to grow.

Importantly, your Company has also progressed from being a simple manufacturing company to becoming an industry innovator, with the launch of 'Inno' - our own line of distinctive, branded fabric that has already achieved market acceptance and success.

In short, we are now positioned to expand in an environment that is very positive for the textile manufacturing sector as a whole. Plans for the future include investment into new equipment and technologies and the streamlining of infrastructure and processes to improve skills, productivity, and capacity.

And we're looking at the long term in all we do. Our ten-year growth strategy ensures that your Company will be a stable, sustainable industry trail-blazer, owning the fundamentals that knit together to form the story of our success.

Hayleys™ FABRIC

Hayleys Fabric PLC

Annual Report 2015/16

Our Integrated Annual Report

Welcome to our second Integrated Annual Report

This is our second Integrated Report which aims to present a holistic and balanced review of our financial, environmental and social performance for the financial year ended 31st March 2016. We are encouraged by the feedback received on our first attempt for the financial year ended 31st March 2015 and have refined our processes for non-financial reporting within the Company which has greatly enhanced the depth of reporting in the current year. With well established procedures in place for stakeholder engagement, determining materiality, measuring and monitoring material aspects, we are well positioned to ensure continuous improvement in our corporate reporting, ensuring that it is comprehensive, concise and demonstrating a high degree of transparency in communication.

This report conforms to the requirements of the Companies Act No.7 of 2007, the Continued listing requirements of the Colombo Stock Exchange and the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995. Accordingly, the presentation of financial statements are governed by the Sri Lanka Accounting Standards whilst we have voluntarily adopted the “In Accordance” option of the G4 Guidelines of the Global Reporting Initiative as a framework for reporting our economic, environmental and social performance. The Integrated Reporting Framework of the International Integrated Reporting Council was used as a framework to connect sustainability and financial information in a comprehensible manner. In addition, we have sought to draw attention to how Hayleys Fabric has contributed to the progress of the Sustainable Development Goals throughout the report by listing the supported goals and indicators in the relevant sections.

Assurance on the financial statements have been provided by Ernst & Young, the external auditors appointed by the Shareholders. The need for assurance on environmental and social indicators will be reviewed on an annual basis as part of the annual reporting process which typically commences several months prior to the close of the financial year.

Hayleys Fabric PLC is committed to a journey of excellence in corporate reporting and monitor the discussions on this evolving topic to identify and implement best practice, adapted to suit our circumstances.

Scan to access full Intergrated Annual Report

For inquiries about this report, please contact:
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Hayleys Fabric PLC, Narthupana Estate, Neboda,
Sri Lanka.
0094 -34- 2297100
www.hayleysfabric.com

Awards During the Year

Hayleys Fabric wins CIMA LMD Award. No. 1 in Footwear and Textiles Sector

Annual Report Awards 2015 Bronze Award

The Company won the Bronze Award in the Manufacturing Sector at the Annual Report Awards 2015 organised by CA Sri Lanka and the Colombo Stock Exchange. The award is a strong testament of the Company's transparency and the integrity of financial reporting.

Certificate of Merit

Certificate of Merit awarded by the CMA Sri Lanka for the Excellence in Integrated Reporting Awards 2015.

About Us

Hayleys Fabric PLC- Annual Report 2015/16

Hayleys Fabric PLC a leading textile manufacturer in Sri Lanka, is a subsidiary of Sri Lanka's oldest conglomerate, Hayleys PLC, and was adjudged the number one Company by CIMA and LMD in the Footwear and Textiles Sector in the year under review. The Company has the capability to complete the entire product portfolio of the customer, offering end to end solutions from knitting, dyeing, finishing, design and development, printing, brushing and sueding of both cotton and polyester based fabric. We are the largest manufacturer of polyester in the country.

We differentiate ourselves from competitors by the offer of a wide product portfolio, with our own specialized brand of fabric- Inno, consistent quality according to customer specifications, timely delivery and strong innovation capability. Our continuous focus on Research and Development has contributed towards the development of technologically advanced fabric with the functionality our customers require.

Our team of 1,059 employees combine their skills and experience to produce 2.5mn meters of fabric per month from our factory located in Narthupana, Neboda in the Kalutara District. We are the leading employer providing livelihoods for over thousand people from the village. Apart from our social responsibilities, we are conscious of the impact of the textile industry on the environment and are committed to conducting our business in an environmentally responsible and sustainable manner. As an accredited supplier to reputed retailers including Marks & Spencer, NEXT, BHS, TESCO, George / ASDA, Victoria's Secret and Decathlon, we conform to international standards and practices on economic, social and environmental performance. Our operations are supported by robust governance structures.

Our Vision

To be the most sought after manufacturer of fabric in South Asia

Our Values

Integrity

'do the right thing' - managing with honesty, efficiency, and reliability always

Service

'customer decides' - putting our customer at the centre of all our activities

Quality

delivering excellent standards consistently

Our Mission

To attract Premier Clothing Brands in the World, through Innovation, Speed, Reliability, Quality and Service whilst aligning our Business Strategies to satisfy Stakeholder needs.

Innovation

invent in services and technologies to improve on what we do

People

to build our team to create value to stakeholders

Accountability

holding ourselves responsible to deliver what we promise

Good Citizenship

caring for the communities in which we work, and being environmentally responsible in all we do

Performance Highlights

Earnings Highlights and Ratios		2016	2015
Company revenue	USD'000'	59,924	65,032
Results from Operating Activities	USD'000'	2,648	1,693
Profit before tax	USD'000'	1,813	658
Profit after tax	USD'000'	1,845	680
Basic/Diluted earnings per share	USD	0.009	0.004
Cash earnings per share	USD	0.022	0.020
Interest cover	No. of times	3.17	1.63
Return on Equity (ROE)	%	11%	4%
Pre-tax Return on Capital Employed (ROCE)	%	8%	5%
Financial Position Highlights and Ratios			
Total assets	USD'000'	42,746	45,117
Total debt	USD'000'	16,819	18,951
Net debt (cash)	USD'000'	15,616	15,492
Total shareholders' funds	USD'000'	17,127	15,510
No. of shares in issue	'000'	207,741	207,741
Net assets per share	USD	0.082	0.075
Long Term Debt / Equity	%	12%	27%
Total Debt / Total assets	%	39%	42%
Market / Shareholder Information			
Market price of share as at 31st March (actual)	Rs.	18.00	17.70
Market capitalisation	Rs. mn	3,739	3,677
Price Earnings Ratio (PER) (diluted)	No. of times	14	38

176%

PROFIT BEFORE TAX -USD ('000)	1,813
2014/15-USD ('000')	658

10%

EQUITY -USD ('000')	17,127
2014/15-USD ('000')	15,510

2%

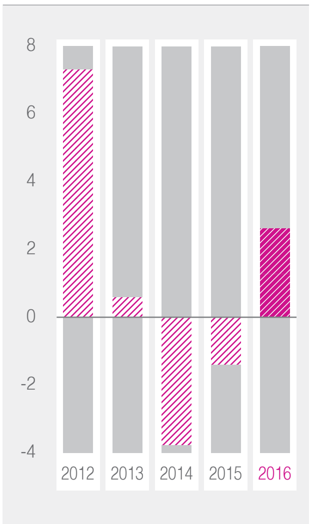
NON-CURRENT ASSESTS -USD ('000')	23,097
2014/15-USD ('000')	22,610

27%

EBIDTA -USD ('000')	4,698
2014/15-USD ('000')	3,708

Cash from Operations

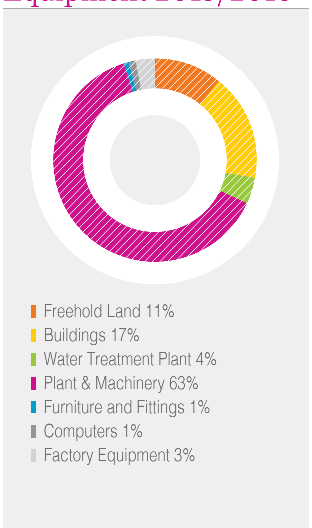
USD Mn



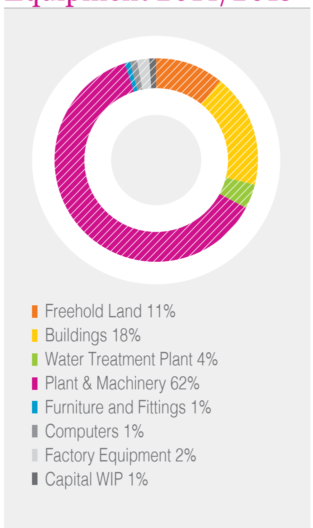
Net Assets per Share

USD

Property Plant & Equipment 2015/2016



Property Plant & Equipment 2014/2015



Non-Financial Highlights

			GRI Ref.	2016	2015
ECONOMIC		Employee benefit liability as of 31st March (USD'000')	EC3	1,367	1,229
		Community services and infrastructure projects	EC7	Pages 68 - 71	
		Significant Indirect economic Impacts	EC8	1,130	1,100
		Proportion of purchases from suppliers within Sri Lanka (%)	EC9	1%	1%
ENVIRONMENT	INPUTS	Total raw material consumption (MT)	EN1	10,191	11,249
		Renewable Raw Material as a % of total consumption	EN1	32%	31%
		Recycled materials as a % of Raw Materials consumed	EN2	2%	4%
		Direct energy consumption (GJ)	EN3 a	702,207	711,382
		Direct energy (GJ / USD. mn of revenue)		11,723	10,944
		Indirect energy consumption (GJ)		Nil	Nil
		Indirect energy (GJ / USD. Mn Revenue)		Nil	Nil
		Water withdrawal (M^3)	EN8	1,773,253	1,498,551
		Water withdrawal (M3 / USD. mn revenue)		29,603	23,054
	OUTPUTS	Direct greenhouse gas emissions - scope 1 (MT)	EN15	11,461	16,462
		Energy indirect greenhouse gas emissions - scope 2 (MT)	EN16	7,183	10,142
		Emission efficiency ratio (%)		36%	32%
		Total carbon footprint (MT)		21,505	26,604
		Total carbon footprint (MT / USD.mn of revenue)		359	409
		Water discharge (M^3)	EN22	1,727,617	1,453,594
		Waste generated (M^3)	EN23	2,414	2,453
		Waste recycled/re-used through third party contractors (%)		50%	56%
	COMPL-IANCE	Significant environmental fines	EN29	Nil	Nil

			GRI Ref.	2016	2015
SOCIAL	LABOUR PRACTICES & DECENT WOORK	Total workforce		1,059	1,012
		Attrition of new hires (as a % of total new hires)	LA1	Nil	Nil
		Number of injuries and diseases	LA6	50	112
		Injury rate (number of injuries per 100 employees)		4.2	11.2
		Lost day rate (lost days as a % of total person days)		0.01%	0.64%
		Number of people educated on serious diseases		230	208
		Average hours of training per employee	LA9	2.06	9.81
		No. of employees receiving performance reviews (%)	LA11	100%	100%
	HUMAN RIGHTS	Incidences of child labour (below age 16)	HR5	Nil	Nil
		Incidences of young workers (aged 16-18)	HR6	Nil	Nil
		Incidents of forced labour during the year		Nil	Nil
	SOCIETY	Community engagement (no. of persons impacted)	SO1	Over 1,000	Over 1,000
		Proportion of businesses analysed for risk of corruption (%)	SO2	Nil	Nil
		Significant fines for violation of laws/regulations	SO8	Nil	Nil
	PRODUCT RESPONSIBILITY	Proportion of labels carrying ingredients used (%)	PR3	Nil	Nil
		Proportion of labels carrying information on disposal (%)		Nil	Nil
		Proportion of labels carrying sourcing of components (%)		100%	100%
		Voluntary standards relating to advertising	PR6	Policy based on ICC Code	
		Significant fines for product/service issues (Rs.)	PR9	Nil	Nil

The fabric of

achievement

Management Information

Chairman's Statement

"Our new identity and logo reflect the vibrant and innovative culture of the Company..."

Dear Shareholder,

Hayleys Fabric PLC has delivered a commendable performance recording a profit before tax of US$1.8Mn for the Financial Year ended 31st March 2016 reflecting profit growth of 176%. The key to success has been a commitment to drive strategic changes within the Company with a focus on achieving operational excellence in all aspects of our operations. It is the result of high levels of stakeholder engagement starting with convincing customers to increase high value orders, inspiring and motivating employees to embrace change, shareholders to invest in our expansion plans and a community to lend its support. Our performance outlined in this report is testimony to how we delivered value to each stakeholder, implementing a holistic strategy that addressed their concerns.

A New Identity

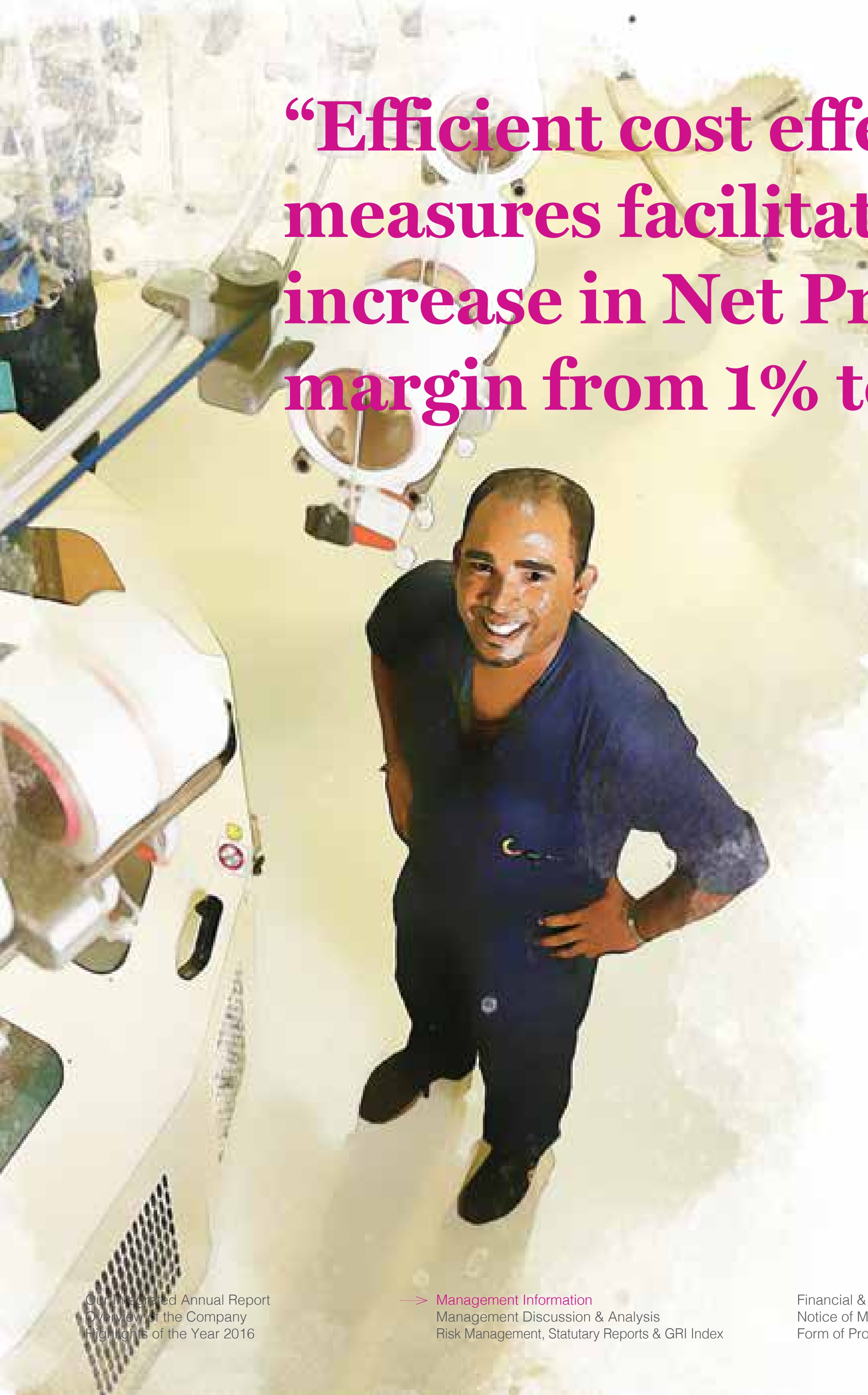
The year commenced with a new identity as Hayleys MGT Knitting Mills PLC became Hayleys Fabric PLC as shareholders unanimously approved the special resolution at an extraordinary general meeting held in June 2015. Our new identity and logo reflect the vibrant and innovative culture of the Company strengthened and propelled forward over the past three years, our core competency which is the manufacture of performance and luxury fabric and our heritage as part of Sri Lanka's leading conglomerate. It heralds a new era of dynamic growth for the Company as we are well positioned to implement ambitious growth plans to become a leading player in the region. Our value proposition remains unchanged as we seek to leverage our core competency, innovating and manufacturing high quality fabric.

Context to Performance

Performance of the country's Apparel sector was lackluster as global economic activity remained subdued. The Global Apparel sector continues its recovery growing at 0.6% in 2015 with growth from Asia Pacific outstripping the

Chairman's Statement

"Efficient cost effective measures facilitated an increase in Net Profit margin from 1% to 3%"



growth in US and Europe reflecting increasing population and disposable income in the region. Encouragingly, Textile subsector exports from Sri Lanka increased by 12.3% from US$ 90.3 bn to US$ 101.4 bn despite the moderation of the apparel sector. Decreasing textile imports for the second consecutive year and the increase in value added by the textile sector over the years is affirmation of our long term vision of producing the fabric required to support the growth of the apparel manufacturing sector.

Performance

Focused marketing enabled the Hayleys Fabric PLC to move in the right direction to sale of more profitable products which has a positive

Page 84
Natural Capital
Read more on how we are committed to conducting our business in an environmentally responsible manner.

Page 36
Corporate Governance
Read more about the Governance framework and policy statements.

impact on margins but results in a lower production volume due to lengthier production cycles. Consequently, revenue declined to US$ 59.9 mn in 2016 in comparison to the revenue of US$ 65 mn recorded in 2015 reflected in the output of 7,825 MT in 2016 and 8,480 MT in 2015. Encouragingly gross profit margin increased from 10% in 2015 to 13% in 2016 as we implemented productivity improvement measures, aided by lower prices of yarn as both cotton and polyester yarn prices declined during the year. Efficient cost effective measures facilitated an increase in Net Profit margin from 1% to 3% which includes a significant saving in finance costs. These efficiencies enabled Hayleys Fabric PLC to deliver a profit before tax of US$ 1,812,964 (LKR 257 mn) achieving an increase of 176 % over the profit of US$ 657,698 (LKR 87 mn) in 2015.
I am delighted to report that profit attributable to shareholders is US$ 1,845,409 delivering a 171 % increase over the profit after tax in the previous financial year. Shareholder value as measured by earnings per share increased from US$ 0.004 (LKR 0.47) to US$ 0.009 (LKR 1.26) as a result of improved performance adjusted for the higher number of shares as a result of the rights issue in the previous year reflecting an increase of 125%.

Enhanced profitability has strengthened the Statement of financial position supported by efficient financial and working capital management. Consequently, the Company's debt equity ratio improved from 55% in 2015 to 50% in 2016 as a result of debt repayment and increased equity. The strengthened financial position is reflected in the Net Assets per Share which increased by 9.3% from 0.075 in 2015 to US$ 0.082 in 2016.

Sustainability, Governance & Strategy

The Board continues to review and monitor strategy closely and note the higher levels of stakeholder engagement that have been key to delivery of performance. Governance frameworks are being strengthened with explicit policy statements on a number of materials aspects to stakeholders and the Company. This facilitates a clear understanding of our value proposition for each key stakeholder and measurement of the value created for them which is key to good corporate governance. This year's Annual Report reflects this clearly and is the result of increased rigor in reporting of non-financial indicators on a regular basis which has enabled the Company to deliver on a holistic and sustainable strategy. We were pleased to note that many of the policies of Hayleys Fabric PLC and the Hayleys Group were well aligned to the targets of the Sustainable Development Goals which replaced the Millennium Development Goals, signed by Sri Lanka together with other countries in September 2015. Evidence of our progress in achieving these targets is outlined in this report and we continue to invest in improving our performance as many of them are critical to successful delivery of strategy.

Chairman's Statement

"A highly motivated team has been a critical factor in delivering performance and we take pride in the fact that 75% of our team are from the local community"

A Strong Team

A highly motivated team has been a critical factor in delivering performance and we take pride in the fact that 75% of our team are from the local community. Finely honed HR structures and processes in place enable communication of our vision, strategy and clear directions of how we move forward towards our goals. Employee productivity, high levels of retention and engagement and harmonious industrial relations are testimony to successful implementation of our people strategy which addresses and anticipates their legitimate concerns. Value delivered to these key stakeholders include in terms of remuneration, social security payments, benefits, training and development and welfare. I am particularly pleased to see the high levels of employee engagement at both Company and Group events where their aesthetic talents draw attention to the capabilities, morale and energy of the Hayleys Fabric PLC team.

Way Forward

The global economic outlook remains moderate with indications that the apparel sector growth in Europe are dimming whilst Asia Pacific growth is gaining momentum reflecting consumer confidence in these markets. Lower prices for cotton and polyester yarn and furnace oil will facilitate growth of the sector although the impact on profitability may be more limited as most of the benefit passes through to our customers. Depreciation of the Rupee in 2015 is expected to facilitate the competitiveness of the country's apparel sector which will be boosted by GSP+ concessions for which negotiations are still underway.

Hayleys Fabric PLC has developed strong relationships with key buyers who have supported the change in strategic direction and we look to their continued patronage to take the Company towards transforming in to a regional player. We will continue to maintain high levels of engagement to identify changing customer requirements to cater to their needs using our state-of-the-art facilities to innovate and manufacture fabric of high quality. Our commitment to good governance and sustainable production coupled with a focus on quality provides a strong foundation for increasingly stringent compliance requirements from the customers in response to consumer activism in their markets. We will continue to invest in research, efficiencies in production processes, water and energy and in developing our team to drive growth and profitability in the coming year.

Acknowledgements

The Board joins me in congratulating Mr. Rohan Goonetilleke, Managing Director and CEO of Hayleys Fabric PLC and his team for delivering a carefully synchronized performance which balanced delivery of value to key stakeholders during 2015/16. A winning performance where all players worked together while performing very different functions is evident in the results discussed throughout this Annual Report and we look forward to another successful performance in the coming year. Our valued customers' support has enabled us to change direction and realise our aspirations and we thank them for the confidence placed in us to deliver their requirements.

I extend my appreciation of the guidance and counsel provided by the Directors throughout the year and look to their continued support as we embark on an ambitious journey. To you, our shareholders, I extend a warm welcome to the Annual General Meeting of Hayleys Fabric and thank you for your continued confidence in our ability to deliver value.

A.M. Pandithage
Chairman

16th May 2016

Managing Director's Review

It is my pleasure to place before you a strong performance for the financial year 2015/16 with Your Company clearly on the path to profitability for the second consecutive year. A net profit after tax of USD 1,845,409 which is 171% over last year, is indeed a healthier position after many years of losses. A strong focus on business yielding higher margins resulted in an improved GP margin which increased from 10% in the last financial year to 13% in the year under review supporting increased value to all stakeholders. Revenue for the year was USD 59.9 mn recording a negative growth of 8% due to this strategy, with positive impacts outweighing the decline in the top line in this year of change. The benefits of this strategy are evident in the current year's performance and will be seen in the years to come as well.

The improved margins are attributable to many areas of operational improvements such as quality standards, higher productivity levels, smarter sourcing strategies, operational cost reduction initiatives, the support given by the Board of Directors to upgrade technology, the higher confidence level of Brand owners and the country's large garment makers, underpinned by a greater overall commitment as a team to improve the performance of the Company.

Other financial indicators also moved in a positive direction such as an improved Debt Equity ratio of 50% compared to 55% during the last financial year which strengthened our financial stability with tangible benefits. Earnings per share improved by 125% year on year, a growth in ROCE growth from 5% to 8% in this financial year. These factors, together with a record of achieving or exceeding monthly forecasts enabled the Company to re-structure loans with better interest rates and reduce finance costs by 19% during the year under review when compared to the last financial year.

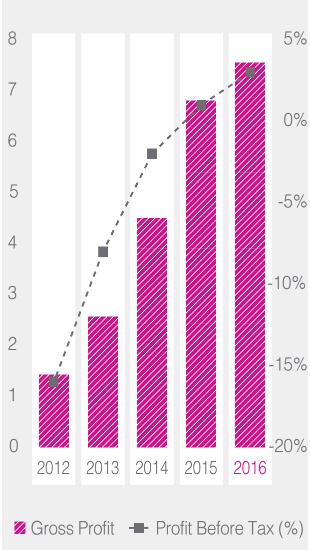
The emergence of a change in organizational culture has improved the trust and confidence at all levels. This is one of the greatest achievements towards sustainability of operational excellence and creates an opportunity to further improve overall growth through mutual trust and understanding.

A Strong Customer Focus

The focus of the Company to align with customer strategies, the continuous successes in developing new fabric through the Inno range, speedy product development and excellence in quality and delivery was seen by our brand owners and the garment manufacturers as a positive strength. Also, during the year, large garment makers have commended the performance of the

Gross Profit vs PBT

USD Mn



“Another encouraging year with positive overall growth in results...”

Managing Director's Review

Company with regard to 'on time delivery in full'-(OTIF). This is one of the single most important KPIs for a garment maker/brand owner.

Traditionally, your Company has been associated with the British/European markets and have not been associated with the large US brands. These European markets have shown lack luster market conditions, price pressure and forecasts not materializing. With investment in new technology and improved capacity, the Company's strategy has been to develop new markets. With the Inno range we expect growth in business from the USA and Canada. We expect these markets to aid overall growth during the next financial year.

The Sri Lankan garment industry did not show signs of growth during the period under review. Although there were expectations of growth with the pending GSP+ coming into operation during the year end, the Brands seem to have taken a 'wait and see' stance. However, GSP+ will increase the demand for capacity and the Company is ready make use of this opportunity.

According to Euromonitor, the Global scenario is also not encouraging with a forecast of below 5% growth in the US market for apparel and zero growth in the Europen/UK markets. However, a shift in product mix is apparent with a greater demand for polyester and polyester blends. This is due to the current trend where Active wear has become fashionable. This is of significant benefit to the Company as it is one of the key strengths and it is reflected through the portfolio of different qualities that can be offered to our customers. A few top Brands have recognized the Company as its sole vendor in Sri Lanka for Polyester and Cotton/Poly blends.

"We have begun a journey with our Brand owners to reach a state of zero discharge of potentially hazardous chemicals by the year 2020"

A Strong Focus on Technology

In a world where the back bone is supported with Technology, the Company continued its focus on replacing machinery with the latest technology, up-grading of technology in some machinery to increase productivity, quality, reduce costs, increase capacity and energy efficiency, creating more flexibility for the product range.

Key areas of focus were Knitting, Dyeing, Finishing, Printing, Energy and water/ Effluent treatment. A total Capital expenditure of nearly USD 3 mn was spent. The new machinery that were purchased were the best in class with the latest technology and will contribute to a reduction in our carbon and water footprints as well.

A Highly Motivated Team

The technical skills and experience available in the Company coupled with new technology and machinery increased the motivation

at all levels. Working environments were changed to enhance comfort levels which in-turn improved productivity. Ventilation systems, air conditioning of certain production areas resulted in higher quality and productivity levels. Improvements in working conditions was also valued by our customers who carryout regular audits throughout the year. Transparency in management, clear direction and discipline have further strengthened the bond between the management and the Trade Unions. One of the measurable factors being the overall employee turnover of less than 4% which enables us to improve productivity.

Environment Responsibility

Your Company meticulously adheres to all environmental regulations with regard to effluent treatment, emissions, health and safety of all people in and around the premises, including the neighboring villages. We carry-out several checks daily on the effluent treatment plant, the quality of water that is discharged. The water fountain by the public road gives the confidence to all that the water discharged to the river is clear. This is one of the most important

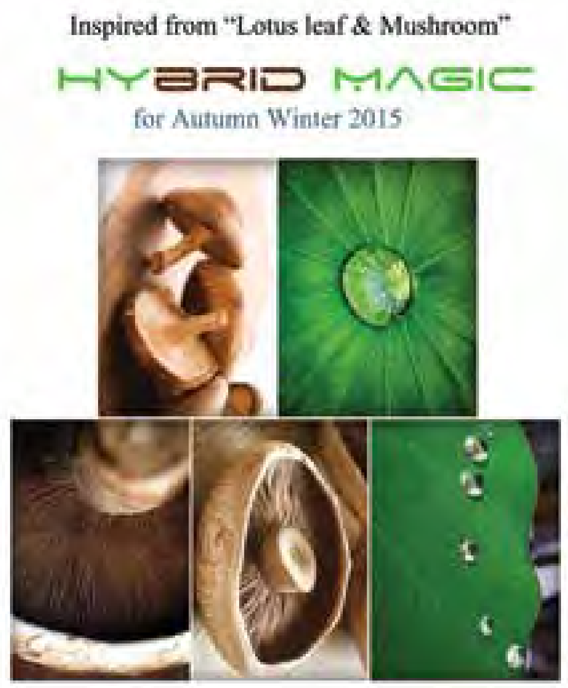
Managing Director's Review

"Inno branded fabric and the emerging new culture of team work with perfection; your Company is poised to reach greater heights in the years to come"

environmental control to us. We have begun a journey with our Brand owners to reach a state of zero discharge of potentially hazardous chemicals by the year 2020.

A culture which cares for the environment is also being promoted within the Company. Testimony to this is the planting of fifty Kumbuk trees within the premises in the year under review. Flowering plants are grown, bird feed to attract birds, several ducks and fish in our ponds are seen by the villages who go pass the factory. These activities are highly appreciated by our staff too. Such initiatives have encouraged some of our operator levels together with managers to engage in a project to organically grow vegetables and fruit on voluntary basis within the premises of the Company. Another good example of the growing culture in the organization to care for the environment.

Reducing our carbon footprint by increasing the usage of renewable energy, reducing the usage of furnace oil, reductions in water and power consumptions are continuous improvement projects. We are now working towards converting our furnace oil guzzling boilers to LP Gas. This creates a cleaner environment as well as a cost reduction initiative. A small portion of our water used in the dye house is re-cycled as another step towards caring for the environment.



Socially responsible

We have continued to further enhance the trust and rapport within the community we operate, both internally and externally. The old proverb "charity begins at home" is an effective tool towards building overall mutual trust and harmony. The Company has come forward at all times to assist people in the village or the employees in numerous situations. Some of the examples would be the re-building of a small home for an employee who lost everything during a flash flood, funding for open heart surgery, re-roofing of some poor homes, healthcare for clergy in the village, recognising employees children who perform exceptionally well at school, providing facilities to schools.

Your Company has joined hands with the Hayleys Group CSR initiative – "Puritas Sath Diwera". A remote village approximately 40Km off Anuradhapura town by the name of Rathmalgahawewa in Kahatagasdigiliya where people are suffering from Chronic Kidney Disease (CKD) due to the non-availability of potable water was identified as the single largest CSR initiative.
The Company is in the process of setting up a reverse osmosis plant with the technical assistance of Hayleys Puritas, which includes the distribution of water to this small village. The project will be completed in June 2016. The work commenced with the participation of the employees of the Company, religious dignitaries from the neighboring villages of the factory, all of whom travelled to the site. This even was hailed with high appreciation by the Priest who attended the ceremony who communicated same to the villages around the factory. Our foreign Brand owners who were appraised of this CSR initiative praised your Company for this meritorious act.

A positive outlook

The re-branding of your Company with a clear identity of its nature of business coupled with the high brand value of "Hayleys", the new Hayleys Fabric PLC with it's vibrant logo together with the new technologically advanced machinery, Inno branded fabric and the emerging new culture of team work with perfection; your Company is poised to reach greater heights in the years to come. The growth in synthetic fabric in the global market augurs well with the technical know-how and the experience in this area which will certainly enhance future prospects.

Acknowledgements

I wish to take this opportunity to say 'thank you' Mr. Mohan Pandithage for the confidence he placed on me and for the support, advice and encouragement I received from at all times. The support given by my Board of Directors, helped me with speedy approvals for capital expenditure in up-grading technology which improved quality levels and delivery performance and cost reductions.

A big 'thank you' to all our employees, ably led by my Management team, who believed in my leadership, supported me at all times and worked as one team to achieve our goals by meeting budgets and exceeding budgeted profitability and also for facing all the challenges and many changes that were made to derive these results. I count on your continued support to deliver an even stronger performance in the coming year.

E. R. P. Goonetilleke
Managing Director / CEO

16th May 2016

Board of Directors

01 A. M. Pandithage
02 E. R. P. Goonetilleke
03 K. D. D. Perera
04 S. C. Ganegoda

05 Haresh Somashantha

06 R. N. Somaratne

07 Dr. S. J. Nawaratne

08 Ananda Sunil Jayatilleka

09 Ms. Yogadinusha Bhaskaran

Board of Directors

A. M. Pandithage
Chairman

Chairman and Chief Executive of Hayleys PLC. Appointed to the Board of Hayleys Fabric PLC in 2007. Fellow of the Chartered Institute of Logistics and Transport (UK). Honorary Consul of United Mexican States (Mexico) to Sri Lanka. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon. Member of the Maritime Advisory Council of the Ministry of Ports & Shipping. Member of the Advisory Council of the Ceylon Association of Ships' Agents. Member of the National Steering Committee on Skills Sector Development of the Department of National Planning.

Corporate Excellence Leadership Recognition by the Institute of Chartered Accountants of Sri Lanka in 2015.

E. R. P. Goonetilleke
Managing Director / CEO

Mr. Eranga Rohan Peiris Goonetilleke joined Hayleys Fabric PLC., as Managing Director / CEO on the 1st of March 2013, and was appointed to the Group Management Committee in the same month. Prior to Joining Hayleys Fabric PLC, he was appointed as a Director of Brandix X'pressions (Pvt) Ltd., and was appointed to the Board of CLT Apparel (India) Pvt. Ltd in January 2011, a fully owned subsidiary of Brandix Lanka Ltd. During the period, 2003 to 2010 he was the Managing Director/CEO of Textured Jersey Lanka (Pvt) Ltd., prior to which he was the Managing Director/ CEO of Linea Clothing (Pvt) Ltd., a subsidiary of MAS Holdings (Pvt) Ltd, and prior to that he was at Carson Cumberbatch & Company Ltd, as the CEO of Elpitiya Plantations Ltd. He received his higher education in the United Kingdom qualifying as a Graduate Engineer (B.Sc. Eng).

K. D. D. Perera *

Mr. Dhammika Perera is the quintessential business leader, with interests in a variety of key industries including Hydropower generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. He is with over 27 years of experience in building formidable businesses through unmatched strategic foresight.

Mr. Perera is the Chairman of Sampath Bank PLC, Vallibel One PLC, Vallibel Power Erathna PLC, Royal Ceramics Lanka PLC,The Fortress Resorts PLC and Delmege Limited. He is the Co- Chairman of Hayleys PLC, Executive Deputy Chairman of LB Finance PLC and Deputy Chairman of Horana Plantations PLC, and Lanka Ceramic PLC. He is the Executive Director of Vallibel Finance PLC.He also serves on the Boards of Amaya Leisure PLC, Lanka Tiles PLC, Haycarb PLC, Hayleys Fabric PLC, The Kingsbury PLC, Sun Tan Beach Resorts Ltd, Dipped Products PLC & Hayleys Global Beverages (Pvt) Ltd.

S. C. Ganegoda *

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

Haresh Somashantha **

Mr. Haresh Somashantha is a member of the Institute of Chartered Accountants of Sri Lanka and an Associate member of CPA Australia. He also holds a Bachelor's Degree in Mathematics from the University of Kelaniya. He counts over 16 years of experience in audit, financial management and reporting, including strategic and corporate planning across different industries.

He is currently the Head of Finance & Treasury of Royal Ceramics Lanka PLC. He serves as a Director/Audit Committee Chairman of Hayleys Fabric PLC. Also he serves as a Director of Vallibel Power Erathna PLC, Royal Porcelain (Pvt) Ltd., Unidil Packaging Limited, Mercantile Produce Brokers (Pvt) Ltd., Ever Paint and Chemical Industries (Pvt) Ltd. and in several subsidiary companies in the Delmege Group. He is an Alternate Director of The Fortress Resorts PLC and Amaya Leisure PLC

R. N. Somaratne **

Mr. R. Nandajith Somaratne was appointed to the Board of Hayleys Fabric PLC in February 2012. He currently serves as a Director of Royal Porcelain (Pvt) Ltd and Ever Paint & Chemical Industries (Pvt.) Ltd., both are fully owned subsidiaries of Royal Ceramics Lanka PLC. He also serves as a Director of Lanka Wall Tiles PLC. Mr. Somaratne is currently working in the capacity of General Manager (Manufacturing) for Royal Ceramics Group which include Lanka Tiles PLC and Lanka Wall Tiles PLC.

He has served in Ansell Lanka (Pvt.) Ltd and in Central Engineering Consultancy Bureau (CECB) before joining Royal Ceramics Lanka PLC in 1993. Mr. Nandajith Somaratne counts more than 23 years' experience in manufacturing field. He holds an MBA from the University of Colombo, Post Graduate Diploma in Industrial Engineering from NIBM and B.Sc. degree in Physical Science from the University of Peradeniya.

Dr. S. J. Nawaratne **

Dr. Sunil Jayantha Nawaratne is the Advisor to the Minister - Ministry of Social Empowerment & Welfare and before that, served as the Secretary to the Ministry of Higher Education until January 15th of 2015 and he has vast experience in both public sector as well as in the private sector organizations during the last 20 years. Currently he is serving in several boards like Board of Management (BOM) of School of Accounting and Business of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), Sri Lanka Institute of Information Technology (SLIIT),

He holds a B.Sc (Business Administration) degree from the University of Sri Jayawardenepura (Top-of-the Batch in 1977), Post Graduate Diploma in Business Management (PIM), MA Economics from Kagawa University, Japan and a PhD in Management from prestigious Keio University, Tokyo, Japan. He is a visiting faculty member on Strategic Management / Marketing / Japanese Management for under-graduate and MBA programs in University of Jayawardenapura and University of Colombo.

Ananda Sunil Jayatilleka **

Mr. Ananda Sunil Jayatilleka is a specialist in Rubber Technology and Industrial Engineering being a Licentiate of the Institute of Plastics and Rubber Industry (L.P.R.I-. (London)) and a Graduate of the Institute of Work Study and Organisation and Methods (F.M.S.(UK)).

He is presently the Chairman/Managing Director of Latex Green Private Limited, a BOI Company manufacturing Latex Mattresses and Pillows for export. Mr. Jayatilleka has been a Director of Richard Pieris & Co. Ltd and also the Managing Director of Richard Pieris Exports Ltd for over 15 years and has served on various Boards within the Richard Pieris Group. He has also served as a Board member of Aviva Global Services Pvt Ltd. His vast experience also includes work in Zambia Consolidated Copper Mines and Pigott Maskew Ltd (Subsidiary of General Tire - South Africa). Presently he serves as a Non-Executive Director of Tea Small Holder Factories PLC under the John Keells Group.

Mr. Jayatilleka has been a recipient of the merit certificate awarded by the Plastics and Rubber Institute (PRI) of Sri Lanka for the outstanding contribution made to the Rubber Industry of Sri Lanka.

Ms. Yogadinusha Bhaskaran*

(Alternate Director to Mr. K.D.D.Perera -Appointed w.e.f. 1 June 2015)

Ms Yogadinusha Bhaskaran is a financial and accounting professional currently serving as the Chief Operating Officer of Vallibel One Holdings.

She also presently serves on the Board of Delmege Group. Ms Yogadinusha has previously worked as a Financial Controller with several Australian companies in Melbourne for a number of years.

She has in the past served as the Assistant General Manager (Finance & Planning) at Pan Asia Banking Corporation.

She is a Fellow of the Chartered Institute of Management Accountants UK (FCMA), Fellow of CPA Australia (FCPA) and an Associate Member of the Institute of Bankers, Sri Lanka.

* Non-Executive Director

** Independent Non-Executive Director

Management Team

L - R

01 Mr. K. G. Chandrapala
02 Mr. K. D. P. C. Kottegoda
03 Mr. T. N. Peiris
04 Mr. A. B. Senarathne
05 Mr. S. S. Pulasinghe
06 Mr. K. D. C. R. Gunaratne
07 Mr. M. H. Jayasinghe

L - R

08 Mr. P. M. P. Perera
09 Mr. M. L. Dayananda
10 Mr. E. R. P. Goonetilleke
11 Mr. K. P. C. P. K. Pathirana
12 Mr. C. P. Wanasinghe
13 Mr. R. R. Bandara
14 Mr. N. L. Hendawitharana

Management Team

Mr. E. R. P. Goonetilleke
Managing Director / CEO

Eranga Rohan Peiris Goonetilleke joined Hayleys Fabric PLC., as Managing Director /CEO on the 1st of March 2013, and was appointed to the Group Management Committee in the same month. Prior to joining Hayleys Fabric, he was appointed as a Director of Brandix X'pressions (Pvt) Ltd, and was appointed to the Board of CLT Apparel (India) Pvt. Ltd in January 2011, a fully owned subsidiary of Brandix Lanka Ltd. During the period, 2003 to 2010 he was the Managing Director/CEO of Textured Jersey Lanka (pvt) Ltd, prior to which he was the Managing Director/ CEO of Linea Clothing (Pvt) Ltd, a subsidiary of MAS Holdings (Pvt) Ltd, and prior to that he was at Carson Cumberbatch & Company Ltd as the CEO of Elpitiya Plantations Ltd. He received his higher education in the United Kingdom qualifying as a Graduate Engineer (B.Sc. Eng.).

Mr. R. R. Bandara
Chief Financial Officer

Rohitha Bandara is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds a B.Sc Management Special Degree from the University of Sri Jayawardenepura. He is also qualified in AAT, ACMA (SL), ACPM, AIPFM (UK), Affiliate-ACCA (UK) and in addition, he also possess an MBA in Finance from University of Colombo. He has over four years' experience with Ernst & Young in different industry segments in Sri Lanka and Singapore and 10 years of Manufacturing experience in Textiles as sector Head of Finance.

Mr. S. S. Pulasinghe
General Manager, Operations

Saliya Pulasinghe holds a National Diploma in Engineering Sciences from the Institute of Engineering Technology. He was awarded a Scholarship in Operations and Co-operate Management from The Association of Overseas Technical Scholarship, Japan. He has over 22 years of Operational experience in the Manufacturing Industry.

Mr. K. G. Chandrapala
Senior Deputy General Manager, Dyeing

K G Chandrapala holds a B.Sc in Textile Chemistry from the University of Colombo. He has 25 years of experience in Dyeing and in the Textile Industry.

Mr. A. B. Senarathne
Senior Deputy General Manager, Quality and Development

Ajith Senarathne holds a B.Sc Engineering Degree from the University of Moratuwa with First Class Honours' in Textile and Clothing Engineering. He has participated in PQM-2 Certificate course in Japan for Total Quality Management (TQM). He has 21 years of experience in the Textile Industry.

Mr. N. L. Hendawitharana
Deputy General Manager Commercial and IT

Nalaka has total work experience of over 16 years in manufacturing, and logistic services industry. Prior to joining the Company, he was the Financial Controller for the Knit Cluster of Hirdaramani Group, and Assistant Manager-Finance at Textured Jersey Lanka (Pvt) Ltd. He is a Finalist of the Chartered Institute of Management Accountants, UK, and a SAP certified solution consultant.

Mr. M. H. Jayasinghe
Deputy General Manager, Marketing

Malith holds a B Sc. Degree from the University of Colombo. He has over 10 years of experience at Hayleys Fabric PLC in Marketing and Customer co-ordination, out of which 8 years has been Managerial experience.

Mr. T. N. Peiris
Deputy General Manager, Brushing and Printing

Nalin Peiris holds a National Diploma in Technology in Textile Technology from the University of Moratuwa. He has over 18 years working experience at Hayleys Fabric PLC.

Mr. M. L. Dayananda
Deputy General Manager, Supply Chain

Lal Dayananda holds an MBA in Finance from the University of Manipal, India and holds Memberships in AFA (Associate member of – Institute of Financial Accountants, UK) and APCM (Associate member of – Institute of Professional Managers in SL – CMA). He has over 19 years experience in Finance and Procurement in the Manufacturing Industry.

Mr. K. P. C. P. K. Pathirana
Deputy General Manager, Human Resources

Prasanna Pathirana is a Graduate in Business Management (Human Resource) Special from the University of Kelaniya. In addition he holds a Diploma in Psychology from Sri Lanka Psychological Institute. He has over 13 years experience in the field of Human Resource Management at leading local and multinational companies.

Mr. P. M. P. Perera
Senior Manager, Engineering

Mahesh Perera holds a National Diploma in Technology in Mechanical production. He has 21 years experience in the field of Engineering.

Mr. C. P. Wanasinghe
Senior Manager, Planning and ERP

Chinthaka Wanasinghe holds a BSc in Industrial Management from the University of Kelaniya, MSc. in Operational Research from the University of Moratuwa and in addition he also holds a National Diploma in Engineering Science from the Institute of Engineering Technology (IET). He has over 9 years experience in overall Planning , SAP – ERP and Information systems.

Mr. K. D. C. R. Gunaratne
Senior Manager, Knitting

K D Gunarathne has over 20 years experience in Knitting Technology and Production at Hayleys Fabric PLC.

Mr. K. D. P. C. Kottegoda
Senior Manager, Finishing

Chaminda Kottegoda holds a Diploma in Textiles from SLITA. He has 5 years global experience in Textile processing with a total of 19 years experience in process improvement, new product development, leadership training and management and productivity improvement.

Corporate Governance

- Develop effective, accountable and transparent institutions at all levels
- Promote and enforce non-discriminatory laws and policies for sustainable development

The Board of Directors of Hayleys Fabric PLC, considers robust corporate governance structures, policies and processes pivotal to creating sustainable value for shareholders, balancing the interests of all stakeholders. Its significance is recognized and reinforced through regulatory enactments and adoption of voluntary codes that facilitate high standards of business conduct which contain explicit statements of rights, obligations, responsibilities and duties expected of those involved in conducting the affairs of the organization.

The Company complies fully with the requirements of the Companies Act No. 7 of 2007, the Listing rules of the Colombo Stock Exchange (CSE) and the voluntarily adopted Code of Best Practice on Corporate Governance 2013 issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. This report is arranged according to the principles enumerated in the Code of Best Practice on Corporate Governance which is structured as depicted in the table below to facilitate comprehensive disclosure in a concise manner.

The Board Composition and Appointment

The present Board comprises 4 Independent Non-Executive Directors, 2 Non-Executive Directors some of who also serve on the Board of the parent Company Hayleys PLC and the Chief Executive Officer. Profiles of Directors are given on pages 30 and 31 which set out clearly the skills, knowledge and experience of the Directors which enriches the discussion and debate on matters set before the Board. All Directors are deemed to have sufficient financial acumen as they are experienced in the Board room with 2 Directors being members of professional accounting bodies. The composition of the Board ensures that there is a sufficient balance of power and contribution by all Directors, minimising the tendency for one or few members of the Board to dominate the Board processes or decision making facilitating the exercise of independent judgement by each individual Director.

Directors are appointed by the shareholders and the Group Nominations Committee makes recommendations to the Board in this regard giving due consideration to the strategic demands facing the Company. The Board reviews the nominations and refer it in turn to the shareholders at the Annual General Meeting. Retiring Directors may be re-elected on a rotational basis with the exception of the Chief Executive Officer who is appointed by the Board and remains as an Executive Director until expiry/termination of such appointment. Casual vacancies are filled by the Board based on the recommendations of the Group Nominations Committee as provided for in the Articles of Association.

Code of Best Practice on Corporate Governance

The Company

- The Board 11 Principles
- Directors' Remuneration 3 Principles
- Relations with Shareholders 3 Principles
- Accountability and Audit 5 Principles

Shareholders

- Institutional Investors 2 Principles
- Other Investors 2 Principles
- Sustainability Reporting

The Board (11 Principles)

- An effective Board (A.1)
- Roles of Chairman and Chief Executive Officer (A.2 & 3)
- Financial Acumen (A.4)
- Board Balance (A.5)
- Supply of Information (A.6)
- Appointments to the Board (A.7)
- Re-election (A.8)
- Appraisal of Board Performance (A.9)
- Disclosure of Information in Respect of Directors (A.10)
- Appraisal of Chief Executive Officer (A.11)

When new Directors are appointed, a brief résumé of each such Director, including the nature of his expertise, the names of companies in which the Director holds directorships, memberships in Board Sub-Committees etc., are informed to the Colombo Stock Exchange (CSE) in addition to disclosing this information in the Annual Report. Further, any changes in the details provided by the Directors are disseminated to the CSE without delay. Non-Executive Directors are appointed for specific terms subject to re-election and to the provisions in the Companies Act relating to the removal of a Director, and their re-appointment is not automatic. The names of the Directors submitted for election or re-election is accompanied by a résumé to enable shareholders to make an informed decision on their election.

The Board determines the independence of Directors based on annual declarations submitted by the Non-Executive Directors in line with the Schedule H of the Code. A Director to be deemed 'independent', must be independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment. Accordingly, the following are deemed to be Independent Non-Executive Directors are:

Mr.H. Somashantha

Mr.R.N. Somarathne

Dr.S.J. Nawaratne

Mr. A Jayatilleke

Governance Structure

The Board has set in place a comprehensive and robust governance structure facilitating business growth while ensuring compliance with relevant regulatory requirements and maintaining a balance between stakeholder interests. Elements of the governance structure are:

Organisation structure

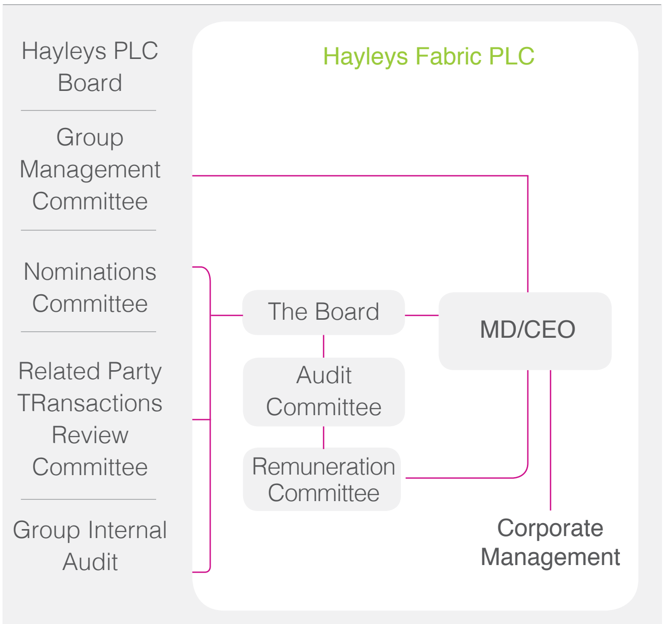
Framework of policies

Systems and processes to monitor progress

As a subsidiary of the Hayleys Group, the Hayleys Fabric PLC's Board is assisted by the Nominations Committee and the Related Party Transactions Review Committee of Hayleys PLC in discharge of their responsibilities as outlined in the structure below.

The Board has appointed an Audit Committee and a Remuneration Committee to assist in the discharge of its duties and also has access to the Hayleys Group Nominations Committee and the Related Party Transactions Review Committee. The areas of oversight and the composition of these committees are given on pages 117,118 and 120.

Hayleys Group



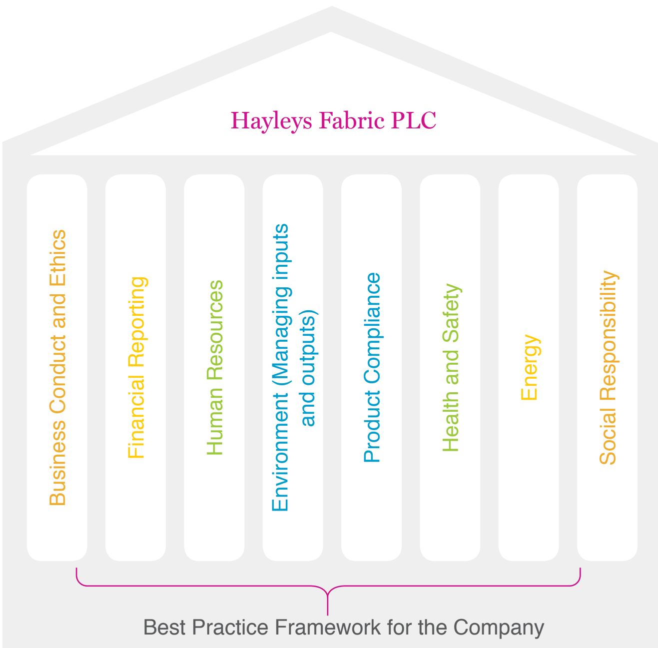
Corporate Governance

Board Committee	Areas of Oversight	Composition
Audit Committee Report of the Audit Committee is given on pages 120 and 121.	Financial Reporting Internal Controls Internal Audit External Audit	Comprises 3 Non-Executive Directors all of whom are Independent Directors including the Chairman.
Nominations Committee	Appointment of Key Management Personnel Succession Planning Effectiveness of the Board and its Committees	Hayleys PLC's Nomintions Committee acts as Company's Nomination Committee.
Remuneration Committee Report of the Remuneration Committee is given on page 117.	Remuneration policy for Key Management Personnel Goals and targets for Key Management Personnel Performance evaluation HR Policy Organisation structure	Comprises 2 Non-Executive Directors of whom both are Independent Directors including the Chairman.
Related Party Transactions Review Committee Report of the Committee is given on page 118.	Monitor / Review all related party transactions of the Company. Obtain information / explanations where ever necessary. Recomend Board and take approvals as and when required.	Hayleys PLC's Related Party Transactions Review Committee reviews Company's Related Party Transactions.

Secretarial services to the Board are provided by Hayleys Group Services (Pvt) Ltd., who provides the services of qualified professionals to the Board. All Directors have access to the advice and services of this Group function as necessary.

A framework of policies and procedures including a risk management framework has been established to ensure compliance with relevant laws and international best practice. The Secretaries and Management keep the Board informed of new laws and revisions, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board. The policy framework encompass the elements shown in the diagram.

Regular presentations by the CEO and Corporate Management on matters including progress in implementation of the strategic goals, financial, social and environmental performance, changes and challenges presented by the operating environment ensure that the Board is apprised of developments impacting the Company.



Board Highlights 2015/16

- Approval to replace new machinery with state of the art technology
- Approval to change Company name and Logo
- Consent given to contribute CSR project to provide drinking water to Chronic Kidney Disease (CKD) affected areas
- Approval for replacing Boiler fuel from furnace oil to LP Gas

Powers and Responsibilities of the Board

The Board provides leadership in setting the strategic direction and is responsible for establishing a sound control framework facilitating the smooth functioning of the Company whilst safeguarding interests of key stakeholders as set out in the Board Charter and summarized below.

Key Board Responsibilities

- Setting strategic direction
- Financial reporting
- Putting in place a competent management team
- Establishing an effective system to secure integrity of information, internal controls and risk management
- Selection of appropriate accounting policies
- Establishing the company's codes of conduct
- Regular review of company's performance against agreed goals and targets
- Appropriate delegation of authority
- Powers reserved for the Board
- Approval of strategic plans
- Approval of remuneration policies and structures
- Approval of capital expenditure
- Appointment of the Chief Executive Officer

The Board may obtain independent professional advice as and when necessary at the Company's expense in accordance with the Board approved policy on independent professional advice and these functions are co-ordinated through the Company Secretary.

Meetings and Minutes

Scheduled Board meetings are held on a quarterly basis with the flexibility to arrange additional meetings to supplement these when required. Meetings are arranged well in advance with the agenda and information relating to matters set before the Board circulated at least one week in advance facilitating sufficient time for due consideration of the same. There is provision to circulate papers closer to the meeting on an exceptional basis. Additionally, urgent matters may be circulated for which unanimous approval is required as per the Articles of Association.

The Board met 9 times during the year as set out below. It is estimated that Non-Executive Directors dedicate not less than 30 Hours for the affairs of the Company and those Directors who are also on Audit Committee dedicate a further12 Hours.

Directors	Board Meetings	Audit Committee
A.M. Pandithage	9/9	
E.R.P.Goonetilleke	9/9	
Dhammika Perera*	3/9	
S.C. Ganegoda	9/9	
H. Somashantha	9/9	4/4
R.N. Somaratne	7/9	
Dr. N.S.J. Nawartne	8/9	4/4
A.Jayatilleke	8/9	3/4
* Ms. Y. Bhaskaran	05	
(Alternate Director to Mr. Dhammika Perera - appointed w.e.f. 1st June 2015)*		
Total No. of Meetings	09	04

Board minutes are prepared in order to record any concerns of the Board as a whole or those of individual Directors regarding matters placed for their approval/ guidance/action. These minutes are circulated and formally approved at the subsequent Board meeting, Additionally, Directors have access to the past Board papers and minutes in case of need via electronic means at all times.

Roles of Chairman and MD/ CEO

The positions of the Chairman and the Chief Executive Officer have been separated in line with best practice in order to maintain a balance of power and authority. Both the Chairman and the Chief Executive Officer are members of the Board and the Chief Executive Officer under the advisement of the Group Nominations Committee.

The Chairman provides leadership to the Board, controls and preserves order at Board meeting

Corporate Governance

and provides the Board with strategic direction and guidance in managing the affairs of the Company.

He is also responsible for;

- Ensuring the new Board members are given appropriate induction, covering terms of appointment,
- The effective participation of both Executive and Non-Executive Directors;
- Ensuring that Directors have sufficient information on matters set before the Board
- All Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company;
- A balance of power between Executive and Non-Executive Directors is maintained;
- The views of Directors on issues under consideration are ascertained
- Bringing Director resignations over unresolved issues to the attention of the Board and circulating a written statement provided by the Director to the Board.
- Meeting with the Non-Executive Directors without presence of Executive Directors, annually to evaluate the performance of the Managing Director/ CEO and whenever deemed necessary.
- Discussing the annual performance evaluation of the Board and its sub-committees based on self-evaluations submitted by the Directors.

The Board has delegated the responsibility for the day-to-day operations of the Company to the CEO who leads the Corporate Management team in making and executing operational decisions. The Managing Director is also responsible for recommending strategy to the Board and provides assurance that operations have been conducted in accordance with relevant regulatory requirements.

Training for Directors

The Directors are conscious of the need to keep abreast of current developments affecting the sector both globally and locally with particular reference to regulatory changes and the country's economy. They are members of the Sri Lanka Institute of Directors and attend their sessions from time to time. Management also make presentations to ensure that the Board is aware of key developments affecting the business operations of the Company. Newly appointed Directors are provided with an orientation pack with all relevant external and internal regulation documents and a tour of the Company premises. Many of the Directors are also members of professional bodies which have Continuing Professional Education requirements for annual renewal of membership.

Directors' and Executive Remuneration

The Remuneration Committee decides on the remuneration of the Chairman, Managing Director and the Executive Directors and sets guidelines for the remuneration of the management staff within the Company. Chairman and Managing Director are not members of this Committee but may be invited to attend meetings. The Remuneration Committee comprises Independent Non-Executive Directors and the Chairman of this Committee is appointed by the Board.

The current composition of the Remuneration Committee is as follows:

Mr. A.S. Jayatilleka-Chairman (Appointed w.e.f 30.04.2015)

Mr. H. Somashantha

The members and activities of the Committee are given on the Remuneration Committee Report on page 117.

Remuneration Policy

Remuneration policy is recommended by the Remuneration Committee to the Board for their approval. The Remuneration Committee and the Board seek to ensure that remuneration is in line with market expectations and sufficient to attract, retain and motivate Directors, executives and other employees in line with the business requirements of the Company. Surveys are conducted regularly to benchmark remuneration with the market and the Group Companies. The Company seeks to be within the industry band taking in to account the size, expansion plans and current challenges facing the Company

Directors' Remuneration (3 Principles)

- Remuneration Procedures
- The Level and Makeup of Remuneration
- Disclosure of Remuneration

and take in to account the provisions set out in Schedule E of the Code as required.

The Board as a whole determines the remuneration of the Non-Executive Directors including the members of the Remuneration Committee which the Board believes is in line with current market conditions. Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices. Non-Executive Directors are not included in share options as there is no scheme in existence. No arrangement exists for emoluments in respect of loss of office.

Remuneration for executives including the Chief Executive Officer comprise the following:

Base Pay	Benefits
Monthly Salary	Vehicle benefits(Corporate Management Only)
Employee Provident Fund Controbution @ 12%	Medical Insurance including hospitalisation
Employee Trust Fund Contribution @ 3%	
Gratuity for employees with over 5 years service	

Performance-based incentives have been determined for Executive Directors by the Remuneration Committee to ensure that the total earnings of the Executive Directors are aligned with the achievement of objectives and budgets of the Company and the Group aswell .

Relations with Shareholders

The Annual General Meeting is a key event in the Company's calendar to communicate with shareholders and encourage their active participation. In this regard, all shareholders of the Company receive the Notice of Meeting within the statutory due dates. The Company has in place an effective mechanism to count all proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands, except where a poll is called. The Board remains mindful of being accountable to shareholders and the need for transparency at all levels, striving to maintain its value framework in all shareholder dealings and communications.

Relations With Shareholders (3 Principles)
• Constructive use of AGM and General Meetings
• Communication with shareholders
• Major and material transactions

The Chairman of Company ensures the Chairman of Audit, Remuneration and Nomination Committees are available to answer questions at the AGM if so requested by the Chairman. A copy of the Annual Report including Financial Statements, Notice of the Meeting and the Form of Proxy is sent to shareholders 15 working days prior to the date of the AGM, as required by the statute, in order to provide the opportunity to all the shareholders to attend the AGM. A summary of the procedures governing voting at General Meeting is circulated to shareholders with every Notice of the General Meeting.

Please refer pages 51 to 60 on "Our approach to Stakeholder Engagement" in the Sustainability Report for a complete list of the communication channels available at the Company to disseminate timely communication to shareholders.

The Company's future strategies and their potential impact have been disclosed in the following sections of this Annual Report:

- Chairman's Statement page 16 to 21
- Managing Director's Review page 22 to 27

Shareholders also have the opportunity to ask questions, make the comments and suggestions to the Board through the Company Secretaries whose contact details are provided on back inner cover of this report and the Investor Relations page of our website. All significant issues and concerns of shareholders are always referred to the Board of Directors with the views of the Management.

Disclosure of Major Transactions including Related party transactions

During the year, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base

Corporate Governance

of Company Related Party Transactions are given in Note 25 to the financial statements of the Annual Report on pages 151 to 152.

Accountability and Audit

Every effort has been made to present a balanced and understandable assessment of the Company's financial position, performance and prospects in compliance with the various legal enactments applicable, the Sri Lanka Financial Reporting Standards, the G4 standard on Sustainability Reporting published by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council. The Company's position and prospects have been discussed in detail in the following sections of this Annual Report.

- Chairman's Statement page 16 to 21.
- Managing Director's Review page 22 to 27.

The Company has also complied with the requirements of the Colombo Stock Exchange and published Interim Reports on the Company website within15 days of first three quarters and within 2 months of the last quarter. Price sensitive information, which may have an impact on the shares of the Company, has been disclosed in a comprehensive but concise manner to the Colombo Stock Exchange on a timely basis. Reports required by regulators including the Department of Inland Revenue, Sri Lanka Accounting and Auditing Standards Monitory Board, Board of Investment (BOI) and the Colombo Stock Exchange have been filed in a timely manner in compliance with specified requirements. The following reports set out further information required by the Code:

Accountability and Audit (5 Principles)
• Financial Reporting
• Internal Control
• Audit Committee
• Code of Conduct and Ethics
• Corporate Governance Disclosures

- The Directors' Report on pages 112 to 116 (including the declaration that the Company is a going concern).
- The Statement of Directors' Responsibility on page 119.
- Report of the Auditors on page 125.
- The Management Discussion and Analysis on pages 50 to 95.

Audit Committee and Internal Control

The Board is responsible for formulating and implementing appropriate and adequate internal control systems to safeguard the assets of the Company and has appointed an Audit Committee to assist in discharge of this duty. The principal responsibility of the Audit Committee is oversight over financial reporting, internal controls, internal audit and monitoring Auditor's independence. Its duties include gaining assurance on the control over financial processes and the integrity of the Company's financial reports, monitoring the performance, objectivity and independence of the external auditor and reviewing work of the internal auditor. The Terms of Reference for the Audit Committee complies with the Code of Best Practice on Corporate Governance issued by the SEC and ICASL and the Code of Best Practice on Audit Committees issued by CASL and is available with the Company Secretaries. The Audit Committee Report is given on pages 120 to 121 of the Annual Report and provides information on the composition of the Board, key responsibilities and activities during the year.

Code of Business Conduct and Ethics and Corporate Governance Report

The Company has developed Code of Conduct for its employees including the Corporate and Senior Management. This Codes addresses conflict of interest, bribery and corruption, entertainment and gifts, accurate accounting and record keeping, corporate opportunities, confidentiality of information, fair dealing, protecting and proper use of the Company's assets, compliance with laws and regulations and encouraging the reporting of any illegal or unethical behavior, conduct of business in an ethical manner at all times by keeping with acceptable business practices.

Shareholders

The Board conducts the Annual General Meetings in a manner that encourages relevant discussion amongst shareholders and active participation in voting on matters reserved for shareholders. Voting of the shareholders is crucial in carrying a resolution at the AGM. The Chairman, who plays the role of the agent, communicates the views and queries of the shareholders to the Board and the senior management, thus ensuring that the views are properly communicated to the Company. Institutional Investors are encouraged to give due weight to all relevant matters relating to the Board structure and composition.

Individual investors are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions. The Company's website provides a wide range of information on the Company, the Group and its activities and the CSE is also informed about price sensitive information on a timely basis to facilitate dissemination to the investing public in a timely manner. Individual shareholders are encouraged to participate in General Meetings of the Company and exercise their voting rights.

Shareholders

- Institutional Shareholders
- Shareholder voting
- Evaluation of Governance Disclosures
- Other investors
- Investing Divesting Decision

investing public in a timely manner.

Sustainability Reporting

Sustainable reporting is part of the established annual reporting process of the Company and Hayleys Fabric PLC has presented the relevant information within this report as follows:

Economic Sustainability - page 56 to 60.

The Environment - page 84 to 89.

Labour Practices - page 74 to 78.

Society - page 68.

Product Responsibility - page 66.

Shareholder Identification, Engagement and Effective Communication - page 52.

Corporate Governance

Colombo Stock Exchange Listing Rules Section 7.10 and Section 9

Statement of Compliance

This section covers Hayleys Fabric PLC's extent of adherence to the requirements of the Continuing Listing Requirements Section 7.10 and Section 9 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange. This reflects the Company level of conformity to CSE's Listing Rules which comprise of the following fundamental principles:

- Non- Executive Directors (NEDs)
- Independent Directors
- Disclosures relating to Directors
- Remuneration Committee
- Audit Committee

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
7.10.1(a)	Non-Executive Directors (NED)	As at the conclusion of the immediately preceding AGM six (6) out of eight (8) Directors were Non-Executive Directors as at 31st March, 2016.	Yes	Board of Directors (profile) section in the Annual Report
7.10.2(a)	Independent Directors	Four (4) out of six (6) Non-Executive Directors were independent as at 31st March, 2016.	Yes	Corporate Governance
7.10.2(b)	Independent Directors	All Non-Executive Directors have submitted their confirmations on independence as per the criteria set by the Company, which is in line with the regulatory requirements.	Yes	Corporate Governance
7.10.3(a)	Disclosure relating to Directors	The Board assessed the independence declared by the Directors and determined the Directors who are independent and disclosed same on page 30 to 31 which contains their profiles.	Yes	Board of Directors (profile) section in the Annual Report
7.10.3(b)	Disclosure relating to Directors	The Board has determined that four (4) Non-Executive Directors satisfy the criteria for "independence" set in the Listing Rules.	Yes	Corporate Governance
7.10.3(c)	Disclosure relating to Directors	A brief résumé of each Director should be included in the Annual Report including the Director's areas of expertise.	Yes	Board of Directors (profile) section in the Annual Report

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
7.10.3(d)	Disclosure relating to Directors	Disclosed the appointments of new Directors to the Colombo Stock Exchange when it is disclosed to the public, brief resumes of the Directors appointed during the year have been provided to the Colombo Stock Exchange.	Yes	Corporate Governance and Board of Directors (profile) section in the Annual Report
7.10.5(a)	Composition of Remuneration Committee	The Remuneration Committee comprises two (2) Independent Non-Executive Directors as disclosed in the Remuneration Committee Report on page 117.	Yes	Corporate Governance
7.10.5(b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Managing Director	Yes	Corporate Governance
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Remuneration Committee members are given in item 30 of the CASL Code Table on page 40 the disclosure of the Remuneration Committee is given on Committee page 117 and the Remuneration paid to Directors is given in Note 22 to the Financial Statements on page 148.	Yes	Corporate Governance and the Board Committee Reports
7.10.6(a)	Composition of Audit Committee	Comprises NEDs, all of whom are independent.	Yes	Corporate Governance
7.10.6(b)	Audit Committee Functions	Refer Audit Committee Report on pages 120 to 121.	Yes	Corporate Governance
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee	The names of the Audit Committee members given on page 120. The basis of determination of the independence of the Auditor is also given in the Audit Committee Report. (Chairman of the Committee is a member of CA Sri Lanka).	Yes	Corporate Governance
9.2.3	Related Party Transactions Re-view Committee	Mandatory from 01/01/2016. If the Parent Company and the Subsidiary Company both are listed entities, the Related Party Transactions Review Committee of the Parent Company may be permitted to function as such Committee of the subsidiary.	Yes	The Committee of the Parent Company which was formed on 10th February 2015 functions as the Committee of the Company.

Corporate Governance

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
9.2.2	Composition	02 Independent Non-Executive Directors and 01 Executive Director	Yes	As above
9.2	Related Party Transactions Re-view Committee Functions	• To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction. • Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party. • Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons. • To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction. • To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders. • Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.		

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
		• To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged. • To review the economic and commercial substance of both recurrent/non recurrent related party transactions • To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.		
9.2.4	Related Party Transactions Review Committee-Meetings	Shall meet once a Quarter	Yes	As above.
9.3.2	Related Party Transactions Review Committee-Disclosure in the Annual Report	a) Report by the Related Party Transactions Review Committee b) A declaration by the Board of Directors c) Related Party Transactions	Yes	a) Page 118 b) Page 114 c) Page 151 and 152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Management Discussion and Analysis

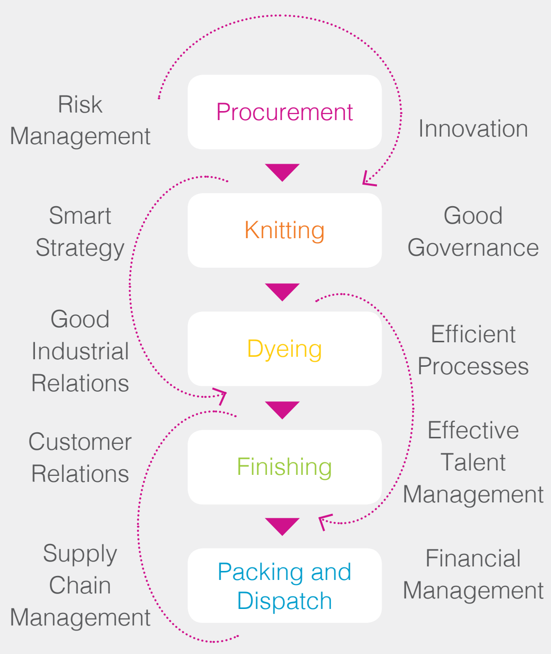
Creating Value for Our Stakeholders

How We Create Value

Hayleys Fabric PLC is a leading textile manufacturer in Sri Lanka with the capacity and capability to complete the entire product portfolio of the customer, offering end to end solutions from design, development, printing, brushing and sueding of fabric to leading global apparel retailers. Our customers place orders for our products which are then sent to Sri Lanka's leading apparel manufacturers with whom our business is inevitably linked. We gain competitive advantage by offering a wide product portfolio, consistent delivery of quality fabric according to specifications, timely delivery and innovation based on a deep understanding of our customer needs.

A team of 1,059 employees combine their skills and experience to produce 2.5 mn meters of fabric a month at a factory nestled amongst rubber plantations and paddy fields in Nartupana, Neboda where Hayleys Fabric PLC is the leading employer providing livelihoods for over 1,000 people from the village.

Inputs	How We Create Value	Value Created	Impacts
Financial Capital		**For Shareholders**	Emissions
Equity USD ('000')17,127		Profit USD('000') 1,813	18,643 MT
Total Debt USD('000') 16,819		**For Providers of Finance**	Effluents
Manufactured Capital		Interest USD('000') 835	1,727 L ('000')
Property Plant and Equipment USD ('000') 22,609		**For Employees**	Waste 1.225 MT
Human Capital		Employee Costs USD ('000') 6,465	
Employees 1,059		Training Hours 6.691	Employee Productivity 623 Kg / Employee
Social and Network Capital		**For Customers**	
Customers 50		Fabric 7,591 MT	Capacity Utilisation
Suppliers 487		**For Suppliers**	80%
Natural Capital		Purchases USD('000') 37,015	Energy Efficiency
Raw Materials 8.700 MT		**For Regulators**	27,864 KJ / Kg
Energy 703 GJ		Taxes USD('000') 116	
		For Community	Water efficiency
Water 1,773 M³ ('000')	Polyester, Polyester Blends, Cotton, Cotton Blends, Inno	Investment Capex USD ('000') 2,724 Indirect Employment over 400	228 M³ / MT



Key Business Lines

Key Business Lines	Description	Significance
Polyester and polyester blended fabric	Sports ,Casual and Winter wear	35% of current production. Growth of the business will be through Polyester blended fabric.
Cotton and Cotton blended fabric	Lingerie, Baby and Casual wear	65% of the current Production. Future focus is on value additions for Cotton blended products.

Creating Value for Our Stakeholders

Stakeholder Identification

The Company engages with a number of stakeholders in the normal course of business and seek to identify their needs in a proactive manner. This facilitates early identification of legitimate issues and areas for improvement in various aspects of our business enhancing our ability to create value. We define key stakeholders as those whose operations or lives are directly impacted by or those who directly impact our activities. Our response to identified concerns are addressed throughout this report.

Customers: Brand Owners and Apparel Manufacturers	Investors	Employees
How we engage: We manage our relationship with customers through multi layered relationships with buyers and apparel manufacturers. A holistic engagement framework is in place using electronic and print media reinforced by a Quality and Performance Review, face to face meetings at various levels, top to top and team meetings, factory visits and local and overseas visits. Our objective is to understand their requirements so we can be proactive in meeting their needs.	How we engage: Investor Relations management is a structured process with sign off by the Board. Regulatory requirements such as quarterly financial statements, Annual Reports and communications to the Colombo Stock Exchange on key developments is done in a timely manner. Feedback is obtained mainly through the Annual General Meeting. We also review market research published regarding changing preferences to determine their needs.	How we engage: Managing employee relationships is key to enhancing productivity and a key area of focus for the Corporate Management Team. An open door policy approach supported by formal performance appraisals, regular meetings and communication of performance has facilitated significantly improved employee relations. The Human Resources Team is responsible for ensuring a sufficiently robust level of engagement and addressing their concerns together with other departments.
Concerns: Their concerns are key inputs impacting all areas of our business. These vary from product quality, lead times, environmental management systems and social practices.	Concerns: Investor concerns have evolved from a purely financial return orientation to a focus on the long term sustainability and growth of the Company covering financial, environmental and social aspects. Research also shows	Concerns: Employee concerns range from dignity of labour to their socio economic progress. The HR Team addresses individual concerns as well as setting policy and governance frameworks to manage both the business needs and employee expectations.

Suppliers: Large Scale Corporates and Local Suppliers	Regulators	Community
Engaging with Large Scale Suppliers: When engaging with large suppliers of yarn, dyes and chemicals we rely on reputed and relevant certifications regarding product quality, environment and social practices. Engagement with small scale suppliers: We engage with suppliers of ancillary services to obtain canteens, janitorial and other services for which we give preference to suppliers from the Community where possible, provided our business needs are met.	How we engage: Regulators' information requirements are met in a timely manner and access is provided to regulators who visit our premises in a spirit of co-operation. Our Company's approach to regulation is that we need to go beyond regulation and voluntary adoption of standards and certifications ensures that we are fully compliant with all regulations.	How we engage: As the factory is located in a village where Hayleys Fabric PLC is the leading employer, engaging with the community is a priority. We also play a key role in developing livelihoods within the community by selling waste materials and obtaining services from micro entrepreneurs in the village. Consequently, we are involved in the festivities that take place in the village as a sponsor and have regular meetings with community leaders on matters concerning the socio economic progress of the community as a whole.

Suppliers: Large Scale Corporates and Local Suppliers	Regulators	Community
Concerns: Supplier seek to grow with us and value our input to their processes. We provide feedback if there are issues to ensure that supplies conform to our specifications.	Concerns: Regulators concerns are mainly centered around compliance with regulations and collection of dues such as Income tax, PAYE tax, ESC, WHT, etc.	Concerns: The main concerns center around supporting the economic and social activity in the village whilst ensuring that the environment is not damaged by our operations.

Determining Materiality

Material issues impacting our operations are identified by the Corporate Management Team including the MD/CEO using the GRI G4 Guidelines as a framework for guidance. Measurement, monitoring and reporting activities have been assigned to the relevant Heads of Department to facilitate progress towards strategic goals. Progress made on the material issues identified are monitored on an organisational basis by the Corporate Management Team and is included in this report. The process adopted for identifying the material issues is given below:

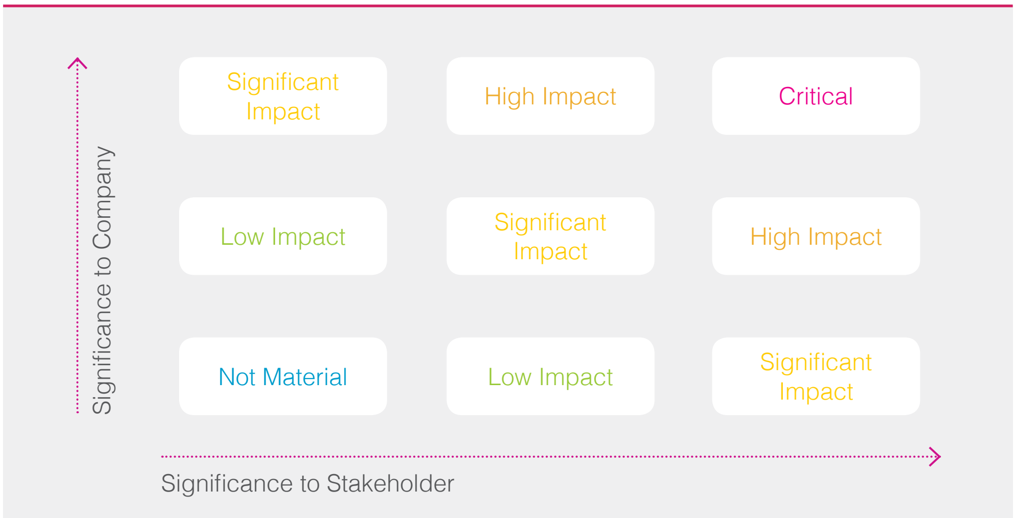
Identify matters impacting the value creation process with reference to the stock of capitals and stakeholders impacted

Evaluate their significance to Hayleys Fabric PLC and the impacted stakeholders

Prioritize matters based on their relative importance

Determining matters to be disclosed in the Integrated Report of the Company

The material aspects were identified, evaluated and prioritized as summarized in the heat map and table below considering their significance to stakeholders and the Company together with factors that mitigate their impact such as the regulatory environment of the country.

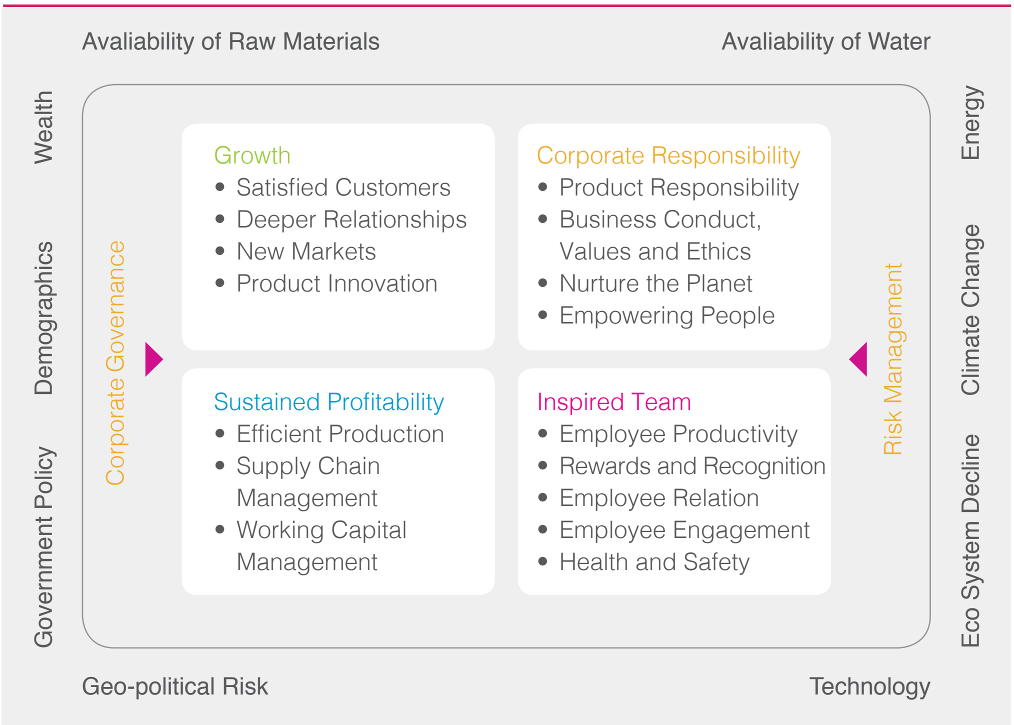


Creating Value for Our Stakeholders

Critical	High Impact	Significant Impact
Water	Customer Satisfaction	Compliance
Raw Material	Timely Delivery	Supplier Assessment
Energy	Product Responsibility	Product labelling
Employee Health and Safety	Employment	Anti–corruption
Employee Relations	Training and Development	Grievance mechanisms
Effluents and Waste	Emissions	Bio Diversity
	Innovation	
	Marketing Communications	
	Market Presence	
	Local Community Relations	
	Indirect Economic Impacts	
	Transport	

A Holistic Strategy

The material aspects identified as being critical, having a high or significant impact on the operations of Hayleys Fabric PLC were arranged into factors that could be controlled effectively by the Company and those that were outside its sphere of control or influence as graphically depicted below. The perimeter depicts the factors that are outside Hayleys Fabric PLC's control having a significant impact on its operations and the center depicts those factors that can be managed to a great extent by planned activity. Logically arranged to facilitate communication, measurement and monitoring, this diagram summarises our holistic strategy.



Accordingly, we monitor Government policy, demographic changes which dictate the growth of the industry etc., as they shape our operating environment impacting various aspects of our business. Consequently, how these factors impact our business is discussed in the operating environment segment of this report.

The Corporate Governance and Risk Management frameworks identify the boundaries within which we operate. Shaped over more than a century of operations, the Hayleys Group frameworks provide a comprehensive and robust foundation for managing business as enumerated in the Corporate Governance and Risk Management Reports on page 36 and 98 respectively.

The centre reflects our core strategic priorities and are addressed in the Capitals Report and the Impact Report.

Growth - Our focus has been on increasing our business with a few global retail brands who offer opportunities for further growth necessitating deeper relationships. Consequently customer satisfaction and product innovation are key to success and are monitored closely by management and Board.

Sustained Profitability Hayleys Fabric PLC's success in the reporting year is attributable to margin growth which is supported by efficiencies achieved and sustainability of our operations which have had equal focus as we are assessed on these factors by our customers.

Corporate Responsibility These factors define who we are and how we do business. It is our competitive advantage and we are committed to upholding high standards in the core performance aspects identified in this quadrant.

Inspired Team - Our team implements strategy and therefore, success relies on their delivery of strategy. This quadrant identifies our strategic priorities to inspire our team to reach higher.

Creating Value for Our Stakeholders

Operating Environment
Sri Lanka's apparel and textile export industry is the most significant contributor to the National economy valued at USD 4.8bn and accounting for 3.2% of GDP in 2015. It is the largest export commodity, second largest foreign exchange earner and the single largest employer in the manufacturing industry. Over half the exports comprise knitted or crocheted apparel, as the industry focusses on increasingly higher value added items. The textile industry mainly supplies the local apparel manufacturers, substituting in part their textile imports. The fabric mills focus on marketing to key overseas buyers as it is they who place orders with the apparel manufacturers, having identified the desired textile and accessory suppliers. The main competitive advantages of Sri Lankan fabric mills is the proximity to apparel manufacturers and the high social and environmental standards maintained by both apparel manufacturers and fabric mills.

There are four large scale fabric mills in Sri Lanka. Hayleys Fabric is the oldest mill with the full range of products in cotton and polyester to meet buyer requirements, in an industry that is predominantly cotton based. Market share is evenly distributed amongst the key players and innovation is key to gaining a competitive advantage.

Factors Impacting the Textile Industry

Government Policy
The government has maintained an accommodative monetary policy and a fiscal policy stance over the past 5 years, stimulating private sector investment and economic growth. Interest rates continued to be historically low, whilst inflation has decreased markedly to 0.9% by end 2015. The Sri Lankan Rupee remained relatively stable for over two years until September 2015, when the Government floated the Rupee and the currency depreciated by a total 9.9% by end of 2015. In this backdrop, the Sri Lankan economy grew relatively strong at 4.8 % in 2015, marginally slower than 4.9% in 2014 (revised- base year 2010).

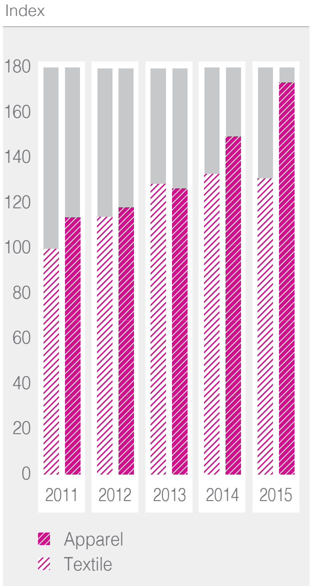
The apparel and textile sector growth remained flat (2014- 4.6%) impacted by declining demand from key markets, the EU and USA. Exports of apparel and textile declined 9.8% to USD 4.8 bn in 2015 although textile exports alone grew 12.4% to USD 101.5mn. Government efforts to renew GSP+ concessions from the EU is encouraging and will serve to increase the competitiveness of the fabric mills.

Investments in the textile sector have contributed towards an increase in the Factory Industry Production Index by 31% during 2010 to 2015. Apparel grew at a higher 73 %.

Wealth and Geo-Political Risk
Sri Lanka's Top 5 apparel export markets in 2015 were USA, UK, Italy, Germany and Belgium respectively (Source: Export Development Board) with 46% sold to USA and 42% to Europe. These nations posted mixed growth in 2015 as per the IMF, World Economic Outlook Update released January 2016 and reflected in the graph below. However, growth forecasts for 2016 and 2017 are positive.

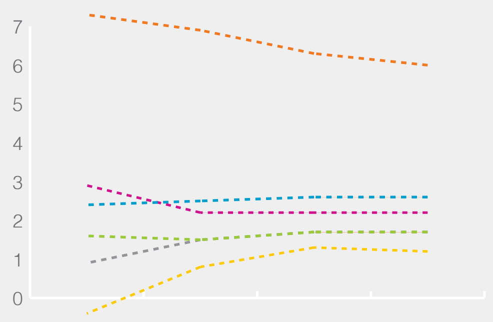
Overall, global growth has been disappointing in 2015, slowing to 3.1 % in 2015, impacted by the continuing decline in growth in emerging market and developing economies which still account for over 70% of global growth. Global growth is projected at 3.4% in 2016. Security threats in Europe are elevated consequent to ISIS attacks in Paris and Belgium this year and is likely to impact growth and government policy.

Factory Poduction Index



(Source: CBSL Annual Report 2015)

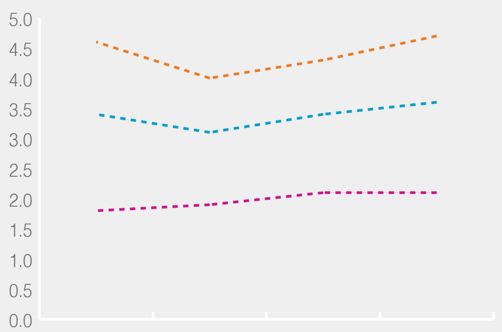
Economic Grwoth Projections - Countries



	2014	2015	2016	2017
US	2.4	2.5	2.6	2.6
UK	2.9	2.2	2.2	2.2
Italy	-0.4	0.8	1.3	1.2
Germany	1.6	1.5	1.7	1.7
Euro Area	0.9	1.5	1.7	1.7
China	7.3	6.9	6.3	6

(Source: World Economic Outlook Update, Jan 2016)

Economic Growth Projections - Global & Regions



	2014	2015	2016	2017
Global Economy	3.4	3.1	3.4	3.6
Advanced Economies	1.8	1.9	2.1	2.1
Emerging Market & Developing Economies	4.6	4	4.3	4.7

(Source: World Economic Outlook Update, Jan 2016)

Demographics

The global apparel market is estimated at over USD1.3 trillion and demonstrates resilient growth despite economic woes. China remains the fastest growing market and is expected to take lead as the world's largest market from the USA, by 2016/17. Changing consumer preferences drive key trends in the market as new collections set the trend each season.

(Sources: ://www. researchandmarkets.com/ reports/2093804/global_ apparel_retail.pdf/,http:// euromonitor.typepad.com/ blog/page/178/)

Key trends include the growth of Menswear growing at 4.5% (2014) and out pacing womenswear at 3.7% and the growth of performance and sports-inspired apparel which has created a shift in consumer preferences to comfort dressing/ leisure wear as part of daily lifestyles. Synthetic blended fabric such as polyester blends are also growing in popularity. These fibers are created with better performance and aesthetic characteristics and are much cheaper than cotton. Retailers are using innovation, especially in textiles, to drive growth in these categories whilst meeting consumer needs. Eco-fashion is also a fast growing trend, embraced by the environment, social and health conscious consumer and promoted aggressively by retailers.

Demographics also impact supply of labour for manufacturers. Located in a rural area, the largest employer within a 15 km radius has meant that Hayleys Fabric had access to a localized talent pool, particularly for manual cadres. Relatively close proximity to Colombo has ensured access to a more vibrant talent pool for specialized roles enabling the Company to maintain a balance. Economic migration to cities impacts retention of talent at semi-skilled grades while overseas migration by professionals impacts the more specialized roles. However, these are manageable as the Hayleys Group is able to attract the best talent in the country based on its reputation and proven track record of nurturing corporate leaders.

Eco System Decline

The apparel and textile industry is considered the most polluting, ranking immediately after the oil industry considering the threat to the environment at each stage of the garments life cycle, from raw material production to use and disposal. Production of cotton is known for its

Creating Value for Our Stakeholders

intensive use of water and pesticides, whilst synthetic fibers are often made from petro-chemicals that require a large quantum of energy to produce. Textiles use 25% of chemicals produced worldwide. Textile dyeing and finishing mills are high on water pollution and carbon dioxide emissions as is the carbon footprint of container ships used in transport. However, apparel retailers, conscious of the ecological impact of clothing, command sustainable practices throughout their supply chains making environmental concerns a business imperative. Consequently, textile mills invest in making their processes more environmentally safe and innovate in improving the environmental impact of their products.

Availability of Raw Materials

During 2015, global cotton production fell, consumption stayed relatively flat and prices steadily declined. However, cotton prices still remained higher than that of polyester, with competition from polyester continuing to constrain the global textile industry's demand for cotton. 2015/16 saw a particularly sharp decrease in polyester prices, as well as in prices for petroleum and most other commodities.

Cotton production is expected to increase by 4% next year and consumption to increase only marginally due to a relatively subdued global economic outlook. Consequently, cotton prices are expected to decline.

With limited price recovery of petroleum products expected in 2016/17, price of polyester is expected to remain low.

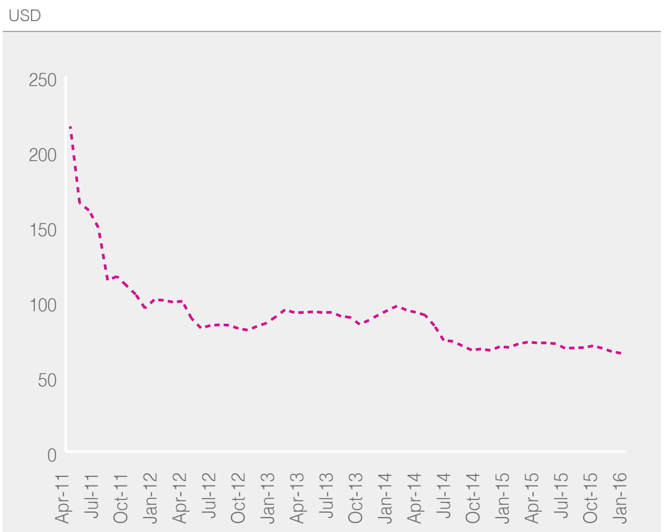
Meanwhile, the short supply of textile dyes and chemicals observed in 2014 (given the strict implementation of environment controls, particularly in China) which resulted in a significant price hike of some, reversed during 2015. Greater volumes of these dyes and chemicals were produced by manufacturers not impacted by the controls. This factor together with the general reduction in petroleum prices contributed towards a decline in textile dyes and chemical prices during the year.

Availability of Water

The textile industry uses extensive volumes of water throughout its operations, from washing of fibers to bleaching, dyeing and washing of finished products. It is estimated that 500 gallons (1,900 liters) of water is used to make a pair of Levi's jeans (Source: Wall Street Journal, Feb 2009). Annual average of rainfall over Sri Lanka has decreased by an amount of 144 millimeters, about seven percent, during 1961 to 1990 period compared to 1931 to 1960 period with the standard deviation increasing from 234 to 263 millimeters. Northeast monsoon rainfall over Sri Lanka has been decreased from 1931 – 1960 to 1961-1990 periods, with an increased variability. Southwest monsoon rainfall has not shown any significant change during these two periods; however variability has been decreased during 1961-1990 compared to 1931-1960. High variability of annual rainfall is reported at Batticaloa, Kurunegala, and Rathnapura meteorological stations in the recent past compared to other meteorological stations.

Extreme events (floods, droughts, etc.) are expected to be more intense and more frequent with the climate change, due mainly to variability of rainfall. In addition, wet areas get wetter and dry areas get drier with the climate change. Consequently, southwest monsoon rainfall, which is usually confined to the western and southwestern parts of the island, is projected to increase. The northeast monsoon rainfall is also projected to increase particularly over the eastern and northern areas, albeit at a slower pace. As the factory is located on

World Cotton Prices



(source - http://www.indexmundi.com/commodities/cotton)

the banks of the Kalu Ganga which receives its water principally from the southwest monsoon, forecasts indicate that availability of water will enhance in the future although this may increase the risk of flooding.

Further, the textile industry is considered the second highest polluter of fresh water after agriculture. The large volumes of wastewater generated contain a wide variety of chemicals, used throughout processing. These can cause damage if not properly treated before being discharged into the environment. Pressure from apparel retailers drives awareness and the necessary business case for investments for treating effluents making this a material aspect for textile manufacturers.

Growing concerns over water shortage and pollution are encouraging the development of water free dyeing technologies by chemical and dye manufacturers.

Energy

Energy consumption is very high in the industry and Hayleys Fabric uses electricity supplied by the Ceylon Electricity Board (CEB) and also uses furnace oil and bio mass for heating purposes. Consequently, the Company is impacted by the supply and price of electricity, furnace oil which is a petroleum product and wood shavings which is a waste product of timber mills located in close proximity to the factory. The mix of energy utilised does not change significantly for the Company as the source of energy is linked to specific manufacturing processes/ operations.

Electricity generation increased 5.7% to 8,675 GWh during the first eight months of 2015 from 8,207 GWh in the corresponding period of 2014 . The mix of power generated demonstrated a significant change as shown in the table below with a favourable impact on the carbon footprint of the Country and the Company as generation from hydro and non-conventional renewable energy sources, which have negligible amounts of direct emissions, increased from 30% to 44% for the period January to August 2015

Electricity Generation Mix (Jan – Aug)

	2015	2014
Hydro	34%	22%
Fuel Oil	18%	46%
Coal	38%	24%
Non - Conventional Renewable Energy	10%	8%
	100%	100%
Total Electricity Generation GWh	8,675	8,207

(Source: CBSL Annual Report 2015)

Electricity tariffs in Sri Lanka remained unchanged despite a favourable mix in power generation enabling the CEB to improve its financial position. Continued efforts towards 100% electrification in the country resulted in achieving 98.4% electrification by end June 2015. New projects in the pipeline for augur well for the continued supply of electricity in the country although the issues in relation to storage capacity limitations of the Norochcholai coal power generation need to be addressed on a priority basis for uninterrupted supply of power in the short term. However, electricity costs (which make up the bulk of the energy requirement of the Company) in Sri Lanka remain higher than the rest of the South Asian region making it a key challenge when competing in the global trade of apparel.

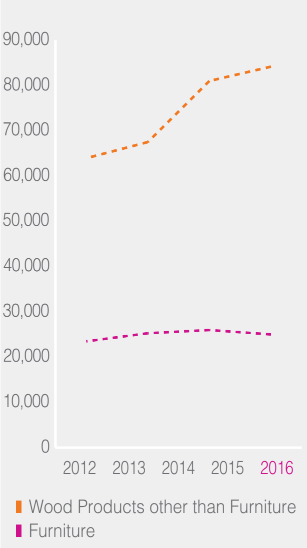
The changing supply demand dynamics of crude oil resulted in a decline in global furnace oil prices during the year resulted in a downward revision of Low Sulphur Furnace Oil from Rs. 90 to Rs. 80 per liter contributing towards a reduction in energy costs. There were no imports of low sulphur fuel oil in 2015 and demand has declined as indicated by the sales of 60,545 liters during the period January to September 2015 in comparison to the 139,243 liters sold in 2014. However, as there has been sufficient stocks available from Ceylon Petroleum Corporation for our needs, there is no undue concern at present regarding availability of this key source of energy.

Availability of wood shavings is more difficult to predict and we rely on the activity in Manufacture of wood and of products of wood and cork, except furniture and Manufacture of furniture sub-sectors to assess the trends which demonstrate growth

Creating Value for Our Stakeholders

in activity and therefore, availability.

Wood Products other than Furniture



(Recent Economic Developments, Highlights Of 2015 And Prospects For 2016, Central Bank Of Sri Lanka)

(Source: CBSL Recent Economic Developments. Data for 2015 has been annualised to identify trend.)

Technology

The apparel industry is dynamic, evolving with each season and technology is a game changer. Organisations leverage on technology and innovation through its value chain, to stay ahead of competition with exciting products which are increasingly focusing on social and environmental sustainability. Companies in Sri Lanka can also access technologies evolving in other countries to leap frog evolutionary cycles leading to greater energy and resource efficiencies in production whilst also delivering technologically advanced fabric. Technology also facilitates a shift to more environmentally friendly raw materials such as vegetable dyes replacing chemicals. A keen awareness of these factors is necessary to drive sustainable technological innovation and pressure from apparel retailers ensure that manufacturers invest in creating organization cultures that nurture sustainability awareness to gain competitive advantage. Consequently, Sri Lanka has state of the art manufacturing facilities that have environmental certifications for various aspects of operations from buildings to processes. A shared vision across the industry of steering the industry towards greener technologies is key to shaping technological innovation in the sector as players seek to embrace more advanced technology.

Outlook 2016 / 17

Monetary policy in Sri Lanka is expected to be gradually tightened in 2016/17, as Balance of Payments issues continue to put pressure on interest rates and exchange rates. Depreciation of the rupee will serve to increase competitiveness of the apparel sector and subdue growth of imports moderating the consumption boom that prevailed through most of 2015 as real wages increased. Declining petroleum prices will benefit the Balance of Payments issues although capital outflows for repayment of government debt is likely to offset the benefits.

Positive economic growth in the USA and UK will augur well for the Country's apparel and textile industry. The likelihood of receiving GSP+ concessions from the EU by end of year will increase growth prospects. Recent ISIS attacks are likely to result in elevated security concerns shaping government policy in Europe which should be monitored carefully. Additionally, US Presidential Elections in November 2016 may result in a change in policy direction which will require monitoring for impacts in the 2017/18 financial year.

Leisure wear and synthetic blended fabric are growing trends that promise potential. Investments in technology and innovation should focus on driving growth in these product segments as well as in improving the environment footprint.

The Capitals Report

Financial Capital	Financial Review
Social and Network Capital	Delivering value to customers, suppliers and community
Human Capital	Delivering value to employees
Natural Capital	How we transform natural capital in to fabric and our impact on the environment
Manufactured Capital	Our capacity to transform yarn to fabric
Intellectual Capital	This is our competitive advantage, the tacit knowledge, systems and processes of the Company

The Capitals Report

Financial Capital: Creating Value for Shareholders

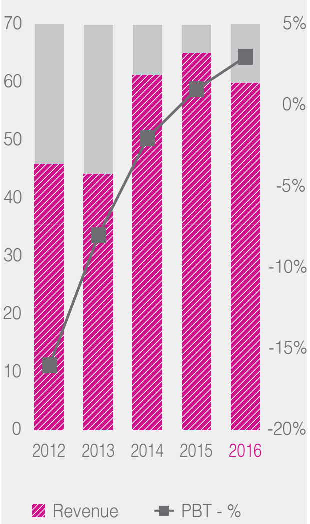
Strategy

Profitability
Focused marketing of high margin polyester and polyester blends facilitated profit growth enabling the Company to maximize the return on existing capacity resulting in a PBT of USD 1.81mn, an increase of 176% over the previous year.

Performance

Revenue & PBT

USD Mn



Efficient Working Capital Management

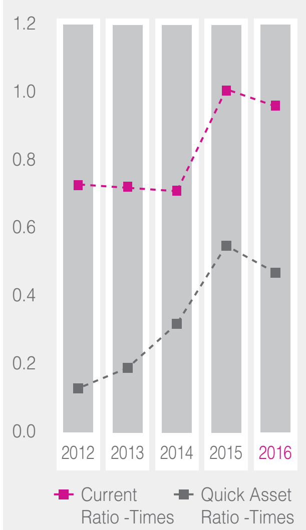
Investment in the Fast React planning tool and SAP (ERP) systems have strengthened supply chain and working capital management, reducing costs of holding and improving positive cash flow generation further.

However, the current and quick assets ratios reflect a dip in 2016, due to decrease in cash and cash equivalent and settlement of current payables.

Performance

Times

USD Mn



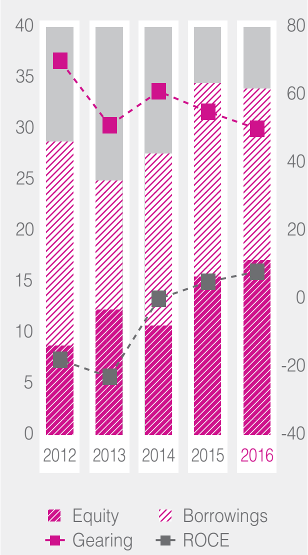
Stability

The strong performance delivered resulted in a decline in accumulated losses from USD 3.45 mn to USD 1.84 mn. This, together with repayment of long term debt, improved the gearing of the Company from 55% to 50% strengthening liquidity and the funding position of the Company.

Performance

Equity

USD Mn %



Value Created for Shareholders

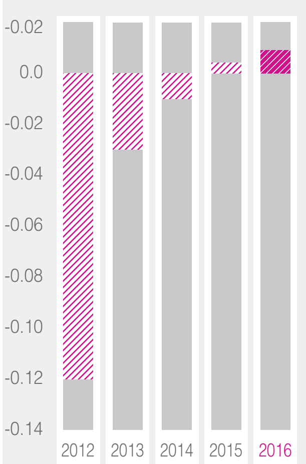
Value created for shareholders increased during the year as Earnings Per Share increased by 125% to USD 0.009.

In addition to EPS, Market price and Market Capitalization both have increased by 2% compared to 2014/15.

Performance

Earnings Per Share

USD



Revenue and Gross Profit

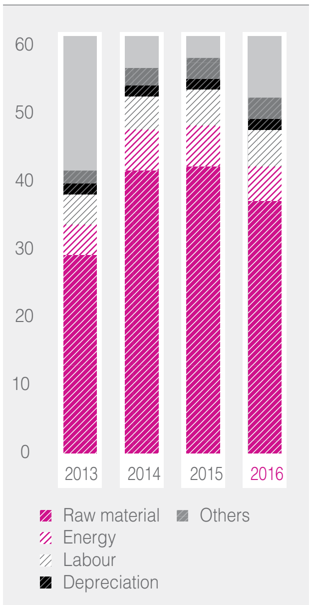
Close rapport with key customers and building their confidence through consistent delivery of the right quality and quantity at the right time enabled us to achieve a paradigm shift in our sales mix as we moved towards high margin polyester blends. This is clearly demonstrated in the adjacent chart depicting the composition of revenue which has been key to our profitability. Gross margins increased as a result from 10% to 13% over the year in line with the capabilities of the Company. It is noteworthy that this year's performance is characterized by delivering a carefully coordinated, multi-faceted strategy as revenue growth took second place to delivering shareholder value as clearly demonstrated in the graph below. Turnover dipped marginally by 8% to USD 59.92 mn given the focus on achieving the right mix of products.

The only registered fabric brand in Sri Lanka, Inno, launched in February 2015, priced at a premium, soon gained market acceptance given its innovative features and functionality. However, the competition was quick to duplicate the product as is the case in the industry, thus diluting demand and forcing Hayleys Fabric to reduce price. Inno contributed positively to profitability s in 2015/16 and proved to be a valuable lesson in approaching innovation. We have sharpened our focus on innovation and look to delight our customers with the results in the coming year.

Margins also benefitted from lower prices for cotton and polyester yarn as commodity markets continued to moderate in 2015/16. Costs of chemicals and dyes increased during the year as we increased the use of environmentally friendly dyes which are characteristically higher priced. Benefits from lower prices are typically shared with customers as all business partners work together to reduce the cost of the finished articles of apparel and the length of the supply chain supporting the long term sustainability of the industry. Improved productivity was also a factor supporting gross margin growth as we were able to maximize capacity utilization which is explained further in the Human Capital Report on page 74. Energy costs declined as the price of furnace oil, a key source of energy, declined during the year by 11%. Overall, cost of sales declined by 10% due to declining costs of inputs and improved productivity which enabled the Company to deliver higher gross margins as planned.

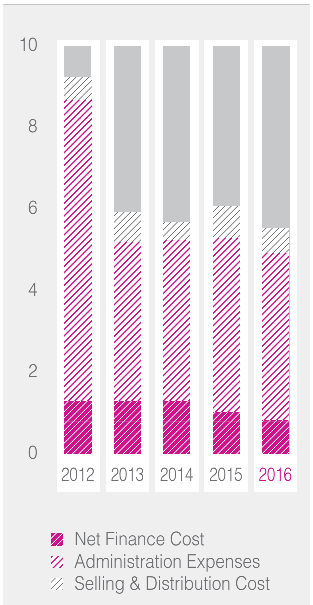
Cost of sales

USD Mn



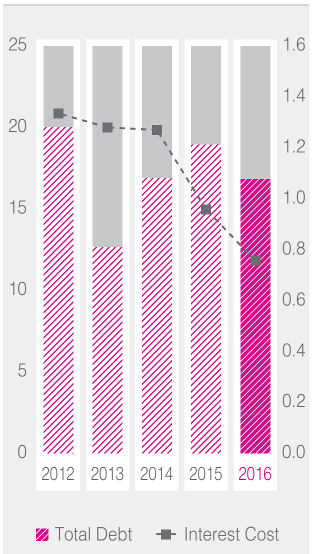
Overheads

USD Mn



Debt Vs Cost of Debt

USD Mn



Operating Expenses

Operating costs declined during the year as lean processes and higher levels of cost consciousness facilitated efficiencies in all internal processes. Decrease in net finance costs were the main contributor to lower operating expenses hence, higher margins for operating profits. Reduction in finance costs by 19% is attributed to settlement of debt on account of increased cash flows from operations and negotiation of better interest rates from lenders given the improved financial performance of the Company. Resultantly, interest cover widened to 3.17 times from 1.63 times the previous year.

The Capitals Report

Pre and Post Tax Profit

Profit before tax increased by 176% to USD 1.81mn whilst profit after tax increased by 171% to USD 1.85mn. The main contributors to the improved performance were increased GP margin, improved production efficiency, reduced energy cost and reduced interest cost.

A provision of USD 0.115mn has been made in respect of income tax in view of the renewed profitability of the Company. The effective tax rate is 6.4% as the Company claimed tax losses of USD 0.519 mn which offset the income tax charge.

Capital Structure

The Capital structure continued to improve during the year with the funding mix tilting more towards shareholder funds. Strong profitability during the year led to shareholder funds growing by USD 1.62mn (10.4%) to USD 17.13mn reversing almost half of the accumulated losses.

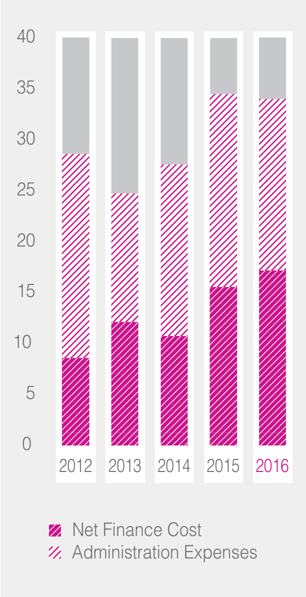
The Company's total debt levels reduced during the year, improving gearing further to 50% from 55% the previous year. ROCE improved to 8% (2015 – 5%).

Capital Expenditure

During 2015/16, the Company invested in machinery worth USD 2.72 mn by modernizing equipment consistently, Hayleys Fabric maintains quality, efficiency and environment sustainability.

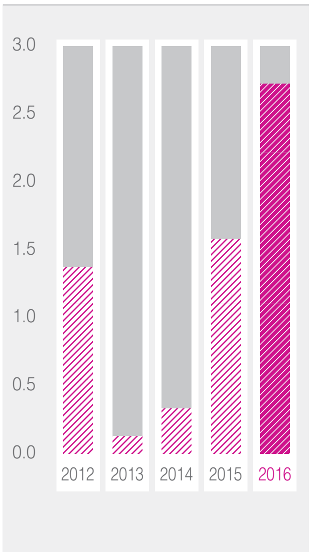
Capital Structure

USD Mn



Capital Expenditure

USD Mn



Return to Shareholders

	2015/16	2014/15
Earnings per share	Rs.1.26/ USD 0.009	Rs.0.47/ USD 0.004
Market Price per share	Rs.18.00	Rs.17.70
No of shares in issue	207,740,888	207,740,888
Market capitalization	Rs.3,739mn	Rs.3,677mn

Cash Flow and Working Capital Management

The strong performance during the year contributed to a healthy cash flow generation. The Company's cash from operating activities grew 287% to USD 2.61mn in 2015/16. These funds were partly utilized to settle long term debt and balance to finance capital expenditure.

The current and quick assets ratios reflect at 0.96 (2014/15 - 1.01) times and 0.47 (2014/15 - 0.52) times, respectively, weakened compared against the previous year, due to decrease in cash and cash equivalent and settlement of more trade payables.

Return to Shareholders

The Company continues focus on delivering value to its shareholders and the results are summarized above.

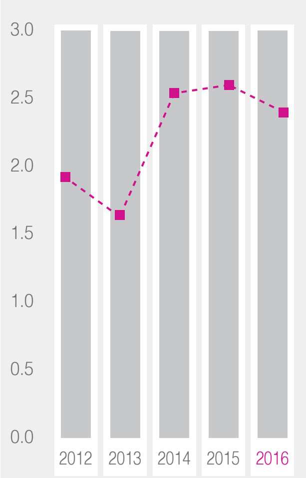
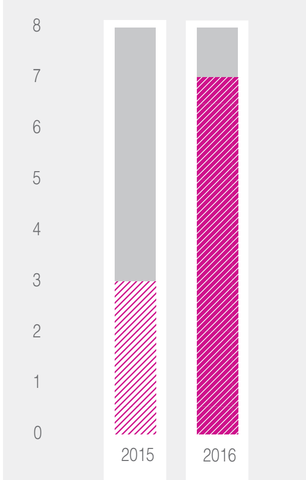
Creating Value in 2016/17

The current strategies are being geared towards expansion, with a focus on innovation to attract higher value orders and in creating sustainable growth. This will result in stronger financial performance in the future as the capacity to create value for shareholders is enhanced through visionary leadership, smart strategy integrating sustainability and sound risk management.

Social and Network Capital

Creating Value for Customers

Pursuing a customer centric strategy, we focused on building our new brand identity as an innovative total solution provider under 'Hayleys Fabric's' during the reporting year.

Strategy	Performance
Satisfied Customers Our strategy has been to consolidate our customer base as we move up the value spectrum to reposition Hayleys Fabric as a manufacturer of high quality fabric However, the revenue per customer shows a slight dip as in the graph, and this is due to the shedding of some low margin business.	Revenue per Customer USD-Mn 
Product Innovation An inspired Research and Development team experiment with new fabric and finishes while a dynamic engineering team enthusiastically research new technology in textile manufacture, mentored and monitored by a commercially savvy Corporate Management Team with high awareness of the need for sustainable development. The adjacent graph bears testimony to the success of our efforts through Inno.	New Business - High end Brands % 
Product Responsibility Our products come in to direct contact with human skin and significantly impact the wearer's sense of well-being. Additionally, materials used can have negative impacts on our people, the environment and the community. Consequently, we ensure that our products and manufacturing processes conform to international standards and invest in certification to provide assurance regarding the same.	CONFIDENCE IN TEXTILES Tested for harmful substances according to Oeko-Tex® Standard 100 06.BH.46675 HOHENSTEIN HTTI

The Customer value proposition is pivotal to driving business growth and building the brand. Our unique capability to offer end to end solutions from knitting, dyeing, finishing, designing, development, printing, brushing and sueding of all types of knitted fabric of pure and blended polyester and cotton provides a competitive advantage at present. We are keenly aware of the need to continuously invest in technology and people to deliver high quality fabric to customers consistent with their specifications at a competitive price. The diagram below summarises Haylayes Fabric's customer value proposition.

The Capitals Report

Customer Value Proposition	
7,591MT Fabric	End to end Solutions Complete Portfolio
Shorter Supply Chains	Improved Average Production Time
Product Responsibility	Product Labelling and Marketing Communications High Levels of Social and Environmental Compliance Assurance of Quality
Innovation	Research and Development Facilities Own Branded Fabric Portfolio

Customer Profile

Our customers are global fashion brand owners who select our fabric to be manufactured into articles of apparel in factories located in Sri Lanka. They are strategic partners for Hayleys Fabric with high levels of engagement with us. The main factors that attract them are our capabilities in a wide ranging product portfolio, industry specialized planning and ERP solutions and our innovation capabilities through our own brand, Inno We work with Our key brands listed below through the largest garment manufactures in Sri Lanka.

Accordingly, we have invested in new technology, upgraded our machinery for high quality and cost efficiency and fine-tuned our supply chain management to service our customers better. Our raw materials are sourced from suppliers who are certified for their social and environmental management practices in order to ensure that ethical practices are maintained throughout the supply chain.

Sales to buyers in the European Union account for over 90% of total revenue amounting to approximatly. USD 54mn of sales. Nonetheless, we are focused on expanding our buyer base and are exploring opportunities in traditional and non-traditional markets, taking in to account the changing dynamics of the global apparel market.

Shorter Supply Chains

One of the biggest challenges to the Brand owners is to shorten lead times in the supply chain. Sri Lanka has emerged as a solution provider by developing capabilities to innovate design and develop for the industry in addition to its excellence in manufacturing capability. This has resulted in shortening the supply chain time lines and assisted the Brands to react to market needs promptly and thereby reducing discount sales which in turn contributes to profitability.

In the Sri Lankan fabric industry, Hayleys Fabric took the leadership in innovating its own branded fabric through Inno which complements the garment manufacturers and the Brands through shorten lead time.

Product Responsibility

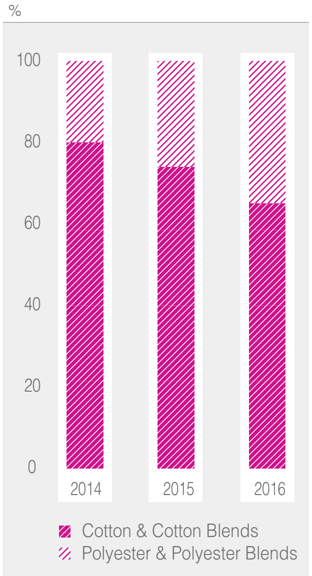
Product responsibility is a key concern for our customers and at Hayleys Fabric PLC, as it directly impacts the well-being of consumers, as our fabric is predominantly used for active wear , Lingerie and baby wear. High levels of product responsibility are nurtured in the organization as part of its culture while quality control monitoring systems and processes are embedded in all aspects of the organization. The following international certifications and accreditations provide assurance on various aspects of our processes.

Product innovation
Given the growing popularity of cotton and polyester blended fashion fabric globally, we have constantly developed our portfolio to offer innovative and technologically advanced fabric with the qualities that embrace functionality required by our customers. Amongst other innovations, our fabric was developed to be used in performance and sports-inspired apparel as well as leisure wear, which fashion trends are growing in popularity.

Given our competitive advantage locally as the leading fabric manufacturer with the capability to knit, dye and finish a wide range of polyester based fabric, product concentration over the past few years has progressively shifted towards widening the range of polyester based fabric.

Through our own Development Centre, we successfully launched our own branded fabric – 'Inno', in 2015, progressing from being a mere manufacturer to an inventor. Inno succeeded in attracting key global brands to source fabric from the Company and gained recognition for Sri Lanka as an innovative fabric supplier to reckon with. Inno has since been followed by competition, an inherent industry feature for any new product.

Revenue Composition



Creating Value in 2016/17
Positioned as a reliable and innovative supplier of fashionable, value added fabric we expect the industry to intensify its focus on innovation, cost consciousness and reducing its carbon footprint. Planned investments detailed in Manufacturing Capital are expected to facilitate moving to higher value fabric which are expected to improve profitability.

Planned Initiatives to Enhance Customer Value

Production	Advanced technology and innovative processes
Product Responsibility	Through social and technical compliance
Shorter Supply Chain	Partnership on speed to market
Innovation	Consistency to suit specific brand's requirements.

The Capitals Report

Creating Value for the Community

As the main employer within a 15 km radius, Hayleys Fabric PLC has a sound appreciation of the significant contribution in supporting the communities we operate in. Consequently, Hayleys Fabric PLC is committed to fulfilling this responsibility through targeted philanthropic activities that serve to enhance grow. We do this through the following initiatives.

- When recruiting, we give preference to persons from the local community. Currently 75% of our employees are from an area within 15 km of the factory.'
- We use local suppliers where ever possible; including when sourcing the following inputs:

- Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle
- Promote public procurement practices that are sustainable, in accordance with national

Creating Value in the Community

Empowering People
- Employment Opportunities
- Local Sourcing
- Supporting Livelihoods

Humanitarian
- Safe Water
- Disaster Relief

Cultural Activities
- Sponsorship of Cultural Events

their quality of life. During the year we focused our efforts on four key areas in creating value for the community empowering people, fostering deeper relationships, nurturing the environment and operating by our core value of Good Citizenship by caring for the community outside the factory and village and the general community at large.

Empowering People

As the largest organization in the vicinity of the village Hayleys Fabric PLC makes a significant contribution to the socio economic progress of the local community by providing opportunities for them to

- Saw dust
- Transportation
- Canteen
- Cleaning and gardening services
- Sale of fabric waste scrap at nominal price, giving rise to cottage industries and empowering women to generate an income while tending to housework. Waste fabric is fashioned in to wicks for oil lamps which are packeted and sold for devotees who light lamps at temples and homes. Fabric waste are also used to produce household rugs.

Local Purchases from Community - 2015/16
USD 1.13 mn

Humanitarian

Hayleys Fabric PLC is conscious of the need to support victims of tragic circumstances and considered appeals made to the institution.

- Provision of potable water - The Company participated in the Hayleys Group CSR project, Sath Diyawara, to provide potable water to villagers of Rathmalgahawewa, Kahatagasdigiliya in Anuradhapura who are affected by Chronic Kidney Disease (CKD) due to contaminated water from abuse of agro chemicals in surrounding areas. The picture shows the laying of the foundation stone in January 2016 to set up a treatment plant.
- Blood donation campaign - We conducted a blood donation campaign amongst employees on 17 June 2015 to facilitate supply of blood to the blood bank which then

provides it to patients who require blood within the health care system. Donating blood is viewed as a life saving act of charity in the country and the blood bank maintains sufficient reserves to meet normal requirements through blood donation campaigns. The blood donation campaign was held within the Company premises with the assistance of the National Blood Bank.

- Gift packs from donations received from employees and supplemented by Hayleys Fabric, were given to children at the Horana Base Hospital during Christmas 2015.
- Cash donation to the father of the family whose wife and two children drowned in the 'Kalu Ganga' near the factory.

Sponsorship of Cultural Activities

We engage regularly with community leaders to understand the needs of the village. We sponsor cultural activities in the village and support specific areas as identified below, thereby strengthening our bonds with the village whilst promoting village harmony.

- Sponsorship of the "Unduwap Perahera" at Gallena Raja Mahaviharaya, Warakagoda, Neboda where a majority of our employees participated
- Sponsorship of New Year Festivals in neighbouring village
- Sponsorship of New Year Festival for the Kalutara Children's Orphanage.

Creating Value in 2016/17

We will continue to support the adjacent villages, families of employees, and the external community in creating value to drive economic and social development. We will continue to engage in environmental activities such as planting trees, encouraging bird life, organic farming, and re-cycling water.

Creating Value for Suppliers

The global textile industry is constantly under pressure to increase efficiency and innovativeness. The main reason being apparel brands demanding lower costs, shorter lead times and greater value additions. In responding to this external dynamic, our suppliers are critical for our sustainable growth as we rely on them to provide competitively priced, high quality materials on time.

The Company was the principle sponsor for the 'Annual Perahara' at the Warakagoda Temple.

Cash donation being given to the father of the family who's wife and two children drowned in the Kalu Gaga near the factory.

The Capitals Report

SATH DIYAWARA – *The Company participated in the Hayleys Group CSR project by undertaking to provide potable water to people at Rathmalgahawewa, Kahatagasdigiliya in Anuradhapura who are suffering from Chronic Kidney Disease (CKD) due to contaminated water. The picture shows the laying of the foundation stone in January 2016 to set up a treatment plant.*

Employees' children who obtained 9 A's at the GCE ordinary Level Examination -2015 were invited to the Company to meet the management team and were given a cash reward.

Employees' children who succeeded at the grade 5 Scholarship Examination -2015 (Shishyathwaya) were given a gift pack.

Annual blood donation program held within the Company premises on 17th June 2015

Cash donation contributed by employees and the Company given to the widow of N.D.S.Pushpakumara who passed away due to sudden illness.

Cash donation given to long service employee of the Company towards his medical expenses for heart surgery.

Cash donation given to a long service employee of the Company to re-build his house which was washed away due to the heavy rains in Kottayahena in November 2015.

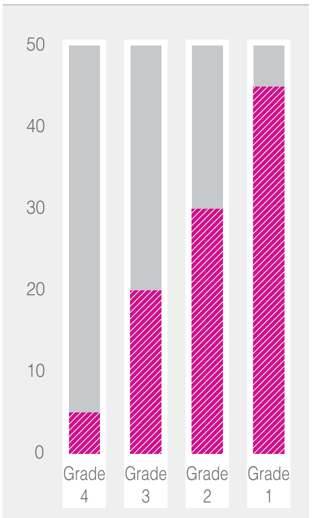
Cash donation given to long service staff member towards her medical expenses for heart surgery.

Gift packs from donations received from Company employees were given to children at the Hoarana Base Hospital during Christmas 2015.

The Capitals Report

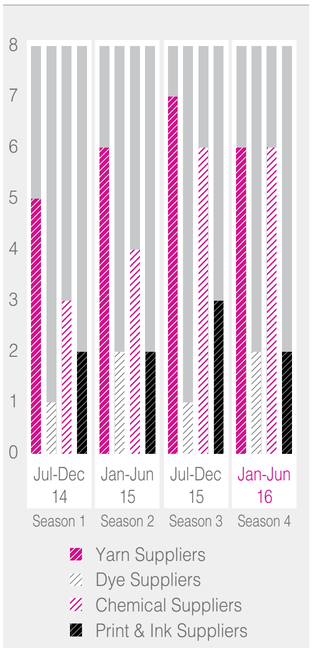
Strategy	Performance
Deeper Relationships We are focused on improving our supply chain management by emphasizing price, quality, delivery, flexibility and communication.	**Suppliers - Grading 2015/16**

%



Strategy	Performance
Product Innovation We collaborate with suppliers on R & D , developing innovative fabric solutions together	**Developments made with Suppliers**

No. of Developments



Stability	Performance
Nurturing the Planet, Ethics We promote environment sustainable and ethical manufacturing practices throughout our value chain.	Hayleys Fabric has formed a team and is working to achieve zero discharge of hazardous chemicals from the supply chain by 2020. This is in line with the zero discharge joint road map ((ZDHC) formed by leading brand owners in the textile and footwear industry.

Stability	Performance
Product Responsibility Our raw materials are certified to be free of allergies, skin irritations etc.	

Our material requirements are met mainly through foreign suppliers. Imports are mostly from India, China and other East Asian countries. All suppliers are evaluated through a rigorous and documented process as given in the adjacent diagram.

Value addition
We strive to play a leading role in supporting our suppliers in their pursuit of continuous improvement. We perform supplier audits every 3 months on price, quality, delivery, flexibility and communication and provide feedback on areas for improvement. Suppliers are graded on a scale of 1 to 5, where 1 is the highest score. In 2015/16, over 75% of suppliers obtained a 1 or 2 rating.

Qualitative evaluation including environment and social certifications
▼
Evaluate pricing and delivery times
▼
Obtain references from customers
▼
Evaluate strength of technical support
▼
Register supplier if all requirements are met
▼
Periodic evaluation

Engagement
We regularly engage with our suppliers, visiting each other's factories and obtaining a better understanding of the respective businesses, their product portfolios and technical competencies. Whilst this knowledge helps us to create customer solutions faster, it more importantly helps us to proactively manage any supplier risks that may arise given the volatility of the global market place.

We appreciate that in a very dynamic and evolving apparel industry, continuous innovation is key to staying ahead of competition. Therefore, apart from investing in our own fabric Research and Development, we collaborate with our suppliers in joint initiatives, leveraging on each other's technology and innovation to develop fabric solutions together.

We are conscious of the ecological impact of the fabric we manufacture and seek environment sustainable practices throughout our supply chain. Whilst observing firsthand the environmental and social sustainability of our suppliers during factory visits, we assess the suppliers for environment and social criteria including labour practices, during initial evaluation and subsequently obtain certifications provided by third parties confirming the practices adopted.

The environment and social certifications required from suppliers are as follows:

Certification	Area of Certification
OEKO TEX	Testing for harmful substances and confirmation for usage
Global Recycled Standards	Confirmation for recycled material
ISO 14001:2004	Environment Management System
SA 8000	Social responsibility including zero tolerance of child labour

Creating Value in 2016/17
We will continue to strengthen our relationships with our suppliers, seeking to make our supplier chain faster, cheaper and more flexible in catering to the growing demands of our customers.

The Capitals Report

Human Capital

Over the past years we focused on strengthening employee engagement and industrial relations nurturing trust, team spirit, pride in our work and productivity. Today, a motivated, skilled and dynamic team of 1,059 employees create value for key stakeholders and play a key role in repositioning Hayleys Fabric as we enter a new era of sustained and profitable growth.

Strategy

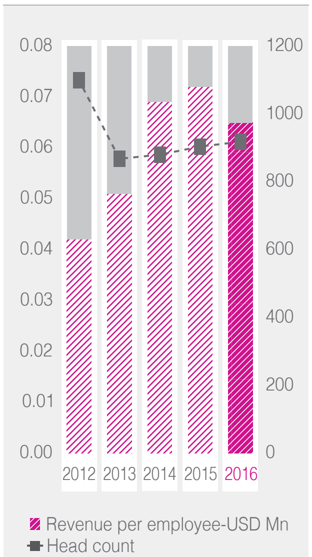
Employee Productivity

Effective employee engagement, attractive financial and non-financial remuneration as well as investments in training and development and improved working environment have contributed towards increased productivity.

Performance

Revenue per Employee

USD Mn No. of staff



Strategy

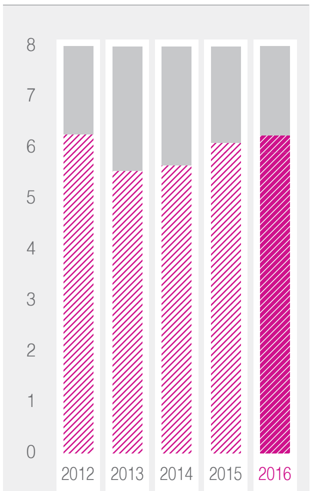
Rewards and Recognition

Employee remuneration is competitive and benchmarked within the market. Recognition schemes are in place

Performance

Employees' Remuneration

USD Mn



Strategy

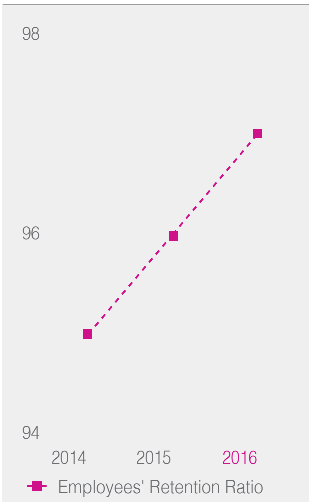
Employee Engagement

We engage employees through formal and informal channels addressing concerns ranging from dignity of labour, discipline to socio economic progress. Success is reflected in our high level of employee retention.

High levels of employee satisfaction have contributed to uninterrupted work schedules and high levels of retention of 97%.

Performance

Employees' Retention Ratio %



Strategy

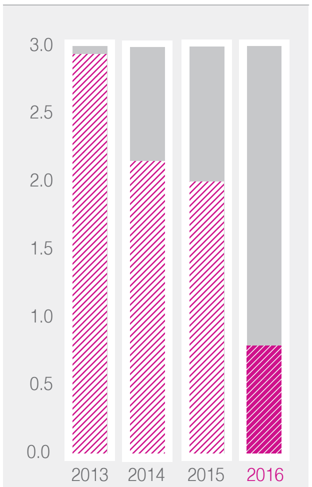
Health and Safety

Our Health and Safety policy details the standards, procedures and guidelines for maintaining a safe work environment free of hazards and work-related risks

Performance

Rate of Injuries

No.

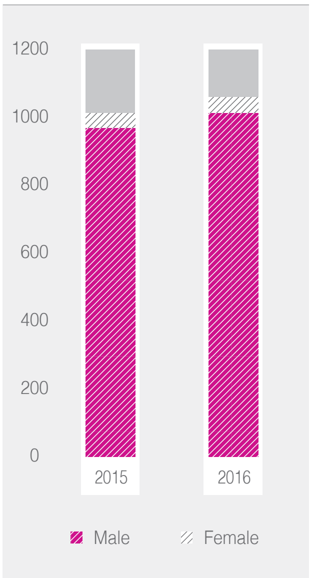


Our Team Profile

Our Team comprises 916 full time employees and 143 trainees from the National Apprentice and Industrial Training Authority (NAITA).   The factory is located in a rural village with 49% of employees recruited from within 15km radius of the Company. Female participation is limited to 17% whilst 21% are under 37 years of age, due to the manual nature of the work. However, we strive to redress the gender balance by increasing the number of females recruited to administrative departments. To that extent we are an equal opportunity employer. We do not discriminate based on ethnicity or any other factor as we are an equal opportunity employer.

Gender Analysis of Employees

No.



Employment Category

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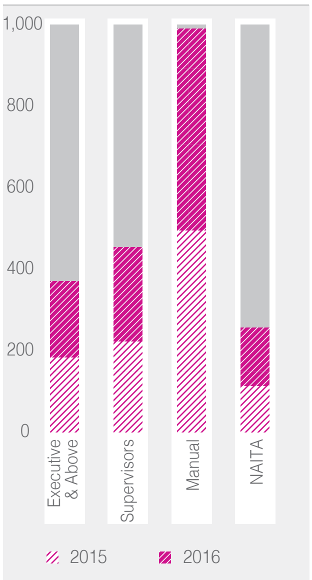

Age Analysis of Employees

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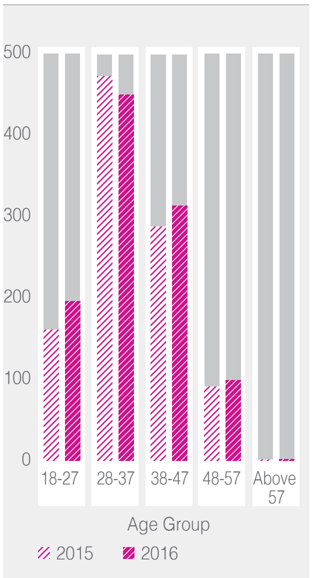
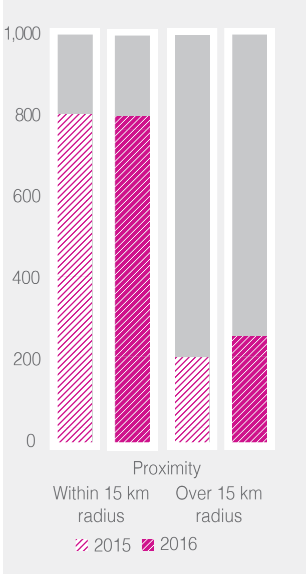
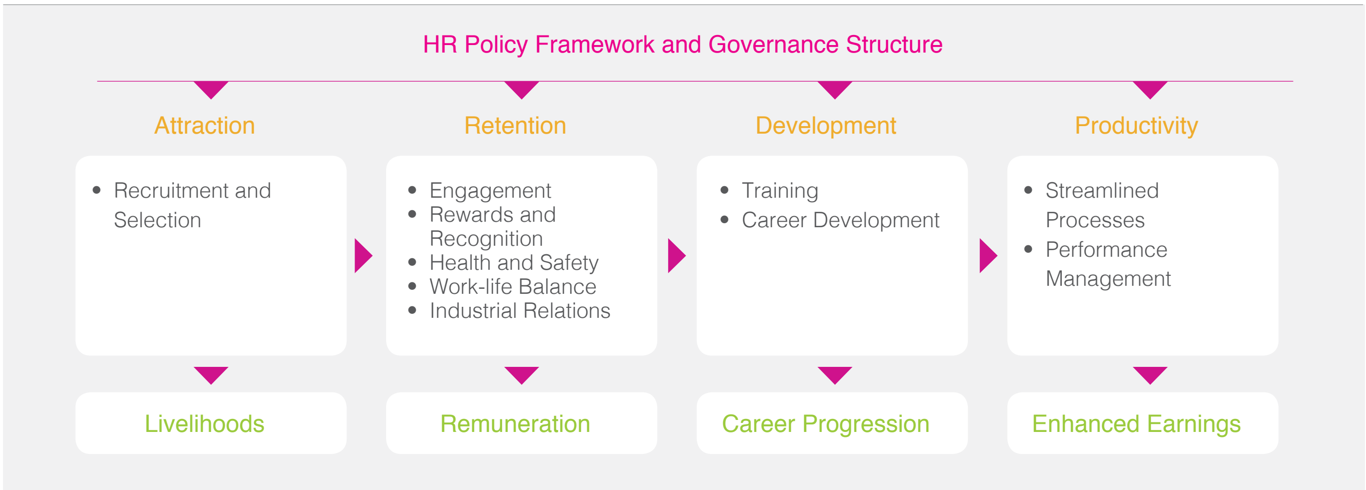


Distance Analysis - Employees

No.



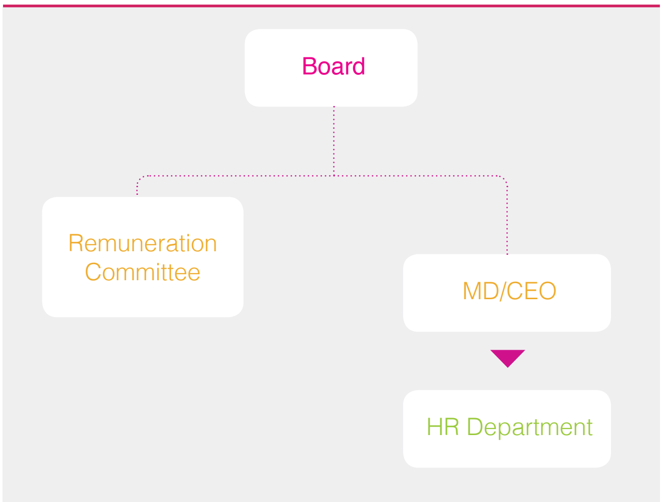
Our employees are critical to transforming our capitals to deliver value to stakeholders and balancing their interests is key to growth. The diagram below depicts how we create value for employees throughout their lifecycle.



The Capitals Report

Governance

The Board approves strategy, policy and monitors performance on aspects relating to management of Human Capital. The HR Department has oversight responsibility over the HR function who are under the direct supervision of the MD/CEO as depicted in the diagram.



Management adheres to formal policy frameworks covering all areas related to employee management including recruitment, succession planning, performance appraisal, training and development, compensation and more benefits, labour relations and grievance handling among others.

The policies are formulated with reference to regulatory enactments and international best practice including Principle 6 of the UN Global Compact. Accordingly, the policies ensure that the Company does not engage in child labour or forced labour and protect human rights. Compliance of the same is monitored by the HR function. A strong regulatory framework, reinforced by internal audit inspections, high levels of management awareness and monitoring by key customers ensure that all employees can work in a conducive environment in safety and with dignity.

HR Policy Coverage

Recruitment

- No Child labour policy
- No Forced labour policy
- Job description policy
- No Discrimination policy

Engagement

- Remuneration policy
- Performance manamegemt system policy
- Internal mobility policy
- Employee Relations

General

- Grievance handling policy
- Industrial relations policy
- Health and Safety policy
- Disciplinary policy
- Communication policy

8
DECENT WORK AND ECONOMIC GROWTH

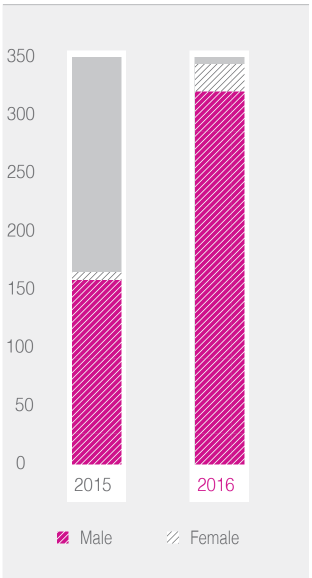
- By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
- By 2020, substantially reduce the proportion of youth not in employment, education or training
- Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms
- Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

An Employee Code of Conduct communicates the employees' rights and obligations including employee grievance mechanisms. It also contains explicit statements on the Company's zero tolerance policy on bribery and corruption which is reinforced with high levels of awareness nurtured through orientation programs and reinforced regularly at meetings and through internal communications.

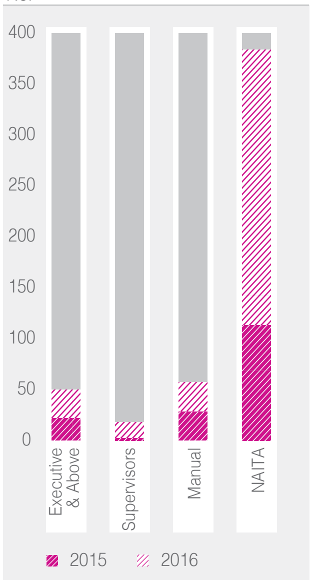
Talent Attraction

Our partnerships and collaborations with universities and technical institutes, facilitates attracting some of the best talent whilst offering students opportunities to intern at the Company. Preference is given to candidates from the local community improving the Company's social relationships. During the year under review 71 new employees were recruited mainly for replacement and we continue to carry out the NAITA traning programe where we gave training 271 trainees. Over 50% were those living within a radius of 15km from the Factory.

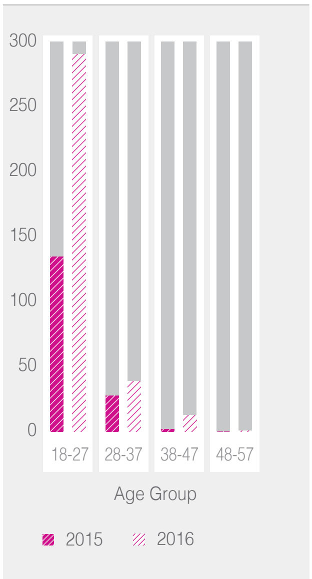
Gender Analysis - Recruitment



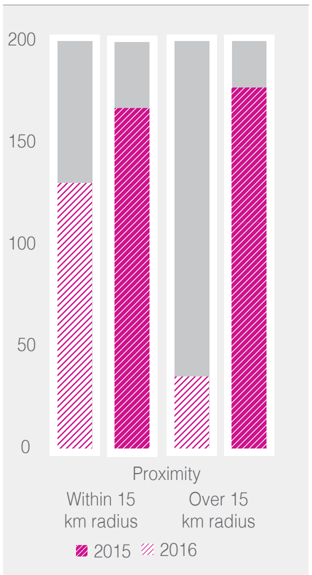
Employment Category - Recruitment



Age Analysis - Recruitment



Distance Analysis - Recruitment



The Capitals Report

Employee Retention

Employee retention is high at 97% due to high levels of employee engagement, remuneration and development opportunities available for the employees. The location favours retention rates as the greater proportion of the workforce have few alternatives in the village. Turnover is mainly due to economic migration as younger employees seek opportunities in the capital or overseas.

Employee Category	Turnover	Gender		Turnover Rate (%)	From Village	Age Group			
		Male	Female			18 - 27	28 - 37	38-47	Above 47
Executives	17	16	1	9%	0	6	10	1	0
Clarical, Supervisory and Allied Grades	2	2	0	1%	0	0	2	0	0
Manual Grade	16	16	0	3%	12	5	4	2	5
Total	35	34	1	3%	12	11	16	3	5

Employee Engagement

The Company has in place several formal and informal platforms to facilitate employee engagement. Staff meetings are held for all workers at least twice a month and daily meetings are conducted at departmental level. Our open door policy has proved to be a strong mechanism for handling grievances, where potential issues are resolved faster and with less conflict within the team.

The Company engages in non-work related activities to improve interaction and foster fellowship amongst employees. Such programmes include annual inter department Vesak lantern competitions, blood donation campaign, annual chanting of pirith to invoke blessings for the factory and Sinhala and Tamil New Year Celebrations. Employees work enthusiastically to make these events a success and they provide a forum to showcase their talents in various activities building a sense of wellbeing and self-esteem. Many of these events also encourage participation of employees' family members with many employees taking the chance to showcase their workplace to their families.

The Sports Club provides the opportunity for our staff to engage in multiple sporting activities throughout the year at inter-departmental and mercantile level. Several cultural events, excursions and entertainment events were also organised for all staff during the year.

January 1st New year celebration and religious activities held at the factory premises with the participation of all our staff to cultivate a culture of coherance

The Capitals Report

Annual Pirith Ceremony held at the Company premises on the 2nd of February 2016. The Prith Mandapaya and all other decorations were done by our own talented staff

IDPL (Inter Department Premier League - Cricket Tournament)

Annual inter department 5 over cricket match held at the Thebuwana ground in 2015.

Organic Farming

The staff is enaged in organic farming as a recreational activity and the harvest is distributed among them.

The Capitals Report

Rewards and Recognition

We offer competitive financial and non-financial remuneration, above the minimum wage requirements which has enabled the Company to maintain a high level of employee retention. Performance appraisals are carried out for all staff on an annual basis which is linked to the increments and used to identify training and development needs. In addition to salary and emoluments, incentives provided include gratuity at rates higher than regulatory requirements, leave allocations above the legal requirement, staff loans at concessionary rates, comprehensive medical insurance benefits for staff and family members, benevolent benefits etc. Employees are also eligible for Employee Provident Fund and Employee Trust Fund benefits; the Company contributes 12% and 3% to each fund respectively.

Annual leave allocation

Employee Category	Legal Requirement		Hayleys Fabric PLC		
	Annual	Casual	Annual	Casual	Medical
Executives	14	7	16	7	0
Clerical, Supervisory and Allied Grades	14	7	14	7	21
Manual Grade	14	-	14	7	7

Health and Safety

We strive for a safe work environment free of hazards and work-related risks and have in place a Health and Safety policy which details the standards, procedures and guidelines for employees to abide by. Continuous dialogue is maintained between employees and management on improving health and safety aspects with high levels of awareness and strict enforcement of minimum safety procedures. Joint worker management committees on Health and Safety that represent an average of 15% workforce participation facilitates the consultative process with practical solutions for their concerns.

Year	Rate of Injury	Occupational Diseases	Lost Days	Work Related Fatalities
2013/2014	2.15	0	124	0
2014/2015	2.00	0	120	0
2015/2016	0.79	0	20	0

Industrial Relations

We maintain cordial relations with our three trade unions which collectively cover 68% of our employees. Monthly meetings provides an effective forum for constructive dialogue between the management and the unions. Salary increments and other worker conditions have been implemented after negotiations with unions. There were no industrial disputes during the year under review.

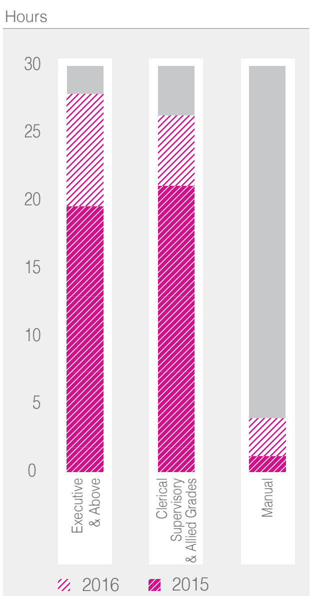
Employee Development

Hayleys Fabric has in place a comprehensive training and development plan which covers multiple areas including technical and leadership development skills.

In addition to on-the-job coaching training employees are provided training in –house by external resource personnel and at local institutions including German Technical College, University of Moratuwa.

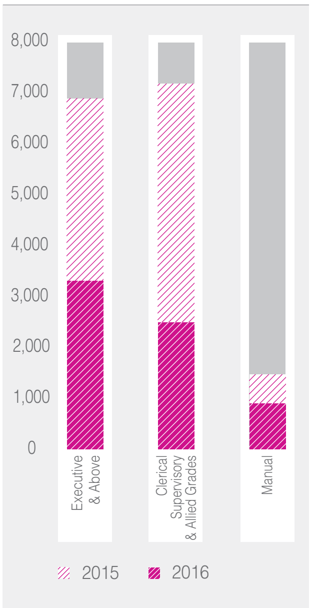
A total of 6,691 training hours were dedicated for the employees, averaging 5.5 hours per employee for the year (2015 - 9.4 hours). Training coverage was 8.3%. 47 employees were promoted during the year, following the annual performance review.

Average Training Hours by employment category



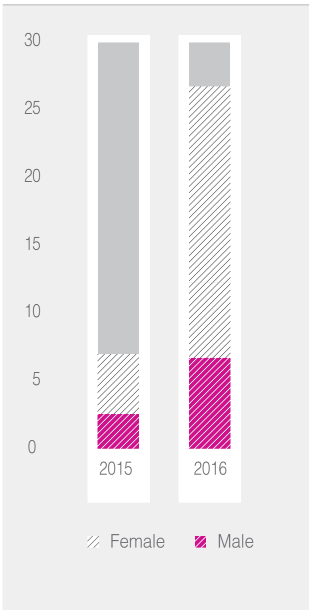
Total Training Hours by Employment Category

Hours



Average Training Hours by Gender

Hours



We also facilitate our employees obtaining relevant lifelong qualifications, provided mainly through Sri Lanka Institute of Textile and Apparel (SLITA). Twenty nine (29) employees benefitted from this programme. Further, we are an approved training provider for National Apprentice and Industrial Training Authority (NAITA) and the Apprentice Training Institute (ATI).

Stimulating Innovation

The management is keen on nurturing a culture of learning and growth, thereby stimulating innovation. All employees are encouraged to share knowledge, new ideas and provide suggestions for improvement of the systems of the Company. They are recognized and rewarded for their contributions. We provide training and development to employees to learn new and modern concepts and technologies and facilitate application of their learning at the factory. Further, employees are being empowered in their roles and responsibilities, facilitating creativity and innovation.

Deeper Relationships

We believe nurturing deep relationships with our employees and the local community, is critical in building trust with the respective stakeholder. Trust is essential to foster goodwill, harmony and in managing risk.

Apart from the employee engagement initiatives as explained on page 79, we also engaged in the following activities extending support towards the families of employees. This reflects the value we place on the wellbeing of the employees and their families in developing a happy and loyal work force.

- Distribution of a gift packs containing educational and stationery items to employees' children who were successful at the grade 5 Scholarship Examination -2015 .
- Felicitation by the Management team of employees' children who obtained 9 A's at the GCE ordinary Level Examination -2015. They were given cash rewards in acknowledgment of their achievement and in support the cost of their secondary education.
- Cash donation to a long serving employee, to re-build his house which was washed away due to the heavy rains in Kottayahena in November 2015.
- Cash donation from the Company together with a cash collection from the employees, to the widow of N.D.S.Pushpakumara who passed away due to sudden illness.
- Cash donation to a long serving employee towards his medical expenses for heart surgery.
- Awarded our staff on the merit of their attendance at the new year Celebration

Creating Value in 2016/17

We will continue to focus on nurturing a dynamic and loyal workforce, passionate about growing the Company to become the number 1 weft fabric manufacturer in the Country.

The Capitals Report

Natural Capital

Hayleys Fabric PLC is committed to conducting our business in an environmentally responsible and sustainable manner. Climate change impacts our business directly as consumer preference is largely dictated by a sense of wellbeing. We are conscious of the impact of the apparel industry on the environment as enumerated in the operating environment and seek to urgently address environmental issues whilst balancing the concerns of our stakeholders who rely on Hayleys Fabric for creating value. Consequently, we place significant emphasis on reducing our environmental impact and continually improving our environmental performance and to this end constantly explore the use of more efficient technologies and processes. Rigorous processes are in place for monitoring, reporting and reviewing our performance facilitating compliance with regulatory, certification and customer requirements.

Our environment management policy is graphically depicted below together with the relevant Sustainable Development Goals.

The philosophy is simple. If we manage our inputs, we are better able to manage our outputs and compliance and we will nurture the environment to halt and reverse degradation of land, water and air as we are all directly impacted by it. Significant advances are being made in technology to increase comfort levels of fabric and reduce the water and carbon footprints and we are committed to embracing the same.

- By 2030, achieve the sustainable management and efficient use of natural resources
- By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
- Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle
- Promote public procurement practices that are sustainable, in accordance with national policies and priorities

Environmental Policy

Managing Inputs

- Material
- Energy
- Water

Managing Outputs

- Emissions
- Waste
- Effuents

- Compliance

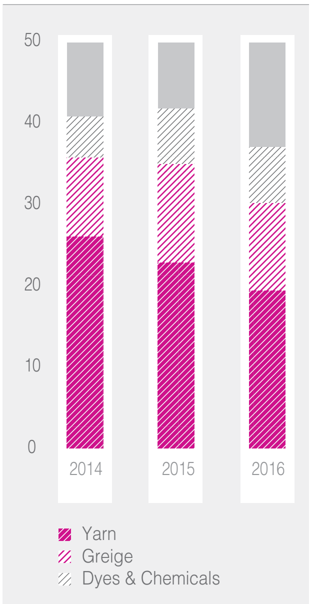
- Nurturing the Environment

Raw Materials

Our key raw materials are yarn, dyes and chemicals, accounting for approximately 70% of our manufacturing costs.

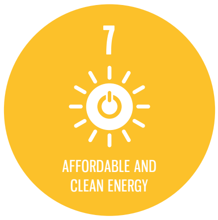
Material Consumption

USD Mn



We continuously refine our processes to minimize waste in all aspects of production and reinforce the need for responsible consumption and production on a routine basis, creating awareness of the need for the same. Consumption of raw materials has reduced this year given the reduction in production volumes. However, the resulting variance in material efficiency is difficult to measure given the diverse fabric produced by the Company using a wide range of yarn, greige and dyes. Nevertheless, we are committed towards improving material efficiency and reducing waste, where possible and are engaged in process re-engineering mechanisms focused on achieving same.

As part of our effort to sustain the environment, in 2015/16, we sourced raw materials from renewable sources such as India, Thaiwan and China . Recycled yarn consists of polyester yarn manufactured from recycled waste including plastic water bottles. We continue to source all our principal raw materials from suppliers certified for their environmental management practices.



- By 2030, increase substantially the share of renewable energy in the global energy mix
- By 2030, double the global rate of improvement in energy efficiency

Energy

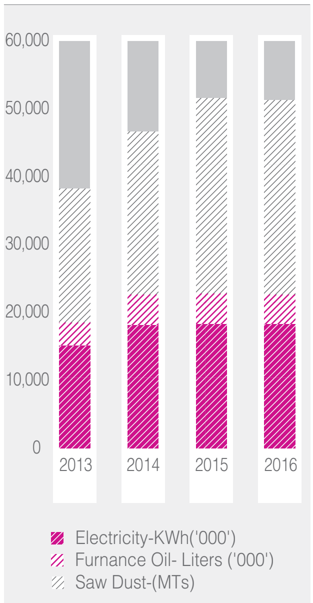
Our key sources of energy are bio mass, electricity and furnace oil. Energy is a significant operating expense accounting for significant portion of the cost of production. Hayleys Fabric's energy management initiatives are focused on two key aspects, substantially increasing the share of renewable energy in the energy mix of the Company and enhancing energy efficiency through investments in new technology and lean processes.

Accordingly, we have implemented several initiatives to improve energy efficiency, as follow;

- Increasing use of bio mass for energy as it is a renewable source with a lower emissions factor
- Replaced/ enhanced existing portfolio with new energy efficient production machinery including dyeing machines, dryer, knitting machines, etc.

Energy Consumption

USD Mn



- Designed a mechanism in-house to recycle clean water released from the water treatment plant by using it to produce steam in the boiler. As the water released is at a higher temperature, less energy is required to heat the water to boiling point.
- Rationalisation of boilers and the regular tuning of burners

The Capitals Report

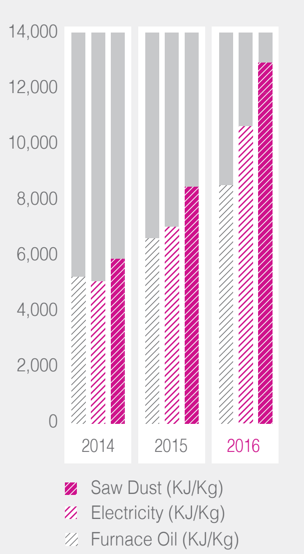
- Introduction of variable frequency motors and drives to reduce power consumption
- Engaging staff in conservation, through awareness building and training programmes.

  Despite these efforts, energy intensity ratios have progressively increased over the past 3 years, primarily due to the progressive shift towards production of more value added fabric, where the knitting, dyeing and finishing processes are energy intensive.

  Renewable energy accounts for 68% of total energy consumed and is derived mainly from the biomass energy generated from saw dust. Despite being a cleaner source of energy compared against fossil fuels, expansion of biomass energy by the Company is restricted given the difficulty in sourcing saw dust in the required quantities. Therefore, Hayleys Fabric has sought to establish a Liquid Petroleum Gas (LPG) plant in 2016/17 to support the increasing energy need. LPG is cost effective whilst being more eco-friendly and energy efficient than other fossil fuels.

Energy Intensity

Intensity-KJ/Kg

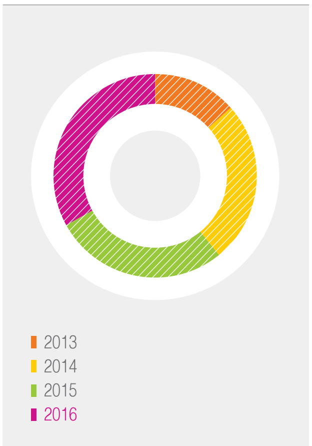


Water

Consumption of large quantum of water is critical in the operation of a fabric mill, especially for use in the dyeing process. The following initiatives have been implemented to improve water efficiency and reduce water consumption.

Water Consumption

M^3



- Recycling of water from the dye machines using it to produce steam in the boiler. Our skilled team of engineering have made use of a redundant water tank to store discharged boiled water and this has been used along with fresh water to enhance the boiling point of water fed. This has reduced our water intake roughly by 400 M^3 per day and less energy was consumed.
- Engaging staff in conservation, through awareness building and training programmes. Display of sign boards at all user points as a reminder to consume water efficiently.

Water consumption has inevitably increased over the last 3 years due to the increase in production tonnage and the shift towards production of more value added fabric, which process is more water intensive.

Water is obtained from the river "Kalu Ganga" which has an abundant supply of water with regular flooding occurring in many areas around the village. There are no protected nature reserves in close proximity to the area. However, we are conscious of our responsibilities in this regard and every effort is made to reduce the water consumption. Information on purity of water discharged to the river is discussed in the Effluents segment of this report on page 87.

- By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
- By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
- By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate
- By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes

Emissions

We are focused on reducing emissions by saving energy. Accordingly, initiatives implemented to save energy are explained on page 85.

13
CLIMATE ACTION

- Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

Certification	CO_2 Emission (Kg)
Direct Greenhouse Gas Emissions (Scope 1)	
Combustion in stationary sources	14,098,838
Mobile combustion	129,790
Fugitive emissions	93,100
Total for scope 1	14,321,728
Energy Indirect Greenhouse Gas Emissions (Scope 2)	
Purchased electricity	7,183,043
Total	21,504,771
Emission efficiency ratio	36%

The methodologies used to measure emissions are as follow;

Source	Method of Measurement of CO_2 Emission
Bio mass - saw dust	Using saw dust calorific value of 0.012 KJ/Kg and emission factor of 0.10
Electricity	CO_2 emission calculated using the National Grid Thermal ratio of 35% and National Grid Emission Factor for thermal energy of 0.7
Electricity	CO_2 emission calculated using the National Grid Coal ratio of 30% and National Grid Emission Factor for thermal energy of 0.7
Furnace Oil	Using furnace oil calorific value of 0.012 KJ/Kg and emission factor of 2.56
Diesel	Using diesel calorific value of 0.012 KJ/Kg and emission factor of 2.30

Effluents

Over the years we have continuously made investments to upgrade our effluent treatment technology. The expansion of the water treatment plant last year at a significant investment and incorporating enhanced purification methodology, has contributed towards improving Hayleys Fabric's environment carbon

14
LIFE BELOW WATER

- By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution

The Capitals Report

footprint. Whilst purified and treated water is released back into the river.

All treated water is checked in house once in two hours and regular checks are carried out by external agencies such as the Central Environment Authority (CEA), the Water Board and the Board of Investment (BOI).

The treated water is discharged to the river via large water fountain located by the main public road for the public to witness the clarity of water discharged by the Company to the "Kalu Ganga"

Water Quality Parameters	Regulatory Requirement	Hayleys Fabric Actuals
pH at 25 ^{0}C	6.5 – 8.5	7.9
Temperature ^{0}C	40	33.8
BoDs at 20 ^{0}C MgO_2 /L	30	18
CoD MgO_2 /L	250	144
Total suspended solids Mg/L	50	18.2

Solid waste

We dispose of all solid waste in an environmentally responsible manner. The following are disposed through Geo Cycle, professionals in the field.

- Waste from water treatment
- IT and electronic discards

Waste yarn and fabric are sold to local villagers who use this for cottage industries such as making wicks for oil lamps, rugs and other products. This has facilitated development of livelihoods for people in the village making articles for household use.

Waste yarn and fabric are also sold to villagers at a nominal value to encourage self-employment.

15 LIFE ON LAND

- By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements

Solid Waste-MT

Method	Type	2015/16	2014/15
Incineration	Sludge	1,180	1,070
Total hazardous waste		1,180	1,070
Sale for reuse	Fluff	71	103
	Fabric strips, off cuts, etc.	623	670
Sale for Re-cycle	Cardboards, yarn cones, etc	383	525
	Polythene	112	85
Total non-hazardous waste		1,189	1,383
Total		2,369	2,453

Compliance

We have complied with all relevant evirnmental regulations during the year under review.

16
PEACE AND JUSTICE

- Develop effective, accountable and transparent institutions at all levels
- Promote and enforce non-discriminatory laws and policies for sustainable development

Nurturing the environment

Apart from the initiatives taken to minimise our impact on the environment, we also seek to make a positive impact on the environment as well. Hayleys Fabric PLC planted 50 partly grown Kumbuk (Terminalia Arjuna) trees within the vicinity of the factory water treatment plant, which tree are known to grow well near water logged areas.

Kumbuk is one of Sri Lanka's most majestic trees and its timber is of exceptional strength and durability. The wood can remain submerged in water for centuries, yet remaining strong and healthy. The Kumbuk tree plays a significant role in the country's ecosystem by protecting the banks of rivers with their root systems. Given its impact on the environment, felling of Kumbuk is banned by the Government.

15
LIFE ON LAND

- By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

The Capitals Report

Manufactured Capital

Our manufactured capital gives us a competitive edge as we are the pioneering fabric manufacturing facility with end to end solutions in Sri Lanka capable of catering to the entire portfolio of a customer.

	Gross Carrying Value (USD)		Net Carrying Value (USD)	
At Cost	31.03.2015	31.03.2016	31.03.2015	31.03.2016
Buildings	5,874,800	5,874,800	3,987,783	3,840,913
Water Treatment Plant	2,148,281	2,190,854	900,661	866,098
Plant and Machinery	27,536,999	29,430,044	13,537,306	14,326,250
Motor Vehicles	1,101	1,101	-	-
Furniture and Fittings	1,125,480	1,265,365	162,007	280,697
Office Equipment	267,196	264,954	21,702	25,469
Computers	392,443	389,898	126,813	137,932
Factory Equipment	2,789,353	3,115,090	510,363	654,496
Safety and Medical Equipment	190,483	190,483	22,210	18,502
Bungalow Equipment	14,503	8,364	802	483
Total Value of Depreciable Assets	40,340,639	42,730,953	19,269,647	20,150,840
Work in Progress			185,573	4,778
Total Value of Depreciable Assets			19,455,220	20,155,618
Planned Investments for 2016/17				4,000,000

Located in an estate of 34 acres, our buildings house state-of-the-art machinery for knitting, dyeing and finishing a range of fabric that vary from soft polyester blends that cling to the shape to cool crisp cottons. Below is a photo collage of our manufactured capital together with a brief narration of its capability.

Colour Laboratory

Our colour laboratory is equipped with latest Datacolour - colour management system which is used to formulate dye recipes. Spectra readings are taken for all lab-dips to ensure DELTA values are maintained below the specified limits. Lab-dips are continually evaluated to ensure highest quality is met with lowest cost.

Knitting

Knitting is converting thread or yarn into semi-finished cloth, which is known as greige.We produce weft-knit fabric using Orizio, Santec, Fukushara and Mayer knitting machines. These knitting machines are capable of producing Single Jersey, Double Jersey (also known as Interlock) and Rib fabric. We also possess a comprehensive Flat Knit knitting section which is used to produce bands and collars.

Our mill is capable of producing a variety of designs or structures on weft-knit fabric, such as Pique, Waffle, Slub yarn designs, Metallic yarn designs, Inlay (loopback). Greige is inspected on line to ensure our fabric are free from any defects while being manufactured in our Knitting department. Quality assurance department re-inspects the greige to ensure that only fabric of the right quality are passed on to the next process.

Dyeing

Dyeing is adding color to the knitted fabric giving it a rich and exuberant appeal. We are capable of dyeing pure and blended cotton and polyester fabric.

Our dye-house is equipped with Sclavos, Thiese, and Fongs dyeing machines. Dye-house operations are controlled using the Sedo and OrgaTEX systems while the color of the fabric is achieved and repeated by an automated chemical despensing system.

The Capitals Report

Printing

Textile printing is the process of applying color to fabric in sharply definite patterns and/or designs.

Our CAD division in the printing department is equipped with the latest CAD/CAM software from AVA, and our screen engraving and screen preparation divisions uses the laser engraving technology to engrave print screens to ensure accuracy and consistency.

Our eight color rotary screen printing machines are capable of producing full coverage prints, vertical stripes, prints with tight registration or intricate designs on cotton, cotton-blends, polyester, polyester-blends, viscose fabric, including Pigment printing.

Brushing

Brushing, Raising or Napping gives the fabric a soft, slightly weathered, broken-in feel. Fabric is brushed by using a fuzzy surface by abrading the cloth and pulling the fiber end to the surface.

Sueding

Sueding gives the fabric a soft smooth sensational feeling and it also modifies the appurtenance of the fabric. Fabric can be sueded on one side or on both sides.

Shearing

Shearing is a dry, permanent finish used to create a uniform surface of napped or pile fabric. This fabric cutting operation determines the height of the fiber and cuts off any fibers that is irregularly raised during the raising process. Sheared fabric has the appearance of velvet fabric and has a soft hand feel.

The Capitals Report

Combing

Combing removes the fuzz and gives a smooth appurtenance to the fabric.

Finishing

Finishing is the process of converting the fabric into usable form with improved look, performance and 'hand' feel. The closing link of the manufacturing process, Finishing ensures the final look and feel of the product as specified by our customers.

We use world class finishing machinery from Babcock and Santex with in-built automatic controls to warrant the precise physical parameters of all fabric we produce. Moisture management, water repellent, UV protection, Aguacate, Anti-microbial are some of our finishing capabilities.

Fabric are inspected on line at the finishing stage to ensure the physical parameters are achieved. Fabric with the right quality are passed on to the next quality assurance division.

Final Inspection / Quality Control

We deliver excellent and consistent quality standards throughout the Company to delight our customers worldwide.

All fabric are subjected to 100% final inspection for visual defects, colour inconsistencies/accuracy and physical properties to right quality fabric is delivered to our customers.

Process Control

SAP-ERP system is used to seamlessly integrate all of our business functions including Sales and Marketing, Procurement, Warehousing, Production, and Financial Controlling.

FastReact is used for production planning. Especially made for the textile and fashion industry - FastReact provides solutions for clear coordination between Sales and Marketing, Procurement and Production, resulting in improved operational efficiency.

The fabric of **integrity**

Risk Management, Statutory Reports and GRI Index

Managing Risk

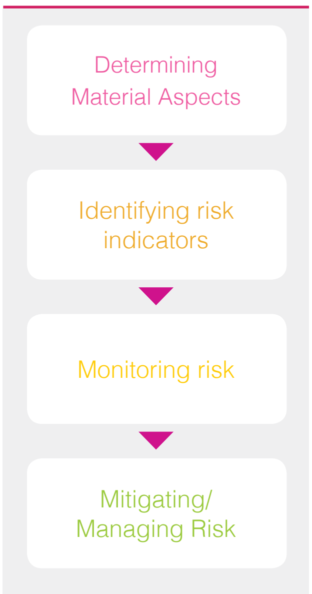
Effective risk management is critical to creating sustainable growth, profitability and therefore, to delivering value to stakeholders.

Responsibility for managing risk effectively rests with the Board who have set in place policies and processes to manage the same. They are assisted in discharge of their duties by the Audit Committee who have oversight responsibility for risk and internal control. Each department is responsible for identifying and managing risk in their respective areas of operation which are reviewed on an overall basis by the Corporate Management Team each month. Risk factors are monitored at appropriate frequencies by the respective departments and escalated on reaching specified thresholds to line managers who will set in motion specified responses for envisaged scenarios or take action within specified guidelines.

Each department assesses the risks arising or impacting their operations on an annual basis giving due consideration to corporate strategy described on page 54 which is based on the Company's business model, operating environment and results from the stakeholder engagement activities. Those risks which are assessed to have a moderate to high probability of occurrence and/or a moderate to high impact on the operations of the Company have agreed response plans in place. Information owners have been identified and risk reporting templates developed to facilitate regular review of risk by Corporate Management and the Board which are also reviewed at Group level.

Principal Risks and Uncertainties

Hayleys Fabric PLC's performance on principal risks are summarized below. It is noteworthy that many relate to operational risks as we are primarily a manufacturing organization and have a natural hedge on the exchange rate as our reporting currency is USD which also accounts for 100% of invoicing and 80% to 90% of purchases.



Risk	Impact	Mitigating Activities	Net Risk Assessment
Critical Aspects			
Availability of Water	Water is required at every stage of our manufacturing process	• Principal source of water is the river 'Kalu' Ganga which has the highest discharge of water to the sea in the country estimated at 4,000 mn m^3 annually1 • Monitor water levels of river and consumption continuously • Recycle water withdrawn from source for cooling and heating purposes • Review operations to reduce water usage intensity • Compliance with licensing requirements of the Central Environment Authority *Refer page 88 of the Natural Capital segment for further information.*	Moderate Based on rainfall patterns and investments in reducing water footprint
Raw Material	Raw materials directly impact the quality of the product including the consumer experience as our product directly touches the skin. The availability of raw materials impact our profitability as well.	• Ensure that suppliers of raw material have certifications for their manufacturing processes • Quality control processes from receiving point to ensure a match with specifications • Monitoring market trends for yarn, dyes, chemicals etc to ensure we receive competitive pricing *Refer page 69 on Creating Value for Suppliers for further information.*	Moderate Based on supplier screening and quality control processes
Energy	Energy is required at every stage of our manufacturing operations and has a direct impact on our carbon footprint	• Review energy mix and decrease dependency on main grid • Increased investments in renewable energy sources • Investing in energy efficient machinery and equipment • Continuous monitoring of energy intensity ratio to drive required action • Investing on cleaner energy sources with less carbon footprint such as LP Gas. *Refer page 85 of the Natural Capital segment for further information*	Low Based on continuous monitoring of energy intensity ratio and investments to reduce energy cost.

Managing Risk

Risk	Impact	Mitigating Activities	Net Risk Assessment
Employee Health and Safety	We value our employees and recognize our responsibility to provide a safe working environment. We also understand that specific aspects of our processes present higher levels of risk to employees' health and safety.	• Establishment of worker management health and safety committees to ensure their views are understood and addressed • Establishing safety procedures for all operations that present risks to employees and ensuring implementation of the same • Maintaining and monitoring employee health and safety statistics • Creating improved working conditions such as air conditioning of certain production areas, improved rest room facilities, covered and safe walkways. *Refer page 74 of the Human Capital Report for further information.*	Low Based on established structures, procedures, monitoring and review mechanisms
Employee Relations	Employee relations are a key concern as 75% are employed from the vicinity and 50% are members of politically allied trade unions as Hayleys Fabric recognizes the right to freedom of association	• Open door policy at all Senior Management level for employees to discuss areas of concern • Regular structured dialogue with union representatives to identify areas of concern • Balanced HR policies applied in a consistent manner building trust with employees • Communicating how personal goals are aligned with organization goals through an organization wide performance management system • Refer page 74 of the Human Capital Report for further information.	Low Based on established structures, procedures, monitoring and review mechanisms

1 Ampitiyawatta, A. & Guo, S., (2010). Precipitation trends in the Kalu Ganga basin in Sri Lanka. Journal of Agricultural Sciences. 4(1), pp.10–18.

Risk	Impact	Mitigating Activities	Net Risk Assessment
Effluents and Waste	Effluents from our processes are discharged to the river after treatment in conformity to CEA regulations..	• Investing in effluent treatment and solid waste management • Monitoring quality of effluents on an hourly basis to ensure conformity with CEA requirements • A water fountain with treated effluents is located in an area accessible by the public • Residual sludge is discharged through GEO Cycle for incineration. • Refer Natural Capital Report on page 87 and 88.	Low Based on investments and rigorous monitoring processes in place
High Impact			
Customer Satisfaction	Customer satisfaction is key to business growth	• High levels of customer engagement to understand areas of concern • Compliance with requirements and specifications • Focus on innovation • Monitoring customer rankings Refer Creating Value for Customers on page 65	Moderate Based on processes in place and adjusted to recognize the rapid pace of change in requirements
Timely Delivery	Timely delivery is key to profitability as late delivery comes with penalties and loss of customer satisfaction	• Production scheduling to maximize capacity utilization and ensure timely delivery • Quality control checks at each stage of the process to ensure compliance with specifications and timely delivery • Monitoring delivery time compliance and penalties incurred, if any. Refer Creating Value for Customers on page 65	Moderate Based on processes in place and adjusted to recognize the complexity of production scheduling

Managing Risk

Risk	Impact	Mitigating Activities	Net Risk Assessment
Product Responsibility	Product responsibility is critical to our reputation and growth	• Compliance with regulatory and certification requirements • Monitoring of customer complaints • Supplier screening for financial, social and environmental criteria • Quality control processes Refer Creating Value for Customers on page 65.	Low Based on processes in place
Employment, Local Community Relations, Market Presence and Indirect Economic Impacts	As the largest employer within a 15 km radius, the employment opportunities provided are critical for the socio economic progress of the community and an interdependency exists which requires continuous engagement with both employees and the local community	• High levels of engagement with employees and community • Robust employee and community value propositions to maintain an appropriate balance • Building pride in the organization with employees and community Refer Human Capital Report and Creating Value for the Community on pages 75 and 68 respectively.	Low Based on high levels of engagement with employees and community
Training and Development	Training and development is a key aspect at all levels to drive employee productivity, safety and enhance the tacit knowledge of our team which gives us our competitive edge.	• Structured training programmes in place for all employees • Training needs identified through a robust performance management system • Approved training centre for NAITA and the Institute of Chartered Accountants of Sri Lanka. *Refer Human Capital Report on page 83 for further information.*	Low Based on programmes and processes in place

Risk	Impact	Mitigating Activities	Net Risk Assessment
Emissions	Directly impacts our carbon footprint, compliance with CEA license and the quality of air in the community.	• Investments in energy efficient technology • Managing energy mix • Continuous monitoring of emissions to ensure compliance with CEA requirements and certifications *Refer Natural Capital Report on page 87 for more information*	Low Based on current requirements and plans in place for reducing the carbon footprint
Innovation	Our ability to innovate is key to growth and profitability	• Investment in our own Design Centre with state of the art equipment • Registering our own innovation brand 'Inno'. • Ability to attract and retain highly qualified and experienced talent to operate the Design Centre • Continuous monitoring of performance to inspire and motivate these highly skilled employees	Moderate Based on processes in place adjusted for the rapid pace of innovation in the industry
Marketing Communications	Marketing communications are key to growth requiring a fine balance that does not over promise while conveying our capability to potential and existing customers	• Marketing communications are reviewed at Corporate Management level to ensure accuracy, integrity and appeal • Monitoring fines, if any.	Low Based on high level team engaged in the process and zero fines.

Managing Risk

Risk	Impact	Mitigating Activities	Net Risk Assessment
Transport	The industry typically has a long supply chain spanning continents which is under constant scrutiny. Additionally, we provide transport to employees within a 15 km radius as rural transport infrastructure is insufficient to support Company's requirements.	• Distance is factored in to the supplier selection criteria for orders • Transport of hazardous chemicals is done under stringent conditions contracted with a third party provider with specialized capability to ensure safe transportation • Employee transport provided by a third party evaluated for safe driving • Workmen compensation cover extended to cover travel to and from work	Low Based on a track record with zero incidents in transport hazards
Government Policy	Government policies on foreign relations, interest rates, inflation, energy and wages has a direct impact on Hayleys Fabric's impacting operating margins and profitability.	• Rising inflation, interest rates and wages is monitored and strategies adjusted to minimize impact where possible. An example is the re-negotiation of interest rates on loans based on improved financial performance which has reduced finance costs. • Joint industry action to promote favourable Terms of Trade with other countries	Moderate Based on assessment of foreign policy which may result in favourable Terms of Trade, declining energy costs adjusted for rising inflation, wages and interest rates.

Intellectual Capital

New Identity

We changed our identity from Hayleys MGT Knitting Mills PLC to Hayleys Fabric PLC during the financial year to reflect our evolution since inception to a fully-fledged fabric design and manufacturing facility. This change heralds ambitious plans for growth which are taking shape and will be announced on achieving a higher level of certainty on critical aspects. For the present, it reflects our heritage and affiliation to Sri Lanka's largest conglomerate, the Hayleys Group and our capability to innovate and manufacture a comprehensive portfolio of fabric..

Inno and Innovation

Hayleys Fabric PLC was the first fabric mill in Sri Lanka to launch its own brand, Inno developed in our own Innovation Centre, in order to supply fashionable, value added and functional fabric to the current market. Attracting key brands interested in sourcing innovative fabric from Sri Lanka Inno differentiates Hayleys Fabric PLC as an innovative textile manufacturer. Launched in 2015, Inno has already attracted customers to develop fabric for future seasons and secured brand owner designers to select Inno fabric.

Our intellectual capital comprises of our experience and the tacit knowledge within the Company strengthened by continuous investment in research and development.

Currently the Inno range consists of lightweight feathered (pihatu), cross dyed colour magic, vertical knits, three layer sandwich knit, soaking cool, hybrid magic, transparent/ honeymoon collection for men, butterfly creations and polka dots which are used by different users for active wear, lingerie and sleepwear.

Our fabric catalogues are testimony to our innovation capability and tacit knowledge within the Company.

Managing Risk

Tacit Knowledge

A pioneer in the industry, Hayleys Fabric's tacit knowledge is its competitive advantage comprising its ability to innovate, lead and govern, nurture values, maintain a careful balance in addressing key stakeholder interests, respect for the local community and the environment and a rigorous focus on performance. This is evident in the careful formulation of strategy and its meticulous implementation to deliver growth in margins and profitability within the same capacity.

Technology

Technology plays a key role in driving performance and growth as the apparel sector is one that thrives on rapid change. We continuously monitor technology trends to enhance design capability, manufacturing capability and performance monitoring systems and invest selectively to ensure we remain relevant to changing consumer preferences and maintain our reputation for delivering high quality fabric.

GRI Index

GENERAL STANDARD DISCLOSURES		Report Section	Page
STRATEGY AND ANALYSIS			
G4-1	Statement from the most senior decision-maker of the organization	Chairman's Statement	16
ORGANIZATIONAL PROFILE			
G4-3	Name of the organization.	Corporate Information	IBC
G4-4	Primary brands, products, and services.	About Us	6
G4-5	Location of the organization's headquarters.	Corporate Information	IBC
G4-6	Number of Countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Our Integrated Annual Report	4
G4-7	Nature of ownership and legal form.	Corporate Information	IBC
G4-8	Markets served	About Us	6
G4-9	Scale of the organization	About Us	6
G4-10	Workforce Profile	Human Capital	75
G4-11	Percentage of total employees covered by collective bargaining agreements.	Industrial Relations	82
G4-12	Description of organization's supply chain.	Creating Value for Suppliers	73
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	Chairman's Statement	17
G4-14	Whether and how the precautionary approach or principle is addressed by the organization.	Our Integrated Annual Report	4
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	Our Integrated Annual Report	4
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organizations	Social and Network Capital	65
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Entities included in the organization's consolidated financial statements or equivalent documents.		N/A
G4-18	Process for defining the report content and the Aspect Boundaries.	Determining Materiality	53
G4-19	Material Aspects identified in the process for defining report content.	Determining Materiality	53
G4-20	Aspect Boundary within the organization for identified material aspects	Determining Materiality	53
G4-21	Aspect Boundary outside the organization for identified material aspects	Determining Materiality	53
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.		N/A
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.		N/A

GRI Index

GENERAL STANDARD DISCLOSURES		Report Section	Page
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups engaged by the organization.	Stakeholder Identification	52
G4-25	Basis for identification and selection of stakeholders with whom to engage.	Stakeholder Identification	52
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholder Identification	52
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Stakeholder Identification	52
REPORT PROFILE			
G4-28	Reporting period for information provided.	Our Integrated Annual Report	4
G4-29	Date of most recent previous report	Our Integrated Annual Report	4
G4-30	Reporting cycle	Our Integrated Annual Report	4
G4-31	Contact point for questions regarding the report or its contents.	Our Integrated Annual Report	4
G4-32	Report the 'in accordance' option the organization has chosen.	Our Integrated Annual Report	4
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report.	Our Integrated Annual Report	4
GOVERNANCE			
G4-34	Governance structure of the organization, including committees of the highest governance body.	Corporate Structure	37
ETHICS AND INTEGRITY			
G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	Code of Business Conduct and Ethics and Corporate Governance Report	42
SPECIFIC STANDARD DISCLOSURES			
CATEGORY: ECONOMIC			
ASPECT: ECONOMIC PERFORMANCE			
G4-DMA	Generic Disclosures on Management Approach	Financial Capital	62
G4-EC1	Direct economic value generated and distributed		
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Capitals Report	58, 84, 87,
G4-EC3	Coverage of the organization's defined benefit plan obligations	Financial Statements	137, 145,146
ASPECT: INDIRECT ECONOMIC IMPACTS			
G4-DMA	Generic Disclosures on Management Approach	Social and Network Capital	65
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Creating Value for Communities	68

GENERAL STANDARD DISCLOSURES		Report Section	Page
ASPECT: PROCUREMENT PRACTICES			
G4-DMA	Generic Disclosures on Management Approach	Creating Value for Suppliers	69
CATEGORY: ENVIRONMENTAL			
ASPECT: MATERIALS			
G4-DMA	Generic Disclosures on Management Approach	Raw Materials	85
G4-EN1	Materials used by weight or volume	Raw Materials	85
ASPECT: ENERGY			
G4-DMA	Generic Disclosures on Management Approach	Energy	85
G4-EN3	Energy consumption within the organization	Energy	85
G4-EN5	Energy intensity	Energy	86
ASPECT: WATER			
G4-DMA	Generic Disclosures on Management Approach	Water	86
G4-EN8	Total water withdrawal by source	Water	86
G4-EN9	Water sources significantly affected by withdrawal of water	Water	86
G4-EN10	Percentage and total volume of water recycled and reused	Energy	85
ASPECT: BIODIVERSITY			
G4-DMA	Generic Disclosures on Management Approach	Nurturing the enviornment	89
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None	
ASPECT: EMISSIONS			
G4-DMA	Generic Disclosures on Management Approach	Emissions	87
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Emissions	87
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Emissions	87
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Emissions	87
G4-EN18	Greenhouse gas (GHG) emissions intensity	Emissions	87
ASPECT: EFFLUENTS AND WASTE			
G4-DMA	Generic Disclosures on Management Approach	Effuents and Waste	87,88
G4-EN22	Total water discharge by quality and destination	Effuents and Waste	87,88
G4-EN23	Total weight of waste by type and disposal method	Effuents and Waste	87,88
ASPECT: COMPLIANCE			
G4-DMA	Generic Disclosures on Management Approach	Our Integrated Annual Report	4
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Non Financial Highlights	13

GRI Index

GENERAL STANDARD DISCLOSURES		Report Section	Page
ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT			
G4-DMA	Generic Disclosures on Management Approach	Creating Value for Suppliers	73
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Creating Value for Suppliers	73
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK			
ASPECT: EMPLOYMENT			
G4-DMA	Generic Disclosures on Management Approach	Human Capital	74 to 83
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Talent Attraction, Retention	77, 78
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Rewards and Recognition	82
ASPECT: LABOUR / MANAGEMENT RELATIONS			
G4-DMA	Generic Disclosures on Management Approach	Industrial Relations	82
ASPECT: OCCUPATIONAL HEALTH AND SAFETY			
G4-DMA	Generic Disclosures on Management Approach	Health and Safety	82
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and saftey programs	Health and Safety	82
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Health and Safety	82
ASPECT: TRAINING AND EDUCATION			
G4-DMA	Generic Disclosures on Management Approach	Employee Development	82 to 83
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Employee Development	83
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Employee Development	83
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Rewards and Recognition	82
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY			
G4-DMA	Generic Disclosures on Management Approach	Team Profile	75
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Team Profile	75
ASPECT: SUPPLIER ASSESSMENT FOR LABOUR PRACTICES			
G4-DMA	Generic Disclosures on Management Approach	Creating Value for Suppliers	73
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	Creating Value for Suppliers	73

GENERAL STANDARD DISCLOSURES		Report Section	Page
SUB-CATEGORY: HUMAN RIGHTS			
ASPECT: NON-DISCRIMINATION			
G4-DMA	Generic Disclosures on Management Approach	Team Profile	75
ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
G4-DMA	Generic Disclosures on Management Approach	Managing Risk	100
ASPECT: CHILD LABOUR			
G4-DMA	Generic Disclosures on Management Approach	Governance	76
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	Creating Value for Suppliers	73
ASPECT: FORCED OR COMPULSORY LABOUR			
G4-DMA	Generic Disclosures on Management Approach	Governance	76
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	Creating Value for Suppliers	73
ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT			
G4-DMA	Generic Disclosures on Management Approach	Creating Value for Suppliers	73
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Creating Value for Suppliers	73
SUB-CATEGORY: SOCIETY			
ASPECT: LOCAL COMMUNITIES			
G4-DMA	Generic Disclosures on Management Approach	Creating Value for Communities	68
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Creating Value for Communities	69
ASPECT: ANTI-CORRUPTION			
G4-DMA	Generic Disclosures on Management Approach	Governance	77
ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY			
G4-DMA	Generic Disclosures on Management Approach	Creating Value for Suppliers	73
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Creating Value for Suppliers	73
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
ASPECT: CUSTOMER HEALTH AND SAFETY			
G4-DMA	Generic Disclosures on Management Approach	Creating Value for Customers	65-67
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Creating Value for Customers	65-67
ASPECT: PRODUCT AND SERVICE LABELING			
G4-DMA	Generic Disclosures on Management Approach	Creating Value for Customers	65-67

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

The Directors of Hayleys Fabric PLC have pleasure in presenting the Annual Report of your Company for the year 2015/16 together with the audited financial statements of the Company for the year ended 31 March 2016 and the Auditor's Report.

Significant events during the financial year- Company Name change

Hayleys Fabric PLC is a public limited liability Company incorporated in Sri Lanka in1993 under the previous Companies Act No.17.of 1982 and re-registered under the Companies Act No.07 of 2007. This was previously known as Hayleys MGT Knitting Mills PLC and during the year, Company re-branded its name to align with the vision and accordingly, name was changed as "Hayleys Fabric PLC" as per the resolution adopted at the Extra Ordinary General meeting held on 23rd June 2015.

Company's registration No.PQ 37 and the issued shares of the Company are listed on Colombo Stock Exchange (CSE) on April 2003.

Principal Activities

The principal activity of the Company is manufacturing knitted fabric. There were no significant change in the activities of the Company in the year under review.

Vision, Mission and Values

The Company's vision, mission and values are given on pages 8 and 9 in the Annual Report. The Board of Directors and employees of the Company conduct their activities with the best level of ethical standards and integrity in order to achieve the vision and mission.

Review of the Business performance and future developments

The Review of the Company's business performance and future outlook is available in Chairman's Statement (Page 16 to 21),Managing Directors' Review (Page 22 to 27) and the financial analysis section given on page 62 to 64.

Financial Statements and Significant Accounting policies

Financial Statements of the Company have been prepared in accordance with applicable Sri Lanka Accounting Standards (LKASs/SLFRSs) laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the Companies Act No.7 of 2007. The Significant Accounting Policies adopted in preparation of financial statements are given on pages from 130 to 139 and financial statements are given on pages from 126 to 156.

Corporate Donations

During the year donations amounting to USD 5,231 (USD 4,939) were made by the Company

Taxation

A statement of the income tax rates applicable and calculation is given in Note 23 to the financial statements. The Company has also made the appropriate provision/ (Reversal) of deferred tax as per the resulting temporary differences calculated under liability method, as prescribed by Sri Lanka Accounting Standard-LKAS 12 "Income Taxes".

Economic Service Charge (ESC) applicable to the Company was Nil (USD 162,578) and paid nil (USD 164,227) for the year ended 31 March 2016 due to taxable profit made in previous year 2014/15.

Revenue

Revenue generated by the Company during the year amounted to USD 59,924,103 (USD 65,031,509).

Profit and appropriations

The profit after tax of the Company was USD 1,845,409(USD 679,920) after reversing USD 32,445 for taxation (Reverse USD 22,222).

In addition, Company's total comprehensive income net of tax was USD 1,617,710 (USD 863,093).

The Company's cumulative loss inclusive of brought forward retained losses of USD 3,453,369 (USD 10,220,689) amounted to USD 1,835,599 (USD 3,453,369).

The Directors did not recommend any dividends for the year.

Stated Capital and Reserves

The Stated Capital of the Company as at 31March 2016 was USD 17,561,761 (USD 17,561,761) consisting of 207,740,888 shares (207,740,888 shares).

Total reserves as at 31 March 2016 amounted to USD 434,262 negative (USD 2,052,032 negative) comprising capital reserve of USD 1,401,337(USD 1,401,337) and revenue reserve of USD 1,835,599 negative (USD 3,453,369 negative). Movements of those reserves are shown in the Statement of Changes in Equity in the financial statements.

Property, Plant and Equipment and intangible assets

The carrying value of property, plant and equipment as at the date of statement of financial position amounted to

USD 22,609,219(USD 21,908,821). Capital expenditure for the Company amounted to USD 2,934,198 (USD 1,868,633).

The carrying amount of intangible assets at the reporting date amounted to USD 487,545 (USD 701,277) and during the year, Company incurred USD 24,012 to acquire the intangible assets (USD 356,833).

Detailed movements of property plant and equipment and intangible assets are shown in Note 6 and 7 respectively to the financial statements.

Market value of freehold property

The Land owned by the Company is re-valued in every two years frequency unless the fair value of the Land change significantly at each reporting date so that the carrying value of land does not differ materially to its market value. Re-valuation is done by professionally qualified independent valuer having appropriate experiences.

Details of the land and original cost are given in Note 6 to the financial statements.

The Company records all other assets at cost and check for any impairment when identifies any trigger for impairment.

Contingent Liabilities and capital Commitments

The details of contingent liabilities and capital commitments as at 31 March 2016 have been disclosed in Note 26 to the financial statements.

Events after the Reporting period

No circumstances have arisen since the reporting date that would require adjustment to or other disclosure in the financial statements.

Risk Management

The Company activities were exposed to a different types of risks and those have been disclosed on Note 29 to these financial statements. In addition, the Company's risk management process is given in page 98 to 106.

Statutory payments

The Directors to the best of their knowledge and belief are satisfied that all statutory payments have been paid up to date or have been provided for in these financial statements.

Going Concern

The Directors after making necessary inquiries and reviews, satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly these financial statements have been prepared based on the going concern basis.

Internal Control

The Board of Directors reviewed the Company's system of internal controls and satisfied that effectiveness of those controls up to the date of signing the financial statements.

Corporate Governance

The Board is committed towards maintaining an effective Corporate Governance Framework and implementing systems and structures required in order to maintain best practices. Company has complied with the Listing Rules of the Colombo Stock Exchange (CSE) and the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka (CASL) and Securities and Exchange Commission (SEC). The pages from 36 to 47 show the manner in which the Company has complied with those practices.

Responsible Corporate Behaviour

The Board is committed and considers that it is a main priority to act responsibly towards value addition of its stakeholders and to manage economic environmental and social impacts during value creation process efficiently and effectively.

Board of Directors

The Board of Directors of the Company comprised of as follows;

Directors	Status
Mr. A.M. Pandithage-Chairman	Executive
Mr. E.R.P. Goonetilleke-Managing Director/CEO	Executive
Mr. K.D.D.Perera*	Non-Executive
Mr. S.C.Ganegoda	Non-Executive
Mr. H. Somashantha	Independent Non-Executive
Mr. R.N. Somaratne	Independent Non-Executive
Dr. N.S.J. Nawartne	Independent Non-Executive
Mr. A.S. Jayatilleka	Independent Non-Executive
* Ms. Yodadinusha Bhaskaran-Appointed w.e.f.1st June 2015	Non-Executive
(Alternative Director to Mr. K.D.D.Perera)	

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

The profile of the Directors are given on page 30 to 31 of the Annual Report.

1. Ms. Yodadinusha Bhaskaran was appointed to the Board w.e.f 1st June 2015 as Alternate Director to Mr. K.D.D.Perera.

2. Mr. A. M. Pandithage and Dr. N. S. J. Nawaratne retire by rotation and be eligible offer themselves for re-election.

Board Committee

The following Independent Non-Executive Directors served as members of the Audit Committee and Remuneration Committee

Audit Committee

Mr. H. Somashantha
Chairman – Independent Non-Executive Director

Dr. N.S.J. Nawartne
Independent Non-Executive Director

Mr. A.S. Jayatilleka
Independent Non-Executive Director

Remuneration Committee

Mr. A.S. Jayatilleka-Chairman (Appointed w.e.f 30th April 2015)

Mr. H. Somashantha

Share Information

The composition of the Shareholders and the information relating to earnings, net assets, market value per share and share trading is given in the Shareholders section of the Annual Report.

Directors' shareholding in the shares of the Company have been disclosed in compliance with Section 200 of the Companies Act as below;

	Number of Shares	
	As at 31/03/2016	As at 31/03/2015
Mr. A.M. Pandithage-Chairman	Nil	Nil
Mr. E.R.P. Goonetilleke	Nil	Nil
Mr. K.D.D.Perera**	4,090	4,090
Mr. S.C.Ganegoda	Nil	Nil
Mr. H. Somashantha	20,000	Nil
Mr. R.N. Somaratne	25,000	10,000
Dr. N.S.J. Nawartne	Nil	Nil
Mr. A.S. Jayatilleka	Nil	Nil
Ms. Yodadinusha Bhaskaran-Appointed w.e.f.1st June 2015	Nil	Nil
(Alternative Director to Mr. K.D.D.Perera)		

** Mr. K.D.D. Perera holds 50.44% directly and indirectly of the total issued shares of Hayleys PLC which has 122,487,023 shares in Hayleys Fabric PLC.

Directors' Meeting Attendance

Directors' Board meeting and Audit Committee attendances were given in page 39.

Report of the Remuneration Committee is given on page 117.

Interest Register

The Company maintains as Interest Register in compliance with Companies Act No.7 of 2007.

In compliance with this requirement, the following particulars of entries in the Interest Register are as follows;

1. Mr. H. Somashantha purchased 20,000 shares during the year

2. Mr. R.N. Somaratne purchased 15,000 shares during the year.

Directors' Interest in Transactions

The Directors declared in terms of the requirement of the Listing Rules of the Colombo Stock Exchange that the transactions carried out by the Company with its Related Parties during the financial year ended 31 March 2016, did not exceeded 10% of equity or 5% of the total assets of the Company.

Related Party transactions of the Company have been disclosed in Note 25 to the financial statements.

Related Party Transactions Review Committee

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

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

The Committee met Two (02) times in the financial year 2015/16.

The members of the Committee and their attendance are as follows;

Dates of meetings held:	22nd January 2016 and 23rd March 2016.
Dr H Cabral*	2/2
Mr. M D S Goonetilleke*	2/2 (Resigned w.e.f 12th May 2016)
Mr S C Ganegoda**	2/2

* Independent Non Executive Director

** Executive Director

Directors' Remunerations

The Executive Directors' remuneration for the year ended 31 March 2016 is disclosed in Note 22 to the financial statements. Total fee paid to Non-Executive Directors for the same year ended is USD 13,221 (USD 14,011) which determined as per the scales of payments decided by the Board.

Insurance and Indemnity

A Corporate Guard has been taken from Orient Insurance Ltd for the group by Hayleys PLC to indemnify all past, present and future Directors and Officers liability (D&O) of the Company.

Policy No.	P/233108/2006/1
Limit of Liability	USD 5,000,000
Policy Premium	LKR 4,606,952
Coverage	Worldwide
Period	01/06/2015-31/05/2016

Human Resources

The number of employees in the Company as at 31 March 2016 was 1,059 (2015-899).

The Company is committed to pursuing various Human Resources Development initiatives that ensure the employees' development across all levels and facilitating the value creation to employees themselves, the Company and all other stakeholders.

Environmental Protection

The Company's business activities can have direct and indirect effects on the environment. It is the policy of the Company to conduct its activities in an environmentally responsible manner in order to minimize the adverse impact and ensure that the Company complies with environmental laws, regulations applicable in the country of operation.

Auditors

The Company's Auditors during the year under review were Messrs Ernst & Young, Chartered Accountants and their independent Audit Report is given on page 125 of the Annual Report.

Audit Committee reviews the appointment of the Auditors, its effectiveness and independent including the level of audit and non-audit fees paid to the Auditors.

Total amount paid to the Auditors for audit and non-audit professional works have been shown in Note 22 to the financial statements. The Auditors do not have any relationship other than that of an Auditor with the Company.

Further details on the work of the Auditor and the Audit Committee are set out in the Audit Committee Report on page 120.

The retiring Auditors have expressed their willingness to continue in office and are deemed re-appointed as Auditors in term of section 158 of the Companies Act No.07 of 2007.

A Resolution to authorizing the Directors to determine their remuneration will be submitted at the forthcoming Annual General Meeting.

Annual Report

The information provided in this Annual Report is in pursuance of the requirements of the Companies Act No.07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Board of Directors have approved the Audited Financial Statements of the Company together with the Reviews and other Reports which form part of the Annual Report on 16th May 2016. The appropriate number of copies of the Annual Report would be submitted to the Colombo Stock Exchange, the Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar of Companies, within the applicable time lines.

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

Major Shareholdings

The twenty major shareholders and the percentage held by each are as follows;

	Name of Shareholder	No. of Shares As at 31/03/16	%	No. of Shares As at 31/03/15	%
1	Hayleys PLC No 3 Share Investment Account	122,487,023	58.96	122,487,023	58.96
2	The Ceylon Investment PLC A/C # 02	11,265,372	5.42	14,152,954	6.81
3	The Ceylon Guardian Investment Trust PLC A/C # 02	10,883,750	5.24	14,640,951	7.05
4	Employees Provident Fund	5,540,727	2.67	5,540,727	2.67
5	Hayleys Advantis Limited	5,036,850	2.42	5,036,850	2.42
6	Hayleys Agriculture Holdings Limited	3,472,257	1.67	3,472,257	1.67
7	Ms.O.D.Gunewardene	3,350,000	1.61	-	-
8	Mas Holdings Pvt Ltd	3,011,364	1.45	3,011,364	1.45
9	The Ceylon Chamber of Commerce Account No 02	2,550,792	1.23	2,709,792	1.30
10	Mr.A.M.Weerasinghe	1,800,000	0.87	1,800,000	0.87
11	East India Holding (Pvt) Ltd	1,708,000	0.82	-	-
12	Hatton National Bank PLC A/C No.4 (HNB Retirement Pension Fund)	1,628,934	0.78	1,628,934	0.78
13	Mr.H.Yusoof	1,510,000	0.73	-	-
14	The Sri Lanka Fund	1,036,132	0.50	1,036,132	0.50
15	Mrs.M.T.Moosajee	974,824	0.47	-	-
16	Mr.T.L.M. Imtiaz	897,320	0.43	779,316	0.38
17	Freudenberg Shipping Agencies Limited	841,786	0.41	841,786	0.41
18	Bank of Ceylon A/C NDB Wealth Growth Fund	774,565	0.37	774,565	0.37
19	Mr.G. Dangampola and Mrs.N.P.Dangampola	760,077	0.37	700,074	0.34
20	Mr.K.A.S.R Nissanka	700,100	0.34	50,000	0.02
	Total	180,229,873	86.76	178,662,725	86.00

As at 31st March 2016, there were 2,836 (2,476) registered shareholders. The percentage of shares held by public as per the Colombo Stock Exchange Rules at 31st March 2016 was 36.67% (36.69%).

Number of shareholders representing the public holding as at 31st March 2016 was 2,829 (2,471).

The issued number of shares of the Company

As at 31.03.2015 - 207,740,888
As at 31.03.2016 - 207,740,888

Annual General Meeting

The Annual General Meeting will be held at the Registered Office of the Company, No.400, Deans Road, Colombo 10 at 3.00 p.m. on 27th June 2016. The notice of the Annual General Meeting appears on page 161.

For and on behalf of the Board

A. M. Pandithage
Chairman

E. R. P. Goonetilleke
Managing Director

Hayleys Group Services (Pvt) Ltd
Secretaries

16th May 2016

Report of the Remuneration Committee

The Remuneration Committee of Hayleys Fabric PLC comprises of the following members all of whom are independent Non-Executive Directors. The Committee act as a sub-Committee to the Remuneration Committee of the Parent Company, Hayleys PLC.

Mr. A.S. Jayatilleka - Chairman (Appointed w.e.f 30th April 2015)
Mr. H. Somashantha

The Remuneration Committee played four (4) main roles in discharging their duties;

The Remuneration Committee in discharging their duties ensured that the following were adequately adhered to;

Complying with Laws and Best Practices

- Ensured that the Executive Directors do not set their own remuneration.
- Ensured that they comply with any relevant legislation.

Establishing General Remuneration Policy

- Considered pay scales for Directors, taking into consideration the remuneration offered by companies of similar nature.
- Considered what relationship remuneration should have to measurable performance or enhanced shareholder value.

Considered the significance of the remuneration towards measurable performance influencing share holder value.

- Considered when the Directors should receive performance-related benefits.

Determining Remuneration packages for each Director

- Establish remuneration packages that will attract, motivate and retain Directors who will enhance shareholder value.
- Considered how different aspects of the packages are balanced.
- Considered what measures are used to assess the performance of individual Directors.

Determining Disclosure

- Considered what disclosures should be made in the Remuneration Committee Report, in the accounts, and under the corporate governance section.

A. S. Jayatilleka
Chairman- Remuneration Committee

16th May 2016

Report of the Related Party Transactions Review Committee

Composition of the Committee

Hayleys PLC, the parent Company established the Related Party Transaction Review Committee with effect from 10th February 2015 in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange which acts as Committee to the Hayleys Fabric PLC.

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director from Hayleys PLC as listed below;

Dr. H. Cabral, PC Chairman - Independent Non-Executive Director
Mr. M.D.S. Goonetilleke Independent Non-Executive Director (Resigned w.e.f 12th May 2016)
Mr. S.C. Ganegoda Executive Director

The duties of the Committee

- To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

Task of the Committee

The Committee re-viewed the related party transactions and their compliances in Hayleys Fabric PLC and communicated the same to the Board.

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

Meetings

The Committee held two times during the year under review. The attendance at the meetings given in on page 115 of the Annual Report.

Dr. Harsha Cabral, PC.
Chairman

Related Party Transactions Review Committee of Hayleys PLC

18th May 2016

Statement of Directors' Responsibility

The responsibilities of the Directors in relation to the financial statements laid down by the Companies Act No.7 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 require them to prepare financial statements for each financial year giving true and fair view of the state of affairs of the Company and profit or loss for the given period. These financial statements shall be placed before general meeting of shareholders and said financial statements comprise;

- Statement of Profit or Loss and Other Comprehensive Income for the financial year and;

- Statement of Financial Position as at the end of the financial year which complies with the requirements of the Companies Act No.07 of 2007.

In preparing above financial statements, the Directors are required to ensure that;

- Company has complied with all applicable Sri Lanka Accounting Standards (LKASs/ SLFRSs)

- Listing Rules of the Colombo Stock Exchange are complied with.

- Appropriate Accounting Policies have been selected and applied consistently and any deviations if any have duly been disclosed.

- Reasonable and prudent judgments and estimates have been made.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with a reasonable accuracy the financial position of the Company to ensure that Company's financial statements meet with the requirement of Companies Act No.7 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

Board of Directors accept the responsibility for integrity and objectivity of the financial statements presented.

They are also responsible for taking reasonable measures to safeguard the assets of the Company and give proper attention and consideration to establish appropriate systems of internal controls with a view to prevent and detect fraud and other irregularities.

The financial statements have been prepared on a going concern basis as the Directors are of the view that the Company has adequate resources to continue operations for the foreseeable future from the date of signing these financial statements.

The Directors are required to provide the Auditors with every opportunity to take whatever steps necessary to enable them to form their independent opinion.

The external Auditors Messrs Ernst & Young Chartered Accountants, have examined the financial statements together with all financial records and related information. Their opinion on financial statements is given on page 125.

Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments and taxes due in respect of the Company as at the reporting date have been paid or where relevant, provided for.

The Directors are also of the view that they have discharged their responsibilities as set out in this statement.

By the order of the Board

Hayleys Group Services (Pvt) Ltd
Secretaries

16th May 2016

Audit Committee Report

The Audit Committee of Hayleys Fabric PLC consists of Independent Non- Executive Directors and formally constituted as a Sub-Committee of the Main Board .The members of the Audit Committee are as follows;

Mr. H. Somashantha	Chairman-Independent Non -Executive Director
Dr. N.S.J. Nawartne	Independent Non-Executive Director
Mr. A.S. Jayatilleka	Independent Non-Executive Director

Following also attend to the Audit Committee meetings by invitation;

Mr. A.M. Pandithage	Chairman-Hayleys Fabric PLC
Mr. E.R.P. Goonetilleke	Managing Director-Hayleys Fabric PLC
Mr. S.C. Ganegoda	Director-Hayleys Fabric PLC
Mr. R.R. Bandara	CFO-Hayleys Fabric PLC
Mr. A. Mathangaweera	Manager-(MA & SRD)-Hayleys PLC
Mr. D. De Silva	Group CFO-Hayleys PLC

In addition, external auditors also attend to the meetings when necessary.

Hayleys Group Services (Pvt) Ltd functions as the Secretaries to the Audit Committee.

The Committee has a written Terms of Reference which usually defines the role and responsibility of the Audit Committee.

The Audit Committee's Terms of Reference includes,

Financial Reporting and Control

Audit Committee reviews quarterly and annually financial statements prior to its publication

This also includes

- Evaluate the adequacy and appropriateness of Company's Accounting policies.
- Review that financial statements have been prepared in compliance with Companies Act No 7 of 2007, applicable Sri Lanka Accounting standards (SLFRSs/LKASs) and the requirement of other regulations as applicable.
- Reviews appropriateness of significant judgments made by the Company.
- Reviews the other management reports submitted to the Committee.
- Evaluates the Company's ability to continue as a going concern.

Risk Management

- Ensures that the risk encountered by the Company fully identified and set up an adequate risk management system
- Ensures that the business is conducted in compliance with local and international laws applicable to the Company

External Audit

The Audit Committee reviewed the independence and objectivity of External Auditors Messrs Ernst & Young, Chartered Accountants and met them to review their audit approach, scope and discussed the matters included in the interim and final reports. In addition, they performed the followings;

- Reviewed the progress of the External Audit
- Reviewed the management letter issued by the External Auditors and ensured that appropriate actions have been taken to resolve the issues satisfactorily.
- Reviewed the letter of representation issued to the External Auditors.

Internal Audit

Internal Audit Functions of the Company is performed by Hayleys Management Audit and System Review Department (HMA and SRD) and they directly submit their findings to the Audit Committee and relevant reports are available to the External Auditors.

The Audit Committee of Hayleys Fabric PLC reviews the followings

- The Internal Audit program and process.
- The effectiveness of Internal Audit functions.
- Coverage and adequacy of the Internal Audit plan.
- Follow up actions taken by the Company on the recommendations made by the Internal Audit.

Compliance with Laws and Regulations

The Audit Committee reviewed the management and internal audit reports on the state of compliance with applicable laws and regulations and payment of all applicable statutory dues and satisfied that laws and regulations are duly adhered to.

Support to the Committee

The Audit Committee received information and support from management during the year under review to carry out their duties and responsibilities effectively.

Ethics and Good Governance

The Committee continuously take steps to enhance ethical values of the staff members. All appropriate procedures are in place to conduct independent investigations into incidents reported through Whistleblowing or identified through other means.

Meeting and Attendance of Audit Committee

There were four (4) Audit Committee meetings held during the year 2015/16 and the attendance of the members is as follows;

Mr. H. Somashantha	04/04
Dr. N.S.J.Nawaratne	04/04
Mr. A.S Jayatilleka	03/04

Re-appointment of external Auditors

Committee reviewed the fee proposed by the External Auditors messrs Ernst & Young and made recommendation to the Board on their re-appointment for the financial year ended 31 March 2017.

The Auditors shall be deemed re-appointed in terms of Section 158 of the Companies Act No. 7 of 2007.

H. Somashantha
Chairman-Audit Committee

16th May 2016

The fabric of **Value**

Financial Information

Financial Calendar 2015/16

Financial Calendar 2015/16

1st Quarter Report	29th July 2015
2nd Quarter Report	30th October 2015
3rd Quarter Report	27th January 2016
4th Quarter Report	16th May 2016
Annual Report 2015/16	02nd June 2016
24th Annual General Meeting	27th June 2016

Independent Auditors' Report

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
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Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

Building a better working world

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HAYLEYS FABRIC PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Hayleys Fabric PLC ("Company") which comprise the statement of financial position as at 31 March 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion:

- 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 and
- The financial statements of the Company comply with the requirements of section 151(2) of the Companies Act No. 07 of 2007.

16th May 2016
Colombo

Statement of Financial Position

As at 31 March	Note	2016 USD	2015 USD
ASSETS			
Non-Current Assets			
Property, plant and equipment	6	22,609,219	21,908,821
Intangible assets	7	487,545	701,277
		23,096,764	22,610,098
Current Assets			
Inventories	8	10,029,150	10,957,886
Trade receivables	9	6,996,694	6,348,374
Other receivables	10	1,095,638	1,303,012
Advances and prepayments	11	325,148	437,954
Cash and cash equivalents	12	1,203,029	3,459,919
		19,649,659	22,507,145
Total Assets		42,746,423	45,117,243
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated capital	13	17,561,761	17,561,761
Revaluation reserve		1,401,337	1,401,337
Retained losses		(1,835,599)	(3,453,369)
Total Equity		17,127,499	15,509,729
Non-Current Liabilities			
Interest bearing loans and borrowings	14	1,969,958	4,113,993
Deferred tax liabilities	23.2	1,301,772	1,463,509
Retirement benefit obligations	15	1,923,472	1,656,995
		5,195,202	7,234,497
Current Liabilities			
Trade and other payables	16	4,726,510	6,698,045
Interest bearing loans and borrowings	14	14,848,702	14,837,498
Amounts due to Hayleys PLC		45,244	53,467
Income tax payable		115,688	80,171
Other non financial liabilities	17	687,578	703,836
		20,423,722	22,373,017
Total Equity and Liabilities		42,746,423	45,117,243

These financial statements are in compliance with the requirements of the Companies Act No : 07 of 2007.

Ruwan Rohitha Bandara
Chief Financial Officer

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

A. M.Pandithage
Chairman

E. R. P. Goonetilleke
Managing Director

Colombo
16th May 2016

The accounting policies and notes on pages 130 through 156 form an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March	Note	2016 USD	2015 USD
Revenue	18	59,924,103	65,031,509
Cost of Sales		(52,370,449)	(58,228,263)
Gross Profit		7,553,654	6,803,246
Other Operating Income	19	20,329	42,590
Administrative Expenses		(4,076,487)	(4,256,918)
Distribution Expenses		(618,409)	(787,668)
Other Expenses	20	(231,097)	(108,552)
Net Financing Costs	21	(835,026)	(1,035,000)
Profit Before Tax	22	1,812,964	657,698
Income Tax Reversal	23	32,445	22,222
Profit for the Year		1,845,409	679,920
Other Comprehensive Income not to be reclassified to profit or loss			
- Surplus on revaluation of land	6.8	-	259,732
- Actuarial loss on defined benefit plans	15	(258,681)	(86,999)
- Income tax effect relating to actuarial loss	23.2	31,042	10,440
Total Comprehensive Income, Net of Tax		1,617,770	863,093
Basic / Diluted Earnings per Share	24	0.009	0.004

The accounting policies and notes on pages 130 through 156 form an integral part of these financial statements.

Statement of Changes in Equity

Year ended 31st March 2016	Stated capital USD	Reserve on amalgamation USD	Revaluation reserve USD	Retained earnings/(losses) USD	Total USD
Balance as at 1st April 2014	13,563,304	6,203,893	1,141,605	(10,220,689)	10,688,113
Profit for the year	-	-	-	679,920	679,920
Other comprehensive income	-	-	259,732	(76,559)	183,173
Total comprehensive income			259,732	603,361	863,093
Issue of shares	3,998,457				3,998,457
Direct cost on issue of shares				(39,934)	(39,934)
Reserve on amalgamation transferred to Retained Earnings (13.2)		(6,203,893)		6,203,893	-
Balance as at 31st March 2015	17,561,761	-	1,401,337	(3,453,369)	15,509,729
Profit for the year	-	-	-	1,845,409	1,845,409
Other comprehensive income	-	-	-	(227,639)	(227,639)
Total comprehensive income		-	-	1,617,770	1,617,770
Balance as at 31st March 2016	17,561,761	-	1,401,337	(1,835,599)	17,127,499

The accounting policies and notes on pages 130 through 156 form an integral part of these financial statements.

Statement of Cash Flows

Year ended 31st March	Note	2016 USD	2015 USD
Cash Flows From / (Used in) Operating Activities			
Profit before Income Tax Expense		1,812,964	657,698
Adjustments for			
Depreciation on property, plant and equipment	6	1,812,300	1,795,172
Amortization of Intangible Assets	7	237,744	219,813
Provision for retiring gratuity	15	226,027	265,657
Net unreailised gain on translation of foreign currency		(369,220)	(79,260)
Net finance costs		750,438	945,947
Profit on disposal of property, plant and equipment		(1,935)	(1,770)
Loss on impairment of Property, Plant and Equipment		231,097	108,552
Debtors / Creditors write back		(18,394)	(40,820)
Impairment charge/ (reversal) for bad and doubtful debts		7,947	(2,162)
Impairment charge/ (reversal) for slow moving inventories		(60,198)	59,891
Operating Profit before Working Capital Changes		4,628,770	3,928,718
(Increase)/Decrease in trade and other receivables		(310,776)	381,879
(Increase)/Decrease in advances and prepayments		113,685	(83,162)
(Increase)Decrease in inventories		988,934	(344,179)
Decrease in trade and other payables and other non financial liabilities		(2,023,254)	(4,164,660)
Cash Generated from /(Used in) Operations		3,397,359	(281,404)
Retiring gratuity paid	15	(29,430)	(33,085)
Interest paid		(724,037)	(913,741)
Economic service charge paid		(37,773)	(164,227)
Net Cash Flows From / (Used in) Operating Activities		2,606,119	(1,392,457)
Cash Flows From / (Used in) Investing Activities			
Purchase and construction of property, plant and equipment		(2,724,034)	(1,583,121)
Proceeds from disposal of property, plant and equipment		6,871	1,770
Purchase of Intangible Assets		(24,012)	(143,519)
Interest received		6,444	11,943
Net Cash Flows Used in Investing Activities		(2,734,731)	(1,712,927)
Cash Flows from (Used in) Financing Activities			
Proceeds from new term loans	14.1	1,579,052	9,000,000
Repayment of term loans	14.1	(3,999,592)	(2,772,723)
Right Issue of Shares (net)	13.1	-	3,958,523
Net Cash Flows From /(Used in) Financing Activities		(2,420,540)	10,185,800
Net Increase / (Decrease) in Cash and Cash Equivalents		(2,549,151)	7,080,416
Cash and Cash Equivalents at the beginning of the year	12	(7,452,832)	(14,533,248)
Cash and Cash Equivalents at the end of the year	12	(10,001,983)	(7,452,832)

The accounting policies and notes on pages 130 through 156 form an integral part of these financial statements.

Notes to the Financial Statements

1. REPORTING ENTITY

1.1 Domicile and Legal Form

Hayleys Fabric PLC (Previously referred to as Hayleys MGT Knitting Mills PLC) ("Company") is a limited liability company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The Company's registered office is situated in 400, Deans Road, Colombo 10 and the principle place of business of the Company is at Narthupana Estate, Neboda.

1.2 Principal Activities and Nature of Operations

The Company's principal activity is the manufacture of knitted fabric.

1.3 Parent Enterprise

In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is Hayleys PLC, which is incorporated in Sri Lanka.

1.4 Date of Authorization for Issue

The financial statements of Hayleys Fabric PLC were authorized for issue in accordance with a resolution of the Board of Directors on 16 May 2016.

2. BASIS OF PREPARATION

The financial statements of the Company comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement together with the Accounting Policies and Notes to the Financial Statements.

The financial statements have been prepared on a historical cost basis, except for land which is reflected at fair value. No adjustments have been made for inflationary factors in the financial statements.

Each material class of similar items is presented separately in the financial statements.

2.1 Statement of Compliance

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

2.2 Use of Estimates and Judgments

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, assets, liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments 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 judgments 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.

In the process of applying the Company's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Depreciation of Property, Plant and Equipment

Management assigns useful lives and residual values to property, plant and equipment based on the intended use of assets and the economic lives of these assets. Subsequent changes in circumstances such as technological advances or utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Management reviews annually the residual values and useful lives of major items of property, plant and equipment. Refer Note 3.6.1.5 for useful lives used in depreciating Property, Plant and Equipment in the Company.

Retirement Benefit Obligations

The cost of defined benefit plan 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 and mortality rates. Due to the complexity of the valuation, the underlying assumptions 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. Further details about the assumptions used are provided in Note 15.3.

Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Deferred Tax

Deferred Tax Assets as reflected in Note 23.2 are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year.

3.2 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of trading.

3.3 Foreign Currency Transactions

The financial statements are presented in United States Dollars (USD) as commercial transactions are primarily carried out by the Company in USD and such would better reflect the economic substance of underlying events and circumstances relevant to the enterprise.

Transactions in foreign currencies are translated to USD at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to USD using the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the statement of profit or loss.

3.4 Current / Non-Current Classification

The Company presents assets and liabilities in the statement of financial position as current and non-current.

An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in the 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 the 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

Notes to the Financial Statements

The Company classifies all other liabilities as non-current.

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

3.5 Fair Value Measurement

The Company measures land at fair value in these financial statements.

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

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

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company 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 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 financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.6 Assets and Bases of their Valuation

3.6.1 Property, Plant and Equipment

3.6.1.1 Owned Assets

Items of property, plant and equipment are measured at cost (or at revaluation in the case of land) less accumulated depreciation and accumulated impairment loses, if any. Depreciation is provided for on the basis specified in paragraph 3.6.1.5.

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

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

Revaluation of land is carried out when there is a substantial difference between the fair value and the carrying amount of the land, and is undertaken by professionally qualified valuers.

Any revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of profit or loss, in which case, the increase is recognised in the statement of 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 revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

3.6.1.2 Leased Assets

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised in the statement of profit or loss on a straight-line basis over the lease term.

3.6.1.3 Subsequent expenditure

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

The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit or loss as incurred.

3.6.1.4 Derecognition

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

3.6.1.5 Depreciation

Depreciation is recognised in the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Company will have ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows;

Buildings	40 years
Plant and Machinery	15- 20 years
Factory and Office Equipment	6 2/3 years
Motor Vehicles	5 years
Furniture and Fittings	6 2/3 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognized.

Notes to the Financial Statements

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

3.6.2 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. All intangible assets of the Company have been assessed by management as having finite useful lives.

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 is 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 is accounted for by changing 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 consistent with the function of the intangible assets.

Intangible Assets of the Company consists of Computer Software, which being an intangible asset with a finite useful life is amortized over a period of 4 – 6 2/3 years,as such represents management's best estimate.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

3.6.3 Current Assets

3.6.3.1 Inventories

Inventories are measured at the lower of cost and Net Realisable Value. Net Realisable Value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The general basis on which cost is determined is as follows:

a. All inventory items except finished goods and work-in-progress are measured at weighted average cost.

b. Finished goods and work-in-progress are measured at weighted average factory cost which includes all direct expenditure and appropriate share of production overhead based on general operating capacity.

3.6.3.2 Cash and Cash Equivalents

Cash and cash equivalents are cash in hand and demand deposits that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose the of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts and other short term financing.

3.6.4 Impairment of Non Financial Assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. In assessing indicators of impairment, management assesses,(amongst others) the existence of assets which remains idle, assets which have been subject to wear tear or technological obsolescence, and items of inventories which have not been sold or used in the production process for a significant period of time. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or loss.

3.7 Financial Instruments – Financial Assets

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.

3.7.1 Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, in the following categories

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets

Financial assets of the Company include cash and short-term deposits and trade and other receivables. Accordingly, the Company's financial assets do not include financial assets at fair value through profit or loss, held to maturity investments, available for sale financial assets and derivatives designated as hedging instruments in an effective hedge.

All financial assets are recognized initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in distribution expenses. This category applies to accounts described within trade and other receivables of the Company as disclosed in Notes 9 and 10.

Derecognition.

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

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) the Company has transferred substantially all the risks and rewards of the asset, or

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in settlements,

Notes to the Financial Statements

the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.

Receivables together with the associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is reflected in the statement of profit or loss.

3.7.2 Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

The measurement of financial liabilities depends on their classification. The Company's financial liabilities do not include financial liabilities at fair value through profit or loss and derivatives designated as hedging instruments in an effective hedge.

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.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.8 Liabilities and Provisions

3.8.1 Employee benefits

Defined contribution plan

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 recognized as an expense in the statement of profit or loss as incurred.

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

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

Actuarial gains and losses for the defined benefit obligation is recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to profit or loss in subsequent periods.

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

The liability is not externally funded. This liability is computed on the following basis:

Length of service	No. of months salary for each completed year
5 and Up to 20 years	1/2
Over 20 & up to 25 years	3/4
Over 25 & up to 30 years	1
Over 30 & up to 35 years	1 ¼
Over 35 years	1 ½

Short-term benefits

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

3.8.2 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

3.9 Statement of Profit or Loss

3.9.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue from the sale of goods is recognized in the statement of profit or loss when significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of goods.

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant and equipment and are recognized on a net basis within "other income" in the statement of profit or loss.

Notes to the Financial Statements

3.9.2 Expenses

All expenditure incurred in running of the business has been charged to income in arriving at the profit or loss for the year.

3.9.3 Borrowing cost

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 respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.9.4 Financing Income and Expenses

Finance income comprises interest income on funds invested, and gains on translation of foreign currency. Interest income is recognised in the statement of profit or loss as it accrues.

Finance expenses comprise interest payable on borrowings and losses on translation of foreign currency. The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.9.5 Tax Expenses

Current income tax assets and liabilities for the current and prior periods 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 by the reporting date.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the relevant tax legislations.

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 is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and 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 utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates 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 or directly in equity.

4. General

4.1 Events occurring after the reporting date

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

4.2 Earnings per share

The Company presents basic 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.

5. Standards issued but not yet effective

SLFRS 9 – Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company will adopt these standards when they become effective. Pending the completion of a detailed review, the financial impact is not reasonably estimable.

Notes to the Financial Statements

6. PROPERTY, PLANT AND EQUIPMENT

6.1 Gross Carrying Amounts

	As at 01.04.2015 USD	Revaluation USD	Additions/ Transfers USD	Disposals/ Transfers/ USD	As at 31.03.2016 USD
At Valuation					
Freehold Land	2,453,601	-	-	-	2,453,601
At Cost					
Buildings	5,874,800	-	-	-	5,874,800
Water Treatment Plant	2,148,281	-	42,573	-	2,190,854
Plant and Machinery	27,536,999	-	2,321,674	(428,629)	29,430,044
Motor Vehicles	1,101	-	-	-	1,101
Furniture and Fittings	1,125,480	-	185,669	(45,784)	1,265,365
Office Equipment	267,196	-	9,753	(11,995)	264,954
Computers	392,443	-	44,120	(46,665)	389,898
Factory Equipment	2,789,353	-	325,737	-	3,115,090
Safety and Medical Equipment	190,483	-	-	-	190,483
Bungalow Equipment	14,503	-	-	(6,139)	8,364
Total Value of Depreciable Assets	42,794,240	-	2,929,526	(539,212)	45,184,554

6.2 In the course of construction

	As At 01.04.2015 USD	Impairment for the Year USD	Incurred during the year USD	Transfers USD	As At 31.03.2016 USD
Work in Progress	185,573	-	1,284,880	(1,465,675)	4,778
Total gross carrying amount	42,979,813	-	4,214,406	(2,004,887)	45,189,332

6.3 Depreciation

	Balance As at 01.04.2015 USD	Impairment for the Year USD	Charge for the Year USD	Disposals/ Transfers USD	Balance As at 31.03.2016 USD
At Cost					
Buildings	1,887,017	-	146,870	-	2,033,887
Water Treatment Plant	1,247,620	-	77,136	-	1,324,756
Plant and Machinery	13,999,693	231,097	1,296,697	(423,693)	15,103,794
Motor Vehicles	1,101	-	-	-	1,101
Furniture and Fittings	963,473	-	66,979	(45,784)	984,668
Office Equipment	245,494	-	5,986	(11,995)	239,485
Computers	265,630	-	33,001	(46,665)	251,966
Factory Equipment	2,278,990	-	181,604	-	2,460,594
Safety and Medical Equipment	168,273	-	3,708	-	171,981
Bungalow Equipment	13,701	-	319	(6,139)	7,881
Total Depreciation	21,070,992	231,097	1,812,300	(534,276)	22,580,113

6.4 Net Book Values

	2016 USD	2015 USD
At Cost		
Freehold Land	2,453,601	2,453,601
Buildings	3,840,913	3,987,783
Water Treatment Plant	866,098	900,661
Plant and Machinery	14,326,250	13,537,306
Motor Vehicles	-	-
Furniture and Fittings	280,697	162,007
Office Equipment	25,469	21,702
Computers	137,932	126,813
Factory Equipment	654,496	510,363
Safety and Medical Equipment	18,502	22,210
Bungalow Equipment	483	802
	22,604,441	21,723,248
In the course of construction		
Work in Progress	4,778	185,573
Total carrying amount of property, plant and equipment	22,609,219	21,908,821

6.5 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of USD 2,934,198 (2015 - USD 1,868,633). Cash payments amounting to USD 2,724,034 (2015 - USD 1,583,121) were made during the year for the purchase of Property, Plant and Equipment.

6.6 Property, plant and equipment includes fully depreciated assets having gross carrying amounts of USD 6,664,630 which are still in use. (2015 - USD 5,990,385).

6.7 24 permanent buildings are located in Narthupana Estate, Neboda where the principle place of the business is operated.

6.8 The Company revalued its land (extent of 34.1 Acres) during the financial year 2014/15 which the Directors believe is a fair reflection as at 31.03.2016.The fair value of the land was determined by using market comparable methods which mean that valuations performed by the valuer were based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property.

As at the date of revaluation 31 December 2014, the fair value of land was based on valuations performed by Messrs P.B Kalugalgedara and Associates. an accredited independent valuer.

The significant unobservable valuation input (level 3) used for Revaluation of Land, was the estimated market price of a perch of land, which was estimated as Rs. 60,000/- for purposes of the revaluation. Significant increases/(decreases) in estimated price per perch in isolation would result in a significantly higher/(lower) fair value.

The surplus arising from the revaluation, was transferred to a revaluation reserve.

If land was measured using the cost model, the carrying amounts would be USD 1,052,264 (2015 - USD 1,052,264)

6.9 The impairment loss recorded for Plant and Machinery during the year amounting to USD 231,097 represents the write-down of several knitting, dyeing and finishing machinery which were purchased by the Company several years back and which are not suitable for the current operations. The impairment loss is recognized in the statement of profit or loss. Management expects the mentioned machinery to be sold at scrap, realising a negligible amount.

Notes to the Financial Statements

7. INTANGIBLE ASSETS

	2016 USD	2015 USD
Software		
Cost		
At beginning of the year	1,225,264	868,431
Acquisitions	24,012	356,833
At end of the year	1,249,276	1,225,264
Amortization		
At beginning of the year	(523,987)	(304,174)
Amortization	(237,744)	(219,813)
At end of the year	(761,731)	(523,987)
Net Book Value	487,545	701,277

8. INVENTORIES

	2016 USD	2015 USD
Raw materials	3,927,126	4,243,228
Less : Impairment for slow moving items	(222,494)	(265,729)
	3,704,632	3,977,499
Work-in-progress	3,324,022	3,924,127
Less : Impairment for slow moving items	(122,816)	(90,825)
	3,201,206	3,833,302
Finished goods	1,016,891	1,222,506
Less : Impairment for slow moving items	(176,284)	(246,345)
	840,607	976,161
Stock consumables	2,303,812	2,170,924
Less : Impairment for slow moving items	(21,107)	-
	2,282,705	2,170,924
	10,029,150	10,957,886

9. TRADE RECEIVABLES

	2016 USD	2015 USD
Related party	-	459,578
Others	7,142,378	6,026,533
Less : Impairment loss recognised (9.2)	(145,684)	(137,737)
	6,996,694	6,348,374

9.1 The aging analysis of trade receivables is as follows:

		Neither past due nor impaired	Past due					
			0 - 60 days	61-120 days	121-180 days	181-365 days	> 365 days	Total
As at 31/03/2016	Related party	-	-	-	-	-	-	-
	Others	3,670,835	3,129,850	193,819	688	3,004	144,182	7,142,378
	Total	3,670,835	3,129,850	193,819	688	3,004	144,182	7,142,378
As at 31/03/2015	Related party	375,383	79,873	3,867	455	-	-	459,578
	Others	3,387,730	2,271,140	132,542	7,383	161,625	66,113	6,026,533
	Total	3,763,113	2,351,013	136,409	7,838	161,625	66,113	6,486,111

See note 29 on credit risk of trade receivables, which explains how the Company manages and measures credit quality of trade receivables that are neither past due nor impaired.

9.2 The impairment recognied in relation to Trade Receivables of the Company has been based on a collective impairment model and is as follows:

	2016 USD	2015 USD
Balance as at the beginning of the year	137,737	139,899
Impairment loss recognized during the year	7,947	-
Reversal of previously recognized impairment loss	-	(2,162)
Balance as at the end of the year	145,684	137,737

10. OTHER RECEIVABLES

	2016 USD	2015 USD
VAT recoverable	587,806	696,982
Claim receivable	7,154	11,844
WHT recoverable	10,333	11,547
ESC recoverable	318,386	398,124
Staff loans and advances	18,726	8,120
Deposits	105,902	129,064
Other receivable	47,331	47,331
	1,095,638	1,303,012

11. ADVANCES AND PREPAYMENTS

	2016 USD	2015 USD
Advances paid to suppliers	281,140	381,233
Other prepayments	44,008	56,721
	325,148	437,954

Notes to the Financial Statements

12. CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

Components of Cash and Cash Equivalents

12.1 Favorable Cash and Cash Equivalent Balance

	2016 USD	2015 USD
Cash and Bank Balances	1,203,029	3,459,919
	1,203,029	3,459,919

12.2 Unfavorable Cash and Cash Equivalent Balance

	2016 USD	2015 USD
Bank Overdraft	(650,457)	(239,033)
Short term loans	(3,500,000)	(2,500,000)
Import loans	(7,054,555)	(8,173,718)
Total cash and cash equivalent balance for the purpose of cash flow statement	(10,001,983)	(7,452,832)

13. STATED CAPITAL

	2016		2015	
	Number	USD	Number	USD
Ordinary shares (13.1)	207,740,888	17,561,761	207,740,888	17,561,761

13.1 Fully Paid Ordinary Shares

	2016		2015	
	Number	USD	Number	USD
Balance at beginning of the year	207,740,888	17,561,761	152,343,318	13,563,304
Right Issue	-	-	55,397,570	3,998,457
Balance at the end of the year	207,740,888	17,561,761	207,740,888	17,561,761

13.2 Nature and Purpose of Reserves

Revaluation Reserve

The Revaluation Reserve is maintained to record any surplus on revaluation of the Company's Land.

Reserve on Amalgamation

The Amalgamation Reserve had arisen as a result of the amalgamation of Hayleys ADC Textiles Ltd into Hayleys Fabric PLC on 1st April 2007. The reserve was transferred to Retained Earnings on 31 March 2015 on management having identified that no specific purpose is attributable to the reserve maintained.

14. INTEREST BEARING LOANS AND BORROWINGS

	31.03.2016			31.03.2015		
	Amount Repayable Within 1 Year USD	Amount Repayable After 1 Year USD	Total USD	Amount Repayable Within 1 Year USD	Amount Repayable After 1 Year USD	Total USD
Term loans (Note 14.1)	3,643,690	1,969,958	5,613,648	3,924,747	4,113,993	8,038,740
Short term loans	3,500,000	-	3,500,000	2,500,000	-	2,500,000
Import loans	7,054,555	-	7,054,555	8,173,718	-	8,173,718
Bank overdraft	650,457	-	650,457	239,033	-	239,033
	14,848,702	1,969,958	16,818,660	14,837,498	4,113,993	18,951,491

14.1 Term loans

	2016 USD	2015 USD
Balance at the beginning of the year	8,038,740	1,812,770
New loans obtained	1,579,052	9,000,000
Repayments	(3,999,592)	(2,772,723)
Effect of movements in exchange rates	(4,552)	(1,307)
Balance at the end of the year	5,613,648	8,038,740

14.2 Aging Analysis for Interest -bearing loans and borrowings

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Total Interest bearing borrowings- As at 31.03.2016	650,457	10,899,804	3,298,441	1,969,958	-	16,818,660
Total Interest bearing borrowings- As at 31.03.2015	239,033	11,257,170	3,341,295	4,113,993	-	18,951,491

15. RETIREMENT BENEFIT LIABILITY

Retirement Benefit Obligation - Gratuity

	2016 USD	2015 USD
At beginning of the year	1,656,995	1,366,796
Effects of movement in exchange rate	(188,801)	(29,372)
Benefits paid by the plan	(29,430)	(35,027)
Adjustment of liability due to employee transfers	-	1,942
Current service cost	69,237	120,128
Interest cost	156,790	145,529
Actuarial gains recognized directly in Other Comprehensive Income	258,681	86,999
At end of the year	1,923,472	1,656,995

Notes to the Financial Statements

15.1 Expenses recognised in the Statement of Profit or Loss

	2016 USD	2015 USD
Current service cost	69,237	120,128
Interest cost	156,790	145,529
	226,027	265,657

15.2 Legal Liability as at 31st March

	2016 USD	2015 USD
Legal Liability as at 31st March	1,367,046	1,228,637

15.3 The Gratuity liability as at 31st March 2016 is based on an actuarial valuation carried out by NMG Consulting, a firm of professional actuaries.

The following key assumptions were made in arriving at the above figure.

	2016	2015
Rate of discount	11%	10%
Salary increase	10%	9%
Retirement age	60 Years	60 Years
Weighted average remaining working life	9.4 Years	5.7 Years

Assumptions regarding mortality are based on a 1967/70 Mortality Table, issued by The Institute of Actuaries, London.

15.4 A quantitative sensitivity analysis for significant assumptions as at 31st March 2016 is as follows:

Impact on defined benefit obligations

	Salary increment rate		Discount rate	
	1% Increase USD	1% decrease USD	1% Increase USD	1% decrease USD
As at 31st March 2016	202,555	(178,508)	(176,007)	203,183
As at 31st March 2015	168,390	(148,889)	(147,091)	169,343

16. TRADE AND OTHER PAYABLES

	2016 USD	2015 USD
Trade Payables		
- Related Parties	40,054	37,115
- Others	4,605,867	6,225,055
Other Payables	80,589	435,875
	4,726,510	6,698,045

16.1 Aging Analysis for Trade and Other Payables.

		On demand USD	Less than 3 months USD	3 to 12 months USD	1 to 5 years USD	>5 years USD	Total USD
31.03.2016	Related party	28,353	11,701	-		-	40,054
	Others	510,391	3,904,495	40,206	113,900	117,464	4,686,456
	Total	538,744	3,916,196	40,206	113,900	117,464	4,726,510
31.03.2015	Related party	29,490	6,647	123	855	-	37,115
	Others	899,000	3,310,206	2,240,258	162,481	48,985	6,660,930
	Total	928,490	3,316,853	2,240,381	163,336	48,985	6,698,045

17. OTHER CURRENT NON FINANCIAL LIABILITIES

	2016 USD	2015 USD
Accrued Expenditure	638,756	665,505
Advances Received	48,822	38,331
	687,578	703,836

18. REVENUE

	2016 USD	2015 USD
Sales of Fabric	59,496,562	64,539,833
Sundry Sales	427,541	491,676
	59,924,103	65,031,509

19. OTHER OPERATING INCOME

	2016 USD	2015 USD
Profit on disposal of property, plant and equipment	1,935	1,770
Debtors/Creditors write back	18,394	40,820
	20,329	42,590

20. OTHER EXPENSES

	2016 USD	2015 USD
Impairment of Property, Plant and Equipment	231,097	108,552
	231,097	108,552

Notes to the Financial Statements

21. NET FINANCING COST

21.1 Finance income

	2016 USD	2015 USD
Interest income	(6,444)	(11,943)

21.2 Finance cost

	2016 USD	2015 USD
Interest on short term borrowings	452,157	650,779
Interest on long term loans	304,725	307,111
Loss on translation of foreign currency	84,588	89,053
Finance cost	841,470	1,046,943
Net finance cost	835,026	1,035,000

22. PROFIT BEFORE TAX

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

	2016 USD	2015 USD
Directors' fees	13,221	14,011
Directors' emoluments	240,319	239,431
Audit fees	13,872	15,022
Non-audit professional services	2,777	4,278
Depreciation of property, plant and equipment	1,812,300	1,795,172
Amortization of intangible assets	237,744	219,813
Provision for Impairment of Plant and machinery	231,097	108,552
Legal fees	40,164	95,867
Donations	5,231	4,939
Impairment charge /(reversal) for slow moving inventories	(60,198)	59,891
Impairment charge /(reversal) for Receivables	7,947	(2,162)
Research and Development	7,269	-
Staff cost (Note 22.1)	6,464,709	6,354,815

22.1 Staff cost

	2016 USD	2015 USD
Defined contribution plan cost- EPF and ETF	442,464	465,627
Defined benefit plan cost- Retiring gratuity	226,027	265,656
Salaries and other cost	5,796,218	5,623,532
	6,464,709	6,354,815

23. INCOME TAX

The major components of income tax expense for the years ended 31st March are as follows :

	2016 USD	2015 USD
Income Tax on profit for the year (Note 23.1)	115,688	80,156
(Over)/under provision in respect of previous year	(17,437)	16
Provision for deferred tax (Note 23.2)	(130,696)	(102,394)
Income tax expense reported in the Statement of profit or loss	(32,445)	(22,222)

23.1 Reconciliation of Current Tax Expenses and product of Accounting Profit

	2016 USD	2015 USD
Profit before tax	1,812,964	657,698
Disallowable expenses	2,359,909	2,572,163
Tax deductible expenses	(2,689,703)	(2,221,106)
Tax loss set-off	(519,109)	(354,698)
Taxable income	964,061	654,057
Income tax @ 28%		1,942
Income tax @ 12%	115,688	78,214
Income tax on current year profit	115,688	80,156
Details of Tax Losses carried forward		
Tax Loss brought forward	10,310,018	10,664,716
Add: incurred during the year	-	
Less:Set off against the current income tax liability	(519,109)	(354,698)
Tax Loss carried forward	9,790,909	10,310,018

Company's profit from exports is taxed at 12% and other income is liable at the rate of 28%

Notes to the Financial Statements

23.2 Deferred Tax Assets, Liabilities and Income Tax relates to the following

	Statement of Financial Position		Statement of Profit or Loss and Comprehensive Income	
	2016 USD	2015 USD	2016 USD	2015 USD
Deferred Tax Liabilities				
Capital allowances for tax purposes	2,212,804	2,116,323	96,481	294,015
	2,212,804	2,116,323	96,481	294,015
Deferred Tax Assets				
Tax effect of tax loss carried forward	597,609	365,099	(232,510)	(365,099)
Defined Benefit Plans	230,817	198,839	(31,978)	(34,823)
Impairment for Slow Moving Inventories	65,124	72,348	7,224	(7,187)
Impairment for Doubtful Debts	17,482	16,528	(954)	260
	911,032	652,814	(258,218)	(406,849)
Net Deferred Tax Liability	1,301,772	1,463,509		
Deferred Income Tax Charge to Profit or Loss			(130,696)	(102,394)
Deferred Income Tax Charged to Other Comprehensive income			(31,042)	(10,440)
Charge to Statement of Profit or Loss and Other Comprehensive Income			(161,737)	(112,834)

Deferred tax assets on carried forward tax losses have only been recognized by the Company to the extent of probable future taxable profits against which the tax loss can be utilized. A deferred tax asset has not been recognized for taxable losses amounting to USD 465,021.

24. BASIC / DILUTED EARNING PER SHARE

Basic Earning per share 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. The weighted average number of ordinary shares outstanding during previous year and has been adjusted for the bonus element of the right issue of shares during 2014/15 which has changed the number of ordinary shares outstanding, without a corresponding change in the resources.

The following reflects the income and share data used in the earnings per share computations.

24.1 Amount Used as the Numerator:

	2016 USD	2015 USD
Earnings attributable to Ordinary Shareholders of the Company for Earnigs per Share	1,845,409	679,920

24.2 Number of Ordinary Shares Used as the Denominator:

	2016 USD	2015 USD
Weighted Average Number of Ordinary Shares in issue applicable to Basic Earnings per Share	207,740,888	191,881,531

25. RELATED PARTY DISCLOSURES

25.1 Transaction with the parent and related entities during the year

a)

Name of the Company	Relationship	Nature of Transaction	2016 USD	2015 USD
Hayleys PLC	Parent	Office space together with other related facilities	563,595	671,593
	Parent	Loan facility	-	91,749
Puritas (Pvt) Ltd	Fellow Subsidiary	Purchase oxypura products	397	126
Hayleys Consumer Products Ltd	Fellow Subsidiary	Purchase of electronic items	446	104
Hayleys Electronics Lighting (Pvt) Ltd	Fellow Subsidiary	Purchase of electronic items	6,868	2,937
The Kingsbury Hotel PLC	Fellow Subsidiary	Entertainment facility	1,064	1,321
Hayleys Travels and Tours (Pvt) Ltd	Fellow Subsidiary	Reservations, ticketing and other travel related services	73,282	61,651
Hayleys Industrial Solutions (Pvt) Ltd	Fellow Subsidiary	Purchase spare part items and obtained technical support	24,204	29,386
Haycolour (Pvt) Limited	Fellow Subsidiary	Purchases of dyes and chemicals	-	(62)
MIT Cargo (Pvt) Ltd	Fellow Subsidiary	Logistic service	42,335	44,280
Hayleys Advantis Ltd	Fellow Subsidiary	Cost of intangible assets/Service		84,989
Agility Logistics (Pvt) Ltd	Fellow Subsidiary	Logistic service	344	-
Civaro Lanka (Pvt) Ltd	Fellow Subsidiary	Logistic service	913	-
Logiwiz Limited	Fellow Subsidiary	Logistic service	6,064	621
Logiventures (Pvt) Ltd	Fellow Subsidiary	Logistic service	948	493
Expelogix (Pvt) Ltd.	Fellow Subsidiary	Logistic service	29,987	29,624
Hayleys Business Solutions Int.(Pvt) Ltd	Fellow Subsidiary	Payroll charges	43,314	38,355
Rileys (Pvt) Ltd.	Fellow Subsidiary	Purchase of consumable items	587	-
Dipped Products PLC	Fellow Subsidiary	Loans obtained	-	1,008,050
Delmege Forsyth & Co.(Pvt) Ltd	Affiliate Company	Purchases of mechanical items	10,425	2,019
Diesel & Motor Engineering Company PLC	Affiliate Company	Purchase spare part items and obtained technical support	4,823	1,666
Hayleys Free Zone Ltd.	Fellow Subsidiary	Obtained technical support	69	-
			809,665	2,068,902

b) Costs relating to office space and other facilities payable to Hayleys PLC are settled on an ongoing basis. Amounts payable to Hayleys PLC as at reporting date are reflected as 'Amounts due to Hayleys PLC' in the Statement of Financial Position.

Amounts due from/to other parties are reflected in these financial statements within notes 9 and 16.

Notes to the Financial Statements

c) Mr. K.D.D.Perera who controls the Compny indirectly through his majority holding in the Compny's parent, also has a significant influence on the operations of Sampath Bank PLC and Pan Asia Banking Corporation PLC. The Company has carried out transactions in the ordinary course of business with Sampath Bank PLC and Pan Asia Banking Corporation PLC during the year, the details of which are as follows:

	Facility	2016 Facility Amount USD	2016 Outstanding amount USD	2016 Interest & charges incurred during the year USD	2015 Facility Amount USD	2015 Outstanding amount USD	2015 Interest & charges incurred during the year USD
Sampath Bank	Trade facility	3,975,000	2,878,578	106,459	3,975,000	3,104,914	168,555
	Overdraft facility	498,206	(137,888)	920	556,710	(143,180)	25,628
Pan Asia Bank	Trade facility	3,000,000	2,030,938	57,553	3,000,000	1,397,667	99,282
	Overdraft facility	-	(31,851)	3,170	-	(27,660)	47

25.2 Transactions with Key Management Personnel

Key management personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors of the Company (including executive and non executive Directors) have been designated as KMP of the entity while their immediate family members have also been identified as related parties.

An immediate family member is defined as spouse or dependent. A dependent is defined as anyone who depends on the respective Director for more than 50% of his/ her financial needs.

a) Loans to Key Management Personnel

No loans have been provided to the Directors of the Company.

b) Compensation of key management personnel

	2016 USD	2015 USD
Short term employment benefits	240,319	239,431

The amounts disclosed above are the amounts recognised as an expense during the reporting period related to key management personnel.

26. COMMITMENTS AND CONTINGENCIES

26.1 The amount of capital expenditure approved by the Directors but not contracted for was USD 4,000,000 (2015-USD 286,940)

26.2 Contingent liabilities as at 31 March 2016 on bills discounted amounted to USD 343,752 (2015 - USD 1,460,191).

27. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged 2016 USD	2015 USD	Included under
Plant and Machinery, Water Treatment Plant	Primary Mortgage for Loans and Borrowings	15,192,348	14,437,967	Property, Plant and Equipment
Land and Buildings	Primary / Concurrent mortgage for Loans and Borrowings	6,294,514	6,441,384	Property, Plant and Equipment
Inventories	Primary / Concurrent mortgage for Loans and Borrowings	7,746,445	8,786,962	Inventories
Trade Receivables	Primary / Concurrent mortgage for Loans and Borrowings	6,996,694	6,348,374	Trade Receivable

28. EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's financial assets included trade other receivables, cash and cash equivalent that arrive directly from its operations.

The Company is exposed to Market risk, Interest rate risk, Foreign currency risk and liquidity risk. The Company continuously evaluates the mentioned risks and appropriate actions are being taken with assistance from Group Treasury Department to minimize the adverse impact arising from such risks.

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 risk comprise two types of risk: interest rate risk and foreign currency risk. Financial instruments of the Company which are primarily affected by the said risk is Loans and Borrowings.

The sensitivity which describes the effect to the Compny's profit or loss is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2016 and 2015.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

Notes to the Financial Statements

The Company manages its interest rate risk by constantly monitoring the interest rates and negotiating them with the banks through assistance from the Parent Company's Treasury. Company's strategy is to maintain the borrowing rates at AWPLR for LKR borrowings and USD borrowings at 3 Months LIBOR +3.5% or less.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings. Outstanding as of the reporting date is as follows;

	2016		2015	
	Increase/Decrease in basis points	Effect on profit before tax -USD	Increase/Decrease in basis points	Effect on profit before tax -USD
	0.41	(63,544)	0.44	(73,727)
	-0.41	63,544	-0.44	73,727

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when local expense is denominated in a different currency from the Company's presentation currency).

The Company manages its foreign currency risk by closely monitoring the rates with the assistance of the Parent Company's Treasury. Transactions are entered in to on carefully chosen dates to maximize the positive impact on exchange variance while caution is practiced to negate and minimize any negative effect.

The Company does not hedge its exposure to fluctuations on the translation in to USD of its LKR denominated expenses. However, care is taken to reduce such liability thus nullifying any impact on exchange variance. No currency hedge is applied against other major currencies such as EURO or GBP due to their triviality.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in LKR and EURO exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

The movement in the post-tax effect is a result of a change in the monetary assets and liabilities denominated in other currencies such as LKR and Euro, where the functional currency is US dollars.

	2016		2015	
	Change in LKR Rate	Effect on profit before tax -USD	Change in LKR Rate	Effect on profit before tax -USD
Change in LKR Exchange Rate	3%	18,424	3%	22,977
	-3%	(19,563)	-3%	(24,398)

	2016		2015	
	Change in EURO Rate	Effect on profit before tax -USD	Change in EURO Rate	Effect on profit before tax -USD
Change in Euro Exchange Rate	3%	3,186	3%	5,476
	-3%	(3,383)	-3%	(5,815)

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables)

Trade receivables

Customer credit risk is managed customer wise and is subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit.

An impairment analysis is performed at each reporting date on an individual basis for major all clients.

The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets reported in these financial statements.

The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are well reputed; cash rich and operate in largely independent markets.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Company's policy. However, currently the Company does not hold any cash deposits or any other financial instrument other than those disclosed and is not affected by any credit risk emanating from such balances.

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Company's policy is that the gearing is managed to a sustainable level. Company forecasts its financial commitments and collections on a weekly basis and any gap is bridged with an alternate fund sourcing in consultation with the Parent Company Treasury and financial institutions.

Approximately 88% of the Company's debt will mature in less than one year at 31 March 2016 (2015: 78%) based on the carrying value of borrowings reflected in the financial statements. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Notes to the Financial Statements

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The maturity profile of the Company's financial liabilities based on contractual undiscounted payments are provided in Notes 14.2 and 16.1 to the financial statements.

Capital Management

The Company's Capital is made up of both equity and debt capital which have been disclosed in Notes 13 and 14 respectively.

Fair Value of Financial Instruments

Financial assets of the Company include cash and cash equivalents, trade receivables and other receivables, whilst financial liabilities include trade and other payables and interest bearing loans and borrowings.

The management assessed that cash and cash equivalents, trade receivables, other receivables, trade and other payables approximate their carrying amounts largely due to the short term maturities of these instruments. The management also assessed that long term variable rate borrowings approximate their carrying amounts largely due to the market based interest rates charged.

Statement of Financial Position Translated into LKR

ASSETS

As at 31 March	2016 LKR '000	2015 LKR '000
Non-Current Assets		
Property, plant and equipment	3,403,592	2,951,556
Intangible assets	73,395	94,476
	3,476,987	3,046,032
Current Assets		
Inventories	1,509,788	1,476,246
Trade receivables	1,053,282	855,253
Other receivables	164,937	175,542
Advances and prepayments	48,948	59,002
Cash and cash equivalents	181,104	466,120
	2,958,059	3,032,163
Total Assets	6,435,046	6,078,195
EQUITY AND LIABILITIES		
Capital and Reserves		
Stated capital	1,968,193	1,968,193
Revaluation reserve	210,957	188,788
Retained earnings	(67,947)	(297,282)
Exchange fluctuation reserve	467,170	229,771
Total Equity	2,578,373	2,089,470
Non-Current Liabilities		
Interest bearing loans and borrowings	296,557	554,237
Deferred tax liabilities	195,969	197,164
Retirement benefit obligations	289,559	223,230
	782,085	974,631
Current Liabilities		
Trade and other payables	711,529	902,361
Interest bearing loans and borrowings	2,235,324	1,998,908
Amounts due to Hayleys PLC	6,811	7,203
Income tax payable	17,416	10,801
Other current non financial liabilities	103,508	94,821
	3,074,588	3,014,094
Total Equity and Liabilities	6,435,046	6,078,195

The financial statements prepared and presented in US Dollars reflect the economic substance of underlying events and circumstances of the enterprise. The supplementary information in SL Rupees is presented for convenience purposes only. The statements presented in SL Rupees are not a full set of financial statements and are not purported to comply with Sri Lanka Accounting Standards. They represent selected information taken from the US Dollar financial statements, translated into SL Rupees generally using the principles set out in Sri Lanka Accounting Standards (LKAS) 21 for the translation of financial statements to a presentation currency from a measurement currency. Revenue and costs are converted using the average exchange rate for the period. Assets and liabilities are converted using the exchange rate at the end of the year. The revenue reserves incorporates the profit for the period reflected in the income statements.

In accordance with advice received from the Urgent Issue Task Force of the Institute of Chartered Accountants of Sri Lanka, stated capital is represented at it's original SL Rupee value.

Followings are the exchange rates were used to convert the financials into LKR

	31.03.2016	31.03.2015
Statement of Profit or Loss and Other Comprehensive Income	141.76	132.79
Statement of Financial Position	150.54	134.72

Statement of Profit or Loss and Other Comprehensive Income Translated into LKR

Translated into LKR

Year ended 31 March	2016 LKR '000	2015 LKR '000
Revenue	8,494,841	8,635,534
Cost of Sales	(7,424,035)	(7,732,131)
Gross Profit	1,070,806	903,403
Other Operating Income	2,882	5,655
Administrative Expenses	(577,883)	(565,276)
Distribution Expenses	(87,666)	(104,594)
Other Expenses	(32,760)	(14,415)
Net Financing Costs	(118,373)	(137,438)
Profit Before Tax	257,006	87,335
Income Tax Reversal	4,599	2,951
Profit for the Year	261,605	90,286
Other Comprehensive Income not to be reclassified to profit or loss		
- Surplus on revaluation of land	-	34,490
- Actuarial loss on defined benefit plans	(36,671)	(11,553)
- Income Tax effect relating to actuarial loss	4,401	1,386
Total Comprehensive Income, Net of Tax	229,335	114,609
Basic / Diluted Earnings per Share	1.26	0.47

Ten Year Summary

	10-year compound growth %	2016 USD	2015 USD	2014 USD	2013 USD	2012 USD	2011 USD	2010 USD	2009 USD	2008 USD	2007 USD
Results											
Net turnover	2	59,924,103	65,031,509	61,252,088	44,193,490	45,936,097	58,322,307	50,056,501	59,074,278	59,736,554	50,803,668
Profit after tax	(9)	1,845,409	679,920	(1,388,400)	(3,642,771)	(7,581,712)	(7,078,596)	3,163,627	3,235,324	5,877,245	4,394,372
Funds Employed											
Stated capital	12	17,561,761	17,561,761	13,563,304	13,563,304	6,534,102	6,534,102	6,534,102	6,534,102	6,534,102	6,534,102
Reserves	(169)	(434,262)	(2,052,032)	(2,875,191)	(1,508,395)	2,012,633	9,594,346	17,021,818	16,632,221	15,226,288	11,609,768
Shareholders' fund	(1)	17,127,499	15,509,729	10,688,113	12,054,909	8,546,735	16,128,448	23,555,920	23,166,323	21,760,390	18,143,870
Borrowings (both short and long term)	0	16,818,659	18,951,491	16,866,448	12,655,851	19,996,108	23,706,118	16,362,217	16,124,369	15,443,809	16,194,239
		33,946,158	34,461,220	27,554,561	24,710,760	28,542,843	39,834,566	39,918,137	39,290,692	37,204,199	34,338,109
Assets Employed											
Non current assets	(0)	23,096,764	22,610,098	22,622,634	24,304,984	25,750,288	27,616,695	26,737,822	26,462,825	25,686,328	23,741,628
Current assets	1	19,649,657	22,507,145	19,490,701	11,753,515	13,006,227	18,987,220	23,428,147	19,624,002	20,286,525	18,235,648
Current liabilities net of borrowings	(3)	(5,575,019)	(7,535,519)	(11,615,635)	(8,632,504)	(7,453,474)	(3,954,781)	(7,520,043)	(5,978,624)	(8,050,296)	(7,100,956)
Provisions	22	(3,225,244)	(3,120,504)	(2,943,139)	(2,715,235)	(2,760,198)	(2,814,569)	(2,727,790)	(817,511)	(718,359)	(538,211)
Capital Employed	(0)	33,946,158	34,461,220	27,554,561	24,710,760	28,542,843	39,834,566	39,918,137	39,290,692	37,204,199	34,338,109
Cash Flow											
Net cash inflow/(outflow) from operating activities		2,606,119	(1,392,458)	(3,763,827)	589,410	5,660,679	(4,837,120)	3,783,556	3,677,255	6,619,224	4,698,040
Net cash inflow/(outflow) from investing activities		(2,734,731)	(1,712,927)	(401,501)	(507,460)	(1,339,693)	(2,485,654)	(2,046,136)	(2,615,639)	(3,615,591)	(4,337,616)
Net cash inflow/(outflow) from financing activities		(2,420,540)	10,185,800	1,291,588	5,654,647	(1,827,919)	897,130	(2,568,869)	(1,551,086)	(5,162,870)	(873,133)
Increase / (decrease) in cash and cash equivalents		(2,549,151)	7,080,416	(2,873,740)	5,736,597	2,493,067	(6,425,644)	(831,449)	(489,470)	(2,159,237)	(512,709)
Key Indicators											
Earnings/(Loss) per share (basic) USD		0.009	0.004	(0.008)	(0.025)	(0.120)	(0.1394)	0.062	0.064	0.116	0.087
Net assets per share USD		0.08	0.07	0.07	0.08	0.13	0.31	0.46	0.46	0.43	0.36
Dividend per share Rs.		-	-	-	-	-	-	2.50	2.00	6.40	4.60
Gearing %		50	55	61	51	70	60	41	41	42	47
Turnover to capital employed (times)		1.77	1.89	2.22	1.79	1.61	1.46	1.25	1.50	1.61	1.48

Shareholders Information

Ordinary Shareholders as at 31st March,2016

No. of shares held	RESIDENTS No.of Shareholders	No.of Shares	%	NON RESIDENTS No.of Shareholders	No.of Shares	%	TOTAL No.of Shareholders	No.of Shares	%
1 - 1,000	1,393	539,688	0.260	10	5,000	0.002	1,403	544,688	0.262
1,001 - 10,000	998	3,987,606	1.920	6	16,010	0.008	1,004	4,003,616	1.927
10,001 - 100,000	346	11,258,134	5.419	12	417,913	0.201	358	11,676,047	5.620
100,001 - 1,000,000	56	16,063,406	7.732	1	171,930	0.083	57	16,235,336	7.815
OVER 1,000,000	13	174,245,069	83.876	1	1,036,132	0.499	14	175,281,201	84.375
	2,806	206,093,903	99.207	30	1,646,985	0.793	2,836	207,740,888	100.000

CATEGORY	RESIDENTS No.of Shareholders	No.of Shares	%	NON RESIDENTS No.of Shareholders	No.of Shares	%	TOTAL No.of Shareholders	No.of Shares	%
Individuals	2,628	27,735,012	13.351	26	532,053	0.256	2,654	28,267,065	13.607
Institutions	178	178,358,891	85.856	4	1,114,932	0.537	182	179,473,823	86.393
	2,806	206,093,903	99.207	30	1,646,985	0.793	2,836	207,740,888	100.000

Market Value

The market value of an ordinary share of Hayleys Fabric PLC. was :

	2016 (LKR)	2015 (LKR)
Highest	24.00 (on 12th Oct. 2015)	20.40 (on 23rd Sep. 2014)
Lowest	15.00 (on 9th Mar. 2016)	9.90 (on 21st May 2014)
Year end	18.00	17.70

Share Trading Information

As at 31st March	2016	2015
No. of transactions	16,870	17,099
No. of shares traded	53,117,895	81,501,829
Value of shares traded (Rs.)	1,068,931,287	1,243,286,168

Notice of Meeting

HAYLEYS FABRIC PLC
Company No. PQ 37

Notice is hereby given that the Twenty Fourth Annual General Meeting of Hayleys Fabric PLC, will be held at the Registered Office of the Company, at No.400, Deans Road, Colombo 10, on Monday , 27th June 2016 at 3.00 p.m. and the business to be brought before the meeting will be:

1. To consider and adopt the Annual Report of the Board and the Statements of Accounts for the year ended 31st March 2016 with the Report of the Auditors thereon.

2. To re-elect Mr.A.M.Pandithage, who retires by rotation at the Annual General Meeting, a Director.

3. To re-elect Dr.N.S.J.Nawaratne, who retires by rotation at the Annual General Meeting, a Director.

4. To authorise the Directors to determine contributions to charities.

5. To authorize the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, Chartered Accountants who are deemed to have been re-appointed as Auditors for the year 2016/17.

6. To consider any other business of which due notice has been given.

NOTE :
A shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office, No.400, Deans Road, Colombo 10 by 3.00 p.m. on 25th June 2016.

By Order of the Board

HAYLEYS FABRIC PLC
HAYLEYS GROUP SERVICES (PRIVATE) LIMITED
Secretaries

Colombo
27th May 2016

Notes

Form of Proxy

I/We* ....
of ....
being a shareholder/shareholders* of HAYLEYS FABRIC PLC hereby appoint,
1. ....
of .... or failing him/them,*

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our* proxy to attend, speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Twenty Fourth Annual General Meeting of the Company to be held on Monday, 27th June 2016 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

		For	Against
1.	To consider and adopt the Annual Report of the Board and the Statements of Accounts for the year ended 31st March 2016, with the Report of the Auditors thereon.		
2.	To re-elect Mr.A.M.Pandithage, who retires by rotation at the Annual General Meeting, a Director		
3.	To re-elect Dr.N.S.J.Nawaratne, who retires by rotation at the Annual General Meeting, a Director		
4.	To authorise the Directors to determine contributions to charities.		
5.	To authorize the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, Chartered Accountants who are deemed to have been reappointed as Auditors for the year 2016/17.		

(**) The proxy may vote as he thinks fit on any other resolution brought before the Meeting.

As witness my/our* hands this …………………….. day of ………..……………………..2016

Witnesses

....

....

....

....
Signature of Shareholder

NOTE : * Please delete the inappropriate words.
1. A proxy need not be a shareholder of the Company.
2. Instructions as to completion appear on the reverse.

Form of Proxy

Instructions as to Completion

1. To be valid, this Form of Proxy must be deposited at the Registered Office of the Company, No.400, Deans Road, Colombo 10, by 3.00 p.m. on Saturday, 25th June 2016.

2. In perfecting the Form of Proxy, please ensure that all details are legible

3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at 1 overleaf and initial against this entry.

4. Please indicate with an X in the space provided how your proxy is to vote on each resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (**) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.

5. In the case of a Company / Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.

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

Corporate Information

Name of Company
Hayleys Fabric PLC

Legal Form
A Quoted Public Company with Limited Liability
(Incorporated in Sri Lanka in 1993)

Company Registration Number
PQ 37.

Accounting year end
31st March

Principal Activity
Manufacturing of knitted fabric

Directors
A.M.Pandithage - Chairman
E.R.P Goonetilleke - Managing Director
K.D.D.Perera
S.C.Ganegoda
H.Somashantha
R.N Somaratne
Dr.N.S.J.Nawaratne
A.S.Jayatilleka
Ms.Yogadinusha Bhaskaran (Alternate Director to K.D.D.Perera) - Appointed w.e.f.1st June 2015

Secretaries
Hayleys Group Services (Pvt) Ltd.
400, Deans Road,Colombo 10.
Telephone: (94-11) 2627650- 2627653 (4 Lines)

Registered Office
400, Deans Road,
Colombo 10.
Telephone: (94-11) 2627000

Main Office & Factory
Narthupana Estate , Neboda.
Telephone: (94-34) 4297100, 2242055

Bankers
Standard Chartered Bank
HSBC
Hatton National Bank
Bank of Ceylon
NDB Bank
Sampath Bank
Commercial Bank of Ceylon
Deutsche Bank
Citibank
Seylan Bank
Pan Asia Bank

Auditors
Ernst & Young
Chartered Accountants,
201, De Saram Place,
Colombo 10.

Designed & produced by
emagewise
Digital Plates & Printing by Softwave Printing and Publishing (Pvt) Ltd
Photography by Dimitri Crusz

Scan to access full Intergrated Annual Report

www.hayleysfabric.com