HAYLEYS FIBRE PLC

ANNUAL REPORT 2025/26

SUSTAINABLE SYMBIOSIS

SUSTAINABLE SYMBIOSIS

As we reflect on the past year, one truth stands clear: lasting progress is not built in isolation but through connection, adaptability, and the ability to thrive even in challenging conditions. For Hayleys Fibre PLC, this belief has remained central to our journey as we continue to strengthen our sustainability efforts through circular economy principles, zero-waste initiatives, innovation, and responsible growth.

This year, we draw inspiration from lichens which remain one of nature's most extraordinary examples of resilience through partnership. Formed through a powerful symbiosis between fungi and algae, lichens thrives where many other life forms cannot. It survives on rock, bark, and barren landscapes, growing steadily while restoring balance to the ecosystems around it. Though often quiet and overlooked, lichens play a critical role in regeneration, air purification, soil formation, and sustaining biodiversity.

Much like lichens, our strength lies in collaboration. Through the collective efforts of our people, partners, customers, and communities, we continue to create sustainable solutions that are built not only for efficiency, but for long-term impact. In an evolving landscape, we have remained adaptable and grounded while turning challenges into opportunities and ensuring that every decision contributes to a healthier and more responsible future.

Lichens also reminds us that true sustainability is layered. It is built gradually, strengthened over time, and sustained through balance. In the same way, our commitment extends beyond operational success. From reducing waste and improving resource efficiency to supporting livelihoods and protecting the ecosystems around us, we continue to create value that is designed to last.

As we move forward, we remain inspired by nature's quiet endurance. Through partnership, resilience, and purposeful innovation, we continue to grow stronger together, proving that the most lasting progress is built through sustainable symbiosis.

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Made in Ceylon

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HAYLEYS FIBRE PLC
ANNUAL REPORT 2025/26

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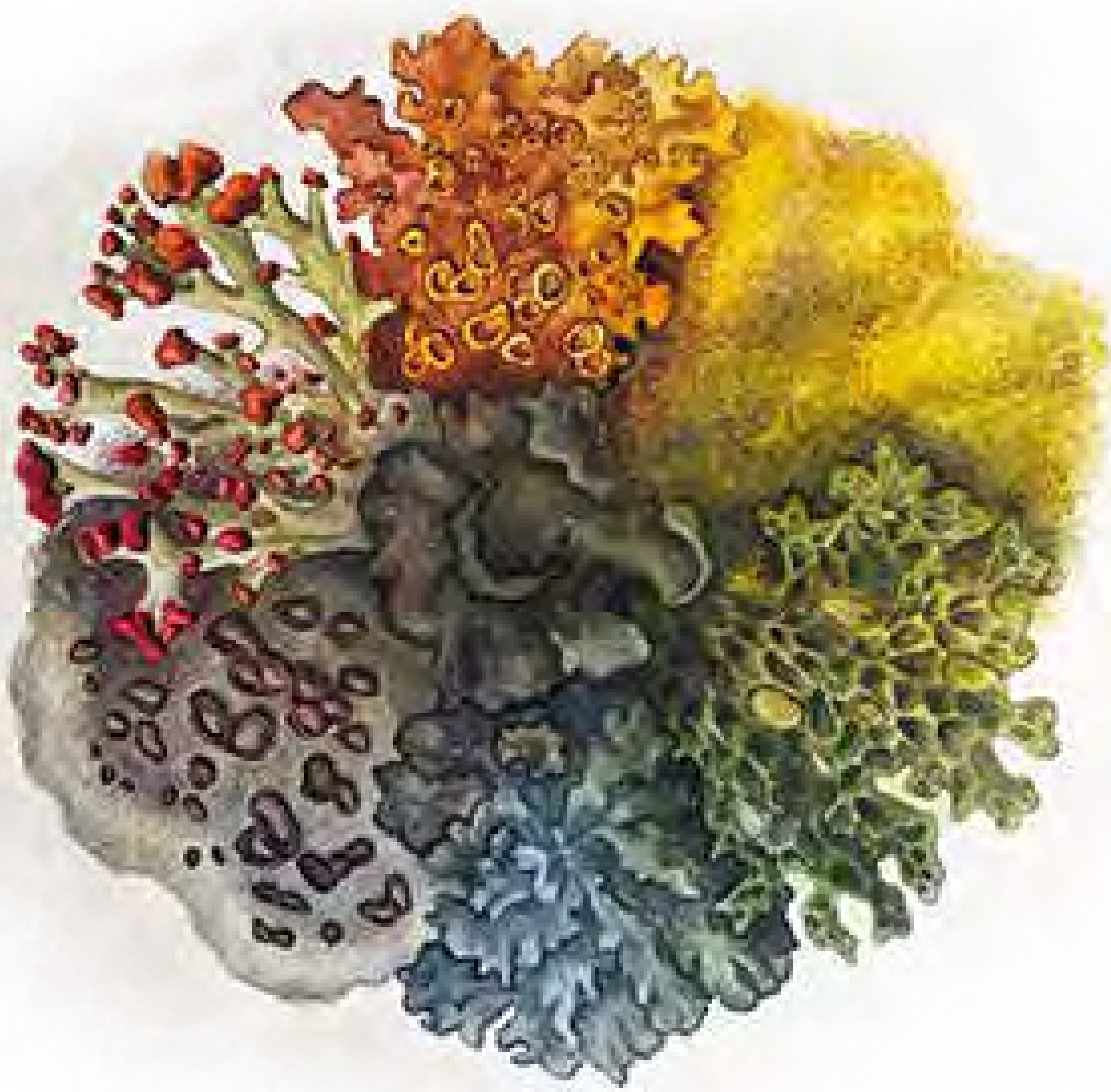


A SYMBIOSIS OF UNITY

We grow through partnership and shared purpose in every aspect.

ABOUT THE REPORT

2021/22 | 2023/24 | 2025/26 | 2024/25 | 2022/23

GRI 2-3

Report Profile

The Integrated Annual Report for FY 2025/26 published by the Hayleys Fibre PLC (Group) aims to demonstrate how integrated thinking is embedded across operational frameworks and decision-making processes across the Group.

The current report, which is the 5th consecutive Integrated Report published by the Hayleys Fibre PLC (hereinafter referred to as "Hayleys Fibre" or "the Group"), further underlines the firm commitment to benchmark global best practices for corporate reporting, transparency, and integrated thinking.

All previous reports including the most recent past report for FY 2024/25 are available for viewing and download under the annual reports tab on the corporate website - www.hayleysfibre.com

HIGHLIGHTS

A Golden First: Hayleys Fibre PLC CA Sri Lanka TAGS Award - 2024/25

ABOUT THE REPORT

Reporting Boundary for the FY 2025/26 Integrated Report

RISKS | OPPORTUNITIES | GOVERNANCE

FINANCIAL AND STATUTORY REPORTING BOUNDARY
01st April 2025 to 31st March 2026

Hayleys Fibre PLC
- Core Business: Manufacture and export of coir fibre based products
- Markets Served: Global

Bonterra Limited
- Manufacturer of coir based erosion control blankets
- Markets Served: Global

Creative Polymats (Pvt) Ltd
- Manufacturer of polyurethane mattresses designed for retail and hospitality
- Markets Served: Sri Lanka

Navigational Icons

Stakeholders	Capitals
Shareholders	Financial Capital
Employees	Manufactured Capital
Customers	Intellectual Capital
Suppliers	Social and Relationship Capital
Community / Society	Human Capital
	Natural Capital

GRI 2-2

Scope and Boundary

This Report covers the period from 1 April 2025 to 31 March 2026, in line with the reporting cycle of Hayleys Fibre PLC. The scope of the report encompasses the activities of Hayleys Fibre PLC (HFP) and its subsidiaries, Bonterra Limited (BL) and Creative Polymats (Pvt) Ltd (CPL) for the reporting period, with the information presented covering both financial and non-financial aspects of the Group's operations and performance.

In this regard, the report alludes to the strategic initiatives undertaken in response to evolving market conditions and stakeholder expectations, while balancing current performance with future growth potential.

Materiality

The content of this report is guided by the principle of materiality (as defined by GRI) ensuring that it focuses on the issues most relevant to Hayleys Fibre's long-term value creation. These process for determining Material Topics is, detailed on page 36 of this report.

Information Gathering and Report Preparation

The overall report preparation process was coordinated by a dedicated internal team, with guidance and support provided by specialist external reporting advisors. The information presented in this Report has been drawn from a range of internal and external sources, including consultations with the leadership team and employees across the Hayleys Fibre Group. Where relevant, verified external data sources have also been utilised to complement and validate internally generated information.

INTEGRATED REPORTING
Reporting Principles

Reporting Frameworks

Financial Reporting	Governance and Risk Reporting	Integrated Reporting	Sustainability Reporting
- The Companies Act no. 7 of 2007 - Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) - The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995	- The Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) - The Corporate Governance rules issued by the Colombo Stock Exchange (CSE) and Regulations of Securities and Exchange Commission (SEC)	- Integrated Reporting Framework <IR> by the International Integrated Reporting Council (IIRC)	- Global Reporting Initiative (GRI) Standards "In Accordance" (The GRI Content Index is on page 242) - United Nations Sustainable Development Goals (SDG's) - Sri Lanka Sustainability Disclosure Standards - IFRS/ SLFRS S1 and S2

GRI 2-5

Combined Assurance

The integrity of the financial and non-financial information presented in this Report has been supported through a combined assurance model. Internally, the Board Audit Committee has played a key role in reviewing the underlying reporting processes and conducted a detailed assessment of the Integrated Report to ensure alignment with applicable reporting frameworks and standards.

The Group's external auditors, Messrs. Ernst & Young have provided independent assurance on the financial statements for the year ended 31 March 2026.

Independent limited assurance has also been obtained to verify the completeness and accuracy of the Group's adherence to the GRI standards for non-financial disclosures. This independent limited assurance report by Messrs. Ernst & Young is on page 240.

Forward Looking Statements

This Integrated Report contains statements that are forward-looking in nature, including expectations, projections, and plans relating to the strategy, operations, market conditions, and future performance of Hayleys Fibre PLC. These statements are based on current assumptions, estimates, and information available at the time of publication and are intended to provide stakeholders with insights into the Group's anticipated strategic direction and priorities.

ABOUT THE REPORT

GRI 2-4

Disclaimer

Forward-looking statements are inherently subject to risks and uncertainties that may cause actual results, performance, or outcomes to differ materially from those expressed or implied. Such factors include, but are not limited to, changes in market conditions, regulatory developments, macroeconomic trends, competitive pressures, and unforeseen operational challenges. The Hayleys Fibre PLC Board assumes no obligation to update or revise any forward-looking statements, whether due to new information, future events, or otherwise, except as required under applicable law. Accordingly, readers are cautioned not to place undue reliance on these statements.

Furthermore, the Board confirms that there are no material restatements relating to prior annual reports issued by the Group.

GRI 2-14

Board Responsibility Statement

The Board of Directors of Hayleys Fibre PLC takes collective responsibility for the completeness, accuracy, and integrity of this Integrated Report. The Board confirms that it has reviewed the content in its entirety, supported by appropriate internal validation processes and relevant external assurance inputs, where applicable.

Based on this review, the Board is satisfied that the Integrated Report for FY 2025/26 presents a balanced and comprehensive account of all Material Topics influencing the Group's ability to create, preserve, and deliver sustainable value to its stakeholders over the short, medium, and long term.

The Annual Report of the Board of Directors on page 167 includes an acknowledgement of the Directors' responsibilities in relation to the preparation and presentation of the Annual Report.

Signed for and on behalf of the Board,

GRI 2-3

Feedback

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

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

OUR PURPOSE, VISION, MISSION AND VALUES

Purpose

"To Inspire Innovative and Inclusive Eco-Friendly living".

Vision

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

Mission

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

Hayleys Values

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

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

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

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

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

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

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

&

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

BOARD OF DIRECTORS

01 A. M. Pandithage
Executive Chairman

02 H. S. R. Kariyawasan
Non-Executive Director

03 K. R. Rajapakse
Managing Director

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

05 S. C. Ganegoda
Non-Executive Director

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

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

08 L. Uralagamage
Executive Director

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

10 S. Amarasekera, PC
Independent Non-Executive Director

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

12 K. A. Karunarathna
Executive Director/ Chief Financial Officer

BOARD OF DIRECTORS

GRI 2-11

A. M. Pandithage

Executive Chairman

Appointed to the Board on 1st January 2007

Skills and experience

Since assuming the role of Chairman and Chief Executive of Hayleys PLC in 2009, Mr. Mohan Pandithage's strategic vision has redefined the growth trajectory of Hayleys, transforming the Hayleys Group to one of Sri Lanka's most diversified, sustainable and socio-economically impactful enterprises. His foresight in capturing emerging opportunities and driving strategic investments in key industries have significantly enhanced the Group's earnings potential and long-term resilience and he was named as 'Business Leader For the Year 2025' by LMD. Mr. Pandithage is an accomplished industry veteran and respected leader in the field of transportation and logistics, having led the Group's Transportation Sector prior to this appointment as Chairman of the Hayleys Group. He was the first Sri Lankan to be awarded the Pinnacle Lifetime Award by the Chartered Institute of Logistics and Transport and has been honoured with the prestigious 'Best Shipping Personality' Award by the Institute of Chartered Shipbrokers, in recognition of his outstanding contributions to the industry. He was also inducted as a 'Legend of Logistics' by the Sri Lanka Logistics and Freight Forwarding Association.

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

Other appointments

Mr. Pandithage serves as the Executive Chairman of Hayleys PLC, Haycarb PLC, Dipped Products PLC, Hayleys Fabric PLC, Singer (Sri Lanka) PLC, Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC, Horana Plantations PLC, Alumex PLC, The Kingsbury PLC and Hayleys Leisure PLC. He also serves as a Non-Executive Director on the Board of Diesel & Motor Engineering PLC.

H. S. R. Kariyawasan

Non-Executive Director

Appointed to the Board on 16th May 2017

Skills and experience

Mr. Rajitha Kariyawasan has extensive leadership experience in the manufacturing sector, which includes over 15 years in the Hayleys Group.

He was appointed to the Group Management Committee of Hayleys PLC in February 2010 and currently holds overall responsibility for the Purification Sector of the Hayleys Group. Prior to joining Hayleys, Mr. Kariyawasan held the position of Director/ General Manager of Ansell Lanka (Pvt) Ltd. He has also served as the Chairman of the Manufacturing Association of the Export Processing Zone, Biyagama.

He holds a B.Sc. Eng. (Electronics and Telecommunications) from the University of Moratuwa, Sri Lanka and is a Fellow Member of the Chartered Institute of Management Accountants, UK. In addition, he is also a Six Sigma (Continuous Improvement Methodology) Black Belt, certified by the Motorola University, Malaysia.

Other appointments

Mr. Kariyawasan is the Deputy Chairman of Haycarb PLC and Dipped Products PLC. He is also a Director of Hayleys PLC and in companies in the Purification Sector, Hand Protection Sector and the Eco Solutions Sector of the Hayleys Group.

K. R. Rajapakse

Managing Director

Appointed to the Board on 1st April 2026

Skills and experience

Mr. Ruwan Rajapakse serves as the Managing Director of the Eco Solutions Sector.

Mr. Rajapakse possesses over 30 years of professional experience with more than 20 years of international exposure, serving in senior leadership positions across global manufacturing, supply chain management, agriculture, and international trade.

He previously served as Global Chief Production Officer of the Jiffy Group and a member of the Group's top management, headquartered in Rotterdam, Netherlands, where he led the company's global production, operations, and supply chain across multiple facilities in Europe, North America, and Asia.

Mr. Rajapakse is a member of the Institute of Certified Management Accountants, Australia. He holds a Bachelor Degree in Physical Science from the University of Kelaniya and an MBA from the University of Colombo. He is also Lean Six Sigma Black Belt qualified in Manufacturing.

Other appointments

Mr. Rajapakse is the Managing Director of Chas P Hayley & Company (Private) Limited, Volanka (Private) Limited, Haymat (Private) Limited, Ravi Industries Limited, Ravi Marketing (Private) Limited, Rileys (Private) Limited, Toyo Cushion Lanka (Private) Limited, Volanka Exports Limited and Creative Polymats (Private) Limited.

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

Appointed to the Board on 17th November 2017

Skills and experience

Mr. Kositha Kodytuakku, holds a Master of Business Administration (MBA) from Anglia Ruskin University, UK, a Diploma in Manufacturing Management from the University of Colombo, and a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing (CIM), UK.

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

He joined the Hayleys Group in May 2017 as the Chief Executive Officer of Ravi Industries. Mr. Kodytuakku, was appointed as the Chief Operations Officer of Eco Solutions Sector of Hayleys PLC in April 2019 and as the Deputy Managing Director in 2021.

Other appointments

Mr. Kodytuakku serves as an Executive Director of Ravi Industries Limited, Ravi Marketing Services (Private) Limited, Volanka (Private) Limited, Chas P Hayley & Company (Private) Limited, Rileys (Private) Limited, Toyo Cushion Lanka (Private) Limited and Creative Polymats (Private) Limited.

S. C. Ganegoda
Non-Executive Director

Appointed to the Board on 1st November 2009

Skills and experience

Mr. Sarath Ganegoda is an accomplished corporate leader counting over 30 years of multifaceted experience across diverse industries. He has held several senior leadership positions in large private sector organisations in Sri Lanka and overseas. Having served the Hayleys Group between 1987 and 2002, he rejoined in 2007 and was appointed to the Group Management Committee the same year. Mr. Ganegoda was appointed to the Board of Hayleys PLC on 24th September 2009. He is currently responsible for the Strategic Business Development Unit and Group Information Technology of Hayleys PLC. He is also the Deputy Chairman of Alumex PLC.

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

Other appointments

Mr. Ganegoda is an Executive Director of Hayleys PLC, Non-Executive Director of Haycarb PLC, Dipped Products PLC, Hayleys Fabric PLC, Kelani Valley Plantations PLC, Horana Plantations PLC, Singer (Sri Lanka) PLC, The Kingsbury PLC and Hayleys Leisure PLC. He serves on the Boards of several private and unlisted public companies in the Hayleys Group.

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

Appointed to the Board on 1st April 2018

Skills and experience

Mr. Wijeyeratne is an Associate Member of CA Sri Lanka, Fellow Member of the Chartered Institute of Management Accountants, UK (FCMA) and a Graduate Member of the Australian Institute of Company Directors (GAICD).

He moved as a finance professional to Price Waterhouse, Bahrain, and has extensive experience in audit and advisory services. He commenced his banking career at HSBC Bank Middle East, as Head of Finance and Operations and latterly, was Head of Global Markets and Treasury for the group offices of HSBC Group in the Kingdom of Bahrain.

As a Member of the Senior Management team of HSBC, Mr. Wijeyeratne was responsible for Corporate Treasury, Sales and Asset and Liability Management (ALCO) for three legal entities of the HSBC Group operating in Bahrain. In 2010, he joined Third Wave International WLL as an equity partner and CEO and embraced entrepreneurship. He led a team of consultants and extended consultancy offerings in Financial Advisory, Human Resources, Marketing, Project and Quality Management, Research and Learning and Development to the private and public sector entities in Bahrain and Oman.

Other appointments

Mr. Wijeyeratne serves as an Independent Non-Executive Director of Singer (Sri Lanka) PLC, Sampath Bank PLC and Janashakthi Life Insurance PLC.

BOARD OF DIRECTORS

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

Independent Non-Executive Director

Appointed to the Board on 1st September 2017

Skills and experience

Dr. Prasad Samarasinghe obtained his Doctorate in Telecommunications from the world-ranked research University, the Australian National University, Canberra, Australia. He holds a B.Sc. (Eng) Degree in Electronics and Telecommunications with First Class Honors and an M.Sc. in Engineering, both from the University of Moratuwa, Sri Lanka. A Member of the Institute of Electrical and Electronics Engineers and the Institute of Engineering and Technology, he also has a Licentiate (Part I and II) from CA Sri Lanka with the island's best results in Financial Accounting, Business Mathematics, Statistics, and Data Processing. He has served as the Chief Operating Officer at Sri Lanka Insurance and Head of Information Technology at Commercial Bank of Ceylon PLC.

Other appointments

Dr. Samarasinghe serves as the Managing Director of Lanka Bell (Pvt) Ltd, Bell Solutions (Pvt) Ltd, Bell Active (Pvt) Ltd and Bellvantage (Pvt) Ltd. He also serves as an Independent Non-Executive Director of Hatton National Bank PLC, HNB Finance PLC and Chemanex PLC.

L. Uralagamage

Executive Director

Appointed to the Board on 1st June 2021

Skills and experience

Mr. Uralagamage is currently the Director/ General Manager (Head of Manufacturing) at Chas P. Hayley & Company (Private) Limited in the Eco Solutions Sector, with over 41 years of experience in fibre and brushware related products.

He received the Hayleys Chairman's Award in 2017 for introducing a new type of fibre (Fibre 40) to the industry, in 2023 for innovating (patented) 4ply machine and 4ply twine, and in 2025 for innovating "Bullet" machine for making coir logs. He invented several machineries that contributed towards the betterment of the Hayleys Fibre industry. He also received a scholarship from HIDA – Japan (The Overseas Human Resources and Industry Development Association) for Quality Management.

Other appointments

Mr. Uralagamage serves as an Executive Director of Chas P Hayley & Company (Private) Limited.

Dr. N. S. J. Nawaratne

Non-Executive Director

Appointed to the Board on 3rd January 2024

Skills and experience

Dr. Nawaratne, obtained his first degree in B.Sc. (Business Management) from Sri Jayawardenapura University, his Diploma in Business Management from PIM, MA in Economics, Kagawa University, Japan and PhD in Management, at Keio University, Tokyo, which is considered as one of the prestigious universities in Japan. He is a visiting Faculty Member of MBA/ MSc programs of University of Colombo, University of Jayewardenepura, University of Moratuwa, Sri Lanka Institute of Information Technology, National Institute of Business Management and National School of Business Management.

He worked as the Director General of the National Institute of Education (NIE), Maharagama from 2020-2023, and has served as the Secretary of the Ministry of Higher Education, Ministry of Poverty Alleviation, Rural Development, Parliamentary Affairs and Up- Country Development. He also served as the Chairman and Director General of National Youth Services Council, Director General of Sri Lanka Samurdhi Development Authority and the Chairman of the Road Development Authority and Sri Lanka Fertilizer Company.

Dr. Nawaratne has served as a Director of Hayleys Fabric PLC, Pan Asia Bank PLC, Sri Lanka Institute of Information Technology, The Video Team (Pvt) Ltd, Cargills Ceylon PLC, Business School of CA Sri Lanka and Outstanding Song Creators Association. He was also the Competent Authority of the Institute of Technology, University of Moratuwa until he joined the NIE as the Director General.

Other appointments

Dr. Nawaratne serves as a Director of Associated Newspaper Co. Ltd.

S. Amarasekera, PC
Independent Non-Executive Director

Appointed to the Board on 3rd January 2024

Skills and experience

Mrs. Amarasekera is an Attorney-at-Law and has over 38 years in active legal practice, mainly in Civil Law, practicing in the Original, Appellate, and the Supreme Court. Her extensive knowledge and practice center around the areas of Property Law, Family Law, Testamentary Law, Trust and Condominium Law. In addition, she has a wide exposure and practice in handling litigation on behalf of Finance Companies, Banks, etc., in respect of money recovery cases. She has also participated in many arbitrations, both local and international, as a Counsel as well as an Arbitrator.

She holds a Master of Laws (LLM) from the University of Pennsylvania with particular emphasis on Insurance Law and the Law of Defamation and Privacy. Mrs. Amarasekera was appointed as a President's Counsel in the year 2018.

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

Other appointments

Mrs. Amarasekera serves as an Independent Non-Executive Director of Alumex PLC and Windforce PLC. She also serves as a Director of Manson Investments (Pvt) Ltd, Silver Aisle (Pvt) Ltd, Leisure Holdings (Pvt) Ltd and Leisure Lines Lanka (Pvt) Ltd.

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

Appointed to the Board on 3rd January 2024

Skills and experience

Mr. Manoha Rajakariar is a highly experienced finance professional with a career spanning over 30 years. Until June 2024, he served as the Chief Financial Officer at South Asia Gateway Terminals (SAGT), where he was a key Member of the Executive Committee and Senior Management Team. Prior to this, he held senior leadership roles at John Keells Holdings PLC (JKH), including Executive Vice President and Group Financial Controller. His tenure at JKH, which began in 1996, saw him serve as the Sector Financial Controller for the Tea Broking and Plantations Sector, CEO of the Shared Services arm, and later as Group Financial Controller before joining SAGT in 2018.

Mr. Rajakariar also gained valuable experience in audit assurance, risk, and compliance through his work with Coopers and Lybrand (PwC) in Sri Lanka and Malawi. He is a Fellow Member of the CA Sri Lanka, the Chartered Institute of Management Accountants (UK), and the Institute of Certified Management Accountants of Sri Lanka, underscoring his strong expertise in finance and governance.

Beyond his corporate responsibilities, he makes a significant contribution to professional and community institutions. He serves on the Ethics Committee of CA Sri Lanka and is a Member of the Audit Committee and Board of Management of the SAB Campus of CA Sri Lanka. He also serves on the Finance Committee of the Sri Lanka Cancer Society.

Other appointments

Mr. Rajakariar serves as an Independent Non Executive Director of Alumex PLC, Asset Line Finance PLC, Digital Mobility Solutions Lanka PLC (PickMe), Elpitiya Plantations PLC, and Access Engineering PLC. He also serves as a Director and Member of the Audit Committee of David Pieris Holdings Limited.

K. A. Karunarathna
Executive Director/ Chief Financial Officer

Appointed to the Board on 1st October 2025

Skills and experience

Mr. Karunarathna is an accomplished finance professional with over 20 years of experience in financial leadership. He currently serves as the Chief Financial Officer of the Eco Solutions Sector, where he oversees financial reporting, taxation, information technology, and related functions.

Prior to joining Hayleys, Mr. Karunarathna held the position of Director Finance at one of Sri Lanka's largest healthcare providers, where he also served as a Board member of several subsidiary companies. He has gained extensive exposure in strategic financial management, operational oversight, and corporate governance across diverse industries including healthcare, manufacturing, IT and systems integration, and retail.

His professional experience also extends internationally, having worked in both the Middle East and Europe.

Mr. Karunarathna holds a B.Sc. in Accountancy and Financial Management with First Class Honours from the University of Sri Jayewardenepura. He is a Fellow Member of CA Sri Lanka, the Association of Chartered Certified Accountants (UK), and the Institute of Certified Management Accountants of Sri Lanka, reflecting his strong expertise in finance, accounting, and governance.

Other appointments

Mr. Karunarathna serves as an Executive Director in Volanka (Private) Limited, Chas P Hayley & Company (Private) Limited, Ravi Industries Limited, Rileys (Private) Limited, and Creative Polymats (Private) Limited.

MANAGEMENT COMMITTEE

K. R. Rajapakse
Managing Director

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

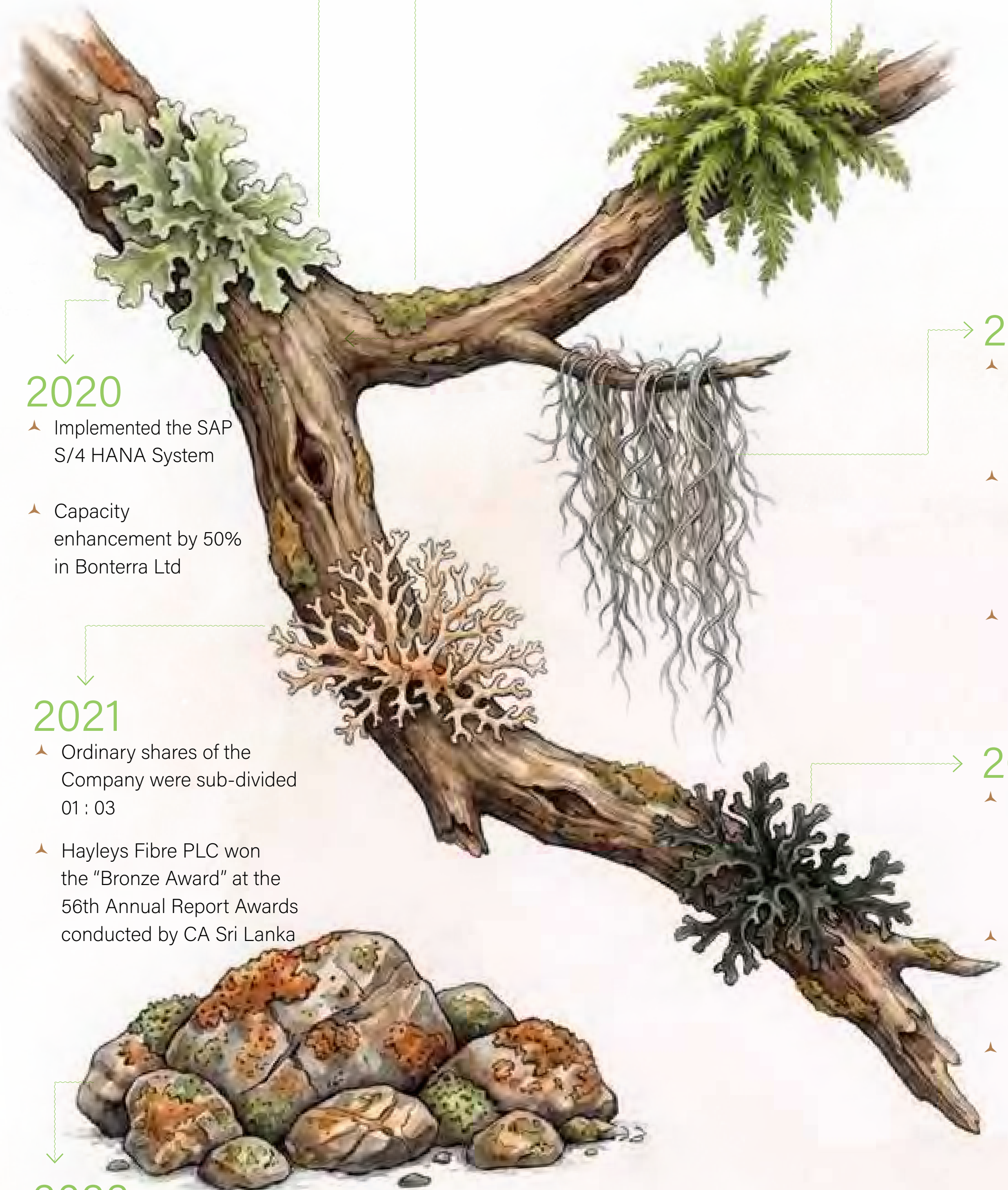
K. A. Karunarathna
Executive Director/ Chief Financial Officer

L. Uralagamage
Executive Director - Head of Operations

M. L. Perera
General Manager - HR and Administration

K. N. Suriyarathne
General Manager - Sales & Marketing

HISTORICAL MILESTONES



2019
- Invested 74% stake in Creative Polymats (Pvt) Ltd

2020
- Implemented the SAP S/4 HANA System
- Capacity enhancement by 50% in Bonterra Ltd

2021
- Ordinary shares of the Company were sub-divided 01 : 03
- Hayleys Fibre PLC won the "Bronze Award" at the 56th Annual Report Awards conducted by CA Sri Lanka

2022
- Recorded the highest Dividend per share
- Acquisition of Bingiriya property

2023
- Crossed Rs. 4 Billion in turnover and reported a profit before tax of Rs. 465 million

2024
- Acquisition of Nikaweratiya land
- Crossed Rs. 5 Billion in turnover
- Hayleys Fibre PLC won the "Silver Award" at the 58th Annual Report Awards (TAGS) conducted by CA Sri Lanka

2025
- Commenced backward integration project at Nikaweratiya
- Hayleys Fibre PLC won the "Silver Award" at the 59th Annual Report Awards (TAGS) conducted by CA Sri Lanka
- Hayleys Fibre PLC and Bonterra Limited won Presidential Export Awards for the Best Exporter

2026
- Hayleys Fibre PLC won the "Gold Award" at the 60th Annual report awards (TAGS) conducted by CA Sri Lanka
- Hayleys Fibre recorded the highest-ever turnover of Rs. 6.87 billion in its history
- Creative Polymats recorded its highest volume and turnover with a significant increase in market share

OUR PRODUCT PORTFOLIO

Growing Media

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

Industrial Fibre

Coir Twine, Coir Twisted Fibre and Fibre in raw form

Erosion Control

Erosion control solutions; Coir Stitched Blankets, Jute Soil Savers, Jute Leno Weave Nets, Steel Sod Staples

Mattresses

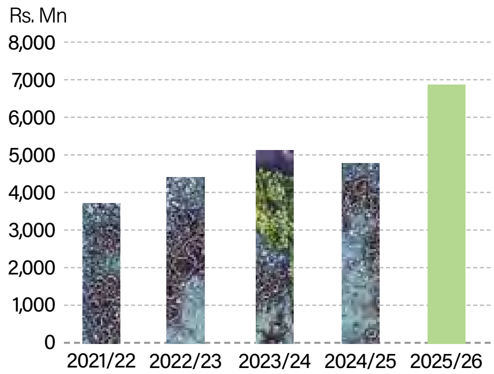
Polyurethane Mattresses, Pillows and Cushions

FINANCIAL HIGHLIGHTS

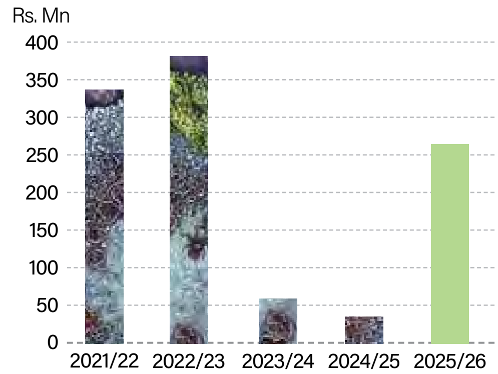
	2025/2026 Rs. Mn	2024/2025 Rs. Mn	Change %
FINANCIAL HIGHLIGHTS			
Revenue	6,868	4,734	45%
Profit before tax	391	39	895%
Tax	(127)	(5)	2,466%
Profit after tax	264	34	669%
Total assets	5,453	4,041	35%
Total debt	2,246	1,593	41%
Equity attributable to equity holders of the Group	1,523	1,365	12%
Total equity	1,828	1,645	11%
PROFITABILITY RATIOS (%)			
Gross profit margin	15.0%	11.1%	36%
Net profit margin	3.8%	0.7%	430%
Return on assets	5.6%	0.9%	548%
Return on equity	14.5%	2.1%	592%
LIQUIDITY RATIOS			
Working capital	681	244	179%
Current ratio (times)	1.22	1.11	10%
Quick assets ratio (times)	0.86	0.79	9%
EQUITY RATIOS			
Net asset value per share (Rs.)	63.47	56.89	12%
Earnings per share (Rs.)	7.13	(1.78)	500%
Highest market price per share (Rs.)	147.75	60.00	146%
Lowest market price per share (Rs.)	45.00	45.00	0%
Market price as at end of the financial year (Rs.)	111.00	46.10	140%
DEBT RATIOS			
Debt to equity	123%	97%	27%
Interest cover (times)	3.2	1.2	170%
Assets to equity ratio	298%	246%	21%

HIGHLIGHTS OF THE YEAR

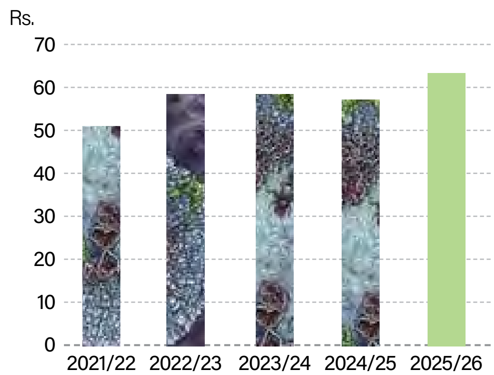
Revenue



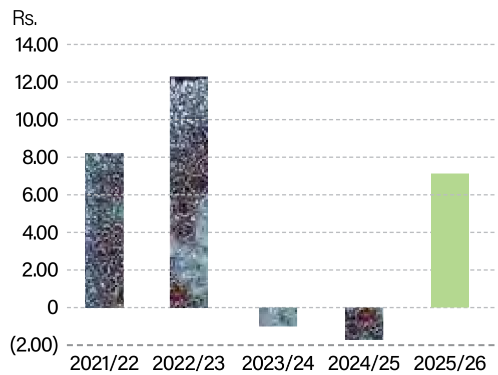
Profit after tax (PAT)



Net asset value per share (NAPS)



Earnings per share (EPS)

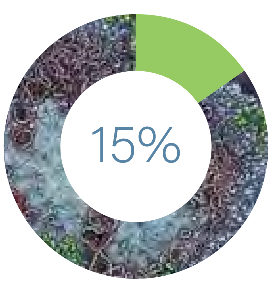


6,868
Revenue (Rs. Mn)

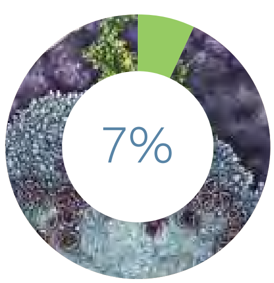
391
Profit before tax (Rs. Mn)

264
Profit after tax (Rs. Mn)

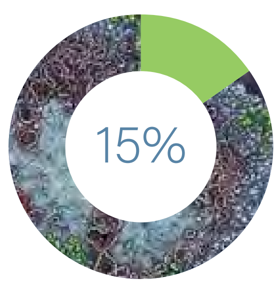
5,453
Total assets (Rs. Mn)



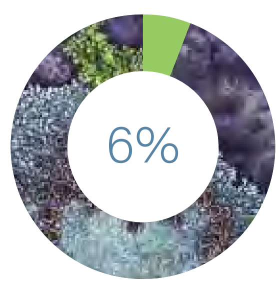
Gross profit margin (GP)



Operating profit margin (EBIT)



Return on equity (ROE)

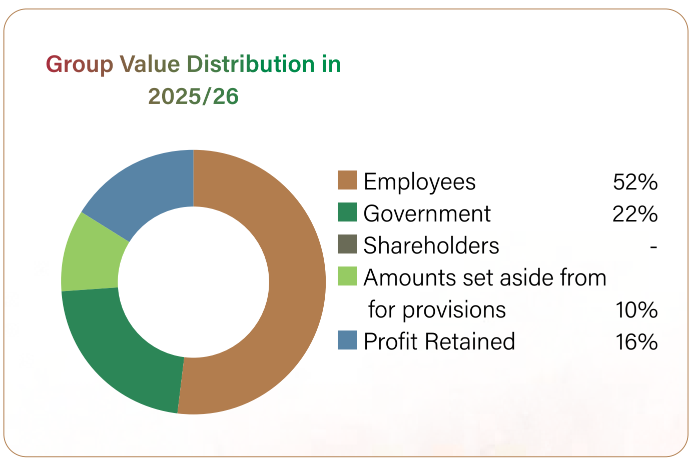


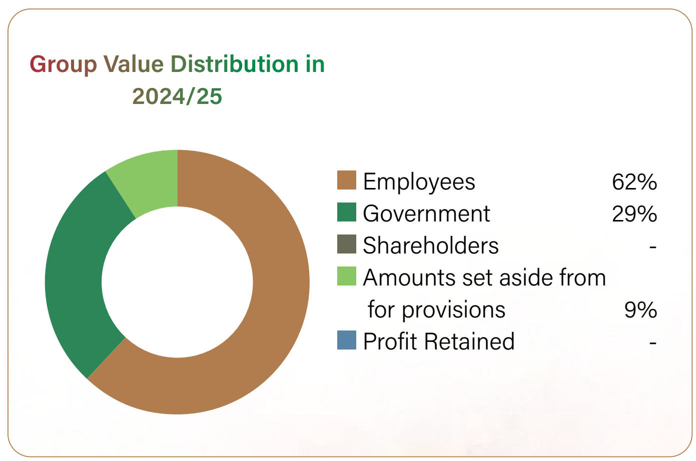
Return on assets (ROA)

STATEMENT OF VALUE ADDED

GRI 201-1

For the year ended 31 March	Group				Company			
	2026		2025		2026		2025	
	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%
Revenue	6,867,968		4,733,859		4,014,796		2,280,591	
Other income	9,742		14,797		15,400		21,455	
	6,877,710		4,748,656		4,030,196		2,302,046	
Less: Cost of materials and other costs	(5,888,121)		(4,049,449)		(3,591,556)		(2,004,253)	
	989,589		699,207		438,640		297,793	
Distribution of value added								
Employees	516,224	52	431,222	62	275,936	63	257,336	86
Government	218,086	22	201,920	29	9,218	2	8,947	3
Shareholders	-	-	-	-	-	-	-	-
Amounts set aside for provisions	97,371	10	66,065	9	68,216	16	31,510	11
Profit retained	157,908	16	-	-	85,270	19	-	-
	989,589	100	699,207	100	438,640	100	297,793	100





AWARDS AND ACCOLADES

Presidential Export Awards 2025 - Merit Award
Hayleys Fibre PLC was recognised with a Merit Award at the prestigious Presidential Export Awards for Coconut Substrate Products.

Presidential Export Awards 2025 - Merit Award
Bonterra Limited was honored with a Merit award at Presidential Export Awards for export excellence, under the Coconut Fibre Products category.

NCE Awards 2025 – Bronze Award
Bonterra Limited was recognised with the Bronze Award for Coconut and Coconut Products Sector at the 2025 NCE Export Awards, organised by the National Chamber of Exporters of Sri Lanka.

CA Sri Lanka (TAGS) Annual Report Awards – Gold Award
Hayleys Fibre PLC was awarded the Gold Award at the 60th CA Sri Lanka TAGS Annual Report Awards under the Manufacturing Sector – Revenue upto Rs. 10 billion category, in recognition of the Group's commitment to transparency, accountability, and excellence in financial and non-financial reporting.

JOINT STATEMENT BY THE CHAIRMAN AND MANAGING DIRECTOR

"Today, Hayleys Fibre products serve a diverse range of industries across more than 80 countries worldwide, reflecting the Group's longstanding contribution towards positioning Sri Lanka as a globally recognised supplier of value-added coir-based solutions."

GRI 2-22

It is with great pleasure that we present the 40th Annual Report and Financial Statements of Hayleys Fibre PLC for the year ended 31st March 2026.

The year under review marked a significant turning point for the Group, characterised by a strong recovery in operational and financial performance amidst a continuously evolving global business environment. While global markets remained challenged by geopolitical uncertainty, supply chain volatility, inflationary pressures, and changing trade dynamics, the resilience of our business model, the agility of our teams, and the disciplined execution of our strategic priorities enabled the Group to deliver one of its strongest performances in recent years.

More importantly, the progress achieved during the year reflects the success of the strategic foundations laid over the past several years. Our continued investments in backward integration, market diversification, operational efficiency, product innovation, digital transformation, and sustainability have strengthened the Group's competitive positioning while reinforcing our long-term resilience and integrated value creation capabilities.

At the heart of the Group's business model lies a deeply embedded circular economy philosophy, where agricultural by-products are transformed into value-added, fully biodegradable commercial solutions. This not only strengthens the Group's environmental positioning, but also reinforces the growing global relevance of natural fibre-based alternatives amidst increasing environmental awareness and sustainability-focused procurement trends across international markets.

Navigating a Complex Global Operating Environment

The global operating landscape during 2025/26 remained highly dynamic and uncertain. Geopolitical tensions, supply chain disruptions, changing trade policies, and continued volatility in global commodity markets created significant challenges for exporters worldwide. In particular, the introduction of new tariff structures by the United States, coupled with evolving customer buying behaviour across several export markets, intensified pricing pressures and increased market uncertainty.

At the same time, the effects of adverse weather conditions across key coconut-growing regions resulted in lower coconut yields, creating upward pressure on raw material prices for coco peat and coir fibre products. Freight and inland transportation costs also remained elevated throughout much of the year.

Despite these challenges, global demand for sustainable and environmentally responsible products continued to strengthen. Increasing awareness surrounding climate resilience, sustainable agriculture, environmental restoration, and eco-friendly infrastructure development created new opportunities for natural fibre-based solutions across several international markets. This broader global transition towards sustainability continues to validate the long-term strategic direction of the Hayleys Fibre Group.

Closer to home, Sri Lanka's economy demonstrated encouraging signs of gradual recovery during the year. Improvements in macroeconomic stability, foreign exchange inflows, tourism, industrial activity, and exports supported improved business confidence. The relative stability of the Sri Lankan Rupee, together with progress under the IMF-supported reform programme, contributed towards a more stable operating environment compared to the preceding years.

Against this backdrop, we remained focused on strengthening supply chain coordination, improving operational efficiencies, and expanding our presence across strategic export markets while carefully managing cost pressures and market risks.

Strong Financial Recovery

The Hayleys Fibre Group delivered a significant improvement in financial performance during the year ended 31st March 2026, reflecting the cumulative impact of strategic business initiatives, operational improvements, and stronger market conditions.

Group revenue increased substantially to Rs. 6.87 billion compared to Rs. 4.73 billion in the previous year. Gross profit nearly doubled to Rs. 1.03 billion from Rs. 525 million, while operating profit improved significantly to Rs. 498 million compared to Rs. 113 million recorded during FY 2024/25.

Profit before tax increased sharply from Rs. 39 million in the previous financial year to Rs. 391 million during the year under review, culminating in a profit after tax of Rs. 264 million.

At Company level, Hayleys Fibre PLC recorded revenue of Rs. 4.01 billion and returned to profitability with a profit after tax of Rs. 98 million compared to the loss of Rs. 60 million reported during the previous financial year.

The Group's financial position also strengthened considerably during the year. Total assets increased to Rs. 5.45 billion from Rs. 4.04 billion, while total equity improved to Rs. 1.83 billion supported by strong profit retention.

These results reflect not only improved market conditions, but also the success of the strategic transformation initiatives implemented over recent years to strengthen operational resilience, improve productivity, enhance customer responsiveness, and diversify growth opportunities.

"Hayleys Fibre Group delivered a strong turnaround performance during the year, supported by improved market conditions, stronger export volumes, enhanced operational efficiencies, and disciplined execution of strategic initiatives."

Strengthening the Core Business

Hayleys Fibre PLC

Hayleys Fibre PLC delivered a strong turnaround performance during the year, supported by improved market conditions, stronger export volumes, enhanced operational efficiencies, and disciplined execution of strategic initiatives. The Company achieved a strong financial performance during the year under review, recording a revenue of Rs. 4.01 billion, which represents a significant growth of 76% compared to Rs. 2.28 billion in the previous year. The Company also reported a notable turnaround in profitability, posting a net profit after tax of Rs. 98 million against a net loss of Rs. 60 million recorded in the previous financial year.

Throughout the year, the Company remained focused on market diversification, strengthening direct customer relationships, improving operational reliability, and securing raw material supply through backward integration initiatives. These efforts enabled operations to remain stable despite external uncertainties, while stronger demand from key export markets supported volume growth across the product portfolio.

Morocco continued to remain one of the Company's strongest markets, where we further consolidated our leadership position within the grow bag segment. Meanwhile, markets such as the UAE, Peru, Mexico, and emerging Central Asian regions demonstrated strong momentum and created new opportunities for growth.

Importantly, our continued participation in international exhibitions and global industry platforms helped strengthen customer engagement, support entry into new markets, and deepen relationships with strategic partners across multiple geographies. Today, Hayleys Fibre products serve a diverse range of industries across more than 80 countries worldwide, reflecting the Group's longstanding contribution towards positioning Sri Lanka as a globally recognised supplier of value-added coir-based solutions.

Supply-side pressures nevertheless remained a key challenge during the year, particularly amidst elevated raw material prices resulting from lower coconut yields and disruptions caused by adverse weather conditions. However, a defining milestone during

JOINT STATEMENT BY THE CHAIRMAN AND MANAGING DIRECTOR

the year was the successful commissioning of the Kadigawa coir fibre milling facility.

This strategic investment, undertaken at a cost of approximately Rs. 600 million, significantly strengthened the Group's backward integration capabilities and currently fulfils nearly 30% of the Company's raw material requirements. Beyond improving raw material security, the facility has also contributed meaningfully towards cost efficiencies, operational stability, improved quality control, and reduced dependency on external supply chains.

Simultaneously, the Group continued to advance its operational transformation journey through investments in automation, process optimisation, digital integration, and environmentally responsible manufacturing infrastructure aimed at strengthening long-term operational efficiency and scalability.

Bonterra Limited

Bonterra Limited continued to strengthen its position as a globally recognised provider of bioengineering and erosion control solutions during the year. The Company recorded a revenue of Rs. 1.51 billion in 2026 compared to Rs. 1.69 billion in 2025, while profit after tax stood at Rs. 134 million against Rs. 151 million in the previous year.

Against a backdrop of increasing global emphasis on sustainable infrastructure development and environmental protection, Bonterra recorded strong growth supported by rising demand for environmentally responsible erosion control and land rehabilitation solutions.

The Company continued to expand its footprint across South America, Europe, Africa, the Caribbean, and selected Asian markets through large-scale infrastructure and environmental restoration projects. Strategic partnerships, participation in global exhibitions, and involvement in specialised projects further strengthened Bonterra's positioning within international project-based markets.

Importantly, Bonterra continued to strengthen its specialised product portfolio during the year. This included the development of advanced biodegradable coir-based geotextiles designed for erosion control, slope stabilisation, and sustainable infrastructure applications. One of the notable product innovation milestones achieved during the year was the successful development of a fire-retardant coir geotextile variant engineered for high-risk and regulated environments.

Operationally, the business continued to face challenges arising from raw material scarcity and elevated input prices. Nevertheless, strategic supply chain interventions, improved procurement planning, strengthened supplier relationships, and the benefits derived from backward integration initiatives enabled the Company to manage pricing volatility more effectively while safeguarding operational continuity.

Creative Polymats (Pvt) Ltd

Creative Polymats (Pvt) Ltd recorded an exceptional year, with the mattress business achieving its highest-ever sales revenue in the Company's history. The Company recorded a strong financial performance during the FY 2025/26, with revenue increasing significantly to Rs. 1.37 billion compared to Rs. 779 million in the previous year. Profit after tax also demonstrated substantial growth, rising to Rs. 99 million from Rs. 8 million reported in the preceding year.

The business demonstrated remarkable agility in responding to evolving market conditions. While the initial part of the financial year was characterised by subdued retail sentiment and weaker discretionary spending, the latter half of the year witnessed a strong recovery in demand, particularly supported by the revival of Sri Lanka's tourism and hospitality sectors.

A major highlight during the year was the significant expansion in local market share, which doubled from 8% to 16% by the end of the financial year, reflecting the growing strength of the Company's brand and market positioning.

Focused brand awareness initiatives also played a key role in supporting growth. Targeted radio campaigns together with increased digital engagement through Facebook and Instagram significantly strengthened brand visibility and customer engagement, while the Company's social media following expanded rapidly during the year.

The Colombo showroom further expanded its product portfolio through the introduction of complementary lifestyle and bedding products, including latex foam pillows, mattress protectors, bed sheets, and duvets catering to both premium residential customers and the hospitality sector.

The hospitality segment itself continued to demonstrate promising momentum, with increasing demand from boutique hotels and villa developments. The Company's continued participation at the Colombo Hotel Show 2026 is expected to further strengthen its positioning within the sector.

Driving Innovation, Quality and Product Stewardship

Innovation and continuous improvement remain central to the Group's long-term competitiveness and sustainable value creation strategy.

During the year, Hayleys Fibre PLC continued to advance its research and development capabilities through the development of next-generation open-top grow bag formulations engineered specifically for high-temperature greenhouse environments. These innovations are designed to improve water retention, optimise root-zone stability, and enhance crop performance under increasingly challenging agricultural conditions.

Additional quality enhancement initiatives focused on improving physical and chemical consistency across the product portfolio, including stabilising Electrical Conductivity (EC) levels, enhancing water-holding capacity, improving air-filled porosity, and strengthening buffering protocols to reduce nutrient lock-up.

At Bonterra, R&D efforts remained focused on advancing sustainable bioengineering solutions, including improvements to biodegradable coir-based geotextiles and the successful development of fire-retardant geotextile applications.

Equally importantly, we continued to strengthen product stewardship and traceability capabilities during the year through the integration of enhanced ERP-linked tracking systems, barcode technologies, and improved supply chain visibility measures to further strengthen customer confidence, operational transparency, and quality assurance across the value chain.

Collectively, these innovations reinforce the Group's commitment to deliver high-performance, sustainable, and application-specific solutions to global markets.

Investing in Governance, People and Sustainability

The Group continued to strengthen governance structures across sustainability, environmental management, and human capital oversight during the year. Enhanced governance mechanisms, dedicated management appointments, and operational-level committees were introduced to improve accountability, policy implementation, compliance, and long-term organisational resilience.

The Group also continued to place significant emphasis on employee development and organisational capability building throughout the year. Investments in training, operational excellence, leadership development, and workforce capability enhancement remained key priorities as we continued strengthening technical competencies and organisational effectiveness across all levels of the business.

The resilience, adaptability, and commitment demonstrated by our employees during another demanding year remained one of the Group's greatest strengths and a key contributor to the significant progress achieved across the business.

Sustainability remained deeply embedded within our operational philosophy. As a business fundamentally built around environmentally responsible coir-based solutions, we remain committed to advancing sustainable manufacturing practices, resource efficiency, circular economy principles, and environmentally responsible innovation across our operations.

Importantly, Hayleys Fibre PLC continued to strengthen its sustainability reporting journey through the progressive integration of SLFRS S1 and SLFRS S2 Sustainability Disclosure Standards. Having voluntarily adopted these standards ahead of the mandated timeline, we continued to strengthen the identification, assessment, and disclosure of Sustainability-Related Risks and Opportunities (SRROs) and Climate-Related Risks and Opportunities (CRROs). During the year, measures were implemented to strengthen Board oversight on SRRO/CRROs as we strategically seek to embed sustainability as a consideration in our strategy and decision-making.

During the year, we further enhanced our approach through the introduction of more structured assessment methodologies for material sustainability-related risks. These efforts represent a significant advancement towards more robust, measurable, and decision-useful sustainability disclosures aligned with evolving global best practices.

Awards and Recognition

We are pleased that the Group's commitment to excellence, sustainability, export leadership, and transparency continued to receive national recognition during the year.

At the CA Sri Lanka TAGS Awards 2026, Hayleys Fibre PLC received the Gold Award in the Manufacturing Sector category for entities with turnover up to LKR 10 billion, reflecting the strength of our integrated reporting and governance practices.

The Group also received several prestigious export awards, including recognition at the Presidential Export Awards and the National Chamber of Exporters Awards, further reinforcing our standing as one of Sri Lanka's leading exporters of value-added coir-based solutions.

These achievements are a testament to the dedication, professionalism, and collective efforts of our employees, customers, suppliers, and all other stakeholders who continue to support our journey.

Governance and Stewardship

We are pleased to report that the Hayleys Fibre Group's governance and leadership framework continued to operate with strength, stability, and discipline during the year under review, providing a strong platform to support the Group's strategic priorities whilst navigating an evolving operating environment. The Board remained committed to upholding the highest standards of governance, transparency, accountability, and ethical business conduct across all aspects of the Group's operations.

During the financial year, the Group witnessed several important changes within its leadership team, reflecting both continuity and renewal as the business progresses into its next phase of growth and transformation.

Mr. M. M. A. R. P. Goonetileke retired from his role as Managing Director with effect from 31st March 2026. We take this opportunity to extend our sincere appreciation for his invaluable contribution, dedicated leadership, and longstanding commitment to the Hayleys Fibre Group. His stewardship and strategic direction have played a significant role in strengthening the Group's operational foundation, market positioning, and long-term growth trajectory over the years.

We are pleased to welcome Mr. K. R. Rajapakse, who assumed duties as Managing Director with effect from 1st April 2026. We are confident that his leadership, experience, and strategic insight will further strengthen the Group's growth ambitions and support the continued advancement of the business across its key markets and operations.

Meanwhile, Mr. K. A. Karunarathna, Chief Financial Officer was appointed as Executive Director with effect from 1st October 2025, further strengthening the Group's financial leadership capabilities and supporting the continued enhancement of financial governance, operational discipline, and long-term value creation for stakeholders.

Outlook and Future Direction

Looking ahead, the global business environment is expected to remain uncertain and unpredictable, influenced by geopolitical developments, evolving trade policies, and changing global demand patterns. While these conditions will continue to require prudence and adaptability, we remain confident in the long-term fundamentals and relevance of our business.

In the short to medium term, our strategic focus will remain centred on strengthening the core business while building greater long-term resilience.

We will continue to expand our presence across key global markets where demand for sustainable coir-based solutions continues to grow, while further diversifying our market presence to reduce concentration risks. Strengthening backward integration capabilities will remain a strategic priority to ensure raw material security, improve cost efficiencies, and minimise exposure to supply chain volatility.

Continued investments in manufacturing infrastructure, automation, process improvements, digital integration, and operational efficiencies will further support productivity, quality enhancement, scalability, and delivery reliability across the Group.

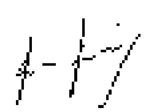
Innovation will remain a key pillar of our long-term growth strategy as we continue developing differentiated, sustainable, and application-specific solutions tailored to evolving customer needs. At the same time, we will continue investing in our people, governance structures, systems, and sustainability capabilities to strengthen long-term stakeholder value creation.

As global markets continue to evolve, we remain confident in the long-term relevance of sustainable, environmentally responsible coir-based solutions. Supported by our integrated business model, strong market relationships, operational capabilities, governance framework, and commitment to innovation, we believe the Group is well-positioned to pursue sustainable long-term growth while continuing to create meaningful value for all stakeholders.

In closing, we extend our sincere appreciation to our employees, customers, suppliers, shareholders, bankers, regulators, and all stakeholders for their continued trust, commitment, and support throughout the year. Their confidence and partnership remain integral to the continued success and growth of the Hayleys Fibre Group.

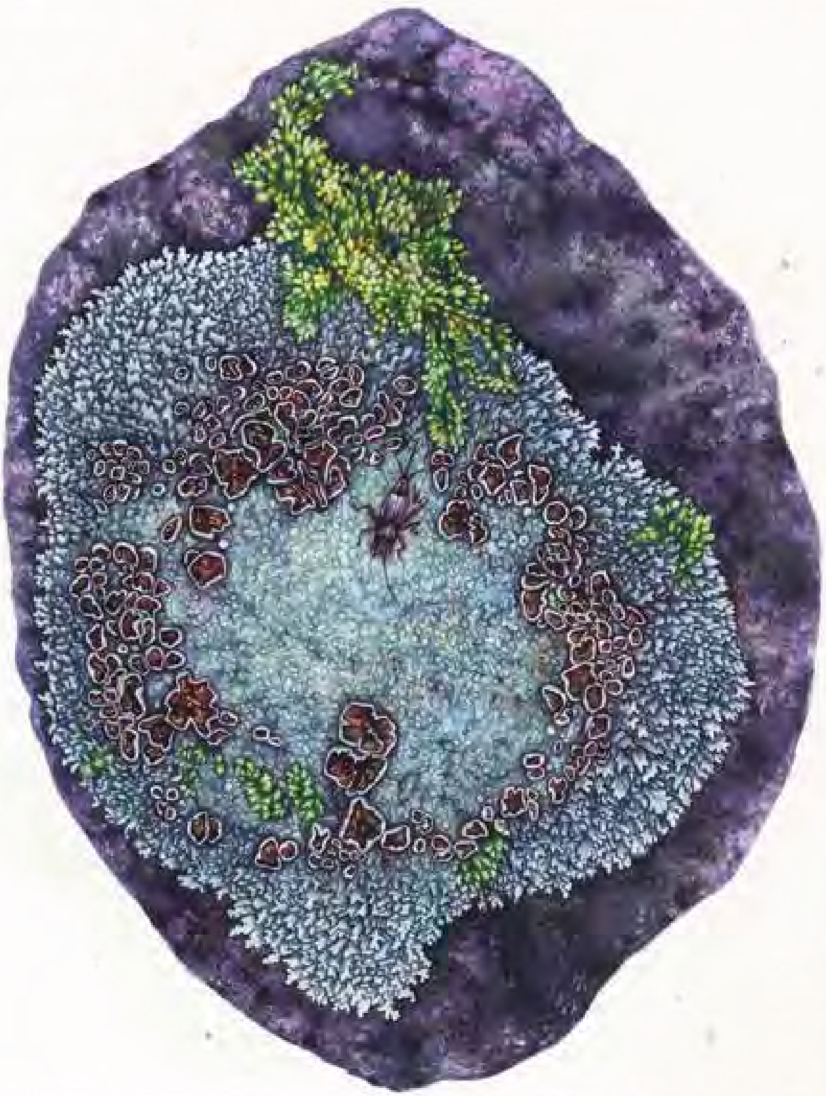
Sincerely,

Mohan Pandithage
Chairman



Ruwan Rajapakse
Managing Director

15th May 2026



A SYMBIOSIS OF QUALITY

Building sustainable value layer by layer across our portfolio.

BUSINESS MODEL

INPUT

FINANCIAL CAPITAL
Equity Capital - Rs. 1,828 Mn
Debt Capital - Rs. 2,246 Mn
Investor Capital - Rs. 80 Mn

MANUFACTURED CAPITAL
Total Investment in Property, Plant and Equipment - Rs. 364 Mn
Hayleys Fibre PLC Plant - Kuliyapitiya
Hayleys Fibre PLC Plant - Bingiriya
Hayleys Fibre PLC Plant - Nikaweratiya
Bonterra Ltd Plant - Kuliyapitiya
Creative Polymats (Pvt) Ltd Plant - Dankotuwa

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

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

SOCIAL AND RELATIONSHIP CAPITAL
Product Responsibility
Customer Relationship Management
Supply Chain Management
Supplier Development
Community Welfare

NATURAL CAPITAL
Waste Management
Energy and Emission Management
Water Resources
Training and Awareness
Environmental Projects

OUTPUTS FOR HFP GROUP

- Asset Turnover Ratio 1.4 times
- Minimised customer complaints
- Capacity utilisation HFP 58% BL 63% CPL 67%
- Improved industry standards
- 2,054 coir fibre export volumes (TEUs)
- Competitive edge through innovation
- 28 new customers reached
- Improve reliability of the supply chain
- 05 New poducts launched
- Enhanced operational efficiency
- Launch of a new branded line of growing media under the "Haygreen" label
- Higher employee productivity
- Strong communities
- Minimised lost days

STAKEHOLDER OUTCOMES

SHAREHOLDERS

- ROE - 15% (2% - FY 2024/25)
- Maintaining healthy net assets per share

CUSTOMERS

- Assurance of guaranteed high quality products
- Product customisation
- Access to the latest innovations
- 90% customer satisfaction
- Minimised defects

EMPLOYEES

- Monetary benefits distributed - Rs. 516 Mn (Rs. 431 Mn - 2024/25)
- Ratio of entry level wage between men and women 1:1
- Incidents of discrimination - None
- 149 job opportunities created through recruitments
- 7 employees were promoted
- 912 skill training hours
- 871 hours of safety training

SUPPLIERS

- Consistent relationship with suppliers
- Amount paid to suppliers - Rs. 3,004 Mn (Rs. 2,391 Mn - 2024/25)

COMMUNITY/SOCIETY

- Supported for the rural education system
- 789 MT's of waste recycled
- 64% year on year reduction in emissions intensity
- Managing water consumption

STAKEHOLDER ENGAGEMENT

GRI 2-29

At Hayleys Fibre PLC, stakeholder engagement forms an integral part of the Group's business philosophy and decision-making process. The strength of the Group's relationships with its stakeholders continues to support its growth, reputation, and ability to create sustainable value across the natural fibre industry. Every achievement, innovation, and market expansion is underpinned by the confidence, collaboration, and continued support of the stakeholders connected to the business.

Considering the diversity and geographical presence of its operations, the Group identifies its stakeholders as internal and external parties based on their association with the organisation. Internal stakeholders mainly consist of employees, while external stakeholders include shareholders, customers, suppliers, and local communities, each contributing significantly to the Group's resilience, operational continuity, and long-term success.

Employees are at the heart of the Group's performance and progress. Their expertise, commitment, and innovation drive operational excellence and enable the development of sustainable and market-oriented solutions that respond to evolving global needs.

Shareholders play a key role in supporting the Group's strategic ambitions and future growth. Their trust and continued investment provide the foundation for innovation, operational advancement, and long-term sustainability.

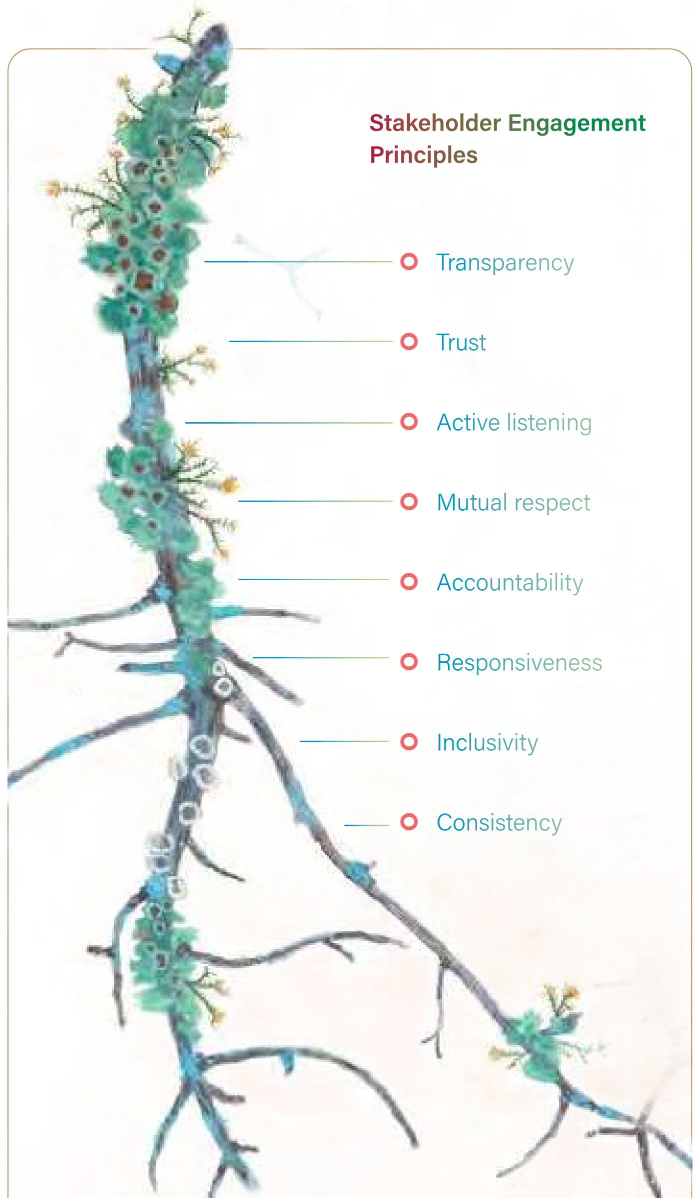
Customers influence the Group's continuous pursuit of quality and innovation. Their expectations motivate the Group to enhance products, improve service standards, and maintain its position as a dependable partner within international markets.

Suppliers contribute to the stability and reliability of the Group's value chain. Strong partnerships with suppliers support responsible sourcing practices, consistent product quality, and supply chain efficiency across operations.

Communities remain important partners in the Group's sustainability journey. Their insights and engagement help guide environmental and social responsibilities, ensuring that the Group continues to operate responsibly while generating positive economic and social contributions in the regions where it operates.

The Group adopts a proactive and inclusive approach to stakeholder engagement through open dialogue, responsible business practices, and transparent communication. By fostering relationships founded on integrity, accountability, and mutual understanding, the Hayleys Fibre Group remains responsive to stakeholder expectations while strengthening its strategic direction and sustaining long-term business value.

Stakeholder Engagement Principles



Stakeholder Engagement Process

1. Stakeholders are identified based on those who have the most impact to the Group
2. Prioritise stakeholders based on the power- interest matrix
3. Based on the results of the power-interest matrix, design suitable interaction and engagement plans for each stakeholder category
4. Execute stakeholder engagement plans
5. Understand stakeholder expectations and aspirations
6. Disseminate insights gained through stakeholder conversations to update "Material Matters" as needed
7. Monitor and report back to stakeholders regarding the progress made on their needs

SHAREHOLDERS

Importance to the Group - High

Strength of Relationship - GOOD

Authorities Responsible for Engagement
- Hayleys Fibre Group Managing Director
- Corporate Management Team

Method and Frequency of Engagement	Stakeholder Concerns and Expectations	Material Matters	Value Created in FY 2025/26
- Annual General Meeting - Annual Report - Extraordinary General Meetings (as needed) - Interim Financial Statements (quarterly) - CSE Announcements (as needed) - Press Conferences/Press Releases (as needed) - Corporate Website (continuous and ongoing) - Social Media Platforms (continuous and ongoing)	- Financial performance - Strategy - Governance, Compliance and Best Practices - Shareholder returns - Business expansion plans - Risk management - Sustainable growth	- Economic performance - Market presence - Regulations and compliance - Operational efficiency and productivity - Climate change adaptation	- Net assets value per share Rs. 63.47 - Earnings per share - Rs. 7.13 - Return on equity - 15% - Share Price Appreciation - 140%

EMPLOYEES

Importance to the Group - Critical

Strength of Relationship - STRONG

Authorities Responsible for Engagement
- Hayleys Fibre Group HR Department

Method and Frequency of Engagement	Stakeholder Concerns and Expectations	Material Matters	Value Created in FY 2025/26
- Monthly Meetings with Trade Union Representatives - Daily/weekly team briefings at plants - Plant Visits by HFP's Management Committee - Annual Management Committee forum - Annual Performance Review Meeting - Internal communications (continuous) - Open Door Policy (as needed)	- Fair employment terms including equitable pay and benefits, opportunities for training and development - Safe working environment - Long term career prospects	- Regulations and compliance - Training and education - Employee wellbeing	- Monetary value distributed to employees - Rs. 516 Mn - 9% annual salary increment for all employees - 7 promotions - 912 training hours

STAKEHOLDER ENGAGEMENT

CUSTOMERS

Importance to the Group - Critical

Strength of Relationship - STRONG

Authorities Responsible for Engagement
- Hayleys Fibre Group Marketing Team

Method and Frequency of Engagement	Stakeholder Concerns and Expectations	Material Matters	Value Created in FY 2025/26
- Continuous interaction through one-on-one meetings - Participation in trade fairs and other promotional activities (as needed) - Customer Surveys (periodic) - CSE Announcements (as needed) - Press Conferences/Press Releases (as needed) - Corporate Website (continuous and ongoing) - Social Media Platforms (continuous and ongoing)	- Product quality and safety product availability - Price competitiveness - On-time delivery	- Regulations and compliance - On time delivery (OTD) - Product quality - Technology and product innovations - Customer satisfaction	- 5 new products launched - 28 new customers reached - 90% customer satisfaction - 90% customer retention

SUPPLIERS

Importance to the Group - Critical

Strength of Relationship - GOOD

Authorities Responsible for Engagement
- Hayleys Fibre Group Central Procurement Team

Method and Frequency of Engagement	Stakeholder Concerns and Expectations	Material Matters	Value Created in FY 2025/26
- Ongoing interactions with local and overseas suppliers - Supplier Onboarding (as needed) - Annual Evaluation of Local Suppliers - Press Conferences/Press Releases (as needed) - Corporate Website (continuous and ongoing) - Social Media Platforms (continuous and ongoing)	- Fair pricing - On-time payments - Opportunities for business expansion	- Regulations and compliance - On time delivery (OTD) - Product Quality	- Value paid to suppliers - Rs. 3,004 Mn - 72% spent on local sourcing - 1,285 new suppliers onboarded

COMMUNITY / SOCIETY	
	Importance to the Group - Moderate
	Strength of Relationship - HEALTHY
	Authorities Responsible for Engagement ○ Hayleys Fibre Group Sustainability Team

Method and Frequency of Engagement	Stakeholder Concerns and Expectations	Material Matters	Value Created in FY 2025/26
- CSR Activities (continuous and ongoing) - Corporate Website (continuous and ongoing) - Social Media Platforms (continuous and ongoing)	- Assistance to improve community infrastructure	- Community and livelihood development - Indirect economic impacts	- Amount allocated for CSR - Rs. 4.52 Mn - 984 direct beneficiaries from CSR initiatives

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Hayleys Fibre PLC

Bonterra Ltd

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Hayleys Fibre PLC

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MATERIAL TOPICS

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

Identifying and managing Material Topics is central to shaping the strategic direction of Hayleys Fibre PLC, as these topics represent the most significant factors influencing operational performance, competitiveness, and long-term value creation.

Changes to Material Topics - FY 2025/26

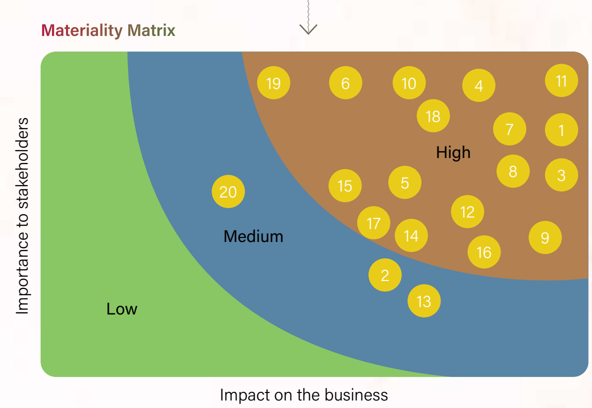
The Hayleys Fibre Group's materiality assessment for the current year was undertaken in full alignment with the broader Hayleys PLC materiality framework, ensuring greater consistency and strategic integration across the Group. As part of this enhanced approach, the previously used set of 10 mainstream Material Topics was comprehensively reviewed and replaced with a refined set of 20 Material Topics to better reflect the evolving operating landscape, emerging sustainability priorities, stakeholder expectations, and the growing complexity of risks and opportunities influencing the Group's long-term value creation journey.

Process for Determining Material Topics

The determination of Material Topics is undertaken as a comprehensive process that considers evolving business risks, emerging opportunities, and broader macroeconomic and industry trends, while also incorporating the perspectives and expectations of key internal and external stakeholders.

The insights gathered through these processes are evaluated and mapped in to a Materiality Matrix, enabling the Group to assess both their impact on business performance and their significance to stakeholders, thus prioritising the most critical Material Topics for consideration.

Material Topics are subject to further screening via double materiality lens, an approach consistent with that adopted by Hayleys PLC. This approach applies more rigour for the assessment of Material Topics to determine both their financial implications (Financial Materiality), as well as their broader environmental, social, and governance impacts. Doing so, reinforces the Hayleys Fibre Group's commitment to responsible, transparent, and inclusive growth, and also ensures soundness of strategic in delivering performance outcomes without compromising on broader sustainability expectations.



	Material Topic	Topic Boundary	Financial Materiality	Impact Materiality			Management Approach: Integration into the Hayleys Fibre PLC Strategic Pillars				GRI Reference
				Environmental	Social	Governance	Financial Stability	Manufacturing Excellence	Dynamic Workplace	Sustainable Operations	
1	Economic performance	I - Financial value generation	Drives profitability and growth	○	○	○	X				GRI 201
2	Market presence	E - Regional market competitiveness	Supports market expansion strategy	○	○	○	X	X			GRI 202
3	Operational efficiency and productivity	I - Process optimisation initiatives	Improves margins and productivity	○	○	○	X	X			GRI 203 GRI 302
4	Regulations and compliance	I - Regulatory governance framework	Avoids penalties and disruptions	○	○	○	X	X	X	X	GRI 408
5	Training and education	I - Workforce capability development	Enhances employee productivity	○	○	○			X		GRI 404
6	Employee wellbeing	I - Workforce health protection	Improves retention and engagement	○	○	○			X		GRI 401 GRI 403 GRI 404 GRI 405 GRI 406 GRI 409
7	Product design	I - Customer-focused product development	Enhances product competitiveness	○	○	○		X		X	GRI 416
8	Manufacturing capabilities	I - Production capacity enhancement	Supports operational scalability	○	○	○	X	X			GRI 203
9	Operational safety & emergency preparedness	I - Workplace risk management	Minimises operational disruptions	○	○	○		X		X	GRI 403
10	On-time delivery (OTD)	E - Supply chain responsiveness	Strengthens customer reliability	○	○	○	X	X			GRI 204
11	Product quality	I - Quality assurance processes	Protects brand reputation	○	○	○	X	X			GRI 416
12	Technology and product innovations	I - Innovation driven growth	Enhances long-term competitiveness	○	○	○		X		X	GRI 203

MATERIAL TOPICS

	Material Topic	Topic Boundary	Financial Materiality	Impact Materiality			Management Approach: Integration into the Hayleys Fibre PLC Strategic Pillars				GRI Reference
				Environmental	Social	Governance	Financial Stability	Manufacturing Excellence	Dynamic Workplace	Sustainable Operations	
13	Materials	I - Resource utilisation management	Impacts cost efficiency levels	High	Low	Medium				X	GRI 301 GRI 306
14	Energy consumption and management	I - Energy efficiency measures	Reduces operational cost exposure	High	Low	Medium		X		X	GRI 302
15	Emissions and air quality	E - Environmental emissions management	Impacts environmental compliance costs	High	Medium	Medium		X		X	GRI 305
16	Physical climate risks – rainfall	E - Weather disruption exposure	Affects operational continuity	High	Medium	Medium				X	-
17	Climate change adaptation	E - Climate resilience planning	Strengthens long-term resilience	High	Medium	High				X	GRI 201 GRI 305 GRI 308
18	Customer satisfaction	E - Customer relationship management	Supports revenue retention growth	Low	High	Medium	X	X			GRI 417 GRI 418
19	Community and livelihood development	E - Socioeconomic community support	Strengthens social license operations	Medium	High	Medium				X	GRI 413 GRI 414
20	Indirect economic impacts	E - Broader economic contribution	Supports stakeholder value creation	Medium	High	Medium				X	GRI 203

I - Internal
E - External

High	○ (red)
Medium	○ (blue)
Low	○ (green)

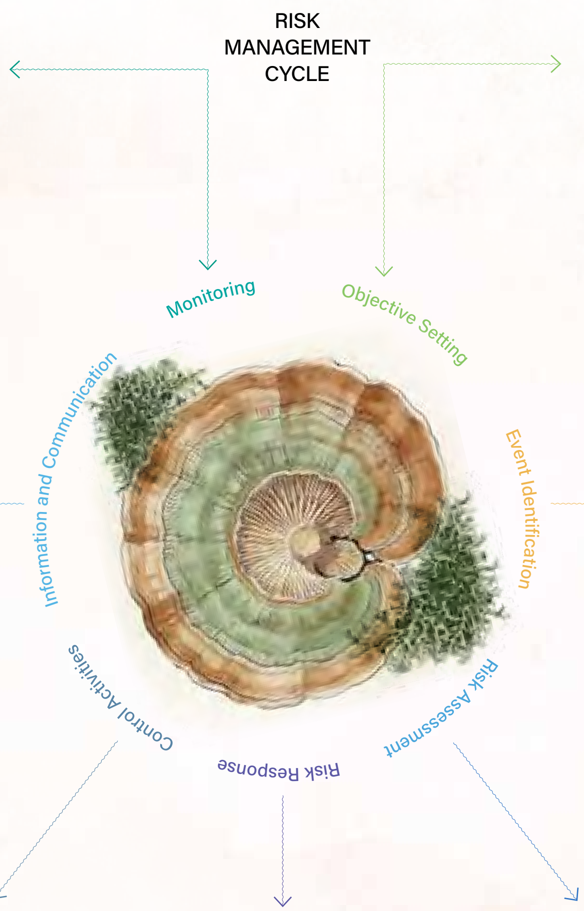
RISK MANAGEMENT REPORT

Integrated Risk and Opportunity Management (IROM) Framework

The Integrated Risk and Opportunity Management (IROM) Framework of Hayleys Fibre PLC serves as a fully fledged mechanism for identifying, assessing, managing, and monitoring risks and opportunities that may influence the Group's ability to achieve its strategic and operational objectives. The main purpose of the framework is to facilitate the integration of risk and opportunity considerations into decision-making processes across the organisation, thereby strengthening resilience, enhancing preparedness, and supporting sustainable long-term value creation in an increasingly dynamic operating environment.

Risk Management Process

A key component of the IROM framework, the Risk Management Process is designed to systematically identify and evaluate key risks and opportunities arising from internal operations, market conditions, regulatory developments, and broader macroeconomic factors. Identified risks are assessed based on likelihood and potential impact, following which appropriate mitigation measures, controls, and monitoring mechanisms are implemented. The process also incorporates periodic reviews to ensure that emerging risks and evolving business conditions are continuously evaluated and addressed in a timely manner.



1. - The Board sets objectives that support and propagate the Company's mission and which are consistent with its risk appetite. The process includes reviewing and setting long-term (three-year) objectives and annual objectives with related performance indicators for monitoring purposes. The Senior Management Team takes the initiative in proposing business objectives and these are reviewed and approved by the Board.

2. - The Company recognises internal and external events that affect the achievement of its objectives. The distinction between strategic and operational risks is also important. Further, the applicability of areas of risk identified previously during management discussions, internal audit reports and management letters of external auditors are reviewed to prepare a comprehensive list of risks of the Company.

3. - The likelihood and impact of risks are assessed, as a basis for determining how to manage them. Any significant risks exceeding risk tolerance limits are responded by the management.

4. - The Management selects appropriate actions to align risks with risk tolerance and risk appetite. Depending on the significance of the risk, decisions are taken appropriately to manage the risk by accepting, reducing, sharing or avoiding it. Risk responses identified in relation to set objectives are also documented and reviewed.

5. - The Corporate Management Team and the Senior Managers implement the risk response and action plans are identified, with a view of managing those risks.

6. - Documentation and reporting plays a key role in monitoring risk. The Corporate Plan, which includes objectives and related risks, internal audit reports and management letters of external auditors, are communicated to the management of the Company, the Audit Committee and the Board of Directors of both Hayleys Fibre PLC and its holding Company, Hayleys PLC, for their review and actions.

7. - During the monthly performance review meetings, all significant risks and their action plans are reviewed by the Corporate Management Team and the Group Managers. The Hayleys Group Management Committee, attended by the Managing Director of the Company, also reviews these risk areas on a monthly basis. The Audit Committee, which has the ultimate responsibility of monitoring the process of risk management, reviews the risks and action plans on a quarterly basis and makes recommendations to the Board.

RISK MANAGEMENT REPORT

Risk Governance Structure

A clearly defined risk governance structure establishes clear reporting lines and oversight responsibilities, enabling effective coordination and timely escalation of material matters to ensure accountability, transparency, and consistency in the management of risks and opportunities across the Group.

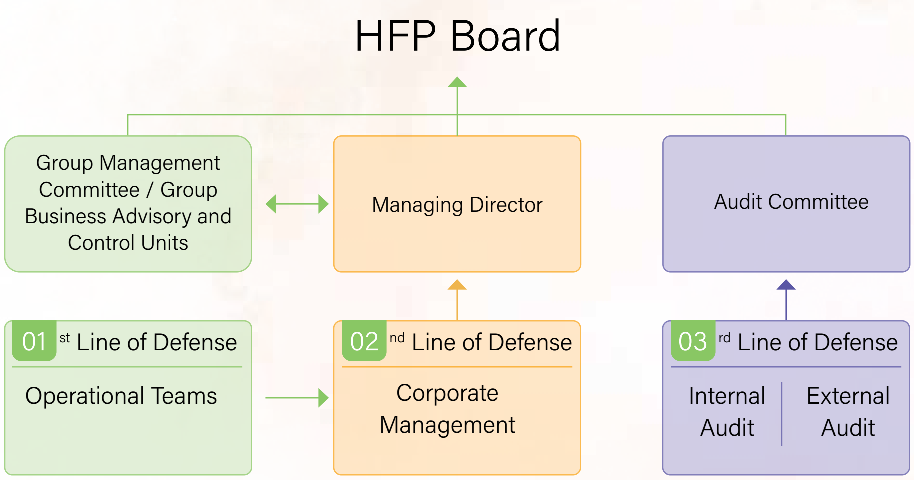
Board Oversight for Risk and Opportunity Management

The Board, as the highest governing body within the organisation, assumes overall responsibility for overseeing the effectiveness of the IROM framework. As part of its oversight responsibilities, the Board sets the risk management direction and governance expectations of the Group, while ensuring that material risks and opportunities are appropriately identified, assessed, monitored, and integrated into strategic decision-making processes.
The Board also maintains regular oversight to ensure the the effectiveness of risk and opportunity measures in practice.

Three Lines of Defence

The Group adopts the Three Lines of Defence model to strengthen internal control and risk management effectiveness. Operational management forms the first line through day-to-day risk ownership and control implementation, while independent oversight functions and internal audit provide additional layers of monitoring, assurance, and governance.

Risk Governance based on the "Three Lines of Defence"



1st Line - Heads of Business Units (Risk Owners)

- Responsible for day-to-day operations and execution of internal controls.
- Ensure compliance with policies and procedures.
- Proactively identify and monitor emerging risks.

2nd Line - Corporate Management Team

- Oversee business unit heads to ensure they meet risk management obligations.
- Monitor and assess the Group's risk landscape.
- Report changes in risk exposure.
- Group Management Committee & Control Units.
- Include legal, internal audit, system reviews, strategic development, treasury, HR, and corporate affairs.
- Advise leadership on risks across the broader Hayleys Group.

3rd Line - Internal Audit Function

- Provide independent assurance on the effectiveness of risk management practices.
- Evaluate implementation of controls and risk procedures.

Policy Architecture

The IROM framework is supported by a comprehensive policy architecture comprising Group-wide policies, procedures, and guidelines that establish the principles and standards for managing risks and opportunities. These policies promote consistency, accountability, and alignment with regulatory and governance expectations across all business units.

Risk Register

The Risk Register serves as a central data base for documenting and monitoring the Group's key risks, associated controls, mitigation actions, and accountability structures. It provides a platform for tracking of all key risk exposures to support timely escalation of material risk matters.

Risk Awareness Culture

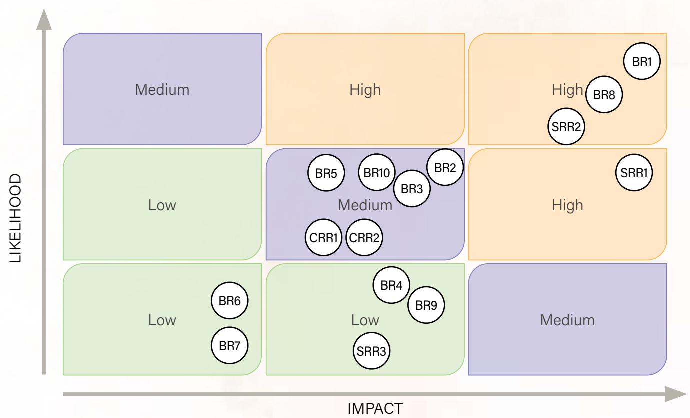
The Board sets the tone for fostering a strong risk-aware culture across the Group by emphasising accountability, ethical conduct, and proactive risk management. The risk-aware culture is further reinforced through continuous communication, management engagement, and the integration of risk considerations into operational and strategic decision-making processes.

PESTLE Analysis 2025/26

Factor	Context	Key Opportunities for Hayleys Fibre PLC	Key Risks for Hayleys Fibre PLC
Political	The global operating landscape in 2025/26 was influenced by escalating trade tensions, tariff revisions, and geopolitical instability across several major economies.	Improving domestic political stability and policy continuity in Sri Lanka helped to boost investor confidence and drive export sector recovery.	Geopolitical tensions and evolving trade measures disrupted trade flows, created tariff uncertainty, and affected demand visibility across export markets.
Economic	Sri Lanka's economy demonstrated gradual stabilisation in 2025/26, supported by easing inflation, lower interest rates, improving external sector conditions, and the gradual recovery of domestic economic activity.	Recovery in domestic demand and improving business confidence strengthened domestic sales momentum.	Volatility in global and domestic energy prices continued to impact manufacturing, transportation, and operational costs, placing pressure on margins and cost competitiveness.
Social	Consumer behaviour in 2025/26 increasingly reflected a preference for affordable, sustainable, and environmentally responsible products.	Rising demand for sustainable and biodegradable products created opportunities for coir-based eco-solutions across global markets.	Weaker discretionary spending in certain markets may constrain demand for non-essential product segments.
Technological	Manufacturing industries accelerated investments in automation, digitalisation, and process optimisation to improve competitiveness and efficiency.	Investments in automation and manufacturing technologies can enhance productivity, quality consistency, and operational efficiency.	Rapid technological advancements across the industry require continuous capital investment to maintain competitiveness.
Legal	Regulatory expectations relating to environmental compliance, labour standards, product certifications, and international trade continued to evolve in 2025/26.	Stronger compliance and certification standards enhance credibility and improve access to premium export markets.	Increasing regulatory complexity and compliance requirements elevate operational and administrative costs.
Environmental	Sri Lanka continued to experience climate-related challenges in 2025/26, including adverse weather patterns, heavy rainfall, and disruptions to agricultural output, particularly affecting coconut cultivation and related supply chains.	Increasing focus on sustainable manufacturing and circular economy practices creates opportunities for the Group to strengthen its positioning as a producer of biodegradable and environmentally responsible coir-based products.	Lower coconut yields owing to adverse weather conditions disrupted raw material availability, elevated sourcing costs, and created operational and supply chain challenges for manufacturing activities.

RISK MANAGEMENT REPORT

Risk Matrix FY 2025/26



- BR1 Material Price Risk
- BR2 Foreign Currency Risk
- BR3 Interest Rate Risk
- BR4 Liquidity Risk
- BR5 Default Risk
- BR6 Machinery Obsolescence Risk
- BR7 Strategy Risk
- BR8 Labour Shortage
- BR9 Industrial Health and Safety
- BR10 Competitive Pressure
- SRR1 Lack of Availability of Coir raw material
- SRR2 High Employee Turnover
- SRR3 Employee Health and Safety
- CRRI Physical - Risk of Extreme Precipitation
- CRR2 Transition - Emerging Climate related laws and regulations in destination markets

Business Risks (BR) / Business Opportunities (BO)		Implications to Hayleys Fibre	Impacts (H/M/L)			Mitigation Strategies
			Business Model	Value Chain	Performance and Prospects	
BR1	Material Price Risk	Unplanned cost escalations owing to inflation & material scarcity increase fibre prices in the local market	H	H	H	- Monitoring prices/standard cost revisions - Negotiate variable pricing structures with customers - Strategy on stocks buildups - Backward integration projects - Expand the sourcing footprint beyond coconut triangle
BR2	Foreign Currency Risk	Unfavourable impact on export revenue attributed to the appreciation in LKR against the USD	M	M	H	- Monitor trends and book forward - Maintain a natural hedge of foreign currency denominated assets against liabilities - Increase the proposition of local borrowings to mitigate impact on currency devaluation - Sri Lanka Export Credit Insurance for exports
BR 3	Interest Rate Risk	Impact to finance costs caused by interest rates volatility	M	L	H	- Effective management of working capital - Strike the right balance between fixed and floating rates - Reduce the dependence on borrowings by mobilising built up internal reserves for business purposes

Business Risks (BR) / Business Opportunities (BO)		Implications to Hayleys Fibre	Impacts (H/M/L)			Mitigation Strategies
			Business Model	Value Chain	Performance and Prospects	
BR4	Liquidity Risk	Lack of adequate funds to support the day-to-day operations of the business	L	M	M	- Effective treasury function to forecast fund requirement and availability - Maintain a portfolio of short-term liquid assets - Maintain continence funding plan
BR5	Default Risk	Cash flow constraints due to bad debts	L	M	H	- Adherence to the Group credit policy guidelines in dealings with customers - Periodic review of receivables, legal and other recovery actions
BR6	Machinery Obsolescence Risk	Production downtime caused by old and inefficient machinery and equipment	L	L	M	- Detailed CAPEX plan to support necessary investments in new machinery - Routine maintenance to ensure optimal efficacy of existing machinery and equipment
BR7	Strategy Risk	Improper strategies to drive revenue growth, improve productivity and manage cost efficiency	L	M	L	- Board approved strategic plan and annual budget - Proactive monitoring of external environment to ensure ongoing strategic reorientation
BR8	Labour Shortages	High labour attrition owing to workforce out migration	H	M	H	- Offer the best in-class employee value proposition to attract and retain employees - Increase the level of automation at all levels of the business to replace manual processes
BR9	Industrial Health and Safety	Workplace accidents, penalties, negative goodwill	H	L	M	- World class safety management system in line with global best practices - Structured safety training and awareness programme - Workmen's compensation insurance cover for employees
BR10	Competitive Pressure	Emergence of new local and global players	M	M	H	- New market development to grow captive market share - Pursue innovation to diversify the product portfolio with the inclusion of first-market products

RISK MANAGEMENT REPORT

Sustainability Related Risks (SRR) / Sustainability Related Opportunities (SRRO)		Implications to Hayleys Fibre	Impacts (H/M/L)			Mitigation Strategies
			Business Model	Value Chain	Performance and Prospects	
SRR1	Lack of availability of coir raw material	- Material scarcity affects production continuity, product mix and export commitments. - Higher raw material prices and reduced gross margins. - Under-utilisation of manufacturing capacity, affecting revenue and profitability. - Suppression of value-added coir products due to low-cost coir products (husk chips) - Potential claims or loss of contracts due to supply delays.	H	H	H	- Investing in backward integration - Strengthen supplier partnerships and long-term purchase agreements with coconut millers and growers. - R&D in material circulation, waste to products and innovations
SRR2	High Employee Turnover	- Loss of skilled workforce disrupts production efficiency and operational continuity across value chain. - Increased training, recruitment and onboarding processes - Gaps in knowledge and skill transition - Potential decline in productivity and quality, affecting revenue growth and customer retention. - Higher operational costs and reduced profitability due to frequent hiring and training expenses	M	M	H	- Implement structured retention plans and career progression pathways - Strengthen training and development programmes - Conduct exit interviews and workforce analytics to identify root causes of attrition. - Career rationalisation
SRR3	Employee Health and Safety	- Accidents or occupational illnesses disrupt production and affect product quality, delivery timelines and workforce morale. - Increased absenteeism and reduced productivity in processing - Reputation risk due to poor safety records, impacting business relationships - Increased insurance premiums, medical compensation, legal costs and hidden costs from workplace incidents. - Potential production downtime leading to lost revenue and delayed deliveries.	H	L	M	- Implementation of Vision Zero and continuous safety culture reinforcement. - Frequent training and awareness sessions for the workforce - Internal audits to identify and rectify the gaps and third-party consultations for safety improvements - Launch of the Long-Range Plan (LRP) in the areas of standardisation, capability development, engagement/attitude, digitalisation, process development and Infrastructure

Climate Related Risks (CRR) / Climate Related Opportunities (CRRO)		Implications to Hayleys Fibre	Impacts (H/M/L)			Mitigation Strategies
			Business Model	Value Chain	Performance and Prospects	
CRR1	Physical - Risks of extreme precipitation	- Intense rainfall and flooding events may disrupt the collection and transportation of coconut husks, negatively affecting raw material availability and quality. - Excess moisture can lead to deterioration of stored husks and fibres, impacting production efficiency and product quality. - These events may also cause logistical challenges, delays in supply chain operations and increased operational costs related to storage, transportation and infrastructure maintenance	M	H	M	- Strengthening backward integration strategy/ Inventory Management - Empowering suppliers with climate adaptation methods - Improve supplier awareness on proper raw material storage and handling to prevent quality deterioration. - Enhance logistics planning and alternative transport routes. - Invest in improved drainage and storage infrastructure at processing locations. - Strengthen supplier risk monitoring in climate-vulnerable regions
CRR2	Transition-Emerging Climate related laws and regulations in destination markets	- Increasing climate-related regulations and sustainability standards in export markets may require enhanced compliance efforts, including carbon footprint disclosure, environmental certifications and supply chain transparency. - Failure to meet evolving regulatory expectations could affect market access and competitiveness. - Additionally, the transition toward low-carbon products may require investments in sustainable product innovation, improved environmental performance and enhanced sustainability reporting practices	M	M	H	- Align sustainability reporting with global frameworks such as International Sustainability Standards Board (ISSB) climate standards. - Strengthening carbon footprint measurement and reduction initiatives across operations and supply chain. - R&D on sustainable product innovations. - Enhance traceability and ESG compliance within the supplier network.

STRATEGY AND RESOURCE ALLOCATION

Hayleys Fibre PLC adopts a structured approach to strategy development, anchored by the Group's long-term strategic vision. The strategy development process begins with comprehensive environmental scanning, leveraging analytical tools such as SWOT and PESTLE to systematically assess emerging risks, opportunities, and macro-environmental trends across both global and domestic operating contexts. This is complemented by a rigorous materiality assessment process, where key topics are identified, evaluated, and prioritised based on their significance to stakeholders and their potential impact on business performance.

These material topics serve as a critical input into strategic prioritisation, ensuring that the Group's strategic agenda remains closely aligned with stakeholder expectations, sustainability imperatives, and long-term value creation objectives.

Strategy formulation is undertaken through a cross-functional and collaborative approach, drawing on inputs from across the organisation, and is subsequently reviewed and endorsed by the Board. The execution of strategy is underpinned by the structured allocation of both financial and non-financial resources across the six capitals to ensure strategic objectives are effectivel y translated into operational actions, with clear accountability across all levels of the organisation. Performance is continuously monitored through a defined set of key performance indicators (KPIs), enabling a timely assessment of progress against strategic targets and facilitating informed decision-making and course correction where required.

Hayleys Fibre PLC Strategic Pillars

Financial Capital is directed towards capacity expansion, modernisation of manufacturing infrastructure, research and development, and strategic business growth initiatives, while maintaining disciplined capital allocation.

Manufactured Capital is developed through investments in automation, process optimisation, and efficiency-enhancing technologies that improve productivity and operational resilience.

Intellectual Capital is reinforced through continuous innovation, quality certifications, and structured knowledge management systems that sustain competitive differentiation.

Human Capital development is prioritised through investment in training, leadership development, and employee well-being initiatives that support the creation of a capable, engaged, and future-ready workforce.

Social and Relationship Capital is cultivated through ethical and responsible supply chain practices, long-term customer partnerships, and meaningful community engagement.

Natural Capital considerations are embedded into operations through sustainable sourcing practices, resource efficiency, and targeted investments in renewable energy, water conservation, and waste management initiatives, reinforcing the Group's commitment to environmental stewardship.

Financial Stability

The Group's approach to Financial Stability is anchored in maintaining a strong balance sheet, disciplined capital structure, and sustained cash flow generation, ensuring long-term resilience and financial flexibility. Strategic investments are evaluated through a rigorous capital allocation framework, with priority given to initiatives that strengthen core capabilities, enhance returns, and support sustainable value creation over time. Operating efficiency and cost discipline further reinforce financial strength by optimising resource utilisation across the business.

In parallel, the Group pursues prudent diversification of revenue streams to reduce concentration risk and enhance earnings stability across market cycles. A conservative stance on leverage is maintained to preserve financial headroom and mitigate exposure to external shocks, while enabling the Group to respond effectively to emerging opportunities.

Financial oversight is maintained through established reporting, monitoring and control mechanisms that ensure transparency, accuracy and accountability in financial management with confidence while sustaining long-term stakeholder value creation.

Material Topics	- Economic performance - Market presence - Operational efficiency and productivity - Regulations and compliance - Manufacturing capabilities - On time delivery (OTD) - Product quality - Customer satisfaction
Associated Risks and Opportunities	BR1 | BR2 | BR 3 | BR4 | BR5 | BR6 | BR7 | BR8 | BR9 |BR10 | CRR1
Resource Allocation Financial Capital Intellectual Capital Social and Relationship Capital	- Rs. 24 Mn incurred on marketing and promotional activities to capture new markets - Ongoing research initiatives to support new product development - Strengthening strategic partnerships to drive global market expansion
Value Created	- 28 new customers reached - 5 new products, including next-generation open-top grow bags, crop-specific substrate solutions, enhanced biodegradable coir-based geotextiles and fire-retardant coir geotextile variant - 2,054 TEUs fibre export volumes - 40% year on year increase in export revenue
Focus for the Future	Expand the presence across key international markets, mainly in high-potential regions as well as emerging markets around the world

Manufacturing Excellence

Manufacturing Excellence is underpinned by ongoing investments in modern machinery, automation, and production technologies to strengthen efficiency, enhance precision, and elevate product performance standards.

Operational systems are structured around lean manufacturing principles, enabling the systematic reduction of inefficiencies, improved resource utilisation, and enhanced throughput across production lines. This is complemented by robust quality assurance frameworks that ensure adherence to international standards, regulatory requirements, and evolving customer specifications across diverse markets.

Productivity enhancement is further reinforced through capability building initiatives and knowledge-sharing platforms that strengthen workforce competence and operational discipline. Alongside this, a culture of continuous improvement and innovation is embedded across manufacturing functions, enabling teams to proactively identify and implement efficiency gains.

STRATEGY AND RESOURCE ALLOCATION

Material Topics	- Market presence - Operational efficiency and productivity - Regulations and compliance - Product design - Manufacturing capabilities - Operational safety & emergency preparedness - On time delivery (OTD) - Product quality - Technology and product innovations - Energy consumption and management - Emissions and air quality - Customer satisfaction
Associated Risks and Opportunities	BR1 | BR2 | BR6 | BR7 | BR8 | BR9 | SRR1 | SRR 2| SRR3 | CRR1 | CRR2
Resources Allocation Financial Capital Manufactured Capital Social and Relationship Capital	- Rs. 364 Mn incurred as PPE for capacity expansion and upgrading equipment - Rs. 64 Mn incurred on maintenance and upkeep - Process improvements - upgrading of blending systems to improve formulation accuracy and reduce material segregation - Process improvement - optimisation of raw material ageing and hydration processes to ensure substrate maturity and stable carbon-to-nitrogen ratios - Introduction of digital monitoring checkpoints across pre-compression and packing stages to enhance traceability and reduce rejection rates - Implementation of controlled chemical treatment and curing systems for uniform flame-retardant application in geotextiles - Strengthening of quality control checkpoints to support scalability and consistent export-grade production
Value Created	- Capacity utilisation ▪ HFP 58% ▪ BL 63% ▪ CPL 67% - 90% customer satisfaction - ZERO defects - Return on Assets (ROA) - 100% Order fulfilment rate - 100% On-time delivery
Focus for the Future	Increase investments towards expanding backward integration

Dynamic Workplace

The Dynamic Workplace strategy focuses on fostering a high-performing, inclusive, and future-ready work environment that empowers employees to contribute meaningfully to the Group's long-term success. Recognising that workforce capability and engagement are critical enablers of operational excellence, the Group places strong emphasis on continuous learning, skills enhancement, leadership development, and career progression to build a resilient and adaptable talent base.

Employee well-being also remains a key priority, supported through initiatives that promote health, safety, work-life balance, and overall workplace welfare. At the same time, the Group is committed to nurturing a culture grounded in diversity, inclusion, collaboration, and mutual respect, where varied perspectives are encouraged to strengthen innovation, problem-solving, and decision-making across the organisation.

Open communication and employee engagement are further reinforced through structured feedback mechanisms and transparent dialogue channels that encourage participation and strengthen trust across all levels of the workforce.

Material Topics	- Regulations and compliance - Training and education - Employee wellbeing
Associated Risks and Opportunities	BR8 | BR9 |SRR2 |SRR3
Resources Allocation Financial Capital Human Capital	- Rs. 516 Mn distributed as monetary benefits to employees - Annual performance review conducted for all eligible employees - Strengthened safety management practices, key among them the implementation of logout / tagout procedures covering all machine operations - 871 hours of safety training
Value Created	- 149 new recruits - 7 employees promoted (5 - Male & 2 - Female) - 64% reduction in lost days due to injuries
Focus for the Future	- Obtain the ISO 45001 Occupational Health and Safety Standard Certification - Establish dedicated learning centres at each plant to support continuous learning

Sustainable Operations

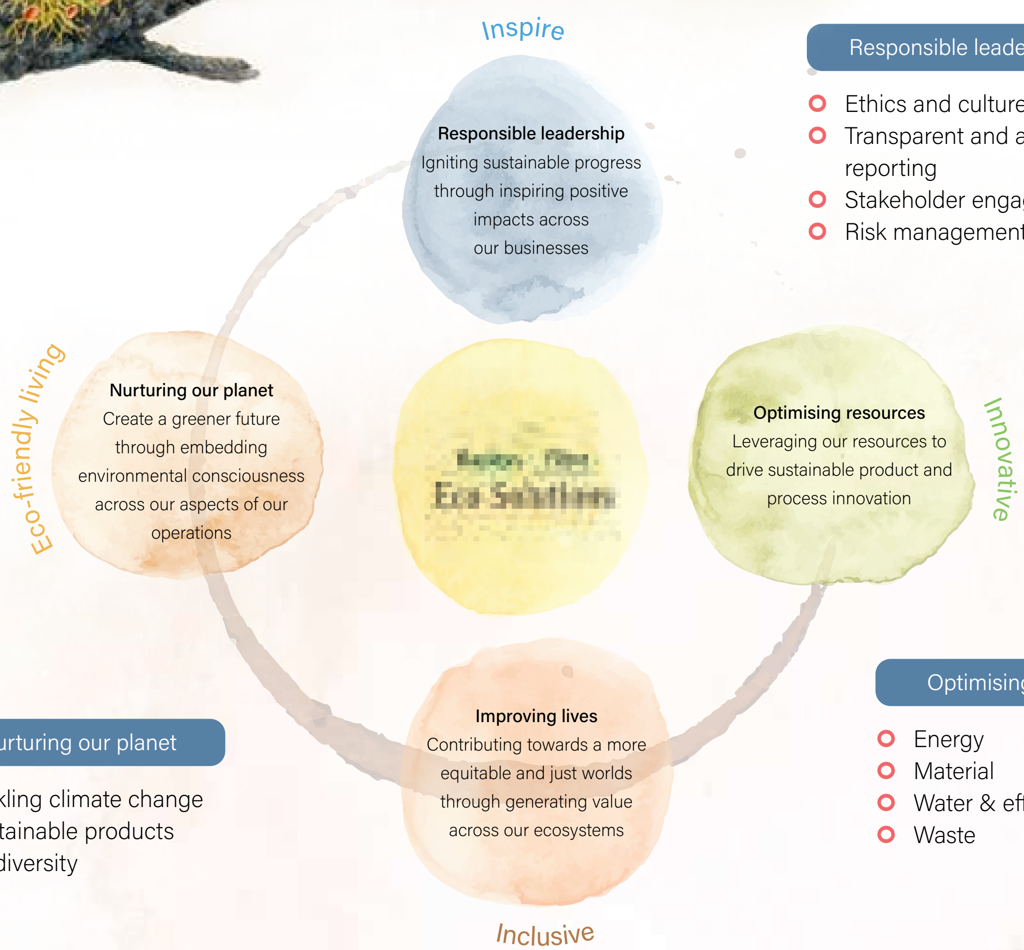
Sustainable operations are at the heart of Hayleys Fibre PLC's strategic vision, reflecting the commitment to environmental stewardship and long-term ecological balance. The Group adopts sustainable practices across all aspects of its operations, from raw material sourcing to production and waste management.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

Material Topics	- Regulations and compliance - Product design - Operational safety & emergency preparedness - Technology and product innovations - Materials - Energy consumption and management - Emissions and air quality - Physical climate risks – rainfall - Climate change adaptation
Associated Risks and Opportunities	SRR1 | CRR1 |CRR2
Resources Allocation Financial Capital Social and Relationship Capital Natural Capital	- Onboarded 1,285 new suppliers - Rs. 3,004 Mn paid to suppliers - 410.86 MT's of non-hazardous fibre waste recycled back for the coir fibre production - Rs. 3.42 Mn incurred on CSR activities through the "Shilpa Sathkara" scheme - 4 green projects
Value Created	- 06% year on year reduction in energy intensity - 3,407 - Carbon footprint (3,356 - 2024/25) - 64% year on year reduction in emissions intensity
Focus for the Future	- Implement the ISO 14001 Environment Management Standard Certification - Collective target of 15% reduction of Scope 1 & 2 emissions by 2030 - 10% reduction in waste intensity by 2030 - Zero waste to landfill by 2030

A SYMBIOSIS OF WELL-BEING

Thriving through interconnected relationships and shared values

SUSTAINABILITY FRAMEWORK



Responsible leadership

- Ethics and culture
- Transparent and accurate reporting
- Stakeholder engagement
- Risk management

Nurturing our planet

- Tackling climate change
- Sustainable products
- Biodiversity

Optimising resources

- Energy
- Material
- Water & effluents
- Waste

Improving lives

- Our people
- Supply chain
- Communities
- Customers

ESG Roadmap 2030

Online Version
www.hayleysfibre.com

SUSTAINABILITY FRAMEWORK

Sustainability Framework

The Hayleys Fibre Group adopts a structured and principles-based approach to sustainability, guided by the purpose of the Eco Solutions Sector: "Inspiring Innovative and Inclusive Eco-Friendly Living." This purpose underpins the Group's commitment for integrating environmental, social, and governance (ESG) considerations into its strategic direction, operational activities, and stakeholder engagements, in line with globally recognised sustainability frameworks.

In operationalising this commitment, the Group has implemented "Entwine", a purpose-driven ESG roadmap that facilitates the systematic integration of material ESG factors into business processes. The framework supports the identification, assessment, and management of key sustainability risks and opportunities while enabling the Group to enhance long-term value creation. "Entwine" establishes a consistent and measurable approach for embedding ESG considerations across the Eco Solutions Cluster. It promotes accountability, drives performance improvements through defined targets and key performance indicators (KPIs) and fosters alignment with emerging regulatory requirements and stakeholder expectations.

The roadmap is aligned with the broader "Hayleys Lifecode", which defines the Hayleys Group's sustainability strategy, priorities and commitments through to 2030, which sets out minimum ESG standards across all Group entities. This alignment ensures consistency in policy application, facilitates comparability of performance, and strengthens the Hayleys Group's collective contribution to sustainable development.

Governance and Oversight

The Hayleys Eco Solutions Sector ESG Unit is responsible for the implementation and operationalisation of the "Entwine" framework at the sector level. The Unit works collaboratively with internal business units and external stakeholders to embed ESG requirements into the operations and decision-making processes. Its responsibilities include systematic collection, validation, and monitoring of ESG metrics, ensuring the reliability and completeness of reported information in line with recognised sustainability reporting standards.

ESG performance is regularly reviewed and reported to the Sector ESG Committee and the Hayleys Group ESG Steering Committee. These governance bodies provide strategic direction, review progress against established targets, and oversee the management of material ESG risks and opportunities.

Key Commitments and Targets

Policy	ESG Strategy	2030 Target	Link to UN SDGs	Action Plan
Energy and Emission Management Policy	Increase reliance on renewable and sustainable energy sources	65% reliance on sustainable and renewable energy sources	7 AFFORDABLE AND CLEAN ENERGY	Conversion of all heaters/boilers to biomass energy sources Explore opportunities in implementing solar PV systems
		100% biomass sourcing		Strengthen biomass supply chain through collaborations with suppliers Maximise the use of wooden briquettes
	Phase out absolute carbon footprint	15% reduction of Scope 1 & 2 emissions 10% reduction in Scope 3 emissions	13 CLIMATE ACTION	100% map all direct and indirect Greenhouse Gas (GHG) emissions for the Sector Obtain third-party verification capturing all direct and indirect GHG emissions across the Sector Assign carbon reduction targets for manufacturing locations Reduce dependence on fossil fuel-based energy sources

Policy	ESG Strategy	2030 Target	Link to UN SDGs	Action Plan
	Reduction in energy intensity through operational improvements	10% reduction in energy intensity	7 AFFORDABLE AND CLEAN ENERGY	Energy efficient manufacturing infrastructure Conduct annual energy audits to identify areas for improvement Continuous process innovations Employee awareness and capacity building on energy consciousness
Water Management Policy	Application of sustainable water sources	10% reliance on sustainable water sourcing	6 CLEAN WATER AND SANITATION	Increase efficiency of effluent treatment plants in selected manufacturing locations Establish wastewater treatment units for locations with high water demand Develop water recycling units at mattress production facilities
Material and Waste Management Policy	Responsible packaging	75% sustainable packaging material (including recycled, recyclable, reusable and/ or compostable material)	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Research & Development to invent waste to packaging mechanisms. Reach for sustainable packaging material suppliers locally & Internationally.
Biodiversity Conservation Policy	Biodiversity conservation and preservation relating to our business operations	Implementing and improving biodiversity within the area we operate and beyond	15 LIFE ON LAND	Establish micro habitat development areas within production facilities Development of 2 acres of biodiversity enhancing area with a marshy habitat Tree planting and biodiversity conservation initiatives Continued support to the 'Kirulu' afforestation programme
Employment Policies	Developing an engaged team Build inclusive and equitable organisational culture	Achieve 5% attrition rate 100% coverage of anti discrimination training for all executive and above grades	8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES	Strengthen employee engagement activities focusing on mental health, stress management and work-life balance Improve grievance handling procedure across the organisation Anti-discrimination training to be included in the new employees' induction programme
Health and Safety Policy	Ensure health, safety and wellbeing of all employees	Obtain ISO 45001:2018 Occupational Safety and Health Management system certification 20% reduction in lost time injury rate	8 DECENT WORK AND ECONOMIC GROWTH	Standardise and ensure complete reporting of accident-related data Nurture a safety conscious culture through regular training and awareness and sessions Initiate a factory safety ranking system

SUSTAINABILITY FRAMEWORK

Policy	ESG Strategy	2030 Target	Link to UN SDGs	Action Plan
Procurement Policy	Drive best practices across our supply chain	40% of suppliers to be assessed on social and environmental criteria	8 DECENT WORK AND ECONOMIC GROWTH	Formulation of supplier assessment criteria which includes screening for good environmental practices, human rights in farming communities and good agricultural practices among others. Training and awareness programmes for procurement teams
Customer Management Policy	Exceed customer satisfaction through identifying and responding to customer needs	Achieve 100% customer grievance handling process that respond within 72 hours, with necessary actions taken within 01 month of period	4 QUALITY EDUCATION 10 REDUCED INEQUALITIES	Revitalise and communicate customer grievance handling procedure
Community Relationships	Uplifting livelihoods and empowering communities	Increase CSR beneficiaries by 50%	4 QUALITY EDUCATION 10 REDUCED INEQUALITIES	Identify and select several high impact CSR projects within the areas we operate focusing on local education development
Ethics and Culture	Nurture an organisational culture built on ethical, sustainable business practices			
Transparent and Accurate Reporting	Drive accountability through accurate, comprehensive ESG reporting and external assurance			
Stakeholder Engagement	Implementing closed-loop feedback mechanisms for all stakeholder groups			
Risk Management	Holistic and systematic processes to identify, measure and mitigate ESG risks			

SLFRS S1 & S2 IMPLEMENTATION

Progress towards Adoption of SLFRS Sustainability Reporting Standards

The adoption of SLFRS S1 and SLFRS S2 Sustainability Disclosure Standards reflects the Hayleys Fibre Group's commitment to delivering high-quality, transparent, and globally comparable sustainability and climate-related financial disclosures. These standards support the Group in systematically identifying, assessing, and managing sustainability-related risks and opportunities (SRROs) and climate-related risks and opportunities (CRROs) that may reasonably be expected to affect its financial position, performance, and cash flows over the short, medium, and long term. By integrating SLFRS S1 and S2 into its reporting framework, the Group enhances the connectivity between financial and non-financial information, enabling more informed strategic decision-making, strengthening investor confidence, and facilitating improved access to capital through decision-useful disclosures.

During the financial year ended 31 March 2024, the Hayleys Fibre Group adopted SLFRS S1 and SLFRS S2, ahead of mandatory implementation timelines. In doing so, the Group applied the transitional relief provisions available to first-time adopters, ensuring a structured and pragmatic implementation approach while maintaining alignment with the principles of faithful representation and relevance. Key considerations included:

- Climate-first approach: Application of SLFRS S2 in conjunction with SLFRS S1, focusing initially on climate-related risks and opportunities to the extent required under the standards.
- Proportionality: Utilization of qualitative methodologies to assess the potential financial effects of identified SRROs and CRROs, including the application of climate scenario analysis at an appropriate level of sophistication.
- Practical expedients: Determination of value chain boundaries and disclosure of Scope 3 greenhouse gas emissions based on information that is reasonable, supportable, and available without undue cost or effort, consistent with the standards.

In the previous financial year, the Group further progressed its adoption journey, expanding the scope of disclosures beyond climate to encompass a broader range of sustainability-related risks and opportunities, in line with SLFRS S1 requirements. Additionally, the Group has expanded its greenhouse gas (GHG) emissions inventory through the inclusion of additional upstream and downstream emission categories, thereby improving the completeness and transparency of its value chain reporting.

In this fifth Integrated Report, the Group has enhanced its alignment with SLFRS S1 and S2 through the implementation of a structured and systematic approach to the identification of SRROs and CRROs, together with an improved identification of their potential financial effects on Business model and Value chain.

Reporting considerations

Reporting boundaries : The sustainability related financial disclosures which are material for the Hayleys Fibre PLC is consistent with the reporting boundary of the audited financial statements of the Group including reporting entity, Reporting Period, Reporting time and functional currency.

Sustainability related risks and opportunities (SRROs): Following a structured materiality assessment, the Group identified six sustainability-related risks and opportunities (SRROs) as material at the consolidated level. Accordingly, all sustainability-related financial disclosures presented herein are based on these selected material SRROs.

Time Horizons : The Group defines the time horizons over which the impacts of sustainability-related risks and opportunities (SRROs) may materialise as short-term (less than one year), medium-term (one to five years), and long-term (more than five years).

Sources of guidance: In order to determine the material issues and reporting metrics, the Group used SLFRS Sustainability Disclosure Standards and several other sources of guidance that were recommended by Hayleys PLC.

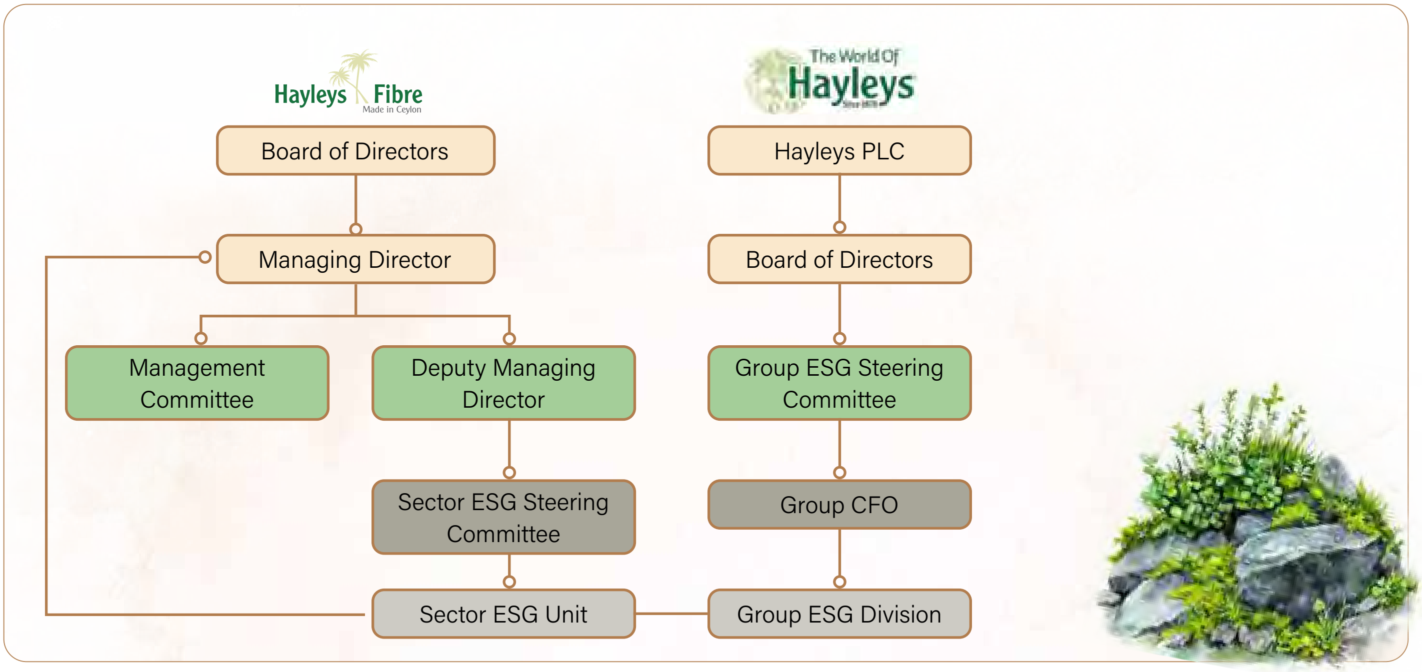
Connected information: Navigation icons have been used across the Report to cross referencing and demonstrate links between each SRRO

1. Governance

Governance Oversight of Sustainability and Climate-Related Risks and Opportunities

The Group has established a structured governance framework to ensure effective oversight and management of sustainability-related and climate-related risks and opportunities (SRROs and CRROs). This framework enables the integration of sustainability considerations into strategic decision-making, operational management, and long-term value creation. Oversight responsibilities are distributed across the Board of Directors, the ESG Steering Committee, and the ESG Unit, ensuring clear accountability, cross-functional collaboration, and continuous improvement in ESG performance across the Group.

SLFRS S1 & S2 IMPLEMENTATION



Governance body	Key responsibilities
Hayleys Fibre PLC Board of Directors	• Retains ultimate accountability for the oversight of sustainability-related and climate-related risks and opportunities (SRROs and CRROs). • Oversee the integration of sustainability and climate considerations into - Strategic direction - Risk management framework - Long-term value creation objectives • Formally considers sustainability and climate-related matters during Board deliberations. • Supported by the Managing Director and the Management Committee in executing sustainability governance responsibilities. • Ensures effective governance, oversight, and accountability for ESG performance across the Group.
ESG Steering Committee	• Supports the Board in the identification, evaluation, and monitoring of material sustainability-related matters. • Chaired by the Deputy Managing Director, who also serves as a member of the Board of Directors. • Comprises cross-functional representation from Manufacturing, Engineering, Human resources, Sales and marketing, Procurement, Research and Development and Health and safety. • Operates under delegated authority from the Board and Facilitates the systematic integration of ESG considerations into: • Governance structures • Strategic planning processes • Operational activities • Strengthens coordination and alignment of sustainability initiatives across the Group.
ESG Unit	• Responsible for the effective operationalisation of measures identified under each sustainability-related and climate-related risk and opportunity. • Works closely with all operational locations across the Group to implement ESG initiatives and action plans. • Provides targeted sustainability insights, awareness, and training programmes to enhance ESG-related knowledge and capabilities. • Supports the ESG Steering Committee through monitoring, reporting, and implementation support. • Promotes continuous improvement in the management of sustainability and climate-related risks and opportunities. • Enhances organisational accountability, consistency, and ESG performance across the Group.

GRI 2-17

Skills and Expertise in Governance Oversight

The diverse professional backgrounds, industry experience, and multidisciplinary expertise of the Board members significantly strengthen the Group's ability to exercise effective governance oversight. Collectively, the Board brings a broad spectrum of competencies enabling a well-rounded evaluation of complex and evolving business dynamics.

This diversity of skills enhances the Board's capacity to identify, assess, and respond to emerging sustainability-related and climate-related risks and opportunities, while ensuring that such considerations are appropriately integrated into the Group's strategic decision-making processes.

Skill & Experience Area	Deep expertise / leadership level	Direct professional experience	Working knowledge / oversight awareness	ESG Alignment
Manufacturing, Fibre & Operations	4	3	5	Resource efficiency, quality, circular economy
Financial Expertise (Finance, Audit, Treasury)	4	5	3	Capital discipline, SLFRS, risk, disclosures
Governance, Legal & Regulatory	3	4	5	Board independence, compliance, ethics
Sustainability & ESG Oversight	3	5	4	Climate risk, ESG governance, reporting
Enterprise & Risk Management	4	4	4	Financial, operational & ESG risks
Digital, IT & ERP Governance	2	3	7	Data integrity, cyber risk, automation
People, Talent & Industrial Relations	4	6	2	Labour standards, safety, succession
Market, Export & Customer Insight	5	4	3	Market conduct, customer trust

Information Flow and Engagement Frequency

The ESG Steering Committee meets on a quarterly basis to review and evaluate sustainability-related and climate-related risks and opportunities (SRROs and CRROs). These are identified through a structured risk assessment process, supported by a comprehensive risk matrix that incorporates risk scoring based on likelihood and potential impact. Key findings, trends, and priority areas are reported to the Board of Directors on a quarterly basis, enabling continued oversight, informed decision-making, and timely strategic intervention where necessary.

Responsibility for Target Setting and Performance Monitoring

The ESG Steering Committee is responsible for establishing sustainability targets and overseeing the Group's performance against these objectives. This includes monitoring key ESG metrics, reviewing sustainability disclosures, and assessing progress against the Group's ESG framework, "Entwine." Through this process, the Committee ensures alignment between sustainability performance and the Group's broader corporate purpose, while driving accountability, continuous improvement, and long-term sustainable value creation.

2. Strategy

Sustainability Related Risks & Opportunities (SRRO) and Climate Related Risks & Opportunities (CRRO)

Sustainability-related risks and opportunities (SRROs) are increasingly integral to the Hayleys Fibre Group's risk management and value creation processes. These risks encompass a broad range of environmental, social, and governance (ESG) factors that have the potential to materially impact on the Group's operations, financial performance, and long-term strategic objectives, particularly within the coir-based industry, which is closely linked to natural resource availability, climate conditions, and global market dynamics.

Key sustainability-related risks include physical climate impacts, such as changing weather patterns affecting coconut cultivation and its value chain, and transitional risks arising from evolving regulatory frameworks, market preferences and low-carbon transition pressures. In addition, social and governance risks including labour practices, supply chain integrity, and stakeholder expectations are also material for the Groups' operational sustainability and long-term value creation objectives.

The effective management of SRROs & CRROs presents significant opportunities for the Group to enhance operational resilience, strengthen stakeholder trust, and drive sustainable innovation in eco-friendly coir-based solutions. Integrating these risks and opportunities into the Group's enterprise risk management framework enables proactive decision-making, supports regulatory compliance, and enhances the Group's ability to remain competitive in a rapidly evolving global environment.

SLFRS S1 & S2 IMPLEMENTATION

SUSTAINABILITY RELATED RISKS & OPPORTUNITIES

Time Horizon | Short <1 year | Medium 1-5 Years | Long >5 years

Impact - Low L Medium M High H

SRRO 01 - Lack of availability of coir based raw material

The Group's operations are highly dependent on the availability of coir-based raw materials derived from coconut husk. Variability in coconut production, driven by climate conditions, agricultural practices, and supply chain constraints, may lead to shortages and price volatility. This could impact production continuity, increase input costs, and affect the Group's ability to meet customer demand and sustain long-term growth.

Impact over the time horizon	Short	Medium	Long
	M	M	H

Current impact on the business model	Current impact on the Value chain	Potential financial impacts
• Dependence on natural, coir-based raw materials exposes the Group to supply variability. • Production planning is influenced by seasonal availability of coconut husk. • Increased focus on supplier relationship management to ensure continuity. • Material Scarcity affecting production continuity. Product mix and export commitments	• Supply constraints affect upstream sourcing, particularly from smallholder raw material suppliers • Increased competition for raw materials within the domestic market. • Pressure on logistics and procurement functions to secure timely supplies.	• Increased raw material costs impacting margins – reduced gross margins • Higher cost in raw material procurement and pre-processing • Higher inventory holdings impact on working capital. • Under-utilization of manufacturing capacity affecting revenue and profitability • Potential claims or loss of contracts due to supply delays
Anticipated impact	**Anticipated impact**	
• Potential need to diversify raw material sourcing regions or explore alternative inputs. • Increased integration of circular economy practices (e.g., waste utilization). • Greater emphasis on sustainability-driven product innovation and sourcing models.	• Strengthening of supplier networks and long-term contracts to ensure supply security. • Enhanced traceability and visibility across the value chain. • Potential geographic diversification of sourcing to mitigate concentration risks.	
Management Response	• Investing in Backward integration • Strengthening supplier partnerships and long-term purchase agreements with coconut fibre mills & sub-contractors • Supply chain diversification • Efficiency improvement and waste reduction in manufacturing • Research and development in waste valorization, less material and alternative raw materials.	

SRRO 02 - High employee turnover

The labour-intensive nature of the coir industry exposes the Group to risks associated with high employee turnover, including loss of skilled labour, reduced productivity, and increased recruitment and training costs. Persistent workforce instability may disrupt operations, affect product quality, and place pressure on operational efficiency and financial performance.

Impact over the time horizon			
	H	M	M

Current impact on the business model	Current impact on the Value chain	Potential financial impacts
• Labour-intensive operations in the coir industry are highly dependent on skilled workforce availability. • Increased reliance on temporary or less experienced workforce • High turnover leads to disruptions in production continuity and operational efficiency. • Gaps in Knowledge and skills • Increased recruitment, onboarding & training process.	• Disruptions in upstream processing and manufacturing due to workforce shortages. • Decline in productivity and product quality due to loss of experienced labour. • Increased training requirements for new recruits.	• Increased recruitment, onboarding, and training costs. • Reduced productivity impacting output and revenue. • Higher operating costs and reduced profitability due to frequent hiring and training affecting margins. • Potential revenue loss due to inability to meet production targets. • Persistent labour instability may increase perceived operational risk and cost of capital.
Anticipated impact	**Anticipated impact**	
• Higher dependency on structured workforce planning and retention-focused models. • Increased focus on employer branding and workforce sustainability practices. • Potential need to redesign the business model towards greater automation and mechanization.	• Strengthening of workforce management across the value chain, including supplier labour practices. • Potential restructuring of labour sourcing models. • Increased collaboration with local communities to secure a stable labour pool.	

Management Response	• Continuous training and upskilling programmes for both new and existing employees • Implementation of structured retention plans and career progression pathways • Conducting exit interviews and workforce analytics to identify root causes for attrition • Employee empowerment and motivation • Cadre rationalization • Automation and process optimization to Enhancing process efficiencies and reduce labour intensity

SLFRS S1 & S2 IMPLEMENTATION

SRRO 03 - Employee health and safety

Given the operational environment of coir-based manufacturing processes, employee health and safety remain a critical area of focus. Workplace hazards, if not effectively managed, could result in injuries, operational disruptions, and increased compliance and compensation costs. Ensuring a safe working environment is essential to maintaining workforce wellbeing, productivity, and regulatory compliance.

Impact over the time horizon	H	H	H

Current impact on the business model	Current impact on the Value chain	Potential financial impacts
• Exposure to operational hazards including machinery, fire, electrical systems, dust, chemicals and ergonomic risks in manufacturing facilities. • Safety incidents may disrupt production continuity and reduce operational efficiency. • Increased focus on occupational health and safety (OHS) compliance	• Workplace safety risks affect productivity within manufacturing and processing stages. • Both upstream and downstream stakeholders of the supply chain also face industrial safety risks and operational disruptions • Incidents may lead to temporary shutdowns or reduced output. • Increased scrutiny on supplier labour standards and workplace safety practices.	• Costs associated with workplace incidents -medical expenses, insurance, compensation and compliance costs • Increased budget allocation on machine improvements, PPEs, Fire & Alarm systems, training etc. • Potential financial losses from downtime, legal liabilities and reputational damage arising from workplace incidents. • Strong health and safety performance may enhance ESG ratings and access to sustainability-linked financing.
Anticipated impact	**Anticipated impact**	
• Increased investment in machinery upgrades, automation, PPE, health surveillance and safety monitoring systems. • Strengthening of safety culture, workforce wellbeing programmes and emergency preparedness plans. • Greater integration of occupational safety into operational design and enterprise risk management frameworks.	• Strengthening of value chain-wide safety standards and monitoring mechanisms. • Buyers and global customers may increasingly require ESG-linked workforce safety disclosures and human capital management standards (ISO 45001, SEDEX & other ethical certifications) and traceability across the value chain. • Enhanced supplier screening and audits related to occupational safety and safety requirements.	

Management Response	• Incident prevention and risk mitigation – proactive approach • Enhancing Machine safety, workplace conditions, Warning systems, PPEs to mitigate occupational health risks, reduce accident rates and maintain workforce productivity. • Monitoring and performance management – A digital system to report incidents and tracking key indicators such as Lost Time Injury Frequency Rate (LTIFR) and incident rates • Continuous employee training and awareness to promote safety-first culture.

SRRO 04 - Growing demand for the coir based natural solutions

Increasing global awareness of environmental sustainability and the shift towards eco-friendly and biodegradable products present a significant growth opportunity for the Group. Rising demand for coir-based solutions in sectors such as agriculture, horticulture, and erosion control enables the Group to expand its market presence, drive innovation

Impact over the time horizon: M | H | H

Current impact on the business model	Current impact on the Value chain	Potential financial impacts
• Rising demand for biodegradable, renewable and low-carbon coir-based products in horticulture, erosion control, packaging, Brushes and environmental applications. • Increased preference among international buyers for sustainable and traceable natural fibre products. • Opportunity to strengthen brand positioning as a sustainability-focused manufacturer.	• Increased demand for raw materials and processing capacity. • Collaboration with sustainable raw material suppliers to meet with quality and sustainability requirements • Increased demand for transparent sourcing, environmental certifications and low-carbon logistics.	• Increased revenue from rising demand for sustainable products. • Improved margins for value-added eco-products. • Investment in production capacity and supply chain enhancements. • Potential increase in R&D and product innovation expenditure • Enhanced access to green financing and sustainability-linked funding. • Potential reduction in cost of capital due to stronger ESG positioning.
Anticipated impact	**Anticipated impact**	
• Expansion into premium sustainable product segments and circular economy solutions. • Diversification of the business into more product avenues • Increased innovation in sustainable materials, eco-design and low-emission product development. • Enhanced integration of sustainability performance into sales strategy and customer engagement.	• Long-term partnerships with environmentally conscious customers and retailers. • Expansion of supplier networks and improvement in value chain resilience • Increased value chain integration around circular economy, sustainable sourcing and decarbonization initiatives.	

Management Response	• Invest in targeted research and development (R&D) to create innovative, high-value coir-based products • Expansion of sustainable products to enable the company to capture growing demand for green solutions and strengthen long-term competitive positioning. • Branding and ESG positioning • Screening and strengthening supply chain while improving traceability and sustainability standards across the value chain

SLFRS S1 & S2 IMPLEMENTATION

Climate Scenario Analysis Approach

The climate scenario analyses conducted by the Hayleys Fibre Group are aligned with those adopted by the Hayleys Group, ensuring a consistent and coordinated approach to the evaluation of climate-related risks and opportunities across the Group. In this context, Hayleys Fibre has adopted internationally recognized climate scenario frameworks, in line with Group-level practices, to inform its risk assessment processes and support resilient, forward-looking strategic planning.

Scenario Assumptions – Physical climate scenarios

Source	Scenario	Key assumptions
IPCC AR 6	C3/SSP 1-2.6	Low emission scenario with the increase in global warming limited to 20 °C by 2100 and net zero status achieved between 2055 and 2060 supported by a near 65% reduction in GHG emissions by 2050
	C6/SSP 2-4.5	Intermediate emission scenario with global temperature projected to increase by 30°C in 2100 compared to pre-industrial levels
	C7/SSP 3-7.0	High emission scenario with global temperatures projected to increase by 40°C in 2100 compared to pre-industrial levels

IPCC Sixth Assessment Report (AR6) Scenarios

These scenarios incorporate Representative Concentration Pathways (RCPs) and Shared Socioeconomic Pathways (SSPs) to model a range of potential climate futures based on varying levels of greenhouse gas emissions and socioeconomic developments.

Scenario Assumptions – Transition risk scenarios

Source	Scenario	Key assumptions
IEA 2023	Net Zero Emissions (NZE) Scenario	Demonstrates the pathways for the energy sector to help limit the global temperature rise to 1.5 °C through universal access to reliable modern energy services and successful achievement of key energy-related SDGs
	Announced Pledges Scenario (APS)	Assumes that governments will meet, in full and on time, all announced climate related commitments including longer term net zero targets and pledges in Nationally Determined
	Stated Policies Scenario (STEPS)	Reflect the policies and measures that are actually in place and what governments are doing to meet their targets. The STEPS are associated with a temperature rise of 2.4 °C in 2100 (with a 50% probability).

IEA World Energy Outlook 2023 – Transition Pathways

These scenarios examine alternative trajectories for the global energy sector in the shift toward a low-carbon economy, reflecting a blend of national policy directions, technology trends, and broader macroeconomic factors.

Local Climate Scenarios

In assessing climate-related risks and opportunities, the Hayleys Fibre Group has also considered locally relevant climate scenarios specific to Sri Lanka, reflecting the country's development pathways and climate policy commitments. The selected scenarios are informed by nationally recognized frameworks and policy directions, including Sri Lanka's Nationally Determined Contributions (NDCs) under the Paris Agreement and the Climate Prosperity Plan, which outlines the country's low-carbon and climate-resilient development trajectory. Together with a Business-as-Usual pathway, these scenarios enable the Group to evaluate potential impacts under differing climate futures and support strategic planning aligned with national and global climate objectives.

Source	Scenario	Key Assumptions
-	Business As Usual	Continuation of the current development trajectory of the country with limited climate-related interventions
Nationally determined contributions 3.0	NDC Scenarios	Represents core commitments presented in the country's NDC and shows the development pathway if the Paris Agreement NDC targets are met
Sri Lanka Climate Prosperity Plan 2022	Climate Prosperity Plan	Pathway in which the country achieves maximum utilization of its domestic renewable energy resources and fully climate-proofs the economy

Hayleys Group Scenarios

Hayleys has incorporated above recognized international physical and transition climate scenarios and national climate action agenda, including policy commitments and development pathways to develop an entity-specific climate scenarios that support a more relevant and decision-useful assessment of climate-related risks and opportunities, while ensuring alignment with both global best practices and local realities.

Scenario	Description and assumptions	Reference global scenarios		Average Mean Temperature (°C)			Average largest 5-day precipitation (mm)		
		IPCC	IAE	Short-term (2027)	Medium term (2028-2032)	Long-term (beyond 2032)	Short-term (2027)	Medium term (2028-2032)	Long-term (beyond 2032)
Scenario A – Net Zero	• Sri Lanka meets its conditional and unconditional NDC commitments achieving rapid decarbonization of energy systems and technically, socially and financially feasible transition plans. • Significant reduction in the demand for fossil fuels and pricing strategies for fuel which in turn leads to steep declines in emissions. • The increase in global temperature is limited to 20°C.	C3/SSP 1-2.6	NZE	27.45	27.492	27.84	76.67	76.99	78.83
Scenario B – Current pathway	• The country meets its unconditional NDC commitments, meetings its adaptation ambitions and sectoral reduction targets. • Limited external investments in technology and funding to drive the transition to low carbon. • Average temperatures expected to increase by approximately 2.50°C	C6/SSP 2-4.5	APS	27.44	27.502	28.25	77.04	75.26	77.09
Scenario C – Divergence	• Global and local implementation gap to achieve decarbonization goals with significant weather-related impacts on businesses and communities. • No specific climate-related interventions and represent a continuation of the current trajectory. • Average temperatures expected to increase by approximately 40°C.	C7/SSP 3-7.0	STEPS	27.45	27.478	28.63	72.09	70.69	71.74

SLFRS S1 & S2 IMPLEMENTATION

Climate Resilience and Scenario Analysis:
Climate-related risks and opportunities (CRROs) are integral to shaping the strategic direction and long-term resilience of the Hayleys Fibre Group. Climate-driven changes, including increased variability in weather patterns and the transition to a low-carbon economy, present material risks to raw material availability, operational continuity, supply chain stability, and market access. In addition, the evolving regulatory landscape, particularly in key export markets introduces compliance, transition, and reputational risks that may have financial implications for the Group.
At the same time, these dynamics give rise to opportunities for innovation, market differentiation, and sustainable growth, driven by increasing global demand for environmentally responsible products and practices. In line with the requirements of SLFRS S2, the Group has embedded CRRO considerations into its enterprise risk management framework, strategic planning processes, and capital allocation decisions.

CRRO 01 - Physical risk of Climate Change - Rainfall

Extreme precipitation events and increasing trend of unpredictable rainfall patterns driven by climate change represent a material physical climate risk to the Hayleys Fibre Group, given its reliance on coir-based raw materials derived from coconut husk. Changes in rainfall frequency, intensity, and seasonal distribution directly influence coconut cultivation, harvesting cycles, and post-harvest handling processes, thereby affecting both the availability and quality of raw materials. In regions experiencing excessive precipitation, flooding and prolonged waterlogged conditions can adversely impact coconut plantations, reducing yield by reduced nut setting, increased nut fall and restricting access to raw material collection.

Furthermore, erratic rainfall patterns significantly affect the drying and processing stages of coir production. The reduction in sunlit hours greatly impact on the coir fibre and pith drying operation and other primary processing activities, particularly in rural sourcing areas where infrastructure resilience may be limited. The moist coir raw material is under the risk of fungal contamination and material degradation. In addition, extreme weather conditions can result in damage to infrastructure, logistical disruptions, and transportation delays, further affecting the efficiency and reliability of the supply chain. Collectively, these factors contribute to supply volatility, cost escalation, and operational inefficiencies, highlighting the significance of this climate-related risk within the Group's broader risk management and strategic planning framework.

Emission Scenario	Time Horizons		
	Short term	Medium term	Long term
A – Net Zero (2°C)	Impact on the business model		
	• Moderate disruptions to raw material collection due to seasonal rainfall variability. • Increased reliance on adaptive production planning. • Comparatively minimal financial losses due to excessive rainfall	• Gradual stabilization is supported by national climate adaptation measures. • Integration of climate-resilient sourcing and drying technologies into operations.	• Business model evolves towards high resilience, with advanced infrastructure and reduced climate sensitivity. • Greater reliance on technology-driven processing and efficient material utilization. • Utilization of early warning systems and predictions for business decision making.
	Impact on the Value Chain		
	• Minor disruptions in supplier operations due to short-term rainfall fluctuations. • Limited logistical delays. • Increased focus on climate resilient practices within the value chain	• Improved supply chain resilience supported by national adaptation initiatives. • Strengthening of supplier engagement and traceability systems.	• Highly resilient value chain with integrated climate adaptation practices. • Enhanced supplier capabilities and stable raw material flows.

<table>
<tr><th rowspan="2">Emission Scenario</th><th colspan="3">Time Horizons</th></tr>
<tr><th>Short term</th><th>Medium term</th><th>Long term</th></tr>
<tr><td rowspan="4">B – Current Pathway (2.5°C)</td><td colspan="3">Impact on the business model</td></tr>
<tr><td>• Increased rainfall variability leading to frequent disruptions in husk processing, extraction and drying.
• Higher operational adjustments required for production process
• Average damages to the production infrastructure from the impacts of extreme weather events – Floods/Cyclones</td><td>• Persistent supply volatility impacting production planning.
• Increased adoption of mechanical drying and storage systems, raising operational costs.
• Stringent quality parameters to maintain the production quality</td><td>• Structural shifts required in the business model, including diversification of raw material sources and greater investment in resilience technologies.</td></tr>
<tr><td colspan="3">Impact on the Value Chain</td></tr>
<tr><td>• Irregular supply due to rainfall-induced collection delays.
• Increased moisture affects raw material quality.</td><td>• Ongoing supply chain inefficiencies, including delays in transportation and processing.
• Greater need for supplier diversification and infrastructure improvements.</td><td>• Persistent variability in supply and quality.
• Increased costs across the value chain due to adaptation investments and operational inefficiencies.</td></tr>
<tr><td rowspan="4">C – Divergence (4°C)</td><td colspan="3">Impact on the business model</td></tr>
<tr><td>• Noticeable disruptions from extreme rainfall events, affecting operational continuity.
• Frequent floods and losses of stored raw material
• Emergency repair and cleanup costs</td><td>• Significant instability in raw material supply and frequent production inefficiencies.
• Increased dependency on cost-intensive mitigation measures.</td><td>• Fundamental transformation of the business model required.
• Potential constraints on growth due to chronic raw material shortages and quality issues.
• High reliance on innovation, automation, and alternative sourcing.</td></tr>
<tr><td colspan="3">Impact on the Value Chain</td></tr>
<tr><td>• Frequent supply disruptions due to flooding and extreme weather.
• Breakdowns in logistics and transportation networks.
• Loss of customers and suppliers due to inconsistency</td><td>• Severe strain on the value chain with inconsistent supply and declining raw material quality.
• Increased rejection rates and processing losses.</td><td>• Structural challenges in maintaining a reliable value chain.
• Potential breakdown of traditional sourcing networks, requiring significant restructuring and global diversification.
• Permanent closure of the industry due to raw material scarcity and loss of niche markets</td></tr>
<tr><td>Management Response</td><td colspan="3">• Diversification of raw material sources across multiple geographic regions to reduce exposure to localized climate events
• Investing in backward integration and maintaining strategic buffer stocks during favorable conditions to offset short-term supply shocks
• Enhancing supply chain resilience through allocating capital or concessional loans towards climate-resilient infrastructure and technologies
• Improving logistics planning and route optimization to minimize disruptions during extreme weather events</td></tr>
</table>

SLFRS S1 & S2 IMPLEMENTATION

Time Horizon	Impact on Group's Economic Prospects		
	Impact on Financial Performance	Impact on Balance Sheet	Impact on Cash Flow
Current year impact	Increased operational costs due to disruptions from unpredictable rainfall patterns affecting drying efficiency, production scheduling, and logistics operations.	Minor increase in maintenance requirements for drying yards, storage areas, and drainage infrastructure	Increased short-term cash outflows associated with operational inefficiencies, temporary production interruptions, and logistics delays.
Short-term impact	Increased frequency of rainfall events may reduce raw material drying capacity, resulting in higher production costs, reduced throughput, and margin pressure.	Potential additional investments for climate-resilient infrastructure improvements.	Higher working capital requirements due to inventory fluctuations, delayed exports, and increased expenditure on adaptive operational measures.
Medium-term impact	Continued rainfall variability could materially affect raw material quality, operational efficiency, and export fulfillment reliability, potentially impacting revenue generation and customer retention.	Potential increase in capital expenditure for climate adaptation technologies, infrastructure upgrades, and resilient processing systems. Possible accelerated depreciation of climate-exposed assets.	Sustained increase in operational and capital cash outflows associated with adaptation initiatives, maintenance, and supply chain disruptions.
Long-term impact	Severe and prolonged climate variability may significantly impact production continuity, raw material availability, and overall business resilience, potentially affecting long-term profitability and competitiveness.	Potential impairment or relocation requirements for highly climate-exposed operational assets and infrastructure. Increased investment in climate-resilient manufacturing systems may be necessary.	Long-term increase in capital allocation toward resilience-building measures, adaptation investments, and supply chain stabilization initiatives, potentially affecting future liquidity and financing requirements.
Assumptions	• Climate projections indicate increasing rainfall intensity and greater seasonal unpredictability across Sri Lanka. • Additional investments in climate-resilient infrastructure, covered drying systems, and water management facilities become necessary. • Significant adaptation capital expenditure is required to maintain long-term business resilience and competitiveness.		

CRRO 02 - Emerging Climate related laws and regulations in destination markets

The global transition toward a low-carbon economy is accelerating the introduction of climate-related laws, regulations, and market expectations across key export destinations. For the value-added coir industry, these evolving regulatory frameworks present significant transition risks that could impact operational costs, market access, supply chain management, and long-term competitiveness.

Governments and regulators are increasingly implementing carbon reduction policies, mandatory climate disclosures, carbon pricing mechanisms, and product sustainability requirements aligned with the goals of the Paris Agreement. In Sri Lanka, national commitments under the country's Nationally Determined Contributions (NDCs) are expected to further strengthen regulatory expectations relating to energy efficiency, emissions management, and sustainable industrial practices.

As climate regulations intensify in international markets, value-added coir manufacturers may face increased pressure to demonstrate lower carbon footprints across products and operations. This may require additional investments in renewable energy adoption, energy-efficient manufacturing technologies, emissions monitoring systems, and low-carbon logistics solutions. Further adaptations and compliance measures will be required to meet evolving regulatory requirements, including obtaining third-party assurance and certification. This is likely to entail additional operational effort and increased financial investment for the industry. Failure to align with evolving regulatory expectations could result in increased compliance costs, reduced customer preference, or restricted access to environmentally sensitive markets.

Emerging regulations linked to biodiversity protection, sustainable land use, and deforestation-free sourcing may also influence coconut cultivation practices and raw material availability. Such measures could affect the cost structure and supply stability of coconut husks, the primary raw material used in coir-based manufacturing. In parallel, the growing global focus on circular economy principles is reshaping expectations around product stewardship, packaging sustainability, waste reduction, and recyclability. Regulations such as Extended Producer Responsibility (EPR) schemes, packaging waste directives, recycled content requirements, and restrictions on single-use plastics may require coir manufacturers to redesign packaging systems, improve material traceability, and enhance product circularity across the value chain.

Given the export-oriented nature of the value-added coir sector, the pace and complexity of climate-related regulatory developments in destination markets may materially influence future operating expenditures, capital allocation decisions, product innovation requirements, and overall business resilience.

Emission Scenario	Time Horizons		
	Short term	Medium term	Long term
A – Net Zero (2°C)	Impact on the business model		
	• Initial compliance costs associated with emerging sustainability regulations in export markets (EU, UK, USA). • Increased customer requests for ESG disclosures, carbon footprint data, and traceability information. • Moderate investments required for certifications, environmental monitoring, and reporting systems.	• Gradual integration of sustainability and circular economy principles into core business operations. • Expansion of certified sustainable product portfolios and low-carbon products. • Improved market positioning through proactive compliance with international standards.	• Highly resilient and sustainability-driven business model aligned with global low-carbon trade requirements. • Strong competitive advantage through verified climate-friendly and traceable products. • Increased integration of digital compliance systems and sustainability-linked financing.
	Impact on the Value Chain		
	• Moderate pressure on suppliers to improve traceability and environmental practices. • Initial supplier assessments and sustainability audits required. • Minor disruptions due to documentation and compliance adjustments.	• Improved transparency and traceability across the value chain. • Stronger supplier engagement programmes and climate-smart sourcing practices. • Enhanced collaboration with logistics providers and sustainable packaging suppliers.	• Fully integrated sustainable value chain with climate-resilient sourcing and transparent supplier systems. • Strong alignment with customer sustainability expectations and global reporting frameworks. • Stable long-term buyer relationships due to strong ESG performance.

SLFRS S1 & S2 IMPLEMENTATION

Emission Scenario	Time Horizons		
	Short term	Medium term	Long term
B – Current Pathway (2.5°C)	Impact on the business model		
	• Increasing compliance burden from regulations such as EU CSRD, CBAM, Ecodesign requirements, and modern slavery laws. • Growing customer demand for carbon footprint reporting, lifecycle assessments, and third-party certifications. • Increased administrative and operational costs associated with ESG compliance.	• Persistent pressure to invest in emissions reduction, wastewater treatment, renewable energy, and traceability systems. • Increased operational costs due to sustainability-related audits and certification maintenance. • Greater product differentiation required to maintain access to premium export markets.	• Structural transformation required to maintain competitiveness in regulated export markets. • Significant investments needed in low-carbon manufacturing, circular economy solutions, and digital traceability. • Potential loss of competitiveness for non-compliant or high-emission operations.
	Impact on the Value Chain		
	• Suppliers face increasing scrutiny regarding labor practices, environmental compliance, and raw material traceability. • Moderate disruptions due to evolving documentation requirements and compliance gaps.	• Greater supplier consolidation as smaller suppliers struggle to meet sustainability expectations. • Increased costs across logistics and packaging due to environmental compliance requirements. • More frequent customer audits and supply chain assessments.	• Increased value chain complexity driven by varying international sustainability regulations. • Higher costs associated with maintaining compliant supplier networks and sustainable logistics systems. • Long-term reliance on digitally traceable and verified sustainable sourcing networks.
C – Divergence (4°C)	Impact on the business model		
	• Significant compliance risks due to rapidly changing international regulations and buyer expectations. • Increased risk of shipment rejections, penalties, or loss of market access for non-compliance. • Immediate increase in costs related to certification, reporting, carbon accounting, and legal compliance.	• Severe financial pressure from carbon taxes, mandatory environmental disclosures, and product sustainability requirements. • Increased dependency on expensive compliance technologies, consultants, and monitoring systems. • Reduced profitability due to rising compliance and adaptation costs.	• Fundamental restructuring of the business model required to survive in highly regulated markets. • Potential exclusion from premium export markets due to inability to meet evolving sustainability requirements. • High reliance on automation, digital traceability, verified carbon neutrality, and circular manufacturing systems.
	Impact on the Value Chain		
	• Frequent disruptions due to supplier non-compliance with environmental and social standards. • Increased rejection of suppliers lacking certifications or traceability systems. • Loss of customers due to inability to demonstrate sustainability performance.	• Significant strain on the supply chain caused by compliance failures, rising logistics costs, and limited certified suppliers. • Increased delays due to customs inspections and sustainability verification processes.	• Potential breakdown of traditional sourcing networks due to inability to comply with global sustainability requirements. • Heavy dependence on globally certified and technologically advanced supplier networks. • Risk of industry contraction or loss of niche export markets due to prolonged regulatory non-compliance.

Emission Scenario	Time Horizons		
	Short term	Medium term	Long term
Management Response	• Strengthening ESG governance and regulatory monitoring systems to track emerging international sustainability requirements. • Investing in certifications, traceability platforms, lifecycle assessments, and carbon footprint measurement systems. • Diversifying export markets to reduce over dependence on highly regulated regions. • Enhancing supplier engagement and capacity-building programmes to improve compliance readiness. • Investing in renewable energy, resource efficiency, sustainable packaging, and circular economy initiatives to improve long-term competitiveness.		

Time Horizon	Impact on Group's Economic Prospects		
	Impact on Financial Performance	Impact on Balance Sheet	Impact on Cash Flow
Current year impact	Initial increase in sustainability-related compliance, certification, and reporting costs associated with evolving customer and regulatory expectations in export markets.	Limited immediate balance sheet impacts, minor investments in sustainability systems and compliance processes	Incremental cash outflows related to ESG reporting, sustainability certifications, and customer compliance requirements.
Short-term impact	Increased operational costs arising from enhanced packaging requirements, traceability expectations, sustainability audits, and climate-related disclosure obligations.	Investments may be required for renewable energy systems, sustainable packaging solutions, and process improvements to align with regulatory expectations.	Increased cash outflows associated with compliance initiatives, product redesign, and sustainability-related capital expenditure.
Medium-term impact	Stricter climate regulations, carbon-related policies, and circular economy requirements may increase production and export costs while influencing market competitiveness and customer demand.	Potential recognition of additional capital assets linked to decarbonization initiatives, energy-efficient technologies, and sustainable operational transformation.	Higher capital and operational cash requirements associated with decarbonization investments, regulatory compliance, and sustainable supply chain integration
Long-term impact	Failure to align with evolving climate-related regulations and low-carbon market expectations could affect market access, export competitiveness, and long-term revenue growth. Conversely, proactive adaptation may strengthen market positioning and resilience.	Significant long-term investments may be required for low-carbon technologies, renewable energy infrastructure, sustainable product innovation, and circular economy integration. Potential risk of asset obsolescence for carbon-intensive processes.	Long-term cash flows may be influenced by ongoing decarbonization expenditure, climate compliance costs, and strategic sustainability investments, partially offset by operational efficiencies and improved market access over time.
Assumptions	• Destination markets gradually introduce stricter sustainability, packaging, and climate disclosure regulations. • Additional capital expenditure is required for decarbonization, sustainable packaging, and operational transformation initiatives. • Long-term competitiveness depends on successful integration of low-carbon technologies, renewable energy adoption, circular economy practices, and climate-resilient business strategies.		

SLFRS S1 & S2 IMPLEMENTATION

Assumptions and Limitations

Disclosure on the Non-Quantification of Sustainability-related and Climate-related Risks and Opportunities (SRROs & CRROs)

In accordance with the requirements of International Sustainability Standards Board IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures (adopted locally as SLFRS S1 and SLFRS S2), Hayleys Fibre PLC recognises the importance of providing material, relevant and decision-useful information relating to sustainability-related and climate-related risks and opportunities that could reasonably be expected to affect the Company's prospects over the short, medium and long term.

The Company has incorporated qualitative disclosures relating to material Sustainability-related Risks and Opportunities (SRROs) and Climate-related Risks and Opportunities (CRROs), including governance processes, risk management practices, and identified climate-related impacts within pages 55 to 62 of this Annual Report. However, quantitative disclosure of the anticipated financial effects of identified SRROs and CRROs has not been undertaken during the current reporting period due to the limitations outlined below.

This approach is consistent with the practical limitations recognised under SLFRS S1 and SLFRS S2, particularly where reasonable and supportable information is not available without undue cost or effort, or where significant measurement uncertainty limits the reliability of quantitative disclosures.

1. Complexity in Isolating Sustainability and Climate-related Financial Effects

The financial implications arising from SRROs and CRROs are closely interconnected with broader operational, economic and market variables, including:

- Raw material availability and sourcing dynamics
- Export market fluctuations and global demand conditions
- Supply chain disruptions
- Energy and transportation costs
- Inflationary and macroeconomic conditions
- Operational resilience and adaptive management practices

Accordingly, isolating the direct financial effects attributable solely to sustainability-related or climate-related factors, without overlapping from other business variables, remains highly complex and subject to significant estimation uncertainty.

2. High Degree of Measurement and Scenario Uncertainty

The Company acknowledges that climate-related risks, particularly physical and transition risks, are inherently uncertain, non-linear and long-term in nature. Estimating the probability, timing and magnitude of future impacts requires advanced modelling techniques, long-term climate projections and sector-specific scenario analysis.

At present, management believes that available internal and external datasets do not provide a sufficiently reliable basis for producing robust and comparable quantitative financial estimates aligned with SLFRS S2 requirements. Accordingly, any quantified assessment may not faithfully represent the underlying uncertainties associated with future climate pathways and operational outcomes.

3. Availability of Reasonable and Supportable Information

The preparation of meaningful quantitative disclosures under SLFRS S1 and SLFRS S2 requires extensive datasets, specialised climate modelling capabilities, forward-looking assumptions and integrated financial scenario analysis.

Currently, the Company does not possess sufficient internal infrastructure, historical datasets or analytical systems necessary to undertake such assessments with an appropriate level of confidence. Obtaining and validating this information would require disproportionate cost, time and technical effort relative to the scale and maturity of current sustainability reporting processes.

4. Limitations in Internal Technical Capacity and Resources

The Company is in the process of strengthening its ESG and climate reporting capabilities. However, internal expertise relating to climate scenario analysis, sustainability risk quantification and financial impact modelling remains at a developing stage.

Accordingly, the Company has not yet established the specialised methodologies, modelling frameworks or technical competencies necessary to perform comprehensive quantitative climate-related financial assessments. Capacity enhancement initiatives, including engagement with external experts and development of internal analytical capabilities, are being considered as part of the Company's long-term ESG roadmap.

Industry-specific Limitations Relating to Climate-related Financial Quantification

While global research indicates that climate change may influence agricultural productivity and coconut-related industries, several sector-specific constraints currently limit the Company's ability to quantify climate-related financial impacts in a manner consistent with IFRS S2 disclosure expectations.

1. Absence of Statistically Robust Localised Data

Although international and regional studies suggest relationships between climatic variables such as rainfall variability, drought conditions and coconut yields, internally assessed Sri Lankan datasets did not demonstrate statistically significant correlations sufficient for reliable financial modelling.

The Company identified several data limitations, including:

- Limited availability of long-term monthly production datasets
- Inconsistent agronomic and plantation-level records
- Insufficient regional yield data specific to coir-producing areas
- Gaps in historical climate-linked operational information

Further, the World Bank Group's Sri Lanka Climate risk country profile has also mentioned that "Climate model projections of future rainfall are generally less reliable than temperature projections, especially for island nations, due to coarse spatial resolution, which fails to capture local processes that drive rainfall dynamics such as feedbacks and convection, or the presence of land surfaces". As a result, the Group was unable to provide sufficiently reliable information capable of supporting scenario analysis for credible quantitative disclosures under SLFRS S2.

2. Climatic Conditions Remaining Within Agronomic Tolerance Thresholds

Based on currently available scientific and agronomic evidence, observed climatic changes across key coconut-growing regions in Sri Lanka have generally remained within the biological tolerance ranges for coconut cultivation.

In particular, average annual rainfall in major coconut-growing zones has largely remained within the agronomic optimum range and accordingly, the Company has not identified conclusive evidence that is directly attributable to rainfall alone. This limits the reliability of forward-looking quantitative assumptions relating to heat-induced production declines.

3. Indirect Nature of Climate-related Exposure Within the Coir Industry

The coir industry is indirectly linked to primary agricultural production, as coir fibre and coir pith are derived from coconut husks, which are by-products of coconut harvesting activities. In addition, industry supply resilience is often supported through:

- Diversified sourcing networks
- Regional procurement flexibility
- Backward integration practices
- Inventory management and adaptive sourcing mechanisms

These characteristics introduce significant uncertainty when attempting to directly translate climate variability into quantifiable financial impacts for the coir manufacturing sector. In addition, we have observed both risks and opportunities from Climate variability such as coconut husk price decline during the heavy precipitation period while elevated price in processed coir materials such as fibre and pith.

4. Agro-climatic Variability Across Sri Lanka

Sri Lanka's diverse agro-ecological and climatic zones create considerable variability in coconut cultivation conditions across the country. Coconut production occurs across dry, intermediate and wet zones, each responding differently to rainfall variability and drought stress. Consequently, projecting climate-related impacts on coconut availability and translating such impacts into aggregate financial outcomes for the Company remains highly uncertain at present.

5. Lagged Effects Between Climate Variables and Coconut Yield Outcomes

Scientific literature indicates that coconut yield responses to climatic stressors may occur with significant time lags. Variations in rainfall patterns, drought conditions or temperature anomalies may only affect flowering, fruiting and nut production in subsequent cultivation cycles.

In practice, however, coconut yield outcomes are simultaneously influenced by multiple non-climatic variables, including:

- Fertiliser application and nutrient management
- Soil quality and irrigation practices
- Pest and disease outbreaks
- Adoption of improved cultivars
- Labour availability and economic incentives
- Market conditions influencing agricultural practices

Given these overlapping variables, management considers it presently impracticable to isolate and reliably quantify the specific financial impacts attributable solely to climate-related factors.

Forward-looking Position

The Company intends to progressively enhance its sustainability and climate-related disclosure capabilities in line with evolving SLFRS S1 and SLFRS S2 reporting expectations. Future reporting periods may incorporate progressively more detailed quantitative assessments as data availability, internal technical capacity, analytical methodologies and scenario modelling capabilities mature.

3. Risk Management

The Hayleys Fibre Group adopts a structured and integrated Enterprise Risk Management (ERM) framework, embedding risk identification, assessment, and mitigation into both operational and strategic decision-making processes. By leveraging robust risk management methodologies and advanced analytical tools, the Group proactively anticipates and manages climate-related and sustainability risks.

SLFRS S1 & S2 IMPLEMENTATION

Continuous monitoring, coupled with periodic risk reviews, ensures the effectiveness of risk mitigation measures and strengthens organisational resilience in the face of evolving Sustainability and climate related challenges. This proactive approach enhances the Group's ability to safeguard assets, maintain operational continuity, and respond agilely to emerging risks and opportunities.

Step	Process applied
1. Risk identification	The Group follows an Integrated Risk and Opportunity Management (IROM) Framework for identifying, assessing, managing, and monitoring risks and opportunities that may influence the Group's ability to achieve its strategic and operational objectives.
2. Risk assessment	The Identified risks are assessed based on probability and impact based ranking mechanism for all short, medium and long terms along with the actions or mitigation activities to overcome. The process also incorporates periodic reviews to ensure that emerging risks and evolving business conditions are continuously evaluated and addressed in a timely manner.
3. Prioritisation	Risks that exceed the established tolerance thresholds are identified as significant risks, and appropriate risk response strategies are determined, including risk acceptance, reduction, sharing, or avoidance. Corresponding mitigation measures and response actions aligned with the Group's objectives are formally documented, monitored, and periodically reviewed.
4. Monitoring and reporting	All significant risks and corresponding mitigation action plans are reviewed on a monthly basis during performance review meetings attended by the Corporate Management Team and Group Managers. These risk areas are also reviewed monthly by the Hayleys Group Management Committee, which includes the Managing Director of the Company. The Audit Committee, which holds ultimate responsibility for overseeing the risk management process, conducts quarterly reviews of key risks and related action plans and provides recommendations to the Board.

Further details on the Group's risk management framework and processes are provided in the Risk Management Report on pages 39 to 45.

4. Metrics and Targets

The Group's key sustainability metrics and targets are depicted in the Hayleys Fibre Group's ESG roadmap; Entwine which is closely linked to the Hayleys Group ESG framework; Life Code. The annual performances achievements of the targets are disclosed in multiple locations of this 5th Integrated annual report.

Environmental Metrics - Natural Capital ; Pages 129 to 137

Social Metrics - Human Capital ; Pages 115 to 128 | Social & Relationship capital ; Pages 103 to 114.

Governance and Financial Metrics – Financial Capital ; Pages 81 to 86 |Corporate Governance ; Pages 139 to 159 | Risk Management ; Pages 39 to 45.

A SYMBIOSIS OF VALUE

The ability to align our value system with best practices has made us stewards of sustainability

OPERATING ENVIRONMENT

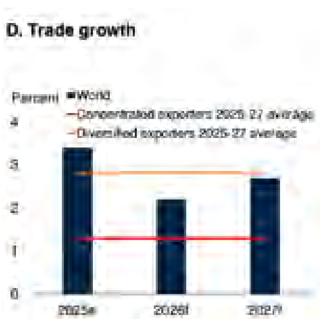
Performance of the Global Economy in 2025/26

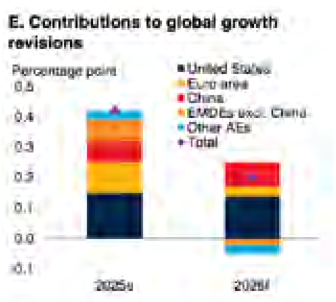
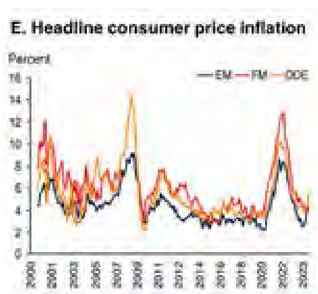
The global economy navigated another year of elevated uncertainty in 2025, amidst escalating trade tensions, geopolitical instability and shifting policy conditions across major economies. The continued Russia Ukraine war and emerging tensions in other regions contributed to volatility across global commodity markets and energy supply chains. At the same time, trade tensions intensified following the reinstatement of broad reciprocal tariff increases by the United States in August 2025, alongside additional country and sector specific tariffs. As a result, the average effective US tariff rate increased to around 17% by late 2025.

Global trade performance remained closely linked to these developments. World trade volume grew by 3.4% in 2025, supported partly by stockpiling activity ahead of tariff implementation and stronger exports in selected markets. However, rising trade barriers, weaker demand for traded goods and subdued manufacturing activity weighed on global trade momentum during the latter part of the year. Slower activity in major economies also reduced demand for energy and industrial commodities.

Global inflationary pressures continued to move closer to central bank targets, although the trends differed across economies. Global headline inflation was estimated at 3.2% in 2025, reflecting an increase in some advanced economies while inflation generally moderated across EMDEs. Goods inflation increased in some advanced economies, particularly in the United States, where higher tariffs began to affect consumer prices. In contrast, inflation moderated across many EMDEs as earlier stock building activity eased and demand conditions softened. Commodity prices also declined during the year, with Brent crude oil averaging USD 69 per barrel in 2025, contributing to lower global inflationary pressures.

Despite these pressures, global economic growth is estimated to have reached 2.7% in 2025, although the recovery remained uneven across regions and economies. Advanced economies recorded growth of 1.7% in 2025, supported by stronger technology related investment and delayed tariff implementation in some markets. EMDEs grew at an estimated 4.2%, benefiting from resilient exports, stronger investment and improving financial conditions in selected economies. However, manufacturing activity slowed across many EMDEs during the second half of the year, while weaker demand for traded goods and subdued business confidence weighed on industrial activity across several markets.

Global Economic Performance 2025		Risks and Opportunities for Hayleys Fibre Group	
Focus Area	**Description**	**Risks**	**Opportunities**
Global Economic Growth 	• Global GDP growth remained resilient at 2.7%. • Advanced economies grew by 1.7%, while EMDEs expanded by 4.2% despite uneven recovery trends. • Manufacturing activity weakened across several economies amid softer demand and subdued business confidence.	• Intensified global competition with a higher number of new entrants, potentially exerting pressure on pricing and margins. • Uneven regional growth patterns leading to demand volatility, where stronger performance in certain markets may be offset by slower growth or macroeconomic constraints in others, creating challenges in balancing production planning and export allocation	• Rising global demand from economic expansion in key markets, supporting higher consumption of horticulture, construction, and home improvement products, thereby creating opportunities for volume growth across Hayleys Fibre's core product categories. • Increased infrastructure and urban development activity driven by GDP growth, particularly in emerging economies, generating stronger demand for geo-textiles, erosion control solutions, and other coir-based industrial applications

Global Economic Performance 2025		Risks and Opportunities for Hayleys Fibre Group	
Focus Area	**Description**	**Risks**	**Opportunities**
Global Trade 	• Global trade growth reached 3.4% in 2025,. • Trade tensions intensified following broad US tariff increases and additional sector specific trade restrictions. • Supply chain fragmentation and weaker demand for traded goods continued to affect manufacturing and exports.	• Tariff escalation and protectionist trade measures resulting in increased pricing pressure, reduced competitiveness in certain export markets, and heightened uncertainty in order flows across key geographies • Supply chain disruptions and logistics volatility causing pressure on freight costs, delivery lead times, and export fulfilment reliability, requiring greater operational flexibility and tighter supply chain coordination	• Diversification into emerging and regional export markets • Supply chain reconfiguration creating including investing in backward integration and strengthening supply chain networks to improve sourcing reliability
Global Inflation 	• Global headline inflation was estimated at 3.2% in 2025, with inflation trends varying across advanced economies and EMDEs. • Higher tariffs contributed to increased goods inflation in the United States, while inflation moderated across many EMDEs. • Lower commodity and energy prices supported easing global inflationary pressures during the year.	• Geopolitical instability affecting commodity and freight costs resulting in heightened volatility in input pricing and logistics expenses, placing continued pressure on operating margins and requiring agile procurement and supply chain strategies. • Uneven inflation trends across export markets resulting in divergent consumer demand patterns and varying levels of price sensitivity, necessitating market-specific pricing approaches and more selective allocation of export volumes	• Improved competitiveness of sustainable and cost-efficient natural fibre products, as inflation-driven price sensitivity encourages customers to shift away from synthetic or higher-cost alternatives toward more economical and eco-friendly solutions such as coir-based products. • Opportunity for value-added pricing and portfolio optimisation, as differentiated, sustainable, and performance-oriented product lines gain stronger acceptance in inflationary environments, enabling better margin protection through premium positioning in selected markets

Outlook for the Global Economy 2026

Global economic growth is forecast to ease to 2.6% in 2026 before edging up to 2.7% in 2027. The moderation is expected to reflect weaker demand for traded goods, the delayed impact of higher trade barriers and continued policy uncertainty across major economies. Slower manufacturing activity and softer consumer spending are also expected to weigh on global economic momentum during the period.

OPERATING ENVIRONMENT

Advanced economies are projected to record economic growth of 1.6% in 2026 and 2027, as elevated trade restrictions and subdued external demand continue to affect activity. Growth in EMDEs is forecast to moderate to 4.0% in 2026, before improving slightly to 4.1% in 2027 as domestic demand, investment activity and global trade conditions gradually strengthen. EMDEs excluding China are projected to maintain growth of 3.7% in 2026, supported by improving financial conditions and investment activity.

Global inflation is expected to ease further in 2026, with inflation projected to decline to 2.6%, supported by moderating energy prices, softer labour market conditions and weakening demand for tradable goods. However, inflation trends are expected to remain uneven across economies, while trade restrictions, geopolitical tensions and supply chain disruptions continue to pose risks to price stability and global economic growth.

The global outlook also remains vulnerable to geopolitical developments, particularly the escalation of tensions in the Middle East. The conflict has increased concerns over disruptions to major shipping routes, energy markets and global supply chains, including risks surrounding the Strait of Hormuz, a key global oil transit route, all of which could contribute to renewed volatility in commodity prices, freight costs and global inflationary pressures, while also affecting trade and investment flows across global markets.

Performance of the Sri Lankan Economy in FY 2025/26

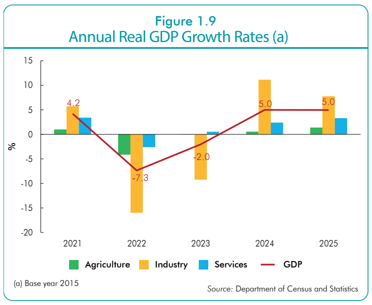
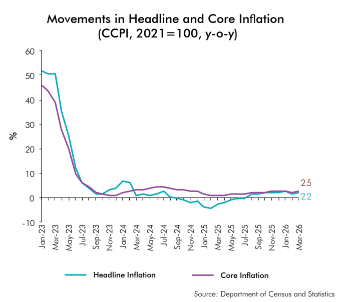
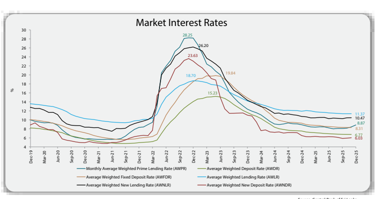
Sri Lanka's economy continued to build on the recovery achieved in the previous year, supported by sustained macroeconomic stabilisation, policy consistency and continued structural reforms. Despite heightened global uncertainty, trade related pressures, adverse weather conditions including the impact of Cyclone Ditwah towards late 2025, domestic economic activity remained consistent with GDP growth for 2025 reported at 5.0%, marking the second consecutive year of expansion.

Growth was broad based across key sectors. Industry activities expanded by 7.8%, supported by manufacturing, construction, mining and quarrying. Manufacturing growth was driven mainly by food, beverages and tobacco products, along with textiles, wearing apparel, leather and related products. Construction activity also continued to recover, supported by the resumption of stalled projects and stronger investment activity. Services activities made a substantial contribution to growth, led by financial services and transport, while agricultural activities also improved, recording stronger growth than in 2024.

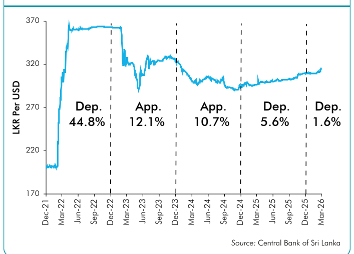
Macroeconomic performance was further aided by the continuity of the IMF EFF programme, progress on debt restructuring and revenue based fiscal consolidation. Improved macroeconomic conditions, policy consistency and stronger external buffers helped reinforce investor confidence and strengthen the economy's capacity to absorb shocks.

Inflation remained low during most of the year, with the CCPI based headline inflation at 2.1% by end 2025. Market interest rates also continued to adjust downwards in 2025, on the back of the accommodative monetary policy, well anchored inflation expectations and improved sovereign ratings. The Central Bank reduced the Overnight Policy Rate by 0.25 percentage points during the year, results in policy rate declining from 8.00% at end 2024 to 7.75% at end 2025.

The external sector strengthened further, with the current account recording a surplus for the third consecutive year, amidst improved workers' remittances, higher services exports and tourism related inflows, collectively enabling the Central Bank to build gross official reserves to around USD 6.8 billion by end 2025. Notably however, following two consecutive years of appreciation, the Sri Lankan rupee depreciated by 5.6% against the US dollar during 2025, moving from Rs. 292.58 per US dollar at end 2024 to Rs. 309.99 per US dollar at end 2025, mainly due to higher merchandise imports following the full relaxation of vehicle import restrictions.

<table>
<tr><th colspan="2">Sri Lanka's Economic Performance 2025</th><th colspan="2">Risks and Opportunities for Hayleys Fibre Group</th></tr>
<tr><th>Focus Area</th><th>Description</th><th>Risks</th><th>Opportunities</th></tr>
<tr>
<td>GDP Growth
</td>
<td>Real GDP growth reached 5.0% in 2025, marking the second consecutive year of economic expansion despite global uncertainty and adverse weather conditions.
Industry activities grew by 7.8%, supported by manufacturing, construction, mining and quarrying activities.</td>
<td>Margin contraction due to cost pressures driven by economic recovery, including increases in wages, utilities, and local input.
Tighter domestic labour market conditions, as improved economic activity increases competition for skilled and semi-skilled labour, potentially affecting workforce availability and wage structures.</td>
<td>Expanded supplier base to ensure more reliable access to local raw materials, services, and logistics support owing to incased economic activity.</td>
</tr>
<tr>
<td>Inflation
</td>
<td>Headline inflation returned to positive territory in August 2025 following eleven consecutive months of deflation.
CCPI based headline inflation stood at 2.1% by end 2025.</td>
<td></td>
<td>Improved cost stability and planning certainty, enabling better budgeting, procurement efficiency, and more predictable input cost management across operations.</td>
</tr>
<tr>
<td>Interest Rates

Source: Central Bank of Sri Lanka</td>
<td>Market interest rates declined overall in 2025, with the Central Bank reducing the Overnight Policy Rate by 0.25 percentage points during the year to 7.75%.</td>
<td></td>
<td>Lower cost of borrowing supporting capital investment, enabling Hayleys Fibre to invest in capacity expansion, automation, and efficiency improvements at more favourable financing conditions.
Improved working capital efficiency, with reduced financing costs supporting better cash flow management and enabling more flexible inventory and trade financing strategies.</td>
</tr>
</table>

OPERATING ENVIRONMENT

<table>
<tr><th colspan="2">Sri Lanka’s Economic Performance 2025</th><th colspan="2">Risks and Opportunities for Hayleys Fibre Group</th></tr>
<tr><th>Focus Area</th><th>Description</th><th>Risks</th><th>Opportunities</th></tr>
<tr><td>Exchange Rate
Figure 1.28
Daily Exchange Rate Movements

</td><td>The Sri Lanka rupee depreciated by 5.6% against the US dollar in 2025 after two consecutive years of appreciation.</td><td>Rising cost of imported inputs and capital goods, as depreciation increases the Sri Lankan rupee cost of foreign currency-denominated raw materials, machinery, and spare parts, placing pressure on operating margins.</td><td>Enhanced export competitiveness, as a weaker Rupee improves price attractiveness of Hayleys Fibre products in international markets, supporting stronger order inflows and volume growth.
Improved foreign currency revenue conversion benefits, where export earnings translated into local currency generate higher rupee-denominated revenues, supporting cash flow strength and reinvestment capacity</td></tr>
</table>

Outlook for the Sri Lankan Economy for 2026

Sri Lanka’s economic outlook for 2026/27 is positive, marked by improved macroeconomic stability, continued policy reforms and the gradual rebuilding of fiscal and external buffers. Accommodative monetary conditions, continued private sector credit expansion, reconstruction activity following Cyclone Ditwah and the resumption of infrastructure projects are expected to support economic activity during the period ahead. Growth prospects across the industrial, services and agricultural sectors are also expected to remain positive, supported by tourism, trade, transport and manufacturing related activities.

Inflation, which has remained low in recent periods, is expected to increase towards the Central Bank’s 5% target, mainly due to higher energy and transport related costs linked to global developments. However, the outlook remains vulnerable to heightened global uncertainty, particularly the escalation of geopolitical tensions in the Middle East, adverse global trade policies and climate related risks. These developments could result in higher energy and shipping costs, supply chain disruptions, weaker external demand and increased volatility across global financial and commodity markets, with potential implications for tourism, trade flows, investor sentiment and overall economic activity.

REVIEW OF GROUP OPERATIONS

Overview

	Hayleys Fibre PLC		Bonterra Ltd		Creative Polymats (Pvt) Ltd	
	2026	2025	2026	2025	2026	2025
Ownership Status	Parent		Subsidiary		Subsidiary	
Contribution to Group Revenue (%)	58%	47%	22%	36%	20%	17%
Contribution to Group Operating Profit (%)	25%	-127%	39%	173%	36%	54%
Share of Group Assets (%)	60%	54%	18%	22%	22%	24%
ROA	2.7%	-2.5%	13%	16.9%	7.5%	0.8%

Hayleys Fibre PLC (HFP)

Hayleys Fibre PLC (HFP) recorded impressive results across all key performance indicators for FY 2025/26, marking a clear turnaround in performance notwithstanding the uncertainty surrounding US tariff policies which created fluctuations in demand patterns across core export markets, while intensifying price competition among fibre-related materials continued to weigh on margins.

In a bid to counteract these challenges HFP launched a broad based market expansion drive aimed at deepening market penetration within existing strongholds in the Middle East and across Europe, while simultaneously pursuing strategic re-entry into dormant markets within these regions. At the same time, development efforts undertaken in prior years to forge distributor partnerships and improve route-to-market efficiency helped to spearhead HFP's entry to new territories in the current year.

The culmination of these strategic initiatives translated into strong growth, with total export volumes increasing by 36% from 11,438 MT in FY 2024/25 to 15,543 MT in FY 2025/26.

On the other hand, supply side challenges continued with the sharp increases in raw material prices, driven by lower coconut yields, impacting margins. Margin pressure further intensified amidst severe supply chain disruptions owing to Cyclone Dithwah in November 2025.

Notably however significant cost savings were recorded following the commissioning of HFP's new processing facility in Nikaweratiya, to convert coconut husk into pith and fibre. The facility with a total investment of Rs. 600 Mn, commenced operations in October 2025 and currently fulfils approximately 30% of the Company's raw material requirements, which has had a significant bearing on cost efficiencies as well as enhancing quality control.

Bonterra Limited (BL)

The year under review was characterised by both challenges and opportunities for Bonterra Limited (BL). Most notable was the introduction of new tariff structures by the US that adversely affected the Company's price competitiveness across key global markets.

Against this backdrop, the Company prioritised strategic expansion into new international markets, specifically pursuing B2B partnerships aimed at consolidating Bonterra's footprint across regions in Europe, Latin America, Asia, and Africa.

Working in parallel to capture evolving customer needs, particularly the growing interest in green-roof applications in European markets, the product portfolio was expanded with the introduction of a new range of coir–latex blankets, 100% biodegradable solution, specifically engineered for the roof-greening industry. Leveraging this expanded portfolio, market development activities focused on deepening Bonterra's presence in existing strongholds which resulted in successfully onboarding several strategic customers during the year.

Targeted investments in manufacturing capabilities undertaken in the early part of the year also helped to boost Bonterra's market visibility to assist in regaining lost market share in key markets and also forge new business partnerships, culminating in a stronger positioning in the global market.

Expanding and optimising distribution networks remained a key priority with new partnerships established across North America to drive growth of the trading segment. In Europe, closer collaboration with leading customers in the erosion-control industry facilitated deeper market penetration. Network development initiatives were further extended across Asia and the Middle East, where Bonterra worked closely with regional partners to promote the application of dust and sand erosion control products beyond their traditional uses to explore opportunities in large-scale infrastructure, construction, and environmental management projects.

Meanwhile, manufacturing operations continued to be impacted by the scarcity of raw materials attributed to adverse weather conditions, which in turn resulted in the escalation of raw material prices throughout the year. Measures to manage pricing volatility and safeguard margins were led by strategic supply chain interventions designed to diversify sourcing channels, strengthen supplier partnerships, and optimise procurement planning. The Company also benefited from backward integration initiatives,

REVIEW OF GROUP OPERATIONS

which improved material availability alongside significant cost efficiencies. Given the pressure on margins during the year, operational efficiency initiatives also focused on practical approaches to improve product loadability to enhance space utilisation, resulting in an approximate 40% increase in square-meter volume per shipment compared to the previous year.

Creative Polymats (Pvt) Ltd (CPL)

In a year of contrasting demand cycles, Creative Polymats (Pvt) Ltd (CPL) demonstrated its ability to adapt swiftly and restore momentum under evolving conditions.

With the initial months of the financial year marked by subdued market conditions, amidst weak retail sentiment and reduced discretionary spending on home-related products constrained demand, the resultant slower sell-out at the dealer level prompted CPL to intensify promotional activities including special credit card offers to sustain channel movement and maintain market presence.

However, a notable shift in market dynamics, particularly in the revival of the tourism industry fuelled a strong demand momentum in the latter part of the year. Capitalising on this momentum, the Company secured a government tender to supply over 11,000 mattresses, which further accelerated volume recovery and enabled factory utilisation levels to move closer to optimal capacity.

The trend of Consumer downtrading also added a significant boost to volume growth in the second half of the year with the Company benefitting from a favourable shift in consumer preferences, as demand gravitated towards more affordable PU mattresses amid prevailing economic conditions. Moreover, in the aftermath of Cyclone Ditwah, a temporary yet significant surge in demand was observed, driven by the replacement of damaged household items, particularly bedding products, in affected regions. This unexpected uplift provided a timely boost to volumes, with sales performance strengthening considerably in the second half of the year.

The recovery phase also created new channel expansion opportunities, with higher nationwide demand facilitating entry into previously untapped retail points in recovering regions, while simultaneously strengthening distributor relationships through faster stock rotation and improved throughput. A total of 9 new distributors were appointed across the island in the current year, increasing the total distributor network to 18 as at 31st March 2026.

As always, product innovation remained a priority, with the introduction of a re-engineered Safari Mattress and the promotion of a rubberised coir and PU foam sandwich range designed to cater to evolving customer needs across different price segments.

Notwithstanding the progress made during the year, CPL's operations continue to be constrained by a single-factory dependency, which limits the Company's flexibility in responding to demand surges. Recognising this, targeted investments in capacity enhancement and process optimisation, were initiated to drive output, improved consistency, and reduce operational bottlenecks.

Way Forward

Hayleys Fibre PLC (HFP)

Looking ahead, HFP is poised to accelerate its growth trajectory through a well-defined geographic diversification strategy, aimed at reducing over-reliance on traditional markets while expanding its footprint across emerging and under-penetrated regions where demand for sustainable coir-based solutions continues to rise. In parallel, HFP will continue to strengthen its route-to-market strategies, including distributor partnerships and localised customer engagement models, to ensure deeper market integration and long-term scalability.

Bonterra Limited (BL)

Bonterra will seek to further deepen its presence within established stronghold markets, particularly within the B2B segment, where long-term partnerships and customised solutions provide a competitive edge. Equally importantly, the Company will focus on customer retention, increasing wallet share, and delivering value-added solutions tailored to key industry segments such as erosion control, construction, and environmental management.

Supported by a diversified product offering and strengthened distribution capabilities, Bonterra will also aim to further strengthen its trading portfolio by expanding into premium application segments and niche markets.

Creative Polymats (Pvt) Ltd (CPL)

CPL is set to embark on a capacity expansion drive, underscoring the need to address existing capacity constraints, reduce operational rigidity, and enhance the Company's ability to respond swiftly to demand fluctuations and large-scale orders. The expansion targets a significant scaling of production capacity supported by investments in modern machinery, process automation, and production line optimisation, all aimed at improving throughput, consistency, and cost efficiency.

FINANCIAL CAPITAL

"Resilient Growth Through Interdependence"

Lichens survive by efficiently sharing resources between two distinct organisms, creating a system stronger than its individual parts. Their resilience reflects sustainable economic ecosystems built on collaboration and long-term balance.

Fruticose lichens, commonly found on tree bark and rocks across diverse natural habitats, thrive through a mutually beneficial relationship between fungi and algae. Their intricate, branching structures enable efficient absorption of nutrients and atmospheric moisture while supporting long-term survival under changing environmental conditions.

Management Approach

The Hayleys Fibre Group adopts a structured approach to strategic financial planning aimed at maintaining an optimal capital structure that appropriately balances debt and equity financing, thereby managing funding costs, liquidity requirements, and overall financial risk exposure.

Robust budgeting, forecasting, and cash flow management processes support effective financial oversight, ensuring the availability of adequate liquidity to meet operational, investment, and financing obligations while maintaining financial flexibility in a dynamic operating environment. Capital deployment decisions are guided by rigorous evaluation frameworks that prioritise investments capable of strengthening operational resilience, supporting strategic growth objectives, and generating sustainable returns over the long term.

The management of Financial Capital is further reinforced through the continuous monitoring and analysis of key financial metrics, performance indicators, and market conditions, enabling timely and informed decision-making. This proactive approach supports efficient resource allocation, strengthens financial resilience, and enhances the Group's ability to respond effectively to evolving business conditions and emerging growth opportunities.

Material Matters

- Economic performance
- Market presence
- Regulations and compliance
- Operational efficiency and productivity

Operating Context and Strategic Response

S — STRENGTHS

- Hayleys Fibre Group synergies enabling access to contingency funding

W — WEAKNESSES

- High dependance on borrowings

O — OPPORTUNITIES

- Leverage low rate environment to secure long term funding facilities

T — THREATS

- Pressure on earnings owing to currency volatility

Impact and Outcomes

Outputs for Hayleys Fibre and Impact on Other Capitals
Strong financial performance supports expansion in physical infrastructure
Consistent results enhances the Group's reputation and industry standing
Strong financial results helps to improve stakeholder confidence and trust

Stakeholder Outcomes

- Improved ROE
- Consistent order fulfilment
- On-time delivery
- Reliable product availability across markets

SDGs

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

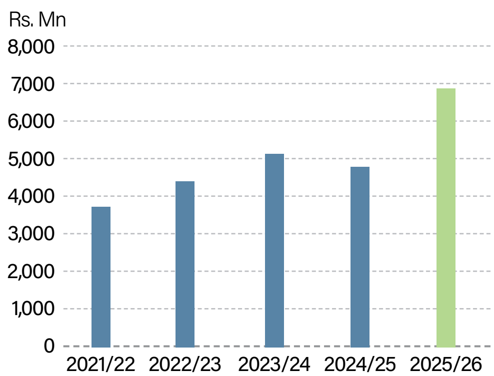
FINANCIAL CAPITAL

Revenue

Amidst significant macroeconomic headwinds, the Hayleys Fibre Group recorded an annual turnover of Rs. 6,868 million for the financial year, reflecting a strong year-on-year growth of 45% compared to Rs. 4,734 million recorded in the previous financial year. Revenue growth was primarily driven by a substantial increase in export sales, which rose to Rs. 5,113 million from Rs. 3,649 million in the previous year, supported by improved demand across key export markets and strategic price adjustments implemented to offset rising raw material costs.

Local sales by Creative Polymats (Pvt) Ltd (CPL) also grew significantly by 64%, to Rs. 1,580 million from Rs. 965 million recorded in the previous financial year. As the main contributor to the Group's local sales, CPL accounted for 86% of the Group's total local turnover for FY 2025/26. The strong performance across all revenue streams demonstrates the Group's resilience, market competitiveness, and continued focus on expanding its customer base and strengthening value-added product offerings.

Revenue



Operating Expenses

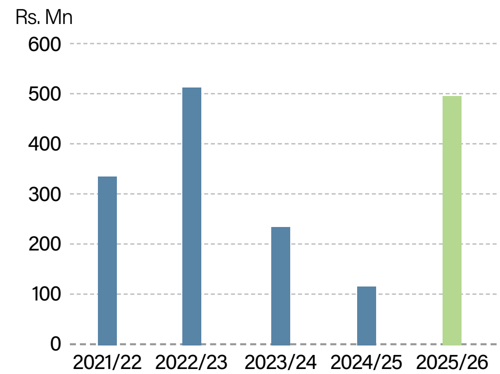
The Group's operating expenses, comprising selling and distribution expenses as well as administrative expenses, increased by 27% during the current financial year, representing an increase of Rs. 117 million compared to the previous year. The increase was mainly attributable to higher distribution costs incurred in line with the significant growth in both local and export business volumes and export activities during the year under review. Administrative expenses were maintained at a relatively stable level compared to the previous financial year, reflecting the Group's continued focus on operational efficiency and effective cost control measures.

Earnings Before Interest and Tax (EBIT)

The Hayleys Fibre Group recorded a significant improvement in Earnings Before Interest and Tax (EBIT) during the financial year ended 31 March 2026. EBIT increased to Rs. 498 million compared to Rs. 113 million recorded in the previous financial year, reflecting a substantial year-on-year growth of 342%.

The strong improvement in EBIT was mainly driven by higher revenue growth, improved gross profit margins, enhanced operational efficiencies, and better cost management initiatives implemented across the Group's operations. Consequently, the Group demonstrated a notable recovery in operational profitability during the year compared to the previous financial year.

EBIT

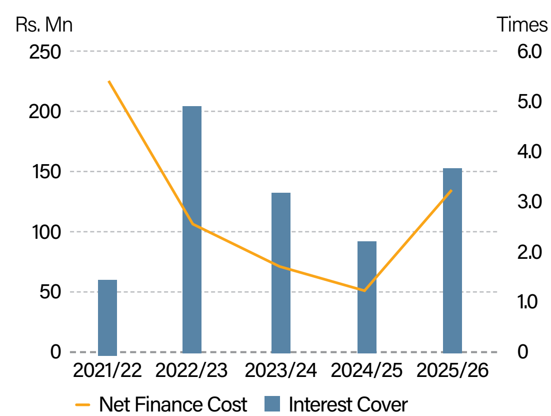


Finance Cost and Interest Cover

The Group's interest cost increased significantly to Rs. 154 million in FY 2025/26, compared to Rs. 92 million in the previous year, amidst additional borrowings obtained for the backward integration project, as well as higher working capital requirements driven by increased business volumes.

Despite the increase in finance costs, the Group's interest cover ratio improved strongly to 3.2 times in 2025/26, compared to 1.2 times in the previous year. This improvement was mainly due to higher EBIT, which strengthened the Group's ability to cover its finance costs.

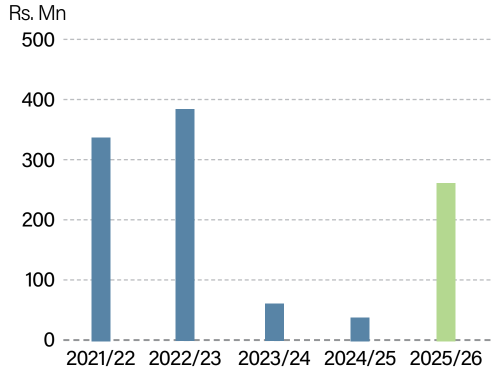
Net Finance Cost and Interest Cover



Profit After Tax (PAT)

The Group reported a Profit After Tax (PAT) of Rs. 264 million for the financial year, a 7-fold expansion from the Rs. 34 million recorded in the previous year, reflecting a strong recovery driven by enhanced operational performance and improved cost efficiencies. Tax expenses for FY 2025/26 increased to Rs. 127 million, compared to Rs. 5 million in the previous year, primarily due to the higher level of profitability achieved during the year. Further details are disclosed in Note 8.3 to the Financial Statements.

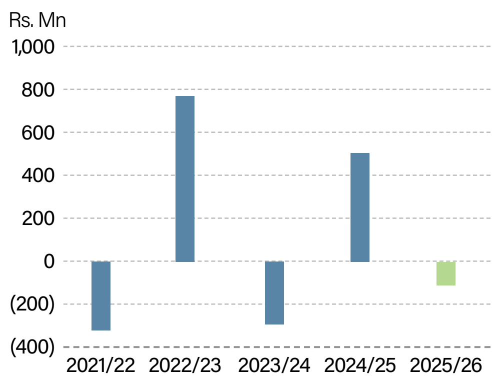
PAT



Cash Flow and Liquidity Position

Cash generated from the Group's operating activities declined significantly to a negative Rs. 123 million in the current financial year, compared to a positive Rs. 498 million recorded in the previous year. This decline was driven by increased working capital requirements, particularly arising from higher trade and other receivables and inventory balances.

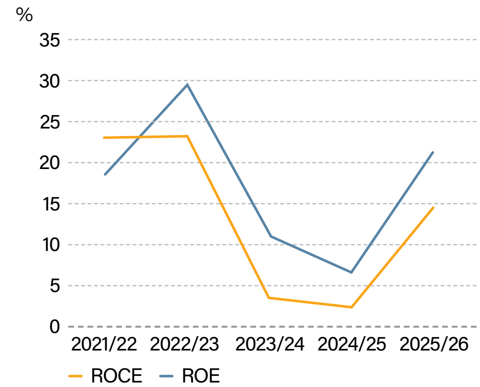
Cash Flow and Liquidity Position



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

The increase in Profit After Tax, contributed to a significant improvement in both ROCE and ROE during FY 2025/26. The Group's ROCE increased to 21%, compared to 6% in the previous year, while ROE improved to 15%, compared to 2% reported in FY 2024/25.

ROCE & ROE

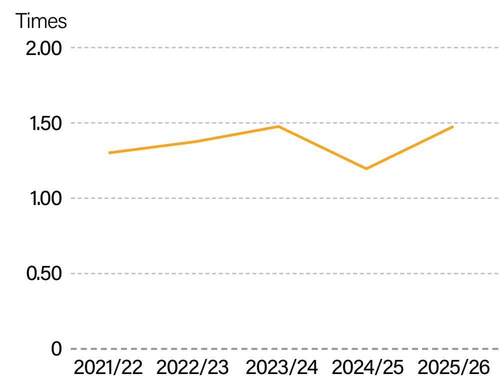


Asset Turnover

The Group's asset base expanded significantly during the year due to investments made in the capacity expansion project at Hayleys Fibre PLC. During the year, a total of Rs. 364 million was incurred on the acquisition of Property, Plant & Equipment (PPE), of which Rs. 193 million was allocated for building construction related to the new project. In addition, Rs. 88 million was invested in machinery and stores equipment, Rs. 16 million in furniture, fixtures & fittings, and Rs. 66 million in motor vehicles. These investments are expected to strengthen the Group's production capacity and support future revenue growth.

The Group's asset turnover ratio improved to 1.4 times from 1.2 times in the previous year, reflecting improved revenue generation relative to the expanded asset base. Similarly, the non-current asset turnover ratio increased to 4.4 times from 3.6 times reported in the prior financial year.

Asset Turnover



Borrowings

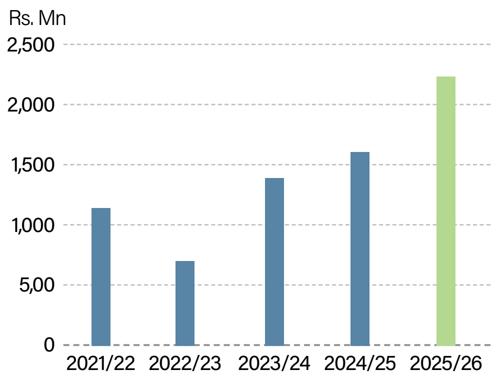
During the year under review, the Group's borrowings comprised long-term interest-bearing borrowings, import loans, short-term loans, and bank overdrafts. As at 31st March 2026, short-term interest-bearing borrowings amounted to Rs. 1,697 million (2024/25 – Rs. 1,279 million), including short-term loans, import loans, and overdrafts. These borrowings were utilised mainly to support the Group's working capital requirements. The interest rates applicable to these facilities were linked to prevailing money

FINANCIAL CAPITAL

market rates and were reviewed periodically by the Hayleys Group Treasury Department to ensure competitiveness and alignment with market conditions.

At year-end, long-term interest-bearing borrowings stood at Rs. 549 million (2024/25 – Rs. 313 million), representing the current and non-current portions of long-term debt obligations. Further details of the Group's borrowings are provided in Notes 23 and 26 to the Financial Statements.

Borrowings

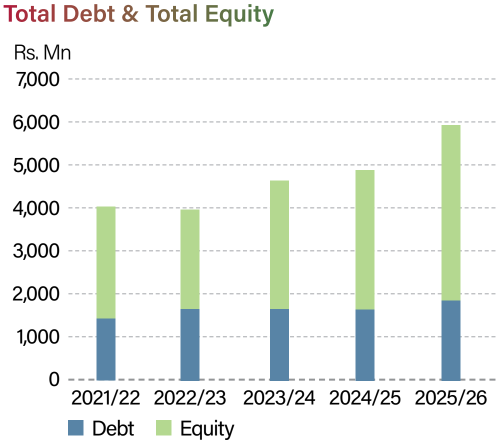


Capital Structure and Gearing

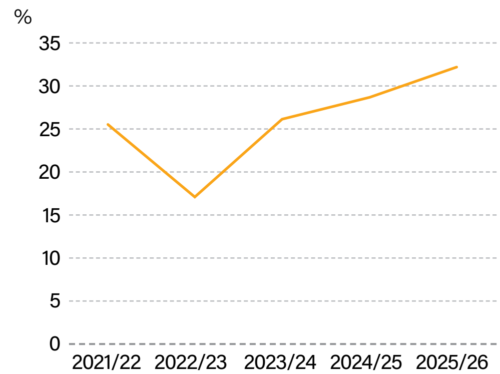
The capital structure of the Hayleys Fibre PLC Group is composed of both equity and debt, with equity accounting for 45% and debt for 55% as at the end of the reporting period. The equity component comprises stated capital, other components of equity, amalgamation reserves, and revenue reserves, while the debt component includes both long-term and short-term interest-bearing borrowings.

The Group's debt to equity ratio stood at 123% during the reporting period compared to 97% in the preceding year, while financial gearing increased to 55% from 49% in the current year. Meanwhile, the change of composition of the capital structure was mainly due to the increase in long-term debt owing to Hayleys Fibre PLC's strategic capacity expansion project.

Total Debt & Total Equity



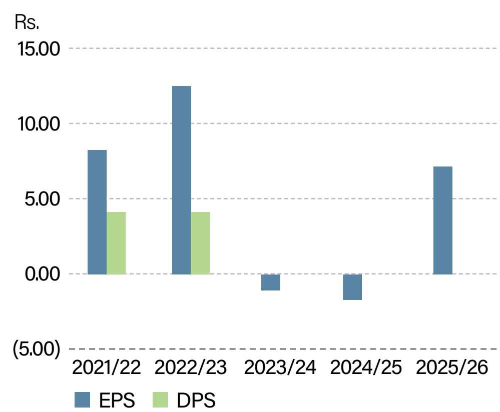
Gearing



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

The Group dividend policy is formulated taking into consideration the overall performance and future growth plans as well as economic and market dynamics. Shareholder returns as measured in terms of EPS increased to Rs. 7.13 per share from Rs. (1.78) reflecting a strong recovery compared to the previous year. No dividend was declared for the year under review.

EPS/DPS



Future Plans

The Group remains committed to strengthening its financial capital through prudent financial management, effective capital allocation, and strategic investments aligned with its long-term objectives. Focus will continue to be placed on maintaining a strong liquidity position, enhancing operational efficiency, and optimising resource utilisation to support sustainable growth. The Group will also continue to explore new growth opportunities while ensuring financial resilience and delivering sustainable value to all stakeholders.

MANUFACTURED CAPITAL

"Engineering Nature into Sustainable Solutions"

Lichens naturally protect surfaces from erosion, regulate moisture, and contribute to ecosystem regeneration by supporting soil formation, nutrient cycling, and the gradual restoration of ecological balance.

The Lichens found in montane ecosystems mostly restricted to humid high elevation forests above 1000m and plays a quiet yet essential ecological role in stabilising fragile ground conditions and supporting early-stage ecosystem regeneration. The interconnected structures of lichens create protective natural networks that help restore environmental balance over time.

Much like these natural systems, our coir-based erosion control and sustainable material solutions are designed to strengthen landscapes, support ecological resilience, and contribute to regenerative industrial practices.

MANUFACTURED CAPITAL

Management Approach

Hayleys Fibre PLC builds its Manufactured Capital through a balanced focus on strengthening its physical asset base through strategic investments in Property, Plant and Equipment (PPE) supported by disciplined asset management practices, to enable the Group to maintain operational reliability and support evolving production requirements.

In parallel, the continued investment digital systems and back-end infrastructure aims to improve visibility across functions and supports more efficient decision-making. These capabilities are complemented by an established distribution network, which allows the Group to extend its market reach and ensure product availability across both domestic and international markets.

Material Matters

- Manufacturing capabilities
- Operational safety & emergency preparedness
- Operational efficiency and productivity
- On time delivery (OTD)
- Product quality
- Technology and product innovations

Operating Context and Strategic Response

S

STRENGTHS

- Robust manufacturing infrastructure
- Established distribution network supporting market accessibility

W

WEAKNESSES

- Continued reliance on manual processes across selected operational and administrative workflows
- Partial integration of systems across functions, limiting end-to-end process efficiency

O

OPPORTUNITIES

- Digital transformation and process automation initiatives
- Transition towards more efficient and sustainable manufacturing systems

T

THREATS

- Increasing cost pressures impacting operational efficiency and competitiveness
- Rapid technological advancements requiring continuous upgrades to machinery and systems

Impact and Outcomes

Outputs for Hayleys Fibre and Impact on other Capitals
Improved returns through efficient utilisation of physical and digital assets
Strengthened brand positioning through reliable infrastructure
Reliability of production and manufacturing infrastructure ensures on time delivery

Stakeholder Outcomes

- Improved ROA
- Consistent order fulfilment
- On-time delivery
- Reliable product availability across markets

SDGs

MANUFACTURED CAPITAL

Property, Plant and Equipment

Property, Plant and Equipment (PPE) form the operational backbone of Hayleys Fibre PLC, underpinning the Group's manufacturing capabilities, product quality and ability to meet customer requirements across domestic and export markets. The Group's PPE comprises manufacturing facilities, production machinery, factory and laboratory equipment, and supporting infrastructure that collectively enable efficient and scalable production.

Property Plant and Equipment (PPE)

Develop the annual CAPEX plan
Compile all planned investments into a Board-approved annual capital expenditure plan.

Initiate procurement process
Begin sourcing machinery and equipment tailored to the specific needs of each business unit.

Technical evaluations
If necessary, conduct site visits to supplier facilities to assess their operations and finalize technical specifications.

Allocate resources
Direct funding in line with approved CAPEX budget to procure PPE. (Any unplanned or interim investments outside the annual plan, requires specific Board approval.

Track performance and review
Post-implementation, evaluate supplier and equipment performance to inform future procurement decisions and continuous improvement.

Evaluate investment needs
Assess proposed capital expenditures against the Group's short- medium-, and long-term objectives.

Authorise budget
Allocate financial resources through the authorized budget aligned with the approved CAPEX plan.

Supplier vetting
Rigorously evaluate machinery and equipment suppliers on key criteria such as: quality, pricing, delivery timelines and reliability, after-sales service and support, compliance with social and environmental best practices.

Negotiate terms and finalise contracts
Engage in structured negotiations to secure favorable terms, ensuring all performance and compliance expectations are clearly defined in the contracts.

Commissioning and Implementation
Monitor the delivery, installation, and commissioning of equipment to ensure alignment with the approved project scope and budget.

As a manufacturing-intensive Group, investment in PPE is considered a strategic imperative and is undertaken through a well planned approach linked to the annual Capital Expenditure (CAPEX) Planning and Budgeting processes. In keeping with this approach, CAPEX for the current year was based on plant-level operational requirements and focused on scaling production capacity, enhancing process efficiency and upgrading operational infrastructure to improve throughput, optimising logistics and strengthening process reliability.




CAPEX HIGHLIGHTS

Hayleys Fibre PLC

337.64 Mn

Automation of fibre mill
Infrastructure development

Bonterra Limited

10.42 Mn

MST machine upgrade
Dust extraction system
Rolling modification

Creative Polymats (Pvt) Ltd

16.02 Mn

Fume extraction system
Fire hydrant line

CAPEX Investments for FY 2025/26

PPE	2025/26 Rs. Mn	2024/25 Rs. Mn	2023/24 Rs. Mn	2022/23 Rs. Mn	2021/22 Rs. Mn
Freehold land	218	218	207	67	67
Freehold buildings	736	564	374	388	356
Building on leasehold land	12	13	13	14	15
Furniture, fittings & office equipment	18	14	16	19	13
Machinery & stores equipment	333	287	288	288	254
Fixtures & fittings	8	3	5	6	7
Motor vehicles	73	19	11	14	6
	1,398	1,118	914	796	718

Asset Lifecycle Management

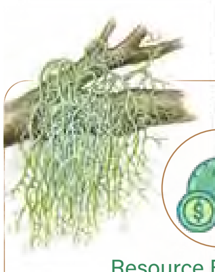
Asset lifecycle management involving preventive and corrective maintenance forms an important part of ensuring the Group's assets are effectively utilised across their operational lifespan to support evolving production requirements.

Maintenance activities are guided by planned schedules and operational requirements and implemented across operations to maintain asset integrity, minimise disruptions and identify potential issues that require corrective action to extend the useful life of equipment.

Transition to Green Assets

In line with its sustainability ambitions, the Hayleys Fibre Group has in recent year, made a conscious effort to transition its physical asset base towards more efficient and environmentally responsible manufacturing infrastructure.

Across Group Companies, this transition is driven though investments in solutions that enhance process efficiency, strengthen operational resilience and reduce the environmental impact of manufacturing activities. Moreover the Group also aligns with the ISO 14001:2015, to integrate environmental considerations into asset development and operational decision-making.



Transition to Green Assets

Resource Efficiency and Process Optimisation

14,000 sq ft polytunnel for fibre and pith drying to improve consistency in drying and processing, resulting in reducing energy intensity and enhanced climate resilience

Emissions and Workplace Environment Control

Dust extraction systems for stitched blanket machines to improve particle filtration

Fume extraction system for PU manufacturing processes to enhance enhanced emission control

Circularity and Operational Efficiency

Modification of stitched blanket rolling processes to optimise container utilisation

MANUFACTURED CAPITAL

IT Infrastructure and Back-end Support Systems

IT infrastructure and back-end support systems play a critical role in enabling operational efficiency, process integration and data-driven decision-making across key functions, including production, finance, supply chain and procurement. The Group's enterprise systems, SAP S/4 HANA, Cloud, Rise with SAP private edition, serves as the central platform for integrating key functional areas, streamlining inter-departmental coordination.

Similarly, the continued adoption of digitisation and automation across workflows supports the transition from manual processes to system-driven operations contributing to greater efficiency, reducing turnaround times and enhancing visibility across functions.

Back-end support systems provide the foundational architecture for safeguarding the Group's IT infrastructure at all times. This includes a robust disaster recovery systems encompassing data backup, centralised hosting arrangements and secure access mechanisms, coupled with data recovery parameters for critical systems. In addition, periodic disaster recovery drills conducted in collaboration with Group IT validate system readiness and the effectiveness of recovery processes.

Digitisation and Process Automation

Digitisation and process automation initiatives have strengthened operational efficiency by streamlining workflows, enhancing transparency and enabling faster, more informed decision-making across the Group.

Key Initiatives for FY 2025/26

- Digitisation of CAPEX approval workflows
- Mobile device reimbursement approval workflows
- Medical claims submission and approval mobile application
- Hazard Incident Management System for the Health & Safety department
- Starlink coverage for Hayleys Fibre and Bonterra

Business Continuity Plan

The Business Continuity Plan (BCP) complements the Hayleys Fibre Group's disaster recovery infrastructure by enabling continuity of critical systems and operational functions in the event of disruptions. Group-wide, the BCP is built around a comprehensive business impact analysis to prioritise critical processes and establish clearly defined procedures to ensure the timely restoration of operations. The BCP is subject to periodic testing and review to ensure its continued effectiveness and alignment with operational requirements. The management of the Business Continuity Plan is under the purview of the Group's Crisis Management Team.

Distribution Channels

Hayleys Fibre PLC's distribution network remains an integral part of the Group's Manufactured Capital as it facilitates timely delivery of products to customers in Sri Lanka and around the world.

The Group maintains a global partner network to support the distribution of its export product portfolio across international markets. While in the domestic market, the Group's mattress showrooms are located in Colombo, Ekala and Galle as well as an extensive network of authorised dealers positioned across multiple regions, enabling wider product availability and market reach. As at 2025/26, the total direct dealer and distribution network stood at 53.

Showroom, Distributor and Dealer Network Creative Polymats (Pvt) Ltd

Showroom

- Galle
- Colombo
- Ekala

Distributor and Dealer Network

- Monaragala
- Badulla
- Nuwara Eliya
- Polonnaruwa
- Anuradhapura
- Matara / Embilipitiya / Hambanthota
- Ratnapura
- Galle
- Batticaloa / Ampara
- Jaffna / Mannar
- Trincomalee / Vavuniya
- Kandy / Matale
- Kurunegala
- Kegalle
- Colombo
- Kalutara
- Gampaha
- Puttalam

Way Forward

Hayleys Fibre PLC will continue to strengthen its Manufactured Capital through a focused approach to capacity expansion, process optimisation and digital transformation. Planned investments towards expanding backward integration, including ongoing developments at Nikaweratiya, alongside scaling of manufacturing capabilities through strategic investments in upgrading core infrastructure. Advancing digital initiatives to strengthen process integration also remains a key priority. Over the longer term, the Group will aim to accelerate green transition efforts, with a focus on developing circular systems to further enhance the integrity of its physical asset base.

MANUFACTURED CAPITAL

Colombo Showroom

Ekala Showroom

Galle Showroom

Hayleys Fibre
Made in Ceylon

INTELLECTUAL CAPITAL

“Innovation Rooted in Adaptability”

Lichens are among the most adaptive life forms on Earth, evolving to survive across diverse climates and ecological conditions. The fruticose lichens found within Sri Lanka’s humid forest ecosystems, is distinguished by its intricately branched and interconnected structure. Its flowing, adaptive form reflects the complexity and responsiveness of natural intelligence systems, enabling it to thrive through continuous interaction with its surrounding environment.

This mirrors our approach to intellectual capital, where innovation emerges through collaboration, technical expertise, research, and adaptive thinking. Much like lichens, our organisation evolves through interconnected knowledge networks that strengthen resilience, enhance problem-solving, and support the development of sustainable solutions for a changing world.

INTELLECTUAL CAPITAL

Management Approach

The Hayleys Fibre Group approach to developing Intellectual Capital forums on enhancing brand presence, driving research and development and expanding strategic partnerships, all aimed solidifying its footprint across global markets. Emphasis is also placed on maintaining recognised standards and certifications while leveraging Group synergies to sharpen global market competitiveness.

Material Matters

- Product design
- Market presence

Operating Context and Strategic Response

S — STRENGTHS

- Established brand presence across international markets
- Strong research and development capabilities supporting product innovation
- Access to global markets through strategic partnerships

W — WEAKNESSES

- Availability of low-cost substitute products across certain segments

O — OPPORTUNITIES

- Expansion into emerging markets and application-specific segments
- Leveraging partnerships to introduce a broader product portfolio

T — THREATS

- Competitive pressure from low-cost operators

Impact and Outcomes

Outputs for Hayleys Fibre and Impact on other Capitals

- Strong brand credentials help in securing new customers to grow revenue and market share
- Strategic partnerships that facilitate business expansion and market share growth
- Strong business relationships help to reinforce trust among customers and suppliers

Stakeholder Outcomes

- Access to high-quality, innovative, and eco-friendly products that meet global standards and certifications
- Strong, long-term partnerships supported by shared expertise
- Opportunities for skill development, cross-functional learning and career growth in a knowledge-driven environment
- Sustained business growth backed by strong competitive positioning and enhanced brand value

SDGs

1 No Poverty, 2 Zero Hunger, 8 Decent Work and Economic Growth, 9 Industry, Innovation and Infrastructure, 11 Sustainable Cities and Communities, 12 Responsible Consumption and Production, 13 Climate Action, 17 Partnerships for the Goals

INTELLECTUAL CAPITAL

Brand Presence

The Hayleys Fibre PLCs brand presence is defined by the Group's contribution towards Sri Lanka's export sector growth. Hayleys Fibre PLC' together with its member Bonterra Limited, continues to play a pivotal role in positioning Sri Lanka as a leading global supplier of coir fibre products. Backed by a strong reputation for product quality, technical expertise and market reach, the Group has established itself as the best exporter of coir fibre products from Sri Lanka.

Having progressively expanded its global footprint over the past 148 years, Hayleys Fibre products today are used in to a diverse range of global industries including agriculture, horticulture, landscaping, commercial gardening as well as mining and construction across 80+ countries around the world.

Furthermore, Bonterra's membership in the International Erosion Control Association (IECA) strengthens its credibility and position within the erosion control sector. IECA is a globally recognised professional body, and being part of this network enhances. The involvement provides a valuable platform for industry networking, knowledge sharing, and collaboration, enabling Bonterra to stay aligned with global best practices, technical standards, and emerging trends. It also creates opportunities for new business partnerships and market expansion, supporting Bonterra's strategic objectives of brand repositioning, innovation, and long term sustainable growth.

In addition to its export presence, the Group also maintains a strong position in the domestic market through its range of eco-friendly mattresses that serve both B2B and B2C segments in Sri Lanka.

R&D Capability

R&D has remained a key differentiator for the Hayleys Fibre Group. Key R&D-led innovation efforts focus on converting natural fibres and agricultural inputs into value-added products that address evolving customer requirements across horticulture, industrial and environmental applications.

In addition to new product development, R&D efforts are also directed towards improving the quality and performance of existing products through targeted improvements in fibre composition, material properties and buffering performance to ensure reliability across applications which contribute towards improving crop performance and maintaining consistency under varying environmental conditions.

Equally importantly, R&D also focuses on internal process improvements aimed at enhancing productivity, reducing variability and improving cost efficiency across operations.

Awards and Accolades 2025/26

Recognition at industry and national award platforms serves as a credible reflection of the Hayleys Fibre Group's commitment to quality excellence and export leadership, underscoring the the Group's positioning as a reliable and competitive exporter.

Presidential Export Awards 2025

Merit Award – Coconut Substrate Products – Hayleys Fibre PLC

CA Sri Lanka (TAGS) Annual Report Awards

Gold Award – Manufacturing Sector – Hayleys Fibre PLC

Presidential Export Awards 2025

Merit Award – Coconut Fibre Products – Bonterra Limited

National Chamber of Exports Awards 2025

Bronze Award – Coconut and Coconut Products Sector – Bonterra Limited

R & D Projects - FY 2025/26

Product Innovations

- Development of next-generation open top grow bag formulations developed for water-scarce, high evapotranspiration greenhouse environments, ensuring optimal moisture retention and root zone stability under arid coastal conditions
- Introduction of crop-specific substrate solutions for capsicum and scotch bonnet, supporting commercial cultivation requirements
- Optimisation of substrate blends through fibre-to-pith balance, particle size distribution and buffering capacity to enhance plant growth and nutrient uptake
- Enhancement of biodegradable coir-based geotextiles with improved fibre alignment, structural integrity and resistance to environmental stress
- Development of a fire-retardant coir geotextile variant to support applications in high-risk and regulated environments

Product Quality Improvements

- Improvement of electrical conductivity levels in substrate products to support stable early-stage crop performance
- Enhancement of air-filled porosity and water-holding capacity in substrate products to maintain consistency across batches
- Refinement of buffering processes in substrate products to minimise nutrient lock-up and improve overall substrate performance
- Standardisation of tensile strength and dimensional stability in coir-based geotextiles to ensure durability and performance consistency across application environments

Process Improvements

- Upgrading of blending systems to improve formulation accuracy and reduce material segregation
- Optimisation of raw material ageing and hydration processes to ensure substrate maturity and stable carbon-to-nitrogen ratios
- Introduction of digital monitoring checkpoints across pre-compression and packing stages to enhance traceability and reduce rejection rates
- Implementation of controlled chemical treatment and curing systems for uniform flame-retardant application in geotextiles
- Strengthening of quality control checkpoints to support scalability and consistent export-grade production

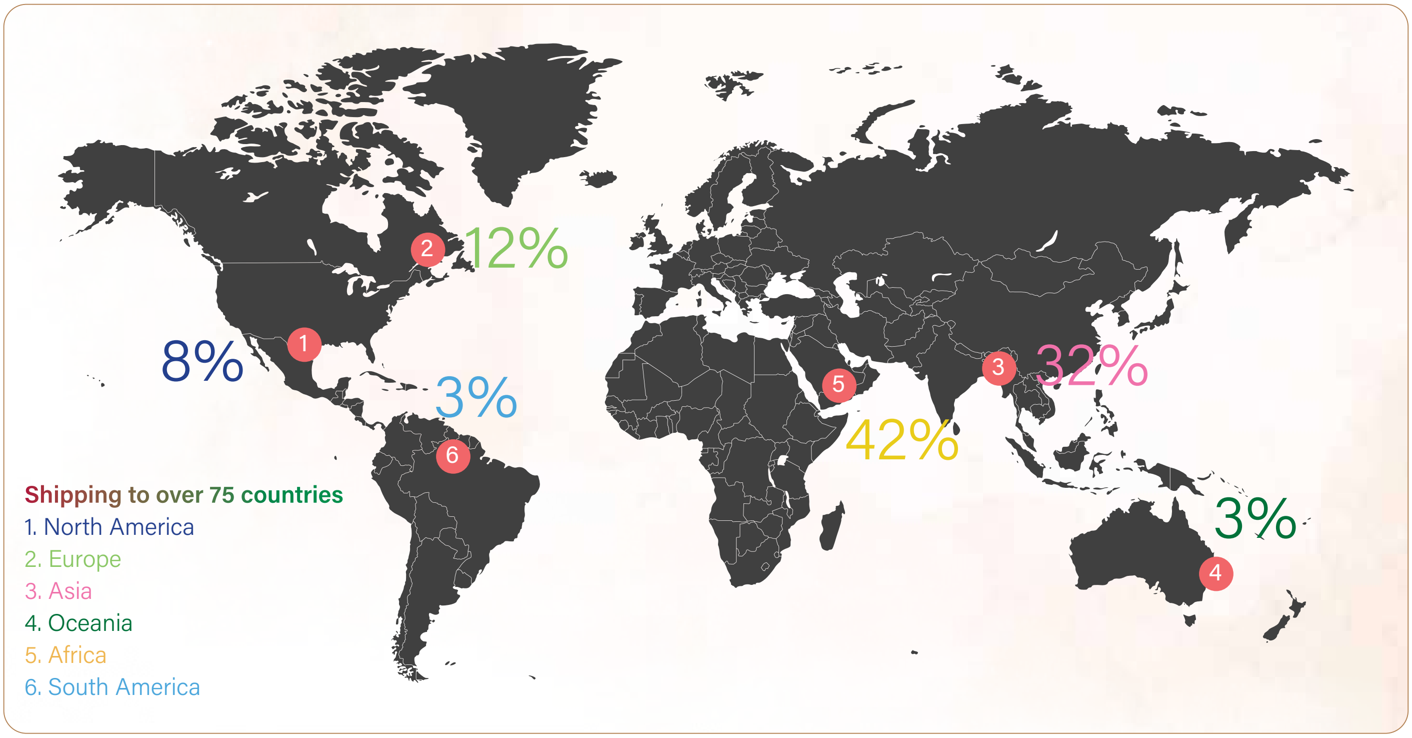
Strategic Partnerships

Strategic partnerships enhance the Group's ability to operate across diverse and often complex market environments. Global on-ground partnerships are particularly important in markets where regulatory frameworks, customer preferences and distribution channels vary significantly. Leveraging partner capabilities allows the Group to align its product offering with market-specific requirements while maintaining consistency in quality and service delivery.

The Hayleys Fibre Group further expanded its partner network during the year across regions in Europe, Latin America and Africa, with a view to capitalising on the growing demand for coir-based erosion control solutions for new application segments.

Further expanding access to high-potential markets and improving channel coverage across key geographies, the Group secured exclusive distributor arrangements across regions in North America, Asia and North Africa.

INTELLECTUAL CAPITAL



Standards and Certifications

Compliance with recognised standards and certification frameworks provides formal assurance that the Group's products and processes adhere to defined regulatory and industry requirements across the markets in which it operates.

ISO 9001:2015 - Quality Management Standard
Quality management across design, development and manufacturing

- Hayleys Fibre PLC
- Creative Polymats (Pvt) Ltd
- Bonterra Ltd

Good Manufacturing Practices (GMP)
Coir Fibre Pith Substrate as per the customer specifications

- Hayleys Fibre PLC

OMRI Certification (Organic Materials Review Institute)
Approval for use in organic production- Complies with USDA organic standards

- Hayleys Fibre PLC

OCS Certification
For the manufacturing and supply organic coconut-based products

- Hayleys Fibre PLC

SLS 1335:2008 Product Certification
"Hay Plus" brand Polyurethane foam mattresses

- Creative Polymats (Pvt) Ltd

Group Synergies

Being part of the Hayleys Group provides Hayleys Fibre PLC with access to an established platform that supports its presence across international markets, enabling the Hayleys Fibre group to strengthen its reach across multiple regions by leveraging existing market linkages of Hayleys PLC.

At the same time, shared corporate services across key functions further support coordination and alignment across business units, contributing to more efficient execution of operational and commercial activities.

GRI 2 - 28

Memberships and Affiliations

Engagement with industry and regulatory bodies supports the Group's alignment with sector developments, trade requirements and policy frameworks relevant to its operations. In the year reporting, Hayleys fibre Group holds the below memberships.

Ceylon Chamber of Commerce

National Chamber of Exporters

Coconut Development Authority

Future Plans

Going forward, Hayleys Fibre PLC will aim pursue new strategic partnerships in order to its presence across key international markets, mainly in high-potential regions as well as emerging markets around the world.

STRENGTHENING SRI LANKA'S COIR VALUE CHAIN THROUGH STRATEGIC INVESTMENT

During the year, Hayleys Fibre marked a significant milestone with the commissioning of its new integrated coir fibre and pith processing facility in Kadigawa, Nikaweratiya. Representing the largest integrated operation of its kind in Sri Lanka, the facility strengthens the Company's processing capabilities while enhancing efficiency, traceability, and sustainability across the coir value chain.

The commissioning ceremony was attended by the Chairman and Chief Executive of Hayleys PLC, who graced the occasion as Chief Guest, alongside senior representatives from across the Hayleys Group, International customers, industry stakeholders, and members of the local community. The event underscored the strategic importance of the investment in advancing Sri Lanka's position as a leading supplier of sustainable coir-based solutions to global markets.

Beyond its operational significance, the facility reflects the Company's commitment to creating shared value for stakeholders. The new facility is expected to generate long-term benefits by improving supply chain resilience, increasing value addition at source, and creating enhanced economic opportunities for local suppliers and farming communities. It also supports the Company's efforts to meet growing global demand for sustainable horticultural substrates and environmentally responsible coir products.

As Hayleys Fibre continues to build on its 147-year legacy, investments of this nature reflect its commitment to innovation, operational excellence, and sustainable growth, while contributing to the development of Sri Lanka's export economy and the long-term prosperity of its stakeholders.

SOCIAL & RELATIONSHIP CAPITAL

"Building Ecosystems of Shared Value"

Lichens contribute quietly yet significantly to the health of ecosystems, supporting biodiversity and ecological balance over time.

Some of the Lichens found on tree barsk in Sri Lanka's forest ecosystems, contribute silently yet significantly to ecological balance. By supporting nutrient cycling and biodiversity, these interconnected organisms strengthen the health of the wider ecosystem despite often remaining unnoticed.

Similarly, our relationships with communities, suppliers, customers, and industry partners create interconnected networks of shared value that strengthen the resilience and sustainability of our broader business ecosystem.

SOCIAL AND RELATIONSHIP CAPITAL

Management Approach

At Hayleys Fibre PLC, the approach to developing Social and Relationship Capital is based on the principle of shared value. As such, the Group strives to build long-term relationships with customers, suppliers and communities by aligning the interest of these key stakeholders with organisational priorities to enable the creation of mutually beneficial outcomes over time.

Material Matters

- Regulations and compliance
- On time delivery (OTD)
- Product Quality
- Technology and product innovations
- Customer satisfaction
- Community and livelihood development
- Indirect economic impacts

Operating Context and Strategic Response

S

STRENGTHS

- Well-established customer relationships across key global markets supporting continuity in demand

W

WEAKNESSES

- Low switching costs within certain customer segments, increasing exposure to competitive pressures

O

OPPORTUNITIES

- Investments in backward integration to strengthen supply chain security and ensure continuity of key raw materials

T

THREATS

- Exposure to supply chain disruptions arising from the nature of the coir-based supply chain

Impact and Outcomes

Outputs for Hayleys Fibre and Impact on other Capitals

The support of loyal customers and suppliers contributes to revenue generation and market share growth

Strong stakeholder relationships support brand positioning and reputation - Intellectual Capital

Stakeholder Outcomes

Customers
Access to reliable, high-quality products supported by long-term relationships

Suppliers
Stable relationships with opportunities for capability development and growth

Communities
Access to livelihoods, skill development and local economic participation

SDGs

SOCIAL AND RELATIONSHIP CAPITAL

GRI 2-6

Customers

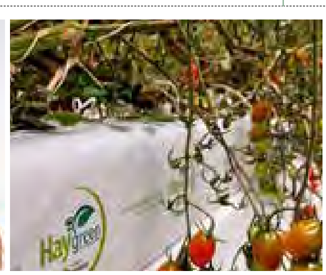
Hayleys Fibre PLC serves a diverse and well-established customer base comprising both large-scale organisations directly engaged in agriculture-related industries and an extensive network of distributors supplying products to global retail markets. This dual-channel approach enables the Company to maintain strong relationships across the value chain while effectively addressing the needs of both industrial clients and end consumers worldwide.

Complementing this, Bonterra Limited caters to a broad spectrum of customers across multiple sectors by delivering a portfolio of eco-friendly, sustainable, and high-quality products. These offerings are specifically tailored to meet the unique requirements of industries such as construction, environmental conservation, and urban development, while also reaching individual consumers through a robust and efficient distribution network.

In parallel, Creative Polymats (Pvt) Ltd has established a strong market presence as one of the top three suppliers of polyurethane (PU) mattresses in Sri Lanka. The Company's commitment to product quality, customer satisfaction, and market responsiveness has enabled it to build long-term relationships and maintain a competitive position within the domestic bedding solutions market.

Product Portfolio

	Hayleys Fibre (Made in Ceylon)	BonTerra Limited	Hayleys MATTRESSES (SLEEP HAPPILY EVER AFTER)
Customer Segments / Industries Served	• Large-scale commercial agriculture operators • Greenhouse farming operators • Nurseries and potting soil manufacturers • Distributors supplying to global retail markets	• Construction and infrastructure companies • Mining and land rehabilitation operators • Urban development and sustainability-focused organisations • Environmental agencies and NGOs • Distributors and agents serving retail markets	• Dealer and distributor network • Retail partnerships • Hospitality sector projects • Institutional and commercial customers
Product Portfolio and Applications	• Coir Substrate Solutions: Grow bags, open top bags and bulk coco peat for greenhouse farming, nurseries and potting soil applications • Coir Twine: Used in hop cultivation, aquaculture and home gardening • Twisted Fibre: Supplied as a raw material for the bedding industry	• Erosion Control and Soil Stabilisation Solutions: Coir-based blankets, geosynthetics, coir mats and soil stabilisation materials used in infrastructure development, mining operations, land rehabilitation and environmental restoration • Landscaping and Retail Solutions: Coir mats and eco-friendly products for residential, commercial and small-scale applications	• Polyurethane mattresses designed for retail, hospitality and project-based applications

	Hayleys Fibre	BonTerra Limited	Hayleys Mattresses
Application – Specific/ Specialised Solutions	○ Ginger cultivation mix (open top bag system) developed to support contamination-free cultivation and improved yield quality ○ Double colour twine designed for retail and DIY segments ○ Coir trellis net providing a biodegradable alternative for plant support ○ Grow cubes and grow discs for propagation and seed starting ○ Anthurium mix formulated to optimise aeration, moisture retention and root support	○ Hydro seeding mats for landscaping and revegetation ○ Biodegradable roof greening blankets for urban development applications ○ Dust control blankets for surface stabilisation in arid environments ○ Erosion control blankets for long-term land rehabilitation in mining projects	○ Comfy gel mattress designed for coastal and high-humidity environments ○ Fire retardant foam developed to meet regulatory requirements in export markets
Markets/ Distribution Channels	○ Morocco ○ CIS region ○ USA ○ UK ○ Germany ○ Australia ○ Japan ○ Saudi Arabia	○ Singapore ○ India ○ USA ○ Korea ○ Japan ○ Netherlands ○ Mexico ○ Colombia	○ 18 distributors and 35 dealers island-wide ○ Retail presence through Singer outlets ○ Showrooms in Colombo, Galle and Ekala

Product Stewardship

GRI 416-1, 416-2

For the Hayleys Fibre Group, product stewardship stands as the single most important aspect in building and sustaining customer trust. The commitment to product stewardship is reflected across Group-wide product portfolios through the alignment with applicable global standards for quality, safety and product-specific regulatory compliance requirements.

This commitment to quality and safety begins at the sourcing stage, where raw materials are procured from a network of pre-approved suppliers selected based on defined criteria across midstream operations, ongoing evaluation, process-level checks, technical validations and post production inspections ensure products meet required specifications prior to final delivery. Further, we ensure that all shipments are made in full compliance with the import regulations of respective destination countries, with particular adherence to applicable phytosanitary requirements.

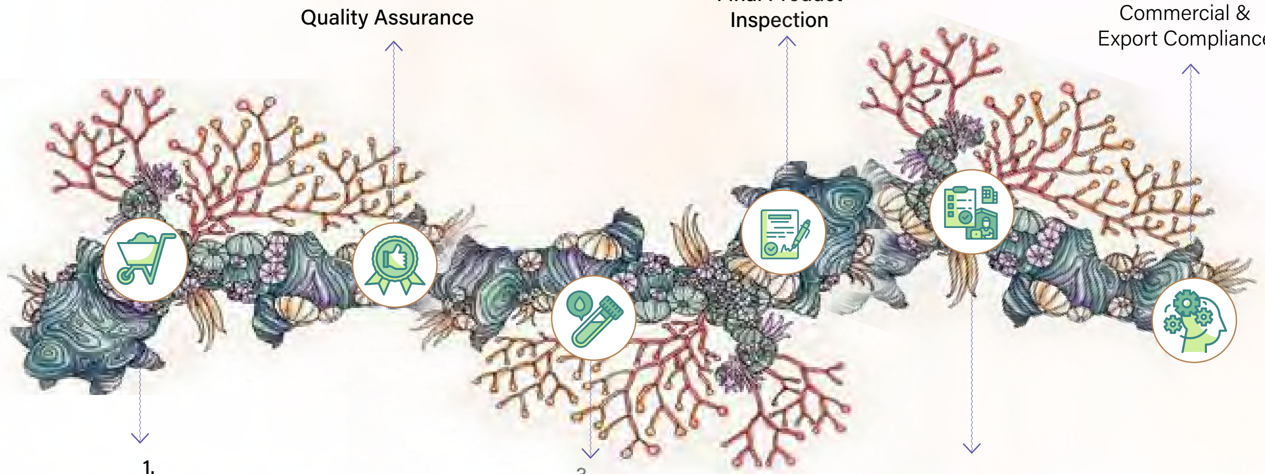
As part of ongoing effort to strengthen quality parameters, the Group works closely with customers to understand evolving requirements to ensure internal quality systems remains consistent with customer expectations across markets.

Accordingly, to improve transparency across the value chain, a new product tracking and traceability system was integrated to the ERP systems. The Group also invested in advanced barcode scanning systems and GPS tracking to enhance visibility over products.

100% of significant product categories were assessed for health and safety impacts during the reporting period through above parameters and no incidents of non-compliance relating to the health and safety impacts of products were reported during the financial year.

SOCIAL AND RELATIONSHIP CAPITAL

Product Stewardship Guidelines



GRI 417 -1, 417 -2

Packaging and Labelling

The Group advocates for responsible labelling practices by ensuring that all branded products carry essential details such as batch identification and date of manufacture, product description, country of origin and handling instructions and other market-specific requirements are prominently displayed on the surface packaging. Where required, additional elements such as barcodes or QR codes are incorporated to support product identification.

For bulk products, customer-specific labelling is also undertaken through the incorporation of logos, product descriptions and branding aligned with individual market requirements, including eco-labels such as 100% natural fibre and ‘fully biodegradable,’ among others.

For polyurethane mattress products sold in the domestic market, labelling practices are aligned with applicable Sri Lankan regulatory requirements, including the provision of product specifications, material composition, safety-related information and manufacturer identification, ensuring compliance with local consumer protection and product safety standards.

No incidents of non-compliance relating to product information and labelling were reported during the financial year.

GRI 417 -3

Marketing and Communication

Marketing and communication serve as a platform for presenting the Group's products and capabilities in a clear, accurate and consistent manner across all channels.

Broad guidelines establish the foundation to ensure Group-wide marketing and communication content is presented in a clear, accurate and transparent manner to prevent misrepresentation. In addition, each subsidiary also has its own parameters to ensure effective communication of its products and services to facilitate informed decision making.

No incidents of non-compliance relating to marketing and communication were reported during the financial year.

Measuring Customer Satisfaction

Customer satisfaction serves as a key indicator of how effectively the Group's products and services meet market expectations, while directly influencing customer retention, repeat business, and the strength of long-term relationships across global markets.

Routine customer satisfaction surveys are conducted to evaluate key metrics from on-time delivery, product quality, responsiveness to customer queries, service and documentation accuracy to complaint handling. In addition, repeat order levels and retention rates are also monitored to assess the strength and continuity of customer relationships over time.

Based on the most recent customer satisfaction surveys, the areas identified for improvement include, reducing documentation turnaround times and providing clearer visibility on delivery timelines.

Mechanisms

- Ongoing engagement with key accounts across global markets
- Annual customer satisfaction surveys for key accounts
- Post-shipment feedback for major deliveries
- Quarterly business reviews with strategic customers
- Monitoring of complaints and trends through CRM systems and monthly quality reviews
- Customer site visits and technical audits to obtain direct operational feedback

Key Indicators Monitored

- On-time delivery performance
- Products quality
- Response to issues and technical queries
- Service and documentation accuracy
- Complaint rate per shipment
- Overall customer satisfaction score
- Repeat order levels and retention rate

SOCIAL AND RELATIONSHIP CAPITAL

GRI 2-25

Complaint Handling

Customer complaints are treated as a key input for assessing service performance and strengthening long-term relationships.

Customers are able to raise concerns through multiple channels - via email, post-shipment feedback forms or during weekly / monthly / annual meetings. Complaints received through all channels are formally recorded and acknowledged within defined timelines and addressed in a timely and transparent manner in line with established protocols. Accordingly, each case is directed to the relevant internal team for detailed evaluation to identify root causes and implement appropriate corrective actions to prevent recurrence. Recurring issues are further reviewed, with insights escalated to Management through quality and customer care forums to support continuous improvement across operations.

Meanwhile, responses are communicated clearly to customers, supported by relevant information where required, with closure of the complaint loop completed upon confirmation of customer satisfaction.

GRI 418-1

Customer Confidentiality and Data Privacy

The protection of customer information is critical given the Group's engagement with large B2B customers across both global and local markets. Customer data is handled in accordance with applicable data protection laws supported by internal policies governing the access and handling of sensitive information and prohibiting unauthorised sharing or disclosure.

During the year, additional controls were implemented to strengthen data protection practices. These include restrictions on mobile devices to prevent screenshots, reducing the risk of unauthorised capture and sharing of sensitive information. USB access across user computers and laptops was also been disabled to limit unauthorised data transfers.

No substantiated complaints relating to breaches of customer privacy or loss of customer data were reported during the financial year.

GRI 2 -6, 204 -1

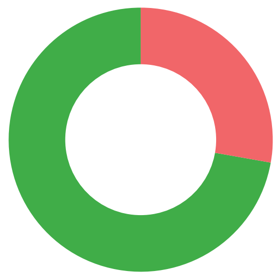
Suppliers

The supplier base of Hayleys Fibre PLC consists of both local and global partners that provide essential raw materials and other critical inputs required for the Group's day to day operations. Local suppliers make up a significant portion of the supplier base, accounting for over 70% of the Group's average annual procurement spend.

For its coir-based operations, the Group primarily engages local suppliers for the procurement of coconut husks, coir fibre and pith, which form the core inputs for growing media and erosion control products, while selected inputs such as PP netting and PP thread are sourced from overseas suppliers.

The Group's mattress operation, CPL relies largely on overseas suppliers for the procurement of polyurethane chemicals, which is the primary raw material for the production of polyurethane mattresses.

Payment to local & International suppliers



Rs. 2,168 Mn
Local Suppliers

Rs. 836 Mn
International Suppliers

International Suppliers	28%
Local Suppliers	72%

GRI 308 -1, 308 -2, 414 - 1, 414 -2

Supply Chain Management

Effective supply chain management is critical ensuring the availability of materials for the continuity of Group-wide manufacturing operations. A centralised procurement function forms a key component of this system, guided by the Group procurement manual to ensure consistency and uniformity in procurement practices across business units.

Within this framework, supplier verification plays a central role in ensuring that materials and inputs sourced are fit for purpose and aligned with defined technical and quality requirements. For critical raw materials such as coir fibre, procurement officers conduct site visits to assess compliance and assess adherence to specified quality standards. Similarly, specialised inputs used in polyurethane mattress production are subject to defined testing protocols to verify conformity with required specifications.

During the reporting period, the Group has not yet fully implemented a formalised process for screening suppliers based on environmental & social criteria. However, environmental and social considerations remain embedded within the Group's supplier evaluation and engagement practices.

The supplier selection framework incorporates a weighted scoring model that assesses key ESG-related factors, including adherence to recognised sustainability standards such as ISO 14001, ISO

45001 & ethical certifications and the implementation of Corporate Social Responsibility (CSR) initiatives. 100% of new suppliers were undergone above assessment and this approach supports the identification and prioritisation of suppliers that align with the Group's sustainability values.

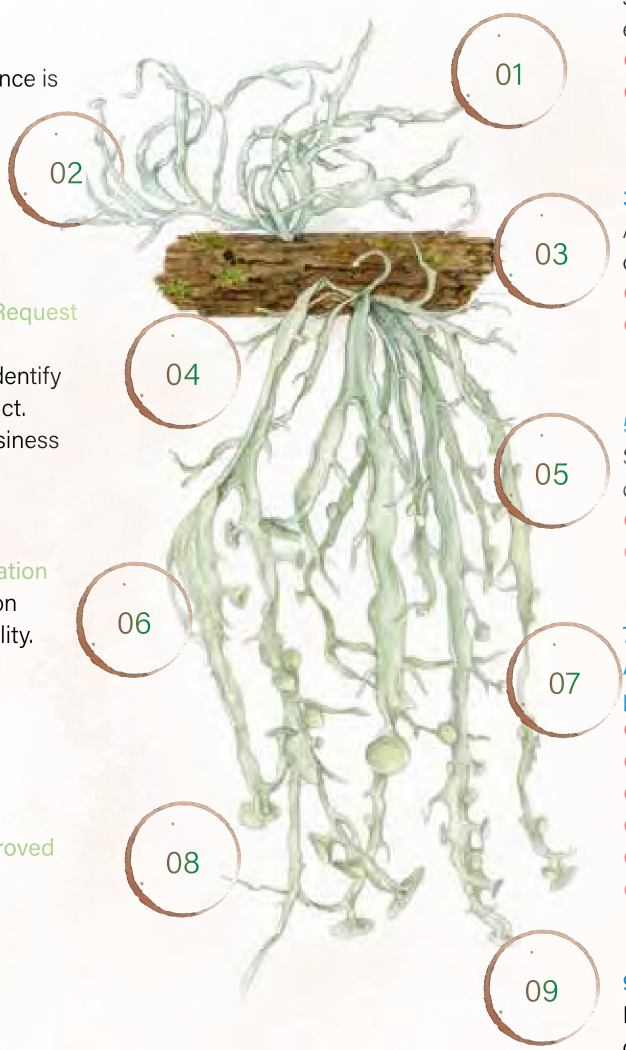
In the supplier assessment process during the year, no significant actual or potential negative environmental or social impacts within the supply chain were formally identified or assessed through the existing evaluation process. The Group remains committed to strengthening its supplier assessment mechanisms in future reporting cycles to enhance transparency and alignment with the requirements.

Supplier performance is monitored over time through periodic evaluations covering quality, delivery and sustainability parameters, with feedback provided to support continuous improvement and strengthen alignment with the Group's requirements. Based on supplier performance monitoring data, no negative impacts were detected across the Group's supply chain. No supper relationships were terminated in FY 2025/26.

Supplier Development

Supplier development focuses on capability development to support the long-term reliability of the Group's supply base. In this regard, the Group adopts a targeted approach by identifying key

Supplier Chain Management Framework



1. Supplier Scouting

Alternative suppliers with suitable strategic and financial advantages explored.
- International hot-spots
- Local suppliers

2. Supplier Profiling

Supplier product and performance is evaluated.
- Financial capacity
- Production capacity
- Export history
- Suppliers profile template

3. Supplier Authentication

Analysis of the reliability and credibility of suppliers.
- SWOT analysis
- Risk analysis

4. Supplier Discussions and Request for Quotation (RFQs)

Discussions with suppliers to identify the best fit version of the product.
- Supplier introduction to Business Unit (BU)
- RFQ template

5. Quality Checks

Sample exchanges conducted to test quality with predetermined KPIs.
- Lab trials
- Production trials

6. Techno-Commercial Evaluation

Best supplier identified based on technical and commercial viability.
- Quality checks
- Pricing options

7. Supplier Onboarding Checklist

Assessment of supplier internal practices and requirements.
- Information
- Contracts
- Quality management
- Sustainability and risk
- Health and safety
- Onboarding template

8. Supplier Code Creation

System-based tracking of approved suppliers.
- Supplier code generation
- Purchase tracking

9. Purchase Order

Formal placement of orders post onboarding.
- Orders issued as per agreed terms

SOCIAL AND RELATIONSHIP CAPITAL

suppliers, with a particular focus on small and medium-scale fibre suppliers who form a critical part of the raw material supply base. Periodic meetings, conducted either physically or virtually, provide a platform to communicate business requirements, align on expectations and identify opportunities to enhance performance and create mutual value.

Additionally these high priority fibre-related suppliers are granted access to a arrange of support mechanisms from financial assistance for working capital needs, to training on quality improvement practices and special awareness sessions to promote the adoption of ESG best practices.

Community

The communities connected to the Group's operations form an integral part of its value chain. In particular, the reliance on coir-based raw materials and the concentration of operations within rural regions create a direct linkage between operational performance and the socio-economic conditions of surrounding communities.

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

Community Engagement

Community engagement is guided by the Group's broader sustainability priorities to contribute to meaningfully towards socio-economic development, particularly through education and capacity-building initiatives.

Factory personnel are tasked with engaging regularly with local stakeholders to identify their needs, concerns and explore opportunities for collaboration. Community-related matters identified in this manner are handled as per the Community Grievance Handling Mechanism, which outlines the process for recording, tracking and resolving concerns, ensuring consistency, accountability and timely closure across all operating locations.

Community Projects

Community projects undertaken by the Group are aligned with the broader sustainability commitments that focus on enhancing socio-economic wellbeing of communities by enabling access to education, healthcare and social services. Project identification and execution are guided by a structured governance framework, where initiatives identified at the operational level reviewed by the ESG Steering Committee, chaired by the Deputy Managing Director. The Committee evaluates and prioritises each initiative based on feasibility, and expected impact in line with the Group's long-term sustainability objectives. A total of Rs. 4.52 Mn was allocated in FY 2025/26 to support a range of community-based programmes undertaken by the Group.

Hayleys Fibre PLC - Impacts to the Community

The Group's operations generate both positive and potential adverse impacts across surrounding communities. These impacts are continuously assessed to implement measures to enhance positive impacts and mitigate potential negative effects.

Positive Impacts

- Employment generation across rural communities, including income opportunities for women
- Strengthening of local supply chains and contribution to local economic activity
- Community development initiatives focused on education, health and social wellbeing

Potential Negative Impacts

- Noise, dust and operational disturbances in surrounding areas
- Increased transport activity leading to congestion and minor emissions
- Waste generated from fibre processing impacting surrounding areas

Mitigation Measures

- Investment in cleaner technologies, improved dust extraction systems and compliance with environmental standards
- Route optimisation and vehicle maintenance to minimise environmental impact
- Strengthening waste management practices, recycling of coir dust and proper disposal aligned with environmental requirements

Partnerships for Maximising Community Impact

- Government institutions, including Municipal Councils and the Central Environmental Authority, supporting environmental and infrastructure-related initiatives
- Customers and industry partners, contributing to co-created initiatives aligned with shared sustainability priorities
- Academic institutions, including universities engaged in research, knowledge-sharing and student development
- Private sector and CSR-focused organisations, supporting the implementation of joint community initiatives

Shilpa Sathkara – Education Development Initiative

The Group's flagship 'Shilpa Sathkara' initiative serves as the primary platform for delivering education-focused community projects, reflecting its long-standing commitment to supporting local communities through access to learning and development opportunities.

The initiative focuses on bridging resource gaps within rural schools by providing essential learning materials, supporting infrastructure improvements and enabling access to educational opportunities for students across different socio-economic backgrounds.

Community Projects for FY 2025/26

Education

Going Beyond Sath Diyawara Programme, Mahiyanganaya
Impact: 540 students supported with stationarias and school essentials

"Parisara Niyamu" Teacher Awareness Sessions
Impact: Over 300 teachers trained across three locations

University Research Collaboration
Impact: 03 students supported

Horticulture Industries Stakeholders Forum (HISF) 2025
Impact: Over 60 industry partners and 200 students engaged

World Children's Day Programme
Impact: 25+ students

"Mansala" World Down Syndrom day activity
Impact : 204 specially abled kids were provided with educational support

SOCIAL AND RELATIONSHIP CAPITAL

Jaffna foster school project - 24 Students were provided with educational support

Health

Volunteer Programme - Volunteer engagement at the National Cancer Hospital and Indira Cancer Trust

Community and Social Support

Dansel Series - Annual food donation programmes conducted during Vesak and Poson

Community Donations - Contributions to religious and community institutions

Small and Medium supplier development initiatives and regular supplier visit from the procurement team

Future Plans

Looking ahead, efforts will centre on developing a more resilient supply base through a strategic supplier development plan, with a focus on strengthening the Sri Lankan cottage coir industry. Community initiatives will continue to evolve, with plans to expand the reach of the "Shilpa Sathkara" programme.

HUMAN CAPITAL

"Thriving Through Shared Vitality"

Lichens themselves are living examples of coexistence, formed through the partnership of fungal and photosynthetic organisms that cannot thrive independently in the same way they do together. Species such as ***Cladonia coccifera***, occasionally found within Sri Lanka's cool and humid highland ecosystems, is recognised for its striking red fruiting structures emerging from delicate interconnected stalks. Despite its fragile appearance, the lichen thrives through a deeply symbiotic relationship that enables resilience, regeneration, and sustained growth within challenging natural environments.

This reflects our approach to human capital, where people remain at the heart of organisational strength and long-term sustainability. Through collaboration, mutual support, diversity, and shared purpose, we cultivate an environment where individuals are empowered to grow, contribute, and innovate collectively.

HUMAN CAPITAL

Management Approach

The Hayleys Fibre Group's approach to Human Capital management revolves around building an empowered workforce equipped with the skills, knowledge, and capability to adapt to the evolving demands of the Group's manufacturing-intensive environment.

Material Matters

Regulations and compliance

Training and education

Employee wellbeing

Operating Context and Strategic Response

S

STRENGTHS

- Strong technical capability across factory workforce supporting operational continuity
- Established performance management, training and internal progression practices supporting workforce effectiveness

W

WEAKNESSES

- Heavy dependency on labour for day-to-day operations

O

OPPORTUNITIES

- Improve employee goal congruence

T

THREATS

- High employee attrition due to economic uncertainty

Impact and Outcomes

Outputs for Hayleys Fibre and Impact on other Capitals
Consistent improvement in employee productivity drives cost efficiency
Improved employee satisfaction and loyalty enhances the Groups' reputation as an employer of choice
A diverse workforce helps to earn and retain the trust of key stakeholders, including customers and distributors
Strong workforce capability ensures more efficient use of physical assets

Stakeholder Outcomes

64% reduction in lost days due to injuries

149 new recruits

07 Employees promoted

SDGs

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

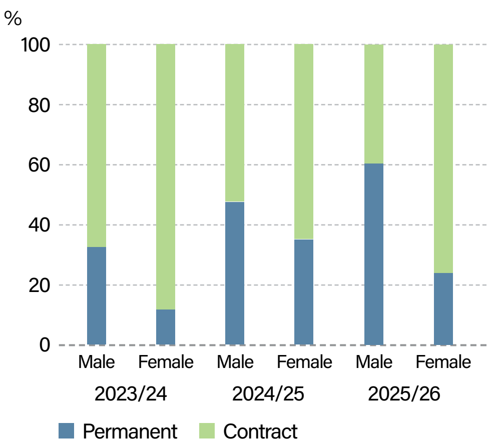
HUMAN CAPITAL

GRI 2-7, 2-8, 405 -1

Employee Statistics

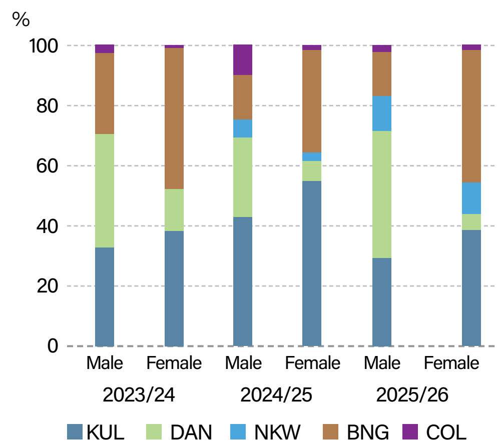
Employees by Type 2025/26

STATUS	MALE	%	FEMALE	%	TOTAL
Permanent	207	83	41	17	248
Contract	136	51	130	49	266



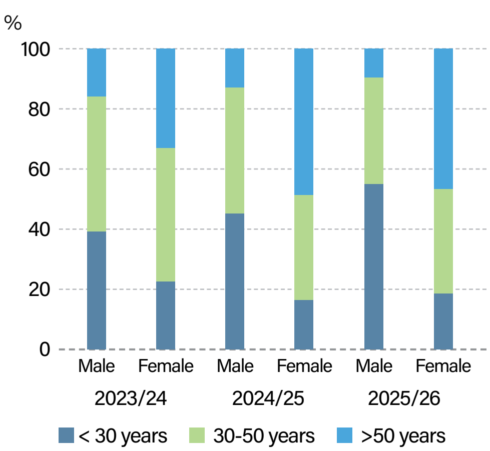
Employees by Region and Gender 2025/26

REGION	MALE	%	FEMALE	%	TOTAL
Kuliyapitiya	100	60	66	40	166
Dankotuwa	145	94	9	6	154
Nikaweratiya	40	69	18	31	58
Bingiriya	50	40	75	60	125
Colombo	8	73	3	27	11



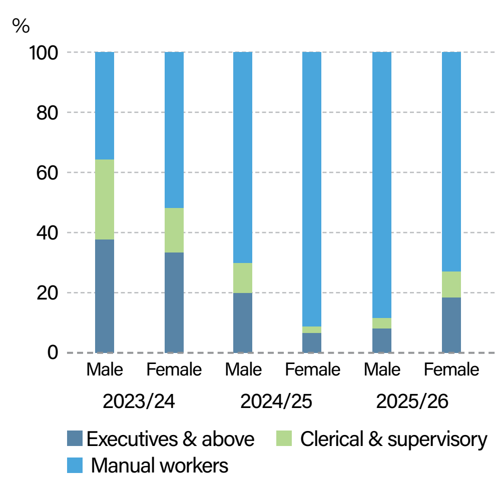
Employees by Age and Gender 2025/26

AGE GROUP	MALE	%	FEMALE	%	TOTAL
< 30 years	189	86	32	14	221
30-50 years	121	67	59	33	180
>50 years	33	29	80	71	113



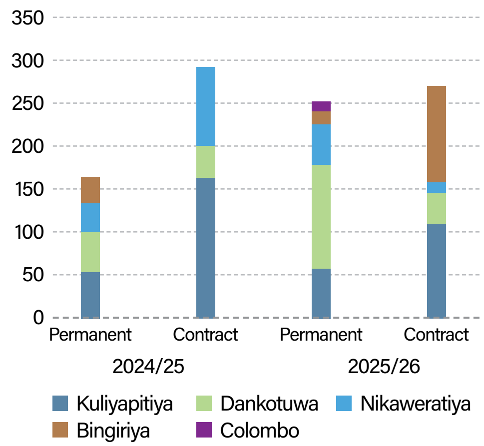
Employees by Category and Gender 2025/26

CATEGORY	MALE	%	FEMALE	%	TOTAL
Executives & above	63	82	14	18	77
Clerical & supervisory	30	83	6	17	36
Manual workers	250	62	151	38	401



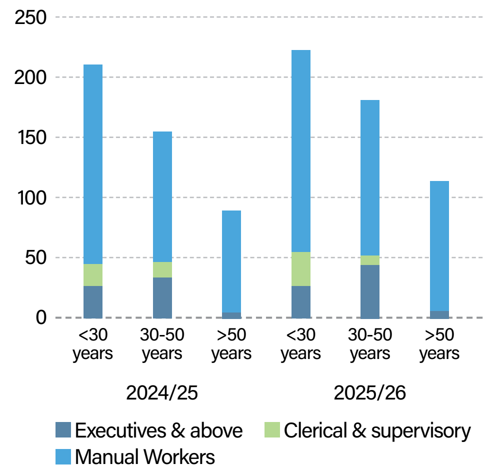
Employee by employment contract by region 2025/26

Region	Permanent	%	Contract	%	Total
Kuliyapitiya	57	34	109	66	166
Dankotuwa	119	77	35	23	154
Nikaweratiya	46	79	12	21	58
Bingiriya	15	12	110	88	125
Colombo	11	100	0	0	11



Employee by Age and Category 2025/26

Category	<30 years	%	30-50 years	%	>50 years	%	Total
Executives & above	27	35	44	57	6	8	77
Clerical & supervisory	28	78	8	22	0	0	36
Manual workers	166	41	128	32	107	27	401



The Hayleys Fibre Group does not recruit part-time employees. Furthermore, the Group does not have any workers who are not employees.

HUMAN CAPITAL

Governance Framework and Best Practices

Human Capital governance at Hayleys Fibre PLC is anchored in a clearly defined framework of policies, procedures and standard operating practices developed in alignment with Hayleys Group policies, applicable regulatory requirements and best practices.

Ongoing efforts to strengthen Human Capital governance saw the appointed of a dedicated General Manager – Human Resources during the year, to strengthen oversight over policy implementation and improve consistency in the application of standard operating procedures in day to day operations. with that, the existing policy framework was reviewed and updated.

GRI 2 -30, 406 -1, 408 -1, 409 - 1

HUMAN CAPITAL GOVERNANCE FRAMEWORK

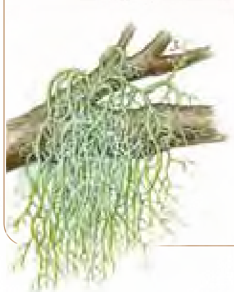
LABOUR BEST PRACTICES (UNGC Aligned)

Principle 3 -
Freedom of Association and Collective Bargaining

Principle 4 -
Elimination of Forced and Compulsory Labour

Principle 5 -
Abolition of Child Labour

Principle 6 -
Elimination of Discrimination in Employment and Occupation



Governance Framework Supporting Labour Practices

POLICY FRAMEWORK

- Recruitment Policy
- Performance Management Policy
- Talent Management and Succession Planning Policy
- Grievance Handling Policy
- Health and Safety Policy
- Anti Sexual Harassment Policy
- Human Rights Policy
- Whistleblower Policy

REGULATORY COMPLIANCE

- Factories Ordinance
- Shop and Office Employees Act No. 15 of 1954
- Employees' Provident Fund Act
- Employees' Trust Fund Act
- Payment of Gratuity Act
- Workmen's Compensation Ordinance of 1935

Best Practices for Human Rights and Labour

Hayleys Fibre PLC is committed to uphold best practices for human rights and labour in alignment with internationally recognised labour standards, including the principles of the United Nations Global Compact and the provisions of the ILO convention.

Principle 3: Freedom of Association and Collective Bargaining

The Group respects the right of employees to freedom of association and allows employees the freedom to join or form organisations of their choice in accordance with applicable labour laws. Notably, the emphasis on open communication and continuous dialogue with employees has helped to proactively address concerns on matters relating to working conditions and employee welfare, thereby eliminating the need for collective bargaining.

Principle 4: Elimination of Forced and Compulsory Labour

Employment across the Group is based on voluntary engagement, with employees free to exit subject to the terms and conditions of employment. Thus, Hayleys Fibre operations are not at risk for forced / compulsory labour and there were no incidents of forced or compulsory labour reported in the current year.

Principle 5: Abolition of Child Labour

A strict prohibition on child labour is maintained across operations in line with applicable regulatory requirements. Group-wide recruitment practices incorporate controls to ensure compliance with statutory employment criteria ensuring the Group's operations are not exposed to risks relating to child labour. No incidents of child labour were reported in the current year.

Principle 6: Elimination of Discrimination in Employment and Occupation

Workplace practices are guided by a commitment to ensure all individuals are treated with respect and dignity at every stage of their employment journey. Managers at all levels are expected to lead by example to remain objective and eliminate unconscious bias based on age, gender, religious beliefs or any other status protected by law.

Established reporting channels enable concerns to be raised in a confidential manner, with processes in place to ensure that matters are reviewed and addressed appropriately.

No incidents relating to discrimination were reported during the year.

GRI 202 -2, 401-1

Recruitment and Onboarding

Recruitment at Hayleys Fibre PLC is guided by a rolling manpower plan which is reviewed and updated annually, taking into account operational requirements, skill needs and workforce agility. Once approved, the plan forms the basis for hiring. During the year, further emphasis was placed on strengthening recruitment discipline through the consistent application of the Requisition Request Form process to reinforce greater control and visibility over recruitment requirements and ensure alignment with approved manpower plans and business priorities.

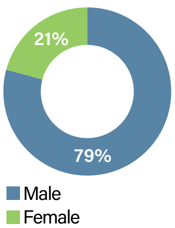
Hiring procedures are governed by the Group Recruitment Policy, which ensures equal access to opportunities for both internal and external candidates, with selection decisions guided solely by the candidate's competence, experience and ability to contribute effectively to operational requirements. In line with these principles, appointments are confirmed only after verification of credentials. Age verification is also carried out at the point of recruitment to ensure adherence to statutory employment criteria. The Group hires only full time employees and does not engage any workers who are not employes. 100% of the senior management is recruited locally from Sri Lanka.

Onboarding practices continue to play a crucial role in integrating new employees into the organisation. All recruits undergo a defined induction process designed to familiarise them with the Group's values, policies and operational practices, including mandatory health and safety requirements. For executive and above grades, on-boarding is conducted on the first day of employment, during which all required documentation, including appointment formalities, is completed. Post-onboarding, all new recruits are placed on a mandatory probation period, during which performance is monitored prior to confirmation of employment.

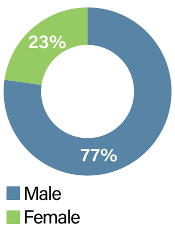
HUMAN CAPITAL

New Hires by Gender 2025/26

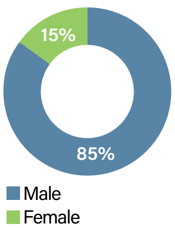
MALE	%	FEMALE	%	TOTAL
127	85	22	15	149



2023/24



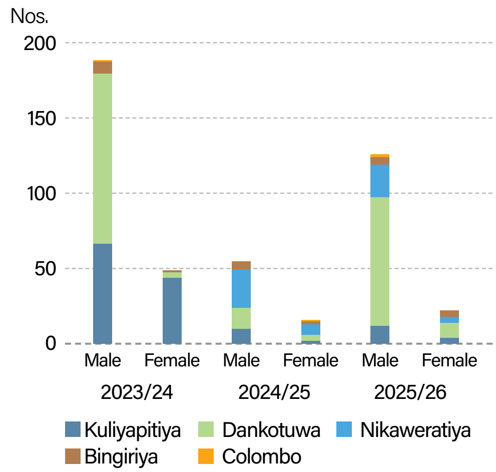
2024/25



2025/26

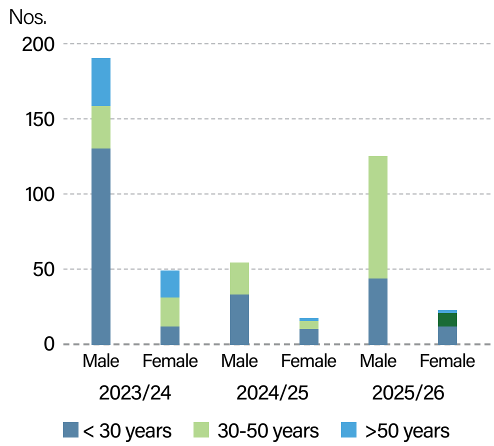
New Hires by Region and Gender 2025/26

REGION	MALE	%	FEMALE	%	TOTAL
Kuliyapitiya	12	75	4	25	16
Dankotuwa	86	90	10	10	96
Nikaweratiya	22	85	4	15	26
Bingiriya	5	56	4	44	9
Colombo	2	100	0	0	2



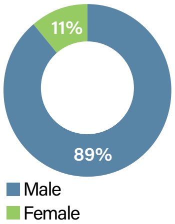
New Hires by Age and Gender 2025/26

AGE GROUP	MALE	%	FEMALE	%	TOTAL
<30 years	45	79	12	21	57
30-50 years	82	90	9	10	91
>50 years	0	0	1	100	1

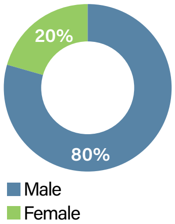


Employee Turnover by Gender 2025/26

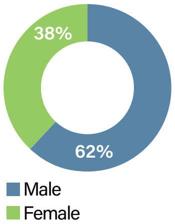
MALE	%	FEMALE	%	TOTAL
18	62	11	38	29



Employee Turnover by Gender 2023/24



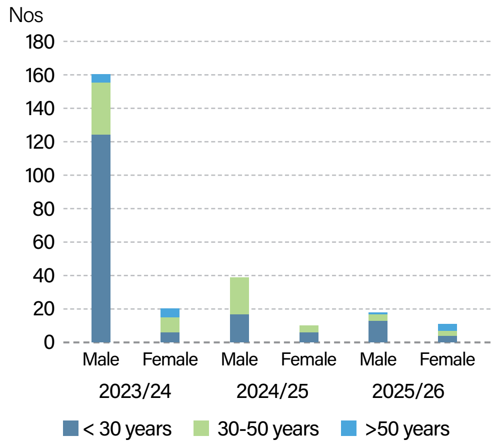
Employee Turnover by Gender 2024/25



Employee Turnover by Gender 2025/26

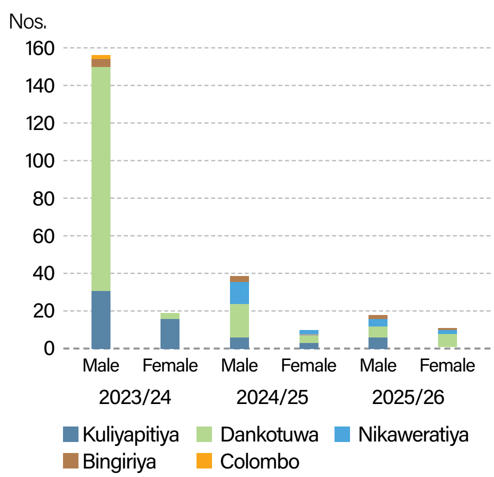
Employee Turnover by Age and Gender 2025/26

AGE GROUP	MALE	%	FEMALE	%	TOTAL
<30 years	13	76	4	24	17
30-50 years	4	57	3	43	7
>50 years	1	20	4	80	5



Employee Turnover by Region and Gender 2025/26

REGION	MALE	%	FEMALE	%	TOTAL
Kuliyapitiya	6	86	1	14	7
Dankotuwa	6	46	7	54	13
Nikaweratiya	4	67	2	33	6
Bingiriya	2	67	1	33	3
Colombo	0	0	0	0	0



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

Remuneration and Benefits

The Group's remuneration structures are designed to reflect organisational requirements while ensuring compliance with applicable regulatory provisions and prevailing industry practices. In keeping with global best practices, the Hayleys Fibre Group upholds a 1:1 salary ratio for men and women at entry level and remains fully committed to promoting gender pay equity across all levels of the organisation.

With that, we ensure employees covered under minimum wage regulations receive compensation well above the mandated minimum levels

Entry Level Salary Ratios

- Executives & above
- Clerical & supervisory
- Manual workers

Periodic salary reviews capture regulatory changes and aim to improve competitiveness in line with industry standards, In this regard, immediate adjustments were made to minimum wages for applicable employees, following revised regulatory requirements that came into effect in April 2025.

International Women's Day Celebration

Free Medical Checks on Vision and Hearing

HUMAN CAPITAL

In addition to their base salaries, all Hayleys Fibre Group employees are entitled to a range of benefits.

Benefits Provided to Permanent Employee

Benefit	Executive	Clerical	Factory Floor
Hospitalization Insurance	✓	✓	×
OPD Coverage	✓	✓	×
Group Life Assurance Cover	✓	×	×
Workmen Compensation Cover	✓	✓	✓
Loan Scheme	✓	✓	×
Subsidize Meal Facility	✓	✓	✓
Transport Allowance / Facility	✓	✓	✓
PPE	✓	✓	✓
Incentives (Production, Attendance)	×	×	✓
OT	×	✓	✓
Medical Leave Encashment	×	✓	×
Company Doctor Service	✓	✓	✓
Membership of HGRC	✓	✓	×
Cash awards for children passes grade 5 scholarship, Highest results for O/L & A/L	✓	✓	×
Funeral Fund Scheme	✓	✓	✓
Long Service Awards	✓	✓	✓

GRI 401-3

Parental Leave

In compliance with the Shop and Office Employees Act of 1954 and the Wages Board Ordinance Amendment Act, female employees are entitled to 84 days paid maternity leave, post-delivery as well as two hours nursing time for a period of one year after recurring to work. The Group also provides 7 days of paternity leave for male employees.

	FY 2025/26	FY 2024/25	FY 2023/24
Total number of employees that were entitled to parental leave	248	164	27
Total number of employees that took parental leave	0	0	1
Total number of employees that returned to work in the reporting period after parental leave ended	0	0	1
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	0	0	1
Return to work rate	-	-	100%

GRI 404 -3

Performance Management

Performance management remains a strategic imperative for Hayleys Fibre PLC a it serves as a crucial platform not only for promoting excellence but also supporting efforts to build a reliable internal talent pipeline capable of driving the Group's future growth trajectory. In this regard, the Hayleys Fibre Group is guided by the Hayleys Group Performance Management Policy, which provides a consistent framework for evaluating performance of all employee categories.

The performance of all Group employees is reviewed at least once every year, if not more often depending on the role. The performance of factory floor employees is monitored on an ongoing basis by line supervisors, followed by a formal annual review conducted by the

Factory Manager at the conclusion of the annual performance cycle to asses operational output, adherence to work standards and overall contribution to production requirements. For executive-level employees, performance is assessed annually against a set of pre-established key performance indicators, incorporating both quantitative and qualitative measures. These assessments are conducted by respective Heads of Department through the Human Resource Information System, with outcomes submitted for review and approval in line with established protocols.

Findings from the performance evaluation process help to determine salary increments, bonuses and promotions as well as training and developmental needs of employees.

Employee Category	Employees benefiting from the performance appraisals FY 2025/26	
	M	F
Executives & above	63	14
Clerical & supervisory	30	6
Manual workers	250	151

During FY 2025/26, performance appraisals were completed for 100% of both male and female employees across the Group.

GRI 403 - 5, 404 - 1, 404 -2

Training and Development

Training and development is seen as an investment building workforce readiness to support the Group's current and future operational needs. A majority of training interventions are aimed at job-specific technical competency development based on skill gaps identified through departmental inputs and insights derived from performance evaluations. Given the nature of operations, a blended approach underpins training delivery with on-the-job learning and cross-functional assignments constituting almost 70% of the training mix with formal classroom sessions undertaken only for specific requirements.

Training Interventions – FY 2025/26

Technical and Systems Training

- Short Course – Letters of Credit & Practical Application of DA & DP Terms
- In House Programme on ISO 9001:2015 Quality Management Systems Internal Auditor Training
- Creative Selling and Closing Techniques
- VizEdge – Data Visualization and Storytelling
- Energy, Water & Waste Management Systems Training
- Forklift Training

Safety and Operational Training (Visually dominant)

- Annual Safety Training
- Chemical Handling Training
- Fire Risk Management Emergency Handling Training Session
- Electrical safety & Noise safety
- Waste Handling Training
- Job safety Analysis

Functional and Professional Skills

- Shipping Document Accuracy: The First Step to Timely VAT Recovery
- Peoples Leaders Development Programme /Sand Box
- Training on Corporate Etiquette, Wining & Dining

Organisation-wide and HR Systems Training

- Refresher Training | How to Conduct Year-End Evaluation Online 25/26 Cycle
- Awareness Session on Lieu Leave Type Configuration | Oracle HCM



Fire and Safety Training


Morning Safety Toolbox briefing


Sustainability , Health and Safety Factory visit

HUMAN CAPITAL

The Group's recent transition to e-learning has helped to further enhance the learning environment by promoting self-paced learning, while ongoing collaborations with the Eco Solutions sector enables access to training and facilitating knowledge sharing across business units.

Training Hours

Employee Category	FY 2025/26		
	M	F	Total
Executives & above	36	23	59
Clerical & supervisory	51	22	73
Manual workers	360	420	780

Average Training Hours = (Training hours/ Total employees specific for category)

Employee Category	FY 2025/26	
	M	F
Executives & above	0.57	1.64
Clerical & supervisory	1.70	3.67
Manual workers	1.44	2.78

Career Development

The Group's approach to employee career development is closely linked to the performance management process, with identified high performers receiving immediate recognition by way of promotions, while others showing potential are offered opportunities to enhance their skills and capabilities in order improve their prospects for future career advancement.

Hayleys Family Fun day Event

View more
Activities from here

Promotions Granted

Employee Category	FY 2025/26			FY 2024/25		
	M	F	Total	M	F	Total
Executives & above	4	2	6	5	3	8
Clerical & supervisory	1	-	1	-	2	2
Manual workers	-	-	-	-	-	-

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

Hayleys Fibre Group Grievance Handling Procedure

Grievance
Formal approach in writing
Immediate Supervisor
If not resolved
Department Head
If not resolved
CEO or HR Representative
If not resolved
Head - Group HR

Employee Relations

Building and maintaining good relationships with employees has always been a critical aspect of the Group approach to managing its Human Capital. To that end, the Group's open door policy which enables employees to approach their supervisors and even the top management without barriers. Regular team briefings and departmental interactions aim to improve coordination and sharing of information, while dedicated HR representatives across all units provide a consistent point of contact for employees. Employee can also make written complaints via the Group's grievance process. There were no grievance reported in FY 2025/26

Meanwhile clear procedures are in place to inform employees of operational changes, with adequate notice prior to implementation. Executive employees are typically informed of operational changes via email, or through special gatherings, while notice boards are used to share special announcements with factory employees.

An exit interview process was introduced during the year to capture employee feedback, particularly at executive level, supporting improved understanding of workforce trends and informing recruitment and retention practices.

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

Occupational Health and Safety

Given the manufacturing-intensive nature of its operations, the Group is aware of the risk to employee health and safety arising from machinery operations, material handling, and process-related hazards. Committed to ensuring a safe working environment across all sites, the Group complies in full with all applicable safety regulations, including the Factories Ordinance, Workmen's Compensation Ordinance and national safety regulations. As mandated under the Workmen's Compensation Ordinance, all factory floor employees are also entitled to compensation in the event of injuries in the workplace. All employees of the Group (100%) are covered under the occupational health and safety management system, ensuring a consistent approach to workplace health, safety, and wellbeing across all operations.

Beyond compliance, a Safety Manual aligned with the principles of ISO 45001:2018 provides guidance on workplace safety practices across all locations. Governance and oversight for safety is a shared responsibility, with a three-tier safety governance structure establishing accountability and reporting lines.

Hayleys Group Safety Team

Aligning health and safety governance with Group-wide policies, leading thorough root cause investigations to prevent recurrence of incidents, and ensuring that all safety systems and practices meet the highest standards of effectiveness and compliance.

Key Responsibilities:

- Support investigations of escalated incidents
- Guide standardisation and policy enforcement
- Determine scale and structure of incident investigationsy Ensure root cause analysis and corrective actions
- Maintain accountability at the Group level
- Report on safety performance to the Board

Safety Champions at Factory Locations

Driving frontline safety compliance and fostering a strong safety culture among employees to ensure safety remains a shared responsibility across all levels of the workforce

Key Responsibilities:

- Implement safety procedures outlined in the Safety Manual
- Conduct routine safety checks and audits
- Deliver bi-weekly safety briefings to build awareness and vigilance
- Encourage employees to report safety concerns
- Conduct risk assessments to identify hazards
- Initiate remedial actions to mitigate risks
- Document all accidents, injuries, and near misses
- Report incidents to the Eco-Solutions Cluster OHS Manager

Eco-Solutions Cluster OHS Manager

Maintaining readiness for emergency response and crisis management, coordinating swift and effective actions when required, and serving as the link between the cluster and Group-level governance to incur continuous improvement of safety systems.

Key Responsibilities:

- Review reports from safety champions
- Lead investigations into serious accidents and near misses
- Escalate incident findings to the Hayleys Group Safety Team
- Oversee emergency response and crisis management
- Conduct regular risk assessments and safety audits to provide independent assurance on safety system effectiveness

Common Safety Hazards relating to the Hayleys Fibre Group operations

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

Occupational Health Hazards Associated with Hayleys Fibre Group Operations

Occupational Health Hazard	Preventive Measures Adopted
Skin irritation and allergic reactions owing to the exposure to hazardous chemicals, heavy metals, and microbial contaminants	Proper ventilation systems (including Local Exhaust Ventilation - LEV) Use of personal protective equipment (PPE) Training on safe handling procedures Implementation of sanitation protocols Exploration of safer, innovative chemical alternatives
Risk of respiratory complications	Lung Function Tests (LFT) conducted for all chemical handlers

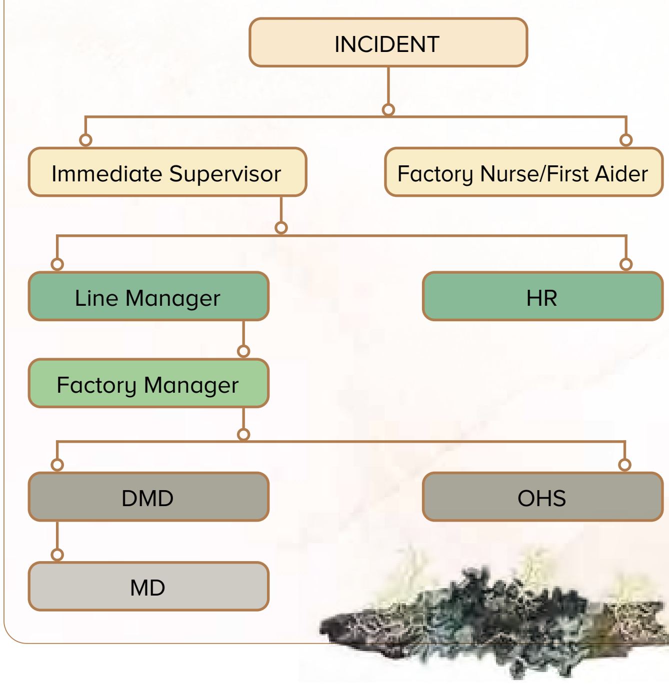
During the year, several enhancements were introduced to strengthen safety management practices, key among them the implementation of Lockout / Tagout procedures covering all machine operations along with a new work permit procedure for third party service providers. Further improvements included the introduction of Job Safety Analysis to support task-level risk identification as well as a digital hazard reporting system for formally documenting and reporting of safety concerns.

As a first step towards benchmarking the Group's safety procedures against global best practices, work commenced on the development of a Long-Range Plan to serve as a roadmap for driving continuous improvement in occupational health and safety performance across all operations.

As always, training focus was on fire safety, electrical safety, chemical handling and emergency response, while routine safety drills were performed to assess employee safety preparedness.

At the same time initiatives aimed at safeguarding overall employee wellbeing continued throughout the year. The introduction of the digital medical reimbursement application also marks an important step in improving employee access to healthcare benefits.

Hayleys Fibre Group Incident Reporting Procedure



	2025/26	2024/25	2023/24
No. of minor injuries	3	-	3
No. of major injuries	5	2	2
No. of fatalities	-	-	-
No. of lost workdays due to injury	69	190	31

No work-related ill health was recorded during the year under review.

NATURAL CAPITAL

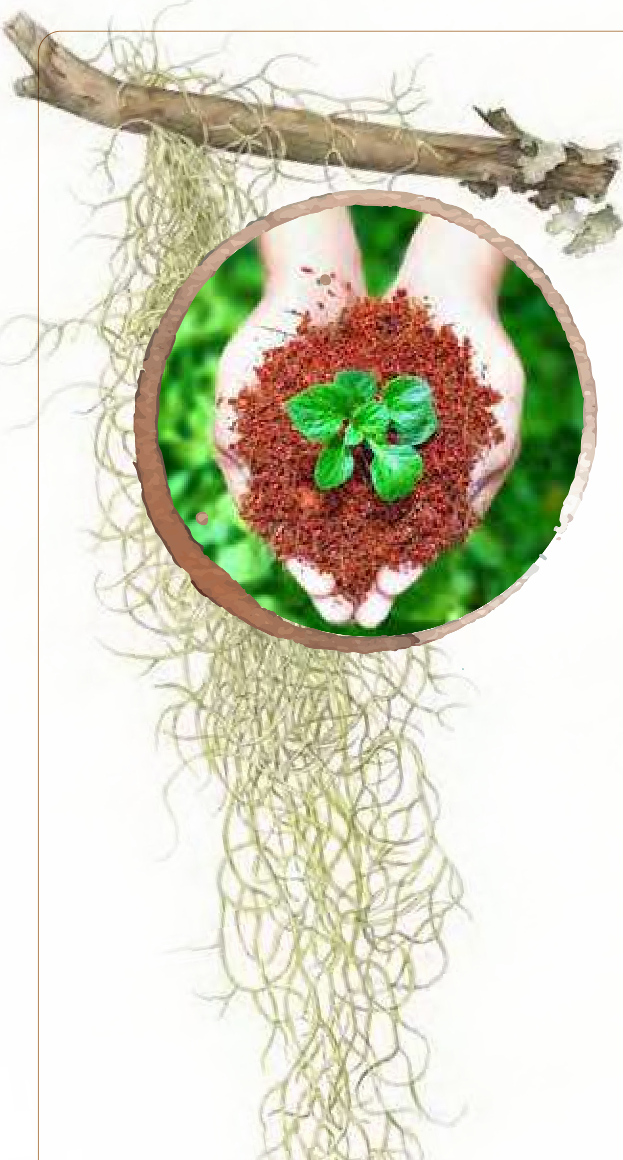
"Restoring Balance with Nature"

Lichens are indicators of environmental health and play a vital role in soil formation, carbon cycling, moisture retention, and ecosystem regeneration.

Most of the Lichen species seen in Sri Lanka's clean-air forest regions, is recognised as a sensitive bioindicator of environmental health. Lichens absorb moisture and nutrients directly from the atmosphere, making them highly responsive to ecological changes and air quality conditions.

Their presence symbolises balance, regeneration, and environmental stewardship — principles deeply aligned with our commitment to renewable materials, ecosystem restoration, circularity, and climate-conscious manufacturing practices.

NATURAL CAPITAL



Management Approach

The Hayleys Fibre Group's approach to managing Natural Capital stems from the very nature of of the Group's coir fibre operations, which embodies the principles of circularity at their core, wherein coconut husks, traditionally regarded as an agricultural waste by-product, are transformed into value-added commercial products that are 100% biodegradable. Apart from these core circularity principles embedded within its operating models, the Group takes a disciplined approach to managing the environmental concerns generated as a consequence of its manufacturing operations.

Material Matters

- Regulations and compliance
- Materials
- Energy consumption and management
- Emissions & Air quality
- Physical climate risks - rainfall climate change adaptation

Operating Context and Strategic Response

S

STRENGTHS

- Regenerative product portfolio with lower environmental impact across the value chain

W

WEAKNESSES

- High initial investment required for energy efficiency improvements

O

OPPORTUNITIES

- Investment in renewable energy
- Opportunities to explore alternative raw materials

T

THREATS

- Supply disruptions due to adverse climate-related events
- Competition from synthetic alternatives

Impact and Outcomes

Outputs for Hayleys Fibre and Impact on other Capitals

Sustained commitment towards environmental stewardship enhances the Group's reputation

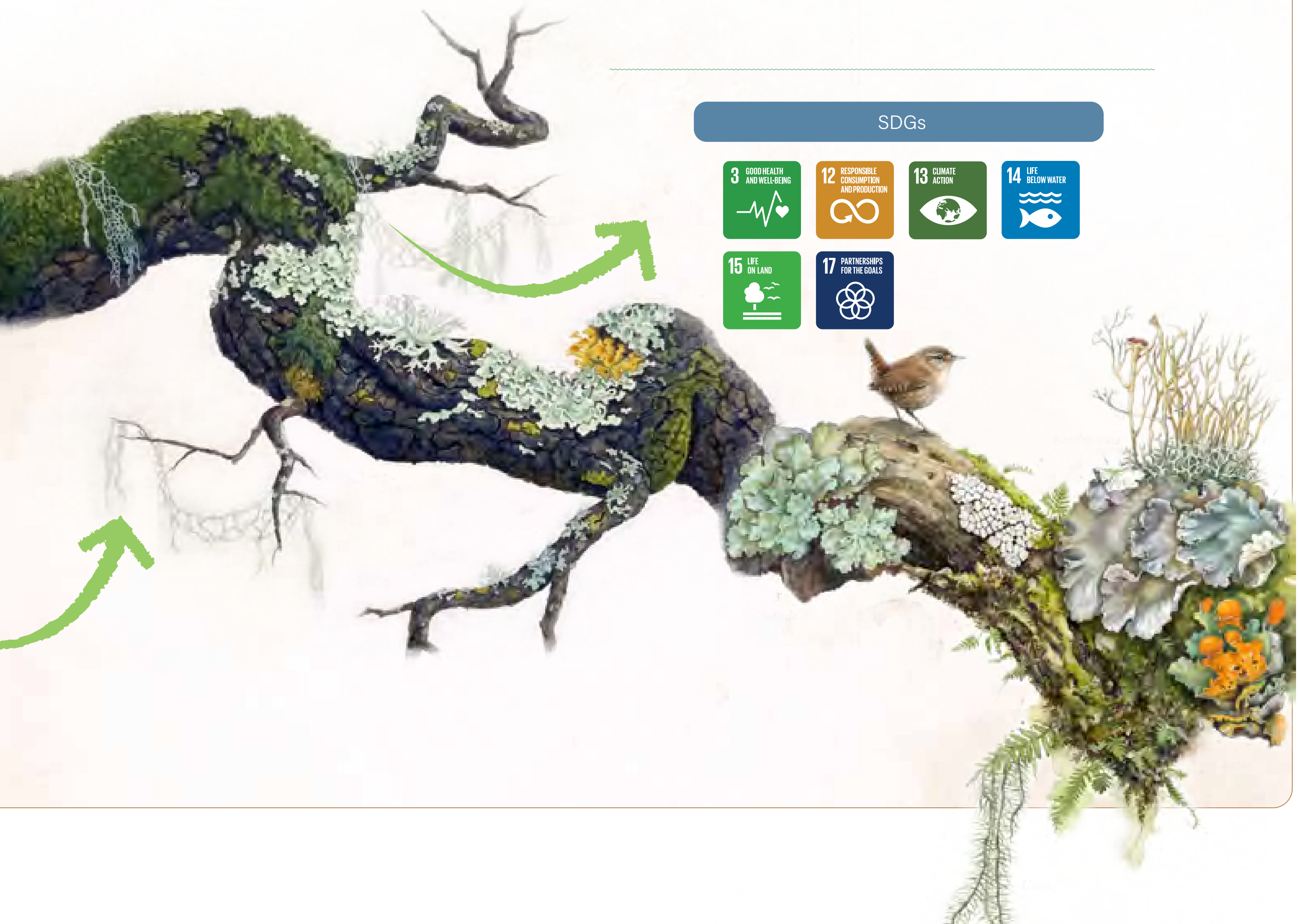
Compliance with environmental regulations builds stakeholder trust

Stakeholder Outcomes

64% year on year reduction in emissions Intensity

6% year on year reduction in energy intensity

SDGs



NATURAL CAPITAL

Environmental Governance

The ESG Steering Committee at Group level provides oversight for developing policies and procedures to integrate environmental concerns in the day to day operations. At an operational level, Factory Managers are held accountable for for policy implementation and ensuring compliance with site-specific environmental requirements, while Factory Engineers are responsible for monitoring environmental performance within their respective facilities.

Under the purview of the ESG Steering Committee, dedicated Environmental Management Committees were established at each factory in the current year, to improve site-level environmental governance.

Environmental Management System (EMS)

The Group-wide Environmental Management System (EMS) provides a structured platform for managing all key environmental concerns across manufacturing plants. The EMS is framed in alignment with applicable regulatory requirements and is further guided by the Hayleys Group Environmental Policies for identifying, monitoring, and mitigating environmental impacts to continually improve the environment performance of the Group's manufacturing operations.

To further strengthen the integrity of the EMS, the Group commenced the groundwork to formally adopt the ISO 14001 Environment Management Standard certification. During the year, internal environmental audits were conducted at all manufacturing sites to assess existing practices, identify gaps and recommend corrective actions to support alignment with requirements for the certification.

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

Materiality Management

The Group's manufacturing operations utilise a mix of renewable and non-renewable materials in the production of its product portfolio.

Coconut husks remain the primary raw material used to extract coir fibre, coco peat and coconut chips for a range of applications. In addition, other renewable materials such as straw and jute are also incorporated to a lesser extent within production processes.

Meanwhile, non-renewable materials such as chemicals, nylon, polypropylene and polythene are utilised for product finishing, treatment and packaging requirements.

Materials used across the Hayleys Fibre Group value		Unit of Measurement	2025/26	2024/25	2023/24	2022/23
Renewable	Coconut based raw material (Coconut Husks)	Husk (Nos)	10,371,725	2,205,473	2,480,232	7,157,450
	Fibre/Pith/Chips	Kgs	16,164,924	16,134,998	21,530,206	11,107,177
	Jute	Netting (Sqm)	2,856,000	3,884,000	2,860,000	1,444,005
Non-Renewable	Chemicals	Kgs	938,531	411,939	361,971	498,018
	Nylon/Polypropylene	Packing (Nos)	200,000	173,300	686,000	690,059
		Netting (Sqm)	10,063,500	44,012,900	21,051,975	21,289,359
	Polythene (Kg's)	Packing (Nos)	5,400,357	2,912,464	5,094,773	1,545,958
		Packing (Kgs)	48,360	39,853	39,247	32,869

40%

of material are recycled in the re-bonding operations at Creative Polymats (Pvt) Ltd, while optimizing material consumption and minimizing the material wastage.

The Company does not currently operate a product or packaging take-back programme, and therefore no significant quantities of products or packaging materials were reclaimed during the reporting period.

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

Waste Management

Waste management across the Group is guided by the principles established under the Hayleys Group Waste Management Policy which stipulates that waste arising from manufacturing operations is managed in a controlled and compliant manner.

At Hayleys Fibre PLC and Bonterra Limited, waste generated as a consequence of manufacturing operations is sorted and repurposed where feasible. The remaining waste materials which are not suitable for the production purposed are directed towards alternative applications such as mulching or use as a substrate for gardening. By-products such as baby fibre and fibre dust are supplied to Group companies and to external parties for use as raw materials in other applications.

At Creative Polymats (Pvt) Ltd, polyurethane offcuts generated during mattress production are recycled within the process to produce re-bonded mattresses, while quilted fabric scrap and scrap metal are reclaimed and directed towards alternative uses through authorised channels.

Across the Group, waste that cannot be reused or recycled is disposed in line with regulatory requirements through authorised waste collectors.

During the year, comprehensive waste mapping exercise was conducted to identify waste streams at all manufacturing locations, with site-wise waste data integrated into SAP systems. The Group also engaged with new waste vendors during the year to support improved and more circular waste management practices.

Hayleys Group Waste Management Policy - Key Principles	
Defining the solid / semi solid waste categories within operating boundaries, mapping them accordingly and implementing mechanisms to quantify waste generation	Quantifying waste generation by appropriate categories
Establishing waste management programmes focusing on minimising, reducing and controlling waste generation. (Programme should be developed based on 7R [Reject, Reduce, Reuse, Reclaim, Replace, Repair, Recycle] concept applications over significant operations identified)	Waste management programmes based on the 7R concept for significant applications
Proper segregation practices should be implemented across all the categories of waste generation (process and non-process)	Segregation of waste
Segregated waste should be stored separately complying with all the relevant legal and other requirements (availability of separate waste storage for hazardous and non-hazardous waste, following defined colour code and labelling mechanism, zero contamination to the environment, application of emergency preparedness programmes, health and safety requirements on waste handling, etc.)	Compliance with safe storage of waste
Ensuring the sustainable disposal of all types of waste by following "zero landfilling" (getting into agreements with legally accepted waste collectors and disposers, ensuring proper disposal through audits and proof documentations, maintaining records of all the waste disposals)	Sustainable disposal of waste
Establishing material and waste management targets and objectives and driving continuous improvement programmes (focusing on monitoring, corrective and preventing actions, auditing and reviews of waste management)	Establishing targets and objectives to drive continuous improvement
Ensuring the availability of relevant information, documents, training tools and guidance to drive the defined waste management programmes	Training and tools to enable performance

NATURAL CAPITAL

Hayleys Fibre Group Waste Management Best Practices

Area	Description
Waste Identification and Quantification	Defining solid and semi-solid waste categories within operating boundaries and implementing mechanisms to quantify waste generation by appropriate categories
Waste Reduction	Establishing waste management programmes focused on minimising, reducing and controlling waste generation based on the 7R concept
7R Application	Applying Reject, Reduce, Reuse, Reclaim, Replace, Repair and Recycle principles across significant operations
Segregation	Implementing segregation practices across all categories of process and non-process waste generation
Safe Storage	Storing segregated hazardous and non-hazardous waste separately in compliance with legal, environmental and safety requirements, including defined labelling and colour coding mechanisms
Sustainable Disposal	Ensuring disposal through legally accepted waste collectors and disposers, supported by documentation, audits and waste disposal records
Continuous Improvement and Training	Establishing targets and objectives supported by monitoring, corrective and preventive actions, audits and the provision of training and guidance

Waste Category	Waste Type	MTs	Disposal Method
Non Hazardous	Fibre Dust & Chips	1126.784	Sold to sister companies as raw materials
	Fibre Waste	410.86	Recycled into the production process
	PU offcut / Waste	378.13	Recycled into the production process
	Quilted Fabric Scrap	10.97	Sold to soft toys manufacturers
	Scrap Metal	3.77	Sold to registered scrap metal vendors for recycling
	Polythene	10.03	Disposed through CEA approved waste collectors
	Plastic	1.0	Sold for recycling through approved channels
	Paper & Other Packaging Material	24.138	Sold for recycling
	Food Waste	3.23	Sent as animal food – piggery
Hazardous	Empty Chemical Barrels	69.82	100% Disposed through CEA approved scheduled waste vendor
Total Non Hazardous waste 1969 MT		Total Hazardous waste 70 MT	

GRI 302-1, 302-2, 302-3, 302-4, 305-1, 305-2, 305-3, 305-4, 305-5, , 305-6, 305-7

Energy and Emission Management

Energy and emissions associated with the Group's production processes is managed in line with the Hayleys Group Energy and Emission Management Policy.

While electricity is the primary source of energy used to power machinery and equipment at production facilities, given the limited mechanisation involved in coir fibre processing, electricity consumption across coir fibre manufacturing plants remains relatively low. On the other hand, Creative Polymats (Pvt) Ltd, rely heavily on electricity due its operations. The other main energy source used by the Group is diesel, which is utilised for the purpose of powering backup generators and factory-owned vehicles.

Energy consumption across all sources is monitored at factory level, with plant-wise data reported through the CUBE sustainability portal. The sector ESG champion reviews performance, identifies variances and advising plant teams on implementing measures to optimise energy use. Energy usage outside the organisation is not monitored due to the lack of credible data.

Hayleys Group Energy and Emission Management Policy - Key Principles	
Implementation of customised energy and emission management programmes focusing on the materiality of relevant energy/emission aspects. In driving these programmes, identify all energy and emission related processes and applications, evaluate the significance, set targets and objectives, continuously monitor performance and drive the programme based on defined KPIs in line with Table 1 Energy & Emission Management Strategies, Targets and KPIs.	Implement holistic energy and emission management programmes at all entities
Ensure the availability of relevant information, documents, training tools and guidance to drive the defined energy and emission management programmes.	Availability of resources
Gradually shift from non-renewable energy sources and increase reliance on renewable energy such as solar, wind, biomass energy, etc. Ensure that purchased biofuel is sustainably sourced and does not result in deforestation.	Shift to renewable energy
Minimising energy-related environmental impact and enhancing the Group's competitiveness through energy costs savings by embracing lean management practices, application of Life Cycle Assessment (LCA) concept, carbon neutral operations and many other recognised green concepts.	Minimise energy-related impact on environment
Adopting energy and emission conscious procurement procedure on all relevant operations and propagating our energy and emission management practices across the supply chain, implementing effective operation and maintenance programmes to ensure energy-efficient operations while minimising emissions for significant energy consuming applications (machines/processes).	Energy and emission management
Nurturing a culture of energy and emission consciousness across all the relevant stakeholder Groups (e.g. employees, communities, non-profit organisations, government, etc.); all business entities within the Group should observe the energy practices of its supply chain partners and encourage the use of clean energy across its supply chain.	Energy and emission conscious cultures
Aligning with the Hayleys Group sustainability strategy	Align with Group

Hayleys Fibre Group Energy Matrix

Energy Source		2025/26	2024/25	2023/24
Non- Renewable (MJ)	Grid Electricity	4,798,436	3,752,464	5,252,100
	Diesel	1,693,811	1,105,966	1,331,419
	Petrol	95,057	1148	N/A
	Acetylene	250	6,600	N/A
	Total Non-Renewable	6,587,554	4,866,178	6,583,519
Renewable (MJ)	Solar	-	-	-
	Biomass	-	-	-
	Total Renewable	-	-	-
Total Energy Consumption (Non-Renewable + Renewable)		6,587,554	4,866,178	6,583,519
Energy Intensity (GJ / Total Production Volume)		959	1024	1284

The Group used the following conversion references for energy calculation : Net Calorific Values – IPCC AR6, Fuel Density – GHG Protocoal and national fuel density values

The Group performs an annual carbon footprint calculation to quantify both direct and indirect emissions attributed to the Group-wide operations. During the year, the scope of greenhouse gas quantification was expanded to include upstream and downstream emissions, strengthening the coverage of Scope 3 emissions.

Stack emissions also continue to be monitored and tested regularly in line with Environmental Protection Licence conditions. The Group does not currently track or report emissions of ozone-depleting substances (ODS), nitrogen oxides (NOx), sulfur oxides (SOx), or other related air emissions

NATURAL CAPITAL

Area	Description
Energy and Emission Management Programmes	Implement customised energy and emission management programmes through the application of lean practices and Life Cycle Assessment concepts
Shift to Renewable Energy	Progressively increase the attention on renewable energy initiatives such as ground mounted solar.
Energy and Emission Management Across Operations and Supply Chain	Promote energy and emission management practices across the supply chain
Energy and Emission Conscious Culture	Nurture a culture of energy and emission consciousness across among employees and the wider community

Emissions	2025/26 (tCO2eq)	2024/25 (tCO2eq)	2023/24 (tCO2eq)
Direct (Scope 1) GHG Emissions	200.63	115.47	108.07
Indirect (Scope 2) GHG Emissions	556.22	445.92	684.22
Indirect (Scope 3) GHG Emissions	2,650.03	2,794.65	135.6
Total GHG Emissions	3,406.88	3,356.03	927.89
Emission Intensity Ratio (tCO2eq/Revenue-Mn)	0.496	1.413	0.181

Base year 2022/23

Scope 1 : Consumption of fossil fuel for mobile and stationary sources, Co2 fire extinguisher, refrigerant & other fugitive emissions

Scope 2 : Electricity usage from the national grid Scope

Scope 3 : Capital Goods, Fuel and Energy related activities, Upstream transportation and distribution, Downstream transportation and distributions, Business travel, Employee Commuting, Waste generated in operations.

- Gases Included in the Calculation : Carbon dioxide (CO2) ,Methane (CH4) , Nitrous oxide (N2O), Hydrofluorocarbons (HFCs)
- Sources for Calculation: Global Warming Potentials (GWP) values from the IPCC Sixth Assessment Report (AR6), UK DEFRA 2025 Conversion Factors

Green Projects

External initiatives undertaken by the Group focus on stakeholder awareness on key environmental themes, including responsible waste management and biodiversity conservation.

Waste Management and Circularity

E-Waste Collection Campaign, launched in conjunction with World Environment Day, involved the collection of electronic waste from households, government institutions and private sector organisations, followed by disposal through accredited recyclers

Key Partners : Central Environmental Authority (North Western Provincial Office), licensed e-waste recyclers

Biodiversity and Ecosystem Conservation

Forest Cleanup Programme – Badagamuwa, conducted as part of World Environment Day initiatives, involved the removal, segregation and recycling of over 1,000 kg of non-biodegradable waste from roadside areas and internal paths within the Badagamuwa Conservation Forest Reserve

Key Partners : Central Environmental Authority; Urban Council; Department of Forestry; school environmental units

Biodiversity and Environmental Education

Wetland Bird Watching Programme, conducted during the year at Diyasaru Park, provided employees with field-based exposure to local biodiversity and ecosystem conservation

Key Partners : Hayleys Nurture Network; Field Ornithology Group of Sri Lanka; academic experts

Environmental Awareness and Education

World Photography Day Webinar – "Visual Storytelling for Conservation", organised to mark World Photography Day, with the participation of over 100 employees across the Group on the use of photography as a tool to promote environmental awareness and conservation

Key Partners : Internal collaboration across Hayleys Group; industry experts

Future Plans

In line with the commitment to transition to energy-efficient manufacturing infrastructure, the Group plans to conduct annual energy audits to identify areas for improvement and optimise energy use across operations. Longer-term priorities include reducing waste intensity by optimising resource utilisation and internalising waste, reinforcing the Group's zero waste to landfill commitment.

A SYMBIOSIS OF VISION

Keeping our eye on the viability of our long term and short term goals keeps us ready for what lies ahead.

CORPORATE GOVERNANCE REPORT

GRI 2-9

Hayleys Fibre PLC (the 'Company') and its Group continue to be committed to conducting its business ethically and in accordance with high standards of good Corporate Governance. The Board of the Company is pleased to confirm that throughout the Financial Year 2025/26, the Company complied with the applicable corporate governance provisions and disclosure requirements of a Company listed on the Colombo Stock Exchange ('CSE'). The governance framework adopted is aligned with that of the parent Company, Hayleys PLC.

We set out below the Corporate Governance practices adopted and practiced by the Group against the background of the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka and the Rules set out in Section 7 and Section 9 of the Listing Rules of the CSE ('Listing Rules').

Board of Directors

The Board of Directors of the Company is responsible for setting up the governance framework within the Group.

In discharging their obligations collectively, the Board possesses extensive experience across financial management, risk oversight, legal and regulatory compliance, product innovation, international market development, and strategic business growth. This diversity of expertise enables the Board to provide effective leadership and informed strategic guidance in a dynamic business environment.

Composition and Attendance at Meetings

As at date of this Report, the Board consists of Twelve Directors, comprising Seven Non-Executive Directors out of which Four are Independent Non-Executive Directors and Five Executive Directors. Profiles of these Directors are given on pages 12 to 15 of this Report. Details of Directors' shareholding in the Company and the directorates they hold in other companies are given on page 168 and pages 172 to 174 respectively.

The Board meets quarterly as a matter of routine. Ad hoc meetings are held as and when necessary. The Board met on four occasions during the year under review.

Board Meeting Attendance

Name of Directors	Meetings attended
Mr. A. M. Pandithage	4/4
Mr. H. S. R. Kariyawasan*	3/4
Mr. M. M. A. R. P. Goonetileke (Retired w.e.f. 31/03/2026)	3/3
Mr. L. A. K. I. Kodytuakku	3/4
Mr. L. Uralagamage	4/4
Mr. S. C. Ganegoda*	4/4
Dr. N. S. J. Nawaratne*	4/4
Mr. D. K. De Silva Wijeyeratne**	4/4
Dr. T. K. D. A. P. Samarasinghe**	4/4
Mr. M. J. S. Rajakariar**	4/4
Mrs. S. Amarasekera, PC**	4/4
Mr. K. A. Karunarathna (Appointed w.e.f. 01/10/2025)	3/3
Mr. K. R. Rajapakse (Appointed w.e.f. 01/04/2026)	1/1

* Non-Executive Director
** Independent Non-Executive Director

Board Responsibilities

The Board is responsible to:

- Enhance shareholder value.
- Formulate and communicate business policy and strategy to assure sustainable growth and monitor its implementation.
- Approve changes in the business portfolio and sanction major investments and disinvestments in accordance with parameters set.
- Ensure Executive Directors have the skills and knowledge to implement strategy effectively, with proper succession arrangements in place.
- Ensure effective remuneration, reward and recognition policies are in place to motivate employees to perform well.
- Set and communicate values/standards, with adequate attention being paid to accounting policies/practices.
- Ensure effective systems to secure integrity of information, internal controls, business continuity and risk management.
- Oversee the integration and disclosure of sustainability-related risks and opportunities, ensuring that these are appropriately identified, assessed, prioritized and managed.

CORPORATE GOVERNANCE REPORT

- Oversee the processes to identify and manage the Company and Group's impact on the economy, environment and people.
- Ensure compliance with laws and ethical standards.
- Approve annual budgets and monitor performance against budgets.
- Adopt annual and interim results prior to publication.

Inter Alia, Directors:

- Must bring independent judgment to bear and consider foremost the interests of the Company as a whole.
- Must stay abreast of developments in management practice, the world and domestic economy and other matters relevant to the Company.
- May convey concerns to the Chairman, if and when a need arises.
- May where necessary and with the concurrence of the Chairman, consult and consider inputs from experts in relevant areas.
- Should declare their interest in contracts under discussion at a Board Meeting, and refrain from participating in such discussion.
- Possessing 'price-sensitive' information concerning the Company, should not trade in the Company's shares until such information has been adequately disseminated in the market.
- Exercise honesty and integrity in its decision making and devote adequate time to discharge their responsibilities appropriately.
- Abide by the internal Code of Business Conduct and Ethics for all Directors and employees.

Company Secretary

The Company Secretarial services are provided by Hayleys Group Services (Private) Limited, which is headed by an Attorney at Law who is a qualified Chartered Secretary, ably assisted by professionally qualified Company Secretaries who are registered with the Registrar of Companies. Shareholder matters are handled in-house by the Registrar division of Hayleys Group Services (Private) Limited. The services and advices of the Company Secretaries are made available to Directors as necessary. The Company Secretaries keep the Board informed of new laws, regulations and requirements coming into effect which are relevant to them as individual Directors and, collectively, to the Board. Shareholders are free to communicate with the Secretaries whenever it is considered necessary.

Chairman's Role

The Chairman is responsible for the efficient conduct of Board Meetings. The Chairman maintains close contact with all Directors, and holds informal meetings with Non-Executive Directors as and when necessary.

Board Balance

The composition of the Executive and Non-Executive Directors (the latter are over one third of the total number of Directors) satisfies the requirements laid down in the Listing Rules. The Board has determined that four Non-Executive Directors satisfy the criteria for 'independence' set out in the Listing Rules.

Non-Executive Directors' profiles reflect their caliber and expertise in various fields that bring diverse perspectives and insights into Board discussions. Each is independent of management and free from any relationship that can interfere with independent judgment. The balance of Executive, Non-Executive and Independent Non-Executive Directors on the Board ensures that no individual Director or small Group of Directors dominates Board discussion and decision making.

The Chairman of the Company is also the Chairman of Hayleys PLC. Chief Executive authority is vested in the Managing Director ('MD') of the Company. The distinction between the position of the Chairman and Officers wielding executive powers in the Company and Group ensures the balance of power and authority. Further, since the Chairman is an Executive Director, Mr. D. K. De Silva Wijeyeratne has been appointed as the Senior Independent Director of the Company in compliance with the Listing Rules.

Directors have access to programmes arranged by the Hayleys Group Human Resource Development Division, when appropriate to provide updates on matters relevant to business management and economic affairs.

GRI 405-1

Gender and Age Composition of the Board

Gender Composition of the Board	
Male	Female
11 (91.67%)	1 (8.33%)

Age Composition of the Board	
Over 50	Below 50
11 (91.67%)	1 (8.33%)

Financial Acumen

The Board includes Four Chartered Accountants who possess the necessary knowledge and competence to offer the Board guidance on matters of finance.

Supply of Information

Directors are provided with quarterly reports on performance and such other reports and documents as necessary. The Chairman ensures all Directors are adequately briefed on issues arising at Meetings.

GRI 2-10

Appointments to the Board

The Board decides on the appointments of Directors and Key Management Personnel based on the recommendations made by the Nominations and Governance Committee of the Company.

Re-election of Directors

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

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

GRI 2-19,2-20

Remuneration Procedure

The Remuneration Committee recommends the remuneration payable to the Executive Directors and sets guidelines for the remuneration of the management of the Company. The Board makes the final determination after considering such recommendation and performance of the senior management.

The Remuneration Committee of the Company consists of:

- Mr. D. K. De Silva Wijeyeratne
  – Senior Independent Director (Chairman)
- Dr. T. K. D. A. P. Samarasinghe
  - Independent Non–Executive Director
- Mr. S. C. Ganegoda
  - Non–Executive Director

Disclosure of Remuneration

The total Directors' Remuneration is reported in Note 7 to the Financial Statements.

Management Structure

The Board has delegated primary authority to the MD and the Executive Directors to achieve the strategic objectives formulated by them. The authority is exercised within the ethical framework and business practices established by the Board which demand compliance with existing laws and regulations as well as best practices in dealing with employees, customers, suppliers and the community at large.

The MD and Key Management Personnel ('KMP') meet on a weekly basis to review progress and discuss strategic issues and other important developments that require considerations and minutes are kept of decisions made and major issues faced by the Group.

The MD attends the weekly meetings of the Group Management Committee of Hayleys PLC and reports on the progress and important issues faced by the Group.

GRI 2-16

Relations with Shareholders

The Board of Directors is accountable to shareholders and maintains transparent, timely, and effective communication on the Company and Group's performance, governance matters, and other regulatory disclosures. The Company engages with shareholders through multiple communication channels including the AGM, Annual Report, Financial Statements, announcements made to the CSE, and the dedicated investor relations section on the Company's corporate website.

The Annual Report is considered as the principal communication with shareholders and other stakeholders. The Company adopted a Shareholder Communication and Relations Policy on 1st October 2024, which is available on the Company website https://www.hayleysfibre.com/investor-relations. This Policy includes a process whereby Directors are informed of major issues and concerns of shareholders.

The Notice of AGM is included in the Annual Report. The Notice contains the Agenda for the AGM as well as instructions on voting by shareholders, including appointment of proxies. A Form of Proxy is enclosed in the Annual Report. The period of notice prescribed by the Companies Act No 7 of 2007 has been met.

Shareholders may contact the Company Secretaries; Hayleys Group Services (Private) Limited (R. De Silva) on +94112627654 for queries regarding their shareholding. During the year under review, no critical concerns were communicated.

Constructive use of the AGM

The active participation of shareholders at the AGM is encouraged. The Board believes the AGM is a means of continuing effective dialogue with shareholders.

The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the financial statements for the year and appoint the External Auditors of the Company for the ensuing financial year.

CORPORATE GOVERNANCE REPORT

Price Sensitive Information
Due care is exercised with respect to share price sensitive information.

Accountability and Audit Financial Reporting
The Board places great emphasis on complete disclosure of financial and non-financial information within the bounds of commercial reality and on the adoption of sound reporting practices. Financial information is disclosed in accordance with the Sri Lanka Accounting Standards. Revisions to existing accounting standards and adoption of new standards are carefully monitored.

The Annual Report includes descriptive, non-financial content through which an attempt is made to provide stakeholders with information to assist them to make more informed decisions.

The Board has reviewed the effectiveness of the system of financial control for the period up to the date of signing the accounts. The Statement of Directors' Responsibilities for the financial statements is given on page 166 of this report.

Management Report
The Chairman and MD's Message (pages 24 to 28) and Review of Group Operations (pages 79 to 80) in this report provide an analysis of the Company and Group performance during the financial year under review.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks. This process has been in place throughout the year under review and the Risk Management Report is given on page 39.

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

Internal Controls
The Directors are responsible for the Group system of internal financial controls. The system is designed to safeguard assets against unauthorized use or disposition and to ensure that accurate records are maintained and reliable financial information is generated. However, there are limits to which any system can ensure that errors and irregularities are prevented or detected within a reasonable period.

The important procedures in place to discharge this responsibility are as follows:
- The Directors are responsible for the establishment and monitoring of financial controls appropriate for the operation within the overall Group policies.
- The Board reviews the strategies of the Company and Group.
- Annual budgeting and regular forecasting processes are in place and the Directors review performance.
- The Board has established policies in areas of investment and treasury management and does not permit employment of a complex risk management mechanism.
- The Group is subjected to regular internal audits and system reviews.
- The Audit Committee of the Company reviews the plans and activities of the internal audits and the management letters of the External Auditors for the Financial Year under review.

Members of the Audit Committee of the Company consists of the following Independent Non-Executive Directors:
- Mr. D. K. De Silva Wijeyeratne (Chairman)
- Dr. T. K. D. A. P. Samarasinghe
- Mr. M. J. S. Rajakariar

The Company carefully selects and trains employees and provides appropriate channels of communication to foster a control conscious environment.

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

IT and Cyber Security
Hayleys Group IT Department is responsible for implementing the Groups digital strategy including adopting IT policies and safeguarding against cyberthreats. The Group Head of IT serves as the Chief Information Security Officer (CISO). Hayleys Fibre Chief Financial Officer oversees the deployment of Group IT policies with the Hayleys Fibre IT department. Cybersecurity is a recurring topic in the monthly Hayleys Group Management Committee meetings with relevant matters escalated to Hayleys Fibre Board when necessary. Both departments meet periodically to share views and develop and strengthen IT policies for stringent management of this crucial business aspect.

Compliance With CSE Continuing Listing Rules (1st April 2025 to 31st March 2026)

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
7.6 (i), (ii)	Names of persons who during the financial year were Directors and principal activities during the year	Compliant	Report of the Board of Directors on pages 167 to 174
7.6 (iii), (iv)	Twenty largest Shareholders, float adjusted market capitalization, public holding percentage, no. of public shareholders and minimum required public shareholding	Compliant	Share Information on pages 250 to 251
7.6 (v)	Directors' and CEO's (MD's) holding in shares	Compliant	Report of the Board of Directors on page 168
7.6.(vi)	Material foreseeable risk factors of the entity	Compliant	Risks and Opportunities on pages 39 to 45
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Compliant	Human Capital on page 115
7.6 (viii)	Extents, locations, valuations, number of buildings	Compliant	Statement of Value of Real Estate on pages 210 to 211
7.6 (ix)	Number of shares representing the Entity's stated capital	Compliant	Report of the Board of Directors on page 168 and Notes to the Financial Statements on page 220
7.6 (x)	Shareholder Distribution Schedule including percentage of total holding in given categories	Compliant	Share Information on page 250
7.6 (xi)	Ratios and Market Price Information	Compliant	Refer on page 251
7.6 (xii)	Changes in Entity's and subsidiaries fixed assets and market value of land	Compliant	Please refer on pages 209 to 211
7.6 (xiii)	If during the financial year the entity has raised funds either through a public issue, rights issue or private placement.	N/A	N/A
7.6(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	N/A	N/A
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Listing Rules	Compliant	Corporate Governance Report on pages 139 to 159
7.6 (xvi)	Related party transactions exceeding 10% of Equity or 5% of total assets of the Entity as per audited financial statements, whichever is lower	Compliant	Refer Related party transactions on pages 236 to 237

CORPORATE GOVERNANCE REPORT

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
9.2.1	Policies	Compliant	The Company has established and continues to maintain policies on Matters relating to Board of Directors, Board Committees, Corporate Governance, Rewards and Remuneration, Code of Business Conduct and Ethics, Risk Management and Internal Control, Relations with Shareholders and Investors, Control and Management of Company Assets and Shareholder Investments, Corporate Disclosures, Environment, Social Governance and Sustainability, Whistle Blowing and Anti Bribery and Corruption. These Policies are published on the Company website https://www.hayleysfibre.com/investor-relations/. During the year, the Board reviewed the Company Policies, and the Policy on Matters Relating to the Board of Directors was updated taking into account evolving governance practices and operational requirements.
9.3	Board Committees	Compliant	The Company has established a Nominations and Governance Committee, Remuneration Committee, Audit Committee and Related Party Transactions Review Committee.
9.3.3	Chairperson of Board Committees	Compliant	Chairperson of Board Committees is not the Chairperson of the Board
9.4.1	Meeting Procedures	Compliant	Company maintains records of all resolutions passed at General Meetings.
9.4.2	Communication and Relations with shareholders	Compliant	The Company has a Shareholder Communication and Relations Policy and it is published on the corporate website https://www.hayleysfibre.com/investor-relations/. Shareholders may contact the Company Secretaries i.e Hayleys Group Services (Private) Limited (R. De Silva) on +94112627654 for queries regarding their shareholding. The policy includes a process whereby Directors are informed of major issues and concerns of shareholders.
9.5	Policy on matters relating to the Board of Directors	Compliant	The Company maintains a Policy on Matters relating to the Board of Directors. The Policy specifies the minimum number of meetings which a director is required to attend, which is 50% of the meetings held during the financial year.
9.6.2	Chairperson and CEO	Compliant	The Chairperson and MD is not the same person.
9.6.3 (a)	Senior Independent Director	Compliant	Mr. D. K. De S Wijeyeratne serves as the Senior Independent Director (SID) of the Company since the Chairperson is an Executive Director.
9.6.3 (b)	Senior Independent Director	Compliant	The SID holds a meeting once a year with the Independent Directors without the presence of other Directors to discuss matters and concerns relating to the Company.

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
9.6.3 (c)	Senior Independent Director	Compliant	The SID holds a meeting once a year with the Non Executive Directors without the presence of the Chairperson to appraise the Chairperson's performance.
9.6.3 (e)	Senior Independent Director	Compliant	The SID has made a disclosure demonstrating the effectiveness of duties of the SID in page 178.
9.7.1	Fitness of Directors and CEO	Compliant	The Company ensures that the Directors at all times satisfy the Fit & Proper criteria as set out in the Listing Rules.
9.7.2	Fitness of Directors	Compliant	The Company ensures that the persons recommended by the Nominations and Governance Committee as Directors fulfill the assessment criteria set out in the Listing Rules.
9.7.4	Fitness of Directors and CEO	Compliant	The Directors have provided the declaration confirming that they satisfy the Fit and Proper Assessment Criteria during the financial year and as at the date of such confirmation.
9.8.1	Minimum number of Directors	Compliant	The Board consisted of 12 Directors as at 31st March 2026.
9.8.2	Independent Directors	Compliant	Four Directors are Independent
9.8.3	Independent Directors	Compliant	All Non – Executive Director's (NED) have submitted their confirmations on Independence as per the criteria set by Company, which is in line with the regulatory requirements.
9.8.5	Disclosure relating to Directors	Compliant	All Independent Directors signed and submitted a declaration regarding his/her independence. The Board assessed the independence declared by the Director.
9.9	Alternate Directors	Compliant	The Company does not have Alternate Directors.
9.10.1	Disclosure relating to Directors	Compliant	The Policy on maximum number of directorships a director can hold in listed companies is Twenty Five (25).
9.10.2	Disclosure relating to Directors	Compliant	Director appointments are disclosed to the CSE, together with a brief resume of the Director, capacity of directorship and if they hold any relevant interest in shares of the Company. Appointments are reviewed by the Nominations and Governance Committee and recommended to the Board. Please refer pages 12 to 15 for the brief resume of each Director.
9.10.3	Disclosure relating to Directors	Compliant	All changes to the Board and Board Committees were immediately informed to the CSE.
9.10.4	Disclosure relating to Directors	Compliant	Pages 12 to 15 of the Annual Report contains the relevant information
9.11.1-3	Nominations and Governance Committee	Compliant	Refer the Nominations and Governance Committee Report on pages 176 to 177.
9.11.4	Composition of the Nominations and Governance Committee	Compliant	The Nominations and Governance Committee comprises 3 Non Executive Directors which includes 2 Independent Non-Executive Directors. Refer the Nominations and Governance Committee Report on pages 176 to 177.

CORPORATE GOVERNANCE REPORT

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
9.11.5	Functions of the Nominations and Governance Committee	Compliant	Refer the Nominations and Governance Committee Report on pages 176 to 177.
9.11.6	Disclosure in the Annual Report relating to Nominations and Governance Committee	Compliant	Refer the Nominations and Governance Committee Report on pages 176 to 177.
9.12.6	Composition of the Remuneration Committee	Compliant	The Remuneration Committee comprises 3 Non Executive Directors which includes 2 Independent Non-Executive Directors Refer the Remuneration Committee Report on page 162.
9.12.7	Functions of Remuneration Committee	Compliant	The remuneration Committee recommends the remuneration payable to the Executive Directors
9.12.8	Disclosure in the Annual Report relating to Remuneration Committee	Compliant	Refer the Remuneration Committee Report on page 162. The remuneration paid to Directors is given in Note 7 to the financial statements on page 207
9.13.2	Terms of Reference of Audit Committee	Compliant	The Audit Committee has written Terms of Reference defining its scope, authority and duties.
9.13.3	Composition of Audit Committee	Compliant	The Audit Committee comprises 3 Independent Non-Executive Directors. Refer Audit Committee Report on pages 163 to 165
9.13.4	Audit Committee Functions	Compliant	Refer Audit Committee Report on pages 163 to 165
9.13.5	Disclosure in the Annual Report relating to Audit Committee	Compliant	Refer Audit Committee Report on pages 163 to 165
9.14. 2	Composition of the Related Party Transactions Review Committee (RPTRC)	Compliant	RPTRC comprises 3 Non Executive Directors out of which 2 Directors are Independent. Please see the Report of the Related Party Transactions Review Committee on pages 160 to 161
9.14.3	Functions of RPTRC	Compliant	Please refer the Report of the RPTRC on pages 160 to 161
9.14.4	RPTRC Meetings	Compliant	RPTRC met during each quarter of Financial Year 2025/26 Please refer the Report of the RPTRC on pages 160 to 161
9.14.7	Immediate Disclosures	Compliant	Please refer Note 37 of the Notes to the Accounts on pages 236 to 237
9.14.7	Disclosure of Non-Recurrent and Recurrent Related Party Transactions	Compliant	Please refer Note 37 of the Notes to the Accounts on pages 236 to 237
9.14.8 (3)	The Report by the Related Party Transaction Review Committee	Compliant	Please refer the Report of the RPTRC on pages 160 to 161
9.14.8 (4)	An affirmative declaration by the Board of Directors	Compliant	Please refer the Annual Report of Board of Directors for an affirmative statement of compliance of the Board on pages 167 to 174
9.17	Additional Disclosures	Compliant	Please refer the Report of the Board of Directors on pages 167 to 174

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ESG Governance

The Company is a subsidiary of Hayleys PLC and adheres to the ESG Framework of the Hayleys Group as set out in the Hayleys Lifecode. The Company launched its ESG Framework 'Entwine' on 19 February 2024.

The effective ESG governance of the Group is supported by a clearly defined governance structure, a comprehensive suite of policies and reporting lines supporting the integration of the Sector's ESG strategy to existing functions and decision-making processes. As demonstrated graphically on page 56, the Sector Management Committee (Sector MC), headed by the MD, holds oversight responsibility for the Sector's ESG strategy. The Sector ESG Committee is tasked with supporting the Sector MC in this responsibility and oversees the implementation, effective monitoring and reporting of progress against targets while also identifying emerging sector-level ESG risks and opportunities. During the reporting period, the organization did not identify any significant instances of non-compliance with laws or regulations in the social or economic areas. No fines, penalties, or sanctions were imposed on the organization in this regard.

Sector ESG Committee

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

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

Sector ESG Unit

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

Monitoring Progress

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

Compliance with the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka.

CORPORATE GOVERNANCE REPORT

Section 02

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2025/2026
Directors			
A.1 The Board			
The Company is headed by an effective Board of Directors with local and international experience. The Board of Directors of the Company consists of professionals in the fields of accounting, management, law, economics, engineering, marketing and business leaders. All Directors possess the skills and experience and knowledge complemented with a high sense of integrity and independent judgment. The Board gives leadership in setting the strategic direction and establishing a sound control framework for the successful functioning of the Company. The Board's composition reflects a sound balance of independence and anchors shareholder commitment.			
Board Meetings	A.1.1	Complied	The Board usually meets at quarterly intervals, but also meets more frequently when needed. The Board met four times during the year under review. Scheduled Board meetings were arranged well in advance, and all Directors were expected to attend each meeting. The attendance at Board meetings held is set out on page 139.
Board Responsibilities	A.1.2	Complied	The Board is responsible to the shareholders for creating and delivering long-term sustainable shareholder value through the business. The Board ensures the formulation and implementation of a sound business strategy. The Board has put in place a Corporate Management team led by the MD with the required skills, experience and knowledge necessary to implement the business strategy of the Company. The Board also ensures effective systems are in place to secure integrity of information, internal controls and risk management. The Board ensures that the Company's values and standards are set with an emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations.
Compliance with Laws and Access to Independent Professional Advice	A.1.3	Complied	The Board, collectively, and Directors, individually, must act in accordance with the laws as applicable to the Company. The Company had complied with all applicable laws and regulations during the year. A procedure has been put in place for Directors to seek independent professional advice in furtherance of their duties, at the Company's expense. This will be coordinated through the Company or the Company Secretaries when requested.
Company Secretary	A.1.4	Complied	All Directors have access to the advice and services of the Company Secretaries, Hayleys Group Services (Private) Limited, as required. The Company Secretaries keep the Board informed of new laws and revisions, and regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board.
Independent Judgment	A.1.5	Complied	All Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation and the conduct of business.
Dedication of adequate time and effort by the Board and Board Committees	A.1.6	Complied	All Directors of the Company dedicate adequate time and effort to fulfilling their duties as Directors of the Company (both before and after the Board Meetings), in order to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged.
Call for a Resolution to be Presented to the Board	A.1.7	Complied	Any Director can call for a resolution to be presented to the Board if deemed necessary.
Training for New and Existing Directors	A.1.8	Complied	Both new and existing Directors of the Company are provided guidelines on general aspects of directorships and industry specific matters. In this regard, the Directors have recognised the need for continuous training, expansion of knowledge and to take part in professional development as and when they consider it necessary and which would assist them to carry out their duties as Directors.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2025/2026
A.2 Chairman and Chief Executive Officer (CEO)			
There should be a clear division of responsibilities between the Chairman and Chief Executive Officer in order to ensure a balance of power and authority, in such a way that any individual has no unfettered powers of decision-making. **The MD, who performs the role of the Chief Executive Officer in the Company, is responsible for the day-to-day operations of the Company.**			
Division of Responsibilities of the Chairman and Managing Director (CEO)	A.2	Complied	The positions and functions of the Chairman and the MD have been separated. The Chairman's main responsibility is to lead, direct and manage the work of the Board in order to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The role of the MD is to manage the day-to-day running of the Company. The MD leads the Corporate Management team in making and executing operational decisions, and is also responsible for recommending strategy to the Board.
A.3 Chairman's Role			
The Chairman leads and manages the Board, ensuring that it discharges its legal and regulatory responsibilities effectively and fully preserves order and facilitates the effective discharge of the Board functions.			
Role of the Chairman	A.3.1	Complied	The Chairman who is an outstanding business leader, provides leadership to the Board, controls and preserves order at Board meetings and provides the Board with strategic direction and guidance in managing the affairs of the Company. The Chairman is also responsible for: 1. Ensuring the new Board Members are given an appropriate induction, covering terms of appointment. 2. The effective participation of both Executive and Non-Executive Directors. 3. Encouraging all Directors to make an effective contribution, within their respective capabilities, for the benefit of the Company. 4. Maintaining a balance of power between Executive and Non-Executive Directors. 5. Ensuring that the views of Directors on issues under consideration are ascertained.
A.4 Financial Acumen			
The Code requires that the Board comprises Members with sufficient financial acumen and knowledge in order to offer guidance on matters on finance. The Board of the Company has met the above requirement as some of the Board Members are qualified accountants having professional qualifications and are equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.			
Financial Acumen and Knowledge	A.4	Complied	As at date of this report, the Board comprises four Chartered Accountants (CA Sri Lanka) and two Management Accountants (CIMA–UK). One of them serves as Chairman of the Audit Committee. These Directors add substantial value and independent judgment to the decision-making of the Board on matters concerning finance and investment.
A.5 Board Balance			
The Code requires that a balance is maintained between the Executive and Non- Executive Directors (NEDs) so that no individual or a small group of individual Directors are able to dominate the Board's decision-making. **As at the end of the Financial Year, the Board consists of Five (05) Executive Directors and Seven (07) Non-Executive Directors. Each of them brings to the Board wide experience and the ability to exercise independence and judgment when taking informed decisions.**			
Presence of Non-Executive Directors	A.5.1	Complied	Seven (7) of the Twelve (12) Directors are Non-Executive Directors.
Independent Non-Executive Directors	A.5.2	Complied	Four (4) out of the Seven (07) Non-Executive Directors are independent as defined by the Code.

CORPORATE GOVERNANCE REPORT

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2025/2026
Criteria to Evaluate Independence of Non-Executive Directors	A.5.3	Complied	Please refer Section A.5.5 below. The Board considers Non-Executive Director's independence on an annual basis. For a Director to be deemed 'independent', such a Director should be independent of management and free of any business or any other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
Annual Declaration of Independence - Non-Executive Directors	A.5.4	Complied	Each Non-Executive Director has submitted declaration stating the independence or non-independence in a prescribed format. This information is made available to the Board.
Determination of Independence of the Board	A.5.5	Complied	The Board has determined the independence of Directors based on the declarations submitted by the Non-Executive Directors, as to their independence as a fair representation and will continue to evaluate their independence on this basis annually.
Alternate Directors	A.5.6	Complied	None of the Directors have appointed Alternate Directors.
Senior Independent Director	A.5.7	Complied	Since the Chairman is an Executive Director, Mr. D. K. De Silva Wijeyeratne, who is an Independent Non-Executive Director functions as the Senior Independent Director (SID). The SID is the Director to whom concerns can be conveyed if a need arises. The SID Report is enclosed in page 178.
Confidential Discussions with Senior Independent Director	A.5.8	Complied	The SID is available for confidential discussions with other Directors who may have concerns which pertain to significant issues that are detrimental to the Company.
Chairman's meeting of Non-Executive Directors	A.5.9	Complied	The Chairman meets with the Non-Executive Directors without the presence of Executive Directors, whenever necessary.
Recording of Concerns in Board Minutes	A.5.10	Complied	Concerns raised by the Directors which cannot be unanimously resolved during the year, if any, are recorded in the Board Minutes with adequate details.
A.6 Supply of Information			
Management should provide time-bound information in a format that is appropriate and enables the Board to discharge its duties. Financial and non-financial information is analysed and presented to the Board to make informed and accurate decisions.			
Obligation of the Management to Provide Appropriate and Timely Information to the Board	A.6.1	Complied	The Board was provided with timely and appropriate information by the Management by way of Board papers and proposals. The Board sought additional information as and when necessary. The Chairman also ensured all Directors were properly briefed on issues arising at Board meetings.
Adequate time for Effective Board Meetings	A.6.2	Complied	The minutes, agenda and papers required for Board meetings are provided in advance to facilitate its effective conduct.
A.7 Appointments to the Board			
The Code requires having a formal and transparent procedure in place for the appointment of new Directors to the Board.			
Nomination Committee	A.7.1	Complied	The Nominations and Governance Committee ('NGC') comprises two Independent Non-Executive Directors and one Non-Executive Director. The SID serves as the Chairman of the NGC. Other Members are Dr. T. K. D. A. P. Samarasinghe and Mr. S. C. Ganegoda. Please refer the NGC Report on pages 176 to 177.

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Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2025/2026
Assessment of Board Composition by the Nomination Committee	A.7.2	Complied	Based on the recommendation of the NGC, the Board annually assesses Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. The findings of such assessment are taken into account when new Board appointments are considered. Please refer NGC Report on pages 176 to 177.
Disclosure of Required Details to Shareholders on New Appointments to the Board	A.7.4	Complied	When new Directors are appointed, a brief resume 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 reported to the 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. The profiles of the above Directors are given on pages 12 to 15.
Report of the NGC in the Annual Report	A.7.5	Complied	Please refer NGC Report on pages 176 to 177.
Terms of Reference of NGC	A.7.6	Complied	The NGC has comprehensive Terms of Reference, which include the composition and functions of the NGC.
A.8 Re-Election			
The Code requires all Directors to submit themselves for re-election at regular intervals and at least once every three years.			
Appointment of Non-Executive Directors	A.8.1	Complied	The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next AGM and seek reappointment by the shareholders at that meeting. The Articles of Association of the Company call for one-third of the Directors in office (excluding the MD) to retire at each AGM. The Directors who retire are those who have served for the longest period after their appointment/ reappointment. Retiring Directors are generally eligible for re-election. Accordingly, Mr. L. Uralagamage, Mr. S. C. Ganegoda and Dr. T. K. D. A. P. Samarasinghe retire by rotation and being eligible to offer themselves for re-election.
Election of Directors by Shareholders	A.8.2	Complied	The names of the Directors submitted for election or re-election are accompanied by a resume to enable shareholders to make an informed decision on their election at the AGM.
Prior Communication of Resignation of a Director	A.8.3	Complied	In the event of a Director resigning prior to the completion of his appointed term, a written communication is provided to the Board of his/her reasons for resignation.
A.9 Appraisal of Board Performance			
The Board should periodically appraise its own performance against the present targets in order to ensure that the Board responsibilities are satisfactorily discharged.			
Annual Performance Evaluation of the Board and its Committees	A.9.1 & 9.2	Complied	The Board undertakes an annual self-evaluation of its own performance and of its Committees. The Board evaluated its performance and effectiveness in the year under review.
Evaluation at Re-Election	A. 9.3	Complied	The Board reviews the participation, contribution and engagement of each Director at time of re-election.
Disclosure on Performance Evaluation Criteria	A.9.4	Complied	Evaluation criteria with regard to Executive Directors are financial and non-financial targets set at the beginning of the year through the annual corporate plan. Criteria relating to evaluation of Board Committees are the performance against their duties referred in respective committee reports.

CORPORATE GOVERNANCE REPORT

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2025/2026
A.10 Disclosure of Information in Respect of Directors			
Details in respect of each Director should be disclosed in the Annual Report for the benefit of the shareholders			
Details in Respect of Directors	A.10.1	Complied	The following details pertaining to each Director are disclosed as follows: a) Brief profile with expertise and experience – pages 12 to 15. b) Directors' Interest in transactions and shareholding pages 167 to 168. c) Attendance at the Board Meetings held during the year page 139.
A.11 Appraisal of Chief Executive Officer			
The Board of Directors should annually assess the performance of the Managing Director who performs the role of the Chief Executive Officer			
Targets for Managing Director	A.11.1	Complied	Prior to the commencement of each financial year, the Board sets reasonable financial and non-financial targets which are in line with short, medium and long-term objectives of the Company, achievement of which should be ensured by the MD.
Evaluation of the Performance of the Managing Director	A.11.2	Complied	The performance is evaluated by the Board at each Board Meeting and the overall evaluation at the end of each fiscal year in order to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets was reasonable in the circumstances.
Directors' Remuneration			
B.1 Remuneration Procedure			
This principle ensures that the Company has a well-established, formal and transparent procedure in place for developing an effective Remuneration Policy for both Executive and Non-Executive Directors where no Director is involved in deciding his/her own remuneration in order to avoid potential conflict of interest.			
Remuneration Policy	B.1	Complied	The Company has a formal and transparent procedure for fixing remuneration of Executives and Directors. No Director is involved in deciding his/her own remuneration.
B.2 The Level and Make-Up of Remuneration			
The level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to the corporate and individual performance.			
Level and Make-Up of the Remuneration Packages of Executive Directors	B.2.1	Complied	The Board is mindful of the fact that the remuneration of Executive Directors should reflect the market expectations and is sufficient enough to attract, retain and motivate Executive Directors of required competence in order to run the Company.
Establishment of a Remuneration Committee	B.2.1	Complied	The Remuneration Committee decides on the remuneration of the Executive Directors and sets guidelines for the remuneration of the management staff within the Group. The Chairman and MD are not members of this Committee. Please refer page 162 for the Remuneration Committee report.
Composition of Remuneration Committee	B.2.2	Complied	The Remuneration Committee comprised two Independent Non-Executive Directors and one Non-Executive Director. The SID serves as the Chairman of this Committee. During the year, the Remuneration Committee of the Company comprised Mr. D. K. De Silva Wijeyeratne, Dr. T. K. D. A. P. Samarasinghe and Mr. S. C. Ganegoda.
Consultation of the Chairman and Access to Professional Advice	B.2.3	Complied	The Remuneration Committee has the authority to seek internal and external independent professional advice on remuneration of other Executive Directors and also on matters falling within its purview at the Company's expense. Views of the Chairman of the Company is obtained, in addition to the views of the MD.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2025/2026
Determination of Remuneration of the Executive Directors	B.2.4	Complied	The Remuneration Committee structures the remuneration package to attract, retain and motivate the Directors needed to run the Company successfully but avoid paying more than is necessary for this purpose. The remuneration levels relative to other companies and performance of the Directors are taken into account when considering the remuneration levels of the Directors.
Executive Directors' remuneration	B.2.5	Complied	Executive Directors' remuneration has been designed to promote the long term success of the Company.
Competitiveness in Levels of Remuneration	B.2.6	Complied	The Remuneration Committee ensures that the remuneration of Executives of each level of Management including Executive Directors is competitive and in line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is competitive and in line with those of comparative companies.
Comparisons of Remuneration with Other Companies in the Group	B.2.7	Complied	The Remuneration Committee reviews data concerning Executive pay among the Group Companies.
Performance-related elements of Remuneration for Executive Directors	B.2.8	Complied	Performance-based incentives have been determined 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 Group companies.
Executive Share Options	B.2.9	N/A	Presently the Group does not have an Executive Share Option Scheme.
Designing Schemes of Related Remuneration	B.2.10	Complied	The Remuneration Committee follows the provisions set out in Schedule G of the Code as required.
Early termination of Executive Directors	B.2.11	Complied	Termination of Executive Directors are governed by their contracts of service/ employment.
Levels of Remuneration of Non-Executive Directors	B.2.14	Complied	Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices. Non-Executive Directors are paid a quarterly fee and a Board meeting attendance fee on a quarterly basis.
Report of the Remuneration Committee in the Annual Report	B.2.15	Complied	Please refer Remuneration Committee Report. Refer Page 162.
Terms of Reference of Remuneration Committee	B.2.16	Complied	The Remuneration Committee has comprehensive Terms of Reference, which include its composition and functions.
B.3 Disclosure of Remuneration			
The Code requires the Company to disclose in its Annual Report the details of the remuneration paid and the Remuneration Policy			
Disclosure of Remuneration	B.3.1	Complied	Please refer page 168 for the total Directors' remuneration.

CORPORATE GOVERNANCE REPORT

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2025/2026
Relations with Shareholders			
C.1 Constructive Use of the Annual General Meeting (AGM) and Conduct of General Meetings			
The Code requires the Board to use the AGM, which is a major 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.			
Adequate Notice of the AGM to Shareholders	C.1.1	Complied	Notice of the Meeting including a web link to download the Annual Report including Financial Statements, and the Form of Proxy are 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.
Separate Resolution for Substantially Separate Issues and Adoption of Annual Report and Accounts	C.1.2	Complied	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. The Company proposes a separate resolution at the AGM on each substantially separate issue. Further, the adoption of the Annual Report of the Board of Directors on the Affairs of the Company and Audited Financial Statements together with the Report of the Auditors thereon are considered as a separate resolution.
Use of Proxy Votes	C.1.3	Complied	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.
Availability of all Board Sub Committee Chairmen at the AGM	C.1.4	Complied	The Chairman of the Company ensures the Chairmen of all Board Committees are available to answer questions at the AGM, if so requested by the Chairman.
Circulation of procedure governing voting at AGM	C.1.5	Complied	The procedure for voting at the AGM is circulated to the shareholders with the Notice of AGM.
C.2 Communication With Shareholders			
The Code requires the Board to implement effective communication with shareholders.			
Channel to Reach all Shareholders	C.2.1	Complied	The main mode of communication between the Company and the Shareholders is the AGM. Shareholders are provided with the information prior to the AGM. Further, financial and other announcements are promptly submitted to CSE to publish on the CSE website.
Policy Methodology for Communication with Shareholders	C.2.2	Complied	An Open Door Policy is in place, which enables shareholders to keep in constant touch, visit and obtain information from the Company Secretaries Hayleys Group Services (Private) Limited and engage in dialogue. Contact details are published in all annual and quarterly financial reporting. The Company has a Shareholder Communication and Relations policy and it is published on the corporate website https://www.hayleysfibre.com/investor-relations/.
Implementation of the Policy and Methodology for Communication with Shareholders	C.2.3	Complied	Please refer C.2.4 and C.2.5 for the implementation of the policy and methodology.
Contact Person for Communication	C.2.4 & C.2.6	Complied	Details of contact persons are disclosed in the inner back cover of the Annual Report and Quarterly Financial Statements. Shareholders may contact the Company Secretaries; Hayleys Group Services (Private) Limited (R. De Silva) on +94112627654 for queries regarding their shareholding.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2025/2026
Process to make Directors Aware of Major Issues and Concerns of Shareholders	C.2.5	Complied	The Company Secretaries maintain a record of all correspondence received from shareholders. All major issues and concerns of the shareholders are referred to the Board of Directors with the views of the Management.
Response to the Shareholders' Matters	C.2.7	Complied	The process for responding to shareholder matters has been formulated by the Board and disclosed. Such matters include; responding to shareholders at the general meetings, disclosures to the Colombo Stock Exchange (CSE) or through communication by the Company Secretaries to the shareholders.
C.3 Major Transactions			
Directors should disclose to shareholders all proposed corporate transactions which, if entered into, would materially alter/vary the Company's net asset base or the consolidated Group's net asset base.			
Disclosure on Proposed Major Transactions	C.3.1	Complied	During the year, there were no major transactions as defined by Section 185 of the Companies Act which materially affect the net asset base of the Company or the Group's consolidated net asset base.
Shareholders' Approval by Special Resolution	C.3.2 & C.3.3	Complied	During the year, there were no transactions/events which required approval of the shareholders by way of a special resolution. The Company complied with the disclosure requirements of the CSE in this regard.
Accountability and Audit			
D.1 Financial and Business Reporting			
The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.			
Board's responsibility for Statutory and Regulatory Reporting that is true and fair, balance and understandable	D.1.1 & D.1.2	Complied	The Board has recognised the responsibility to present regulatory and statutory reporting in a balanced and understandable manner. When preparing quarterly and annual financial statements, the Company complied with the requirements of the Companies Act and prepared and presented them in accordance with Sri Lanka Accounting Standards and Sri Lanka Financial Reporting Standards. The Company has complied with the reporting requirements prescribed by the CSE.
Declaration by Chief Executive Officer and Chief Financial Officer on the Financial Reporting	D.1.3	Complied	The Chief Financial Officer has made all required declarations in the 'Responsibility Statement of Chairman, Managing Director and Chief Financial Officer' which appears on page 175. The 'Statement of Directors' Responsibility' is given on page 166. See the 'Auditors' Report' on page 181 to 184 for the reporting responsibility of Auditors.
Declaration by Board	D.1.4	Complied	Directors have made all necessary declarations. Refer the Directors' Report in Annual report page 167 to 174.
Statement of Boards and Auditors Responsibility and Statement of Internal Control	D.1.5	Complied	This is given in the 'Annual Report of the Board of Directors' on pages 167 to 174 and the 'Statement of Directors' Responsibility' on page 166 and pertains to required declarations.
Management Discussion and Analysis	D.1.6	Complied	See 'Review of Group Operations' on pages 79 to 80 .
Summon an EGM to Notify Serious Loss of Capital	D.1.7	Complied	Reason for such an EGM has not risen as yet but would be complied with if such a situation arises.

CORPORATE GOVERNANCE REPORT

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2025/2026
Disclosure of Related Party Transactions	D.1.8	Complied	The Directors have instituted an effective and comprehensive system of internal control for identifying, recording and disclosing related party transactions. All related party transactions, as defined in Sri Lanka Accounting Standard - (LKAS 24) on 'Related Party Transactions, are disclosed in Note 37 to Financial Statements.
D.2 Risk Management and Internal Control			
The Board should have a sound system of internal controls to safeguard shareholders' investments and the Company's assets.			
Annual Evaluation of the Internal Controls System	D.2.1, D.2.1.1, D.2.1.2, D.2.1.3	Complied	The Board is responsible for the Group's internal control and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision-making. It covers all controls, including financial, operational and compliance controls and risk management. It is important to state, however, that any system can ensure only reasonable, and not absolute, assurance that errors and irregularities are prevented or detected within a reasonable time. The Hayleys Management Audit & System Review Department (MA&SRD) plays a significant role in assessing the effectiveness and successful implementation of existing controls and strengthening these and establishing new controls where necessary. The MA&SRD's reports are made available to the Chairman and MD and the Chairman of the Audit Committee. The Board has reviewed the effectiveness of the system of financial controls for the period up to the date of signing the accounts. There is a direct channel of communication between the Head of MA&SRD and the Chairman of the Audit Committee without the interference of any Directors or Executives.
Directors' Responsibility of Maintaining a Sound Internal Control System	D.2.2 & D2.2.1	Complied	The Board has established a process to ensure internal controls are designed, implemented and monitored, to provide reasonable assurance of the achievement of an entity's objectives on reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Board obtains a review of the effectiveness of the internal control systems. Please refer Statement of Directors' Responsibilities on page 166.
Need for Internal Audit Function	D.2.2.2	Complied	The MA&SRD is responsible for the internal audit function of the Company and Group.
Review of the Process and Effectiveness of Risk Management and Internal Control	D.2.2.3	Complied	The Audit Committee reviews internal control issues and risk management measures and evaluates the adequacy and effectiveness of the risk management and internal control systems including financial reporting.
D.3 Audit Committee			
The Board should have formal and transparent arrangements in selecting and applying the accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's External Auditor.			
Composition of the Audit Committee	D.3.1	Complied	The Audit Committee comprises of Independent Non Executive Directors i.e. Mr. D. K. De Silva Wijeyeratne (Chairman and SID), Dr. T. K. D. A. P. Samarasinghe, Mr. M. J. S. Rajakariar and a majority of the Members have relevant experience in financial reporting and control. Please refer Audit Committee report on pages 163 to 165. Hayleys Group Services (Private) limited, the Company Secretaries serves as its Secretary. The Chairman, MD, Chief Financial Officer ('CFO') and the Hayleys Group CFO are invited to attend meetings as required. The input of the statutory auditors will be obtained where necessary. The Audit Committee is required to help the Company to achieve a balance between conformance and performance.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2025/2026
Duties of the Audit Committee	D.3.2	Complied	The Audit Committee keeps under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the auditors. Review of nature and extent of non-audit services provided by the auditors to seek balance objectivity and independence. Refer Audit Committee Report on pages 163 to 165 for the duties.
Terms of Reference of the Audit Committee	D.3.2	Complied	Terms of Reference of the Audit Committee is clearly defined in the Charter of the Audit Committee approved by the Board of Directors. This clearly explains the purpose of the Committee, its duties and responsibilities together with the scope and functions of the Committee. The Committee is required mainly to deal with the matters pertaining to statutory and regulatory compliance in financial reporting, matters with regard to the External Auditors, Internal Audit and Risk Management procedures of the Company. Please refer Audit Committee Report on pages 163 to 165.
Disclosures of the Audit Committee	D.3.3	Complied	Please refer Audit Committee Report on pages 163 to 165.
Risk Committee	D.4	Complied	The scope of the Audit Committee has been widened to include risk management duties. Refer to the Audit Committee Report on pages 163 to 165.
D.5 Related Party Transactions Review Committee			
The Company should establish a procedure that it will not engage in 'Related Party Transactions' which is more favourable treatment than with third parties in the normal course of business.			
Adhere to LKAS 24	D.5.1	Complied	The Company adopts the definition of a related party and related party transactions as defined in LKAS 24.
Related Party Transactions Review Committee	D.5.2	Complied	The Committee makes recommendations and gives directions to the Board. Please refer RPTRC Report on page 160 of the Annual Report.
Terms of References of Related Party Transactions Review Committee	D.5.3	Complied	The RPTRC has written Terms of Reference.
D.6 Code of Business Conducted and Ethics			
The Company should develop a Code of Business Conduct and Ethics for Directors and Members of the Senior Management team and must promptly disclose any waivers of the Code for Directors or others.			
Code of Business Conduct and Ethics	D.6.1	Complied	The Directors and the Members of the Senior Management are bound by the 'Hayleys Way' which is the code of business conduct and ethics of the Hayleys Group. The Company adopted the Internal Code of business conduct and Ethics Policy with effect from 1st October 2024. This Code addresses conflict of interest, corporate opportunities, confidentiality of information, fair dealing, protection and proper use of the Company's assets, compliance with laws and regulations and encouraging the reporting of any illegal or unethical behavior, among a range of other criteria.
Material and Price Sensitive Information	D.6.2	Complied	Material and price sensitive information is promptly identified and reported to the shareholders via CSE disclosures.
Policy and Disclosures on Share Purchases by Directors	D.6.3	Complied	The Company has a policy and process for monitoring and disclosure of shares purchased by any Director, Key Management Personnel or any other employee involved in financial reporting. All disclosures are duly made in the CSE.
Policy on Whistleblowing	D.6.4	Complied	The Company adopted the Policy on Whistleblowing with effect from 1st October 2024.

CORPORATE GOVERNANCE REPORT

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2025/2026
Training on Code of Business Conduct and Dissemination of information	D.6.5 & D.6.6	Complied	The Company conducts trainings on the Conduct of Business Conduct to its employees on regular basis and to new employees upon them joining the Group.
Affirmative Statement by the Chairman	D.6.7	Complied	See the 'Joint Statement by the Chairman and Managing Director' on pages 24 to 28 for required details.
D.7 Corporate Governance Disclosure			
Directors of the Company disclose annually the Company's adherence to the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.			
Disclosure of Corporate Governance	D.7.1	Complied	This requirement is met through the presentation of this report.

Section 02

GRI 2-15

E. Institutional Investors			
E.1 Shareholders' Voting			
Institutional shareholders are required to make considered use of their votes and are encouraged to ensure their voting intentions are translated into practice.			
Communication with Shareholders	E.1.1	Complied	In order to avoid conflicts of interest by nurturing mutual understanding, the Board carries out dialogues with its shareholders at General Meetings. In this regard, the AGM of the Company plays a critical role. Voting by 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, in order to ensure that the views are properly communicated to the Company.
E.2 Evaluation of Governance Disclosures			
The Code requires the Company to encourage institutional investors to give due weightage to all relevant factors drawn to their attention			
Due weightage by Institutional Investors	E.2	Complied	The institutional investors are encouraged to give due weightage to all relevant matters relating to Board structure and composition.
F. Other Investors			
F.1 Investing/Divesting Decisions			
Seek Independent Advice	F.1	Complied	Individual investors are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions. The Company's website serves to provide a wide range of information on the Group.
F.2 Shareholder Voting			
Encourage Voting by Individual Investors	F.2	Complied	Individual shareholders are encouraged to participate in General Meetings of the Company and exercise their voting rights.
G. Internet of Things and Cybersecurity			
Internal and External IT Devices Connected to the Business Model	G.1	Complied	Connection of internal and external IT devices to the organisation network has been allowed with necessary access controls and firewalls to safeguard the integrity of information.
Cyber Information Security Officer and Cyber Security Risk Management Policy	G.2	Complied	The Hayleys Group Chief Information Security Officer (CISO) continuously monitors and reviews the security requirements of the Company's information system and has introduced and implemented a Cyber Security Risk Management Policy.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2025/2026
Discussions on Cyber Risk Management	G.3	Complied	This is a regular agenda item of the risk management discussion of the Board and has been given due attention.
Independent Periodic Reviews and Assurance	G.4	Complied	Periodic reviews are carried out by the external auditors and consultants and observations are submitted to the Board for review and actions.
Disclosure on Cyber Security Risk Management	G.5	Complied	A detailed disclosure has been made on the cyber security process in this Annual Report. Please refer Information Technology & Cyber Security on page 142
H. Environment, Society and Governance (ESG)			
H.1 ESG Reporting			
Provision of Information on ESG	**H.1.1**	**Complied**	**The Company has included the environmental, social and governance factors in its business models and provided sufficient information on all aspects in the Annual Report. Refer pages 51 to 54.**
Process to recognize significant stakeholders and material matters	H.2.1	Complied	The Group has a process to recognize significant stakeholders and material matters relating to significant stakeholders. A method of engagement relevant to their level of interest and influence is adopted.
The Environment	H.3.1.1	Complied	The Company adopts an integrated approach which mitigates the environmental threats and improves best practices in Company's engagements to fulfill the obligation towards the environment. Such best practices are pollution prevention, sustainable resource use, protection of environment and restoration of natural resources. Refer pages 129 to 137.
Social Factors	H.3.1.2	Complied	The Company adopts an integrated approach to build strong relationships with the community and strives towards sustainable development. Refer pages 103 to 114.
Governance	H.4	Complied	The Group has established a governance structure to support its ability to create value and manage risks on all pertinent aspects of ESG. The Company also launched it ESG Framework 'Entwine' on 19 February 2024. Prior to that the Group was governed by the ESG Framework of the Hayleys Group, the Hayleys Lifecode. Refer Corporate Governance on pages 139 to 159 and Risk Management on pages 39 to 45 in this Annual Report.
Disclosure relating to ESG in Annual Report	H.5.1 - H.5.3	Complied	This Report contains sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognized, managed, measured and reported. Please refer pages 51 to 54.
Board's role on ESG Factors	H.5.4	Complied	The Annual Report complies with the integrated framework and the GRI Standards for sustainability reporting. The Board recognizes its responsibility regarding Sustainability/ESG reporting which is designed to add value by providing a credible account of the Company's economic, social and environmental impacts.
Policies	I.1	Complied	The Company has established policies on Matters relating to the Board of Directors, Board Committees, Corporate Governance, Remuneration, Risk Management and Internal Control, Relations with Shareholders and Investors, Environment, Social and Governance Sustainability, Control and Management of Assets, Corporate Disclosures, Whistleblowing and Anti Bribery and Corruption, with effect from 1st October 2024. These policies are available on the Company website https://www.hayleysfibre.com/investor-relations

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Board has an established Related Party Transactions Review Committee ('the Committee') which complies with Section 9.14 of the Listing Rules of the Colombo Stock Exchange ('Listing Rules') and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka.

The Committee comprises two Independent Non-Executive Directors and one Non- Executive Director.

The Committee is appointed by and is responsible to the Board of Directors

Composition and Attendance at Committee Meetings

The Committee met 4 times on a quarterly basis during the year under review.

Attendance at these meetings are as follows:

Name of Directors	Date of Appointment to the Committee	No. of Meetings Attended
Mr. D. K. D. S. Wijeyeratne - Chairman, Senior Independent Director	2nd February 2024	4/4
Dr. T. K. D. A. P. Samarasinghe - Independent Non-Executive Director	2nd February 2024	4/4
Mr. S. C. Ganegoda - Non-Executive Director	2nd February 2024	4/4

Profiles of the Committee Members are given in Pages 12 to 15.

Hayleys Group Services (Private) Limited, the Secretaries of the Company, serves as the Secretary to the Committee. Minutes of the Committee meetings are tabled at the Board meetings thereby providing the Directors access to the deliberations of the Committee.

The Chairman of the Company, Managing Director, Chief Financial Officer and any other officers as may be required by the Committee attend the meetings by invitation.

The Duties of the Committee

- Subject to exemptions given in Rule 9.14.10 of the Listing Rules, to review in advance all proposed related party transactions of the Group companies 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.
- To seek any information the Committee requires from the Management, employees or external parties with regard to any transaction entered into with a related party.
- To 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 Group companies are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- To meet with the Management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/ non-recurrent related party transactions.
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining "competent independent advice" from independent professional experts with regard to the value of the substantial asset of the related party transaction.
- To ensure that there is an adequate and effective process in place to capture information which is relevant to its review function.

Task of the Committee

The Committee reviewed the related party transactions of the Company and its subsidiaries and their compliances and communicated the same to the Board.

The Committee in its review process recognised the adequacy of the content and quality of the information forwarded to its members by the Management.

Policy and Terms of Reference

The Committee has established a clear Policy and Terms of Reference approved by the Board, setting forth the procedure to identify the related parties and the process of reporting the transactions with related parties to the Committee on a quarterly basis. The Policy outlines the composition of the Committee, meeting procedures and the responsibilities of the Committee. It also specifies the approval processes and disclosure requirements, including market announcements and Annual Report disclosures. The Policy guides the Committee and makes them responsible for ensuring that no Director or major shareholder takes advantage of their position to the detriment of the interest of minority shareholders. The Terms of Reference of the Committee were last reviewed by the Committee during the year under review.

Disclosures

A detailed disclosure of all the related party transactions including recurrent and non-recurrent related party transactions which are required to be disclosed under Section 9.14.8 of the Listing Rules has been made in Note 37 to the financial statements given in pages 236 to 237 of this report.

Declaration

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the Annual Report of the Board of Directors on page 169 of this Report.

D. K. De Silva Wijeyeratne
Chairman - Related Party Transactions Review Committee

13th May 2026

REMUNERATION COMMITTEE REPORT

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The Board has an established Remuneration Committee ('the Committee') which complies with Section 9.12 of the Listing Rules of Colombo Stock Exchange and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka. The Committee comprises two Independent Non-Executive Directors and one Non- Executive Director.

The Committee is appointed by and is responsible to the Board of Directors. The Members who served on the Committee during the Financial Year 2025/26 are as follows:

Composition and Attendance at Committee Meetings

The Committee met twice during the year under review.

The names of the Members of the Committee and their attendance at these meeting are as follows:

Name of Directors	Date of Appointment to the Committee	No. of meetings attended
Mr. D. K. D. S. Wijeyeratne - Chairman, Senior Independent Director	2 February 2024	2/2
Dr. T. K. D. A. P. Samarasinghe - Independent Non-Executive Director	2 February 2024	2/2
Mr. S. C. Ganegoda - Non-Executive Director	2 February 2024	1/2

The Chairman of the Board, Managing Director and Head of Human Resources of the Company attend the meetings of the Committee by invitation.

Hayleys Group Services (Private) Limited, the Secretaries of the Company, serves as the Secretary to the Committee.

The Chairman of the Committee is an Independent Non-Executive Director. He assists the Committee by providing relevant information and participating in its analysis and deliberations.

The Committee has well defined Terms of Reference outlining the Committee's composition, quorum, authority, responsibilities and meeting related matters. The Committee comprises Non-Executive Directors who are free from business, operational, personal or other relationships which may interfere with their independent, unbiased judgement.

The Terms of Reference of the Committee were reviewed by the Committee during the year under review.

Responsibilities of the Remuneration Committee

The Committee is responsible to the Board to determine the policy of the remuneration package of the Directors and Key Management Personnel.

The Committee evaluates, assesses and recommends to the Board of Directors on any matter that may affect Human Resources Management of the Company and specifically include;

- Review and approve the Remuneration Policy of the Company and its specific application to the Directors and Key Management Personnel.
- Review the process of determination of the compensation of the Executive Directors and Key Management Personnel.
- Review and approve guidelines, policies and parameters for the compensation structures for Key Management Personnel
- Evaluate the performance of the Key Management Personnel against the predetermined targets and goals.
- Review information related to Executive Directors' and Key Management Personnel pay from time to time to ensure same is in par with the market/industry rates.
- Approve the guidelines and parameters for annual salary increments and bonuses.

Remuneration Policy

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

The remuneration packages which are linked to individual performances are aligned with the Company's short term and long-term strategy.

All Non-Executive Directors (other than Directors who are employed by Hayleys PLC) receive a fee for serving on the Board and serving on sub committees. They do not receive any performance related incentive payments. The Policy ensures that Non-Executive Directors' fees are based on principles of non-discriminatory pay practices among them so that their independence is not impaired.

Activities in 2025/2026

During the year the Committee reviewed the performance of the Managing Director, Executive Directors and Key Management Personnel based on the targets set in the previous year. The Committee also reviewed compensation packages of Executive Directors and Key Management Personnel and implemented market corrections to total compensation in line with the market median.

The aggregate remuneration of the Executive and Non-Executive Directors for the financial year amounted to Rs. 45.72 Mn.

D. K. De Silva Wijeyeratne
Chairman – Remuneration Committee

15th May 2026

AUDIT COMMITTEE REPORT

The Audit Committee ('the Committee') is appointed by and is responsible to the Board of Directors of the Company in fulfilling its oversight responsibilities on financial reporting. It reviews the financial reporting process, the integrity of the financial statements, the systems of internal control, the audit process and the Company's process for monitoring compliance with laws and regulations.

Composition

The Members who served on the Committee during the Financial Year 2025/26 are as follows:

- Mr. D. K. D. S. Wijeyeratne
  - *Chairman, Senior Independent Director*
- Dr. T. K. D. A. P. Samarasinghe
  - *Independent Non-Executive Director*
- Mr. M. J. S. Rajakariar
  - *Independent Non-Executive Director*

The Chairman of the Committee is a senior Chartered Accountant. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants, UK. The other Members possess relevant knowledge, qualifications and experiences in financial reporting, control, electronics and telecommunications.

Brief profiles of each member are provided on pages 12 to 15 of this report. Their individual and collective financial knowledge and business acumen and the independence of the Committee, are brought to bear on their deliberations and judgments on matters that come within the Committee's purview.

Hayleys Group Services (Private) Limited, the Secretaries of the Company, serves as the secretary to the Committee.

Charter of the Audit Committee

The Audit Committee Charter is periodically reviewed and revised with the concurrence of the Board of Directors to make sure that new developments relating to the functions of the Committee are updated.

The Terms of Reference of the Committee are clearly defined in the Audit Committee Charter. The Terms of Reference of the Committee were revised during the year under review to include oversight responsibilities on Sustainability and ESG related reporting.

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

Meetings of the Audit Committee

The Committee meets as often as may be deemed necessary. It met 4 times to discuss the quarterly and annual Financial Statements for the financial year under review.

The attendance of the Members at these meetings is as follows:

Name of Directors	Date of Appointment to the Committee	No. of Meetings Attended
Mr. D. K. D. S. Wijeyeratne	1st April 2018	4/4
Dr. T. K. D. A. P. Samarasinghe	1st September 2017	4/4
Mr. M. J. S. Rajakariar	3rd January 2024	4/4

The Chairman of the Board, Managing Director, Executive Directors and the Chief Financial Officer of the Company, Hayleys Group Chief Financial Officer and Head of Group Management Audit and System Review Department (MA&SRD) attend the meetings of the Committee by invitation. The External Auditors are also invited to be present where relevant.

The proceedings of the Committee are regularly reported to the Board of Directors by tabling the minutes of the Committee Meetings and updates by the Chairman of the Committee on matters that require the attention of the Board.

Audit Committee meeting papers, including the agenda, minutes and related reports and documents, are circulated to the Committee members in advance.

The Authority of the Audit Committee

- Recommend the appointment, reappointment, dismissal, service period and fees of the External Auditor.
- Establish and maintain a direct communication channel with the External Auditor.
- Resolve any issues regarding financial reporting between the Management and the External Auditor.
- Pre-approve all auditing and non-audit services performed by the External Auditor and internal audit service providers.
- Seek any information it requires from employees or external parties relating to investigations.
- Meet with the Management and External Auditor as necessary to carry out the assigned duties.

Activities in 2025/26

The Audit Committee, inter alia, engaged in the following activities during the financial year under review:

AUDIT COMMITTEE REPORT

Financial Reporting System

The Committee reviewed the quality and integrity of the financial reporting system adopted by the Group in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards. The methodology included obtaining statements of compliance from Heads of Finance and Directors in Charge of operating units and from the Chief Financial Officer. The Committee recommended the Financial Statements to the Board for its deliberations and approval. The Committee, in its evaluation of the financial reporting system, also recognised the adequacy of the content and quality of routine management information reports forwarded to the management, regulatory authorities and shareholders.

Further, the Committee reviewed the procedures established by the Management to comply with regulatory requirements and is satisfied that financial reporting requirements under the Listing Rules of the Colombo Stock Exchange, Companies Act No. 07 of 2007, Securities and Exchange Commission Act and other relevant financial reporting related regulations and requirement are met.

During the year, the Committee reviewed and monitored reports furnished by the Company including the Certificate of Compliance attested by the Managing Director and the CFO of the Company, confirming compliance with all applicable statutory and regulatory requirements.

Internal Control Systems

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

The Hayleys Group MA&SRD reports on key control elements and procedures in Group companies that are selected according to a Group annual audit plan. Internal Audits are outsourced wherever necessary, to leading audit firms in line with the annual audit plan. The Committee obtained significant findings and recommendations together with the Management's responses on the review of the internal controls carried out by the internal auditors and provided recommendations for improvement. Follow up reviews were scheduled to ascertain that audit recommendations are being acted upon.

The Committee also evaluated the Internal Audit Function covering key areas such as scope, quality of internal audits, independence and resources. The Committee appraised the independence of the Hayleys Group MA&SRD, in the conduct of their assignments.

The Annual Internal Audit Plan is approved by the Audit Committee and its progress is reviewed on a quarterly basis in order to reflect the changing business needs and to ensure new and emerging risks are considered. 6 internal audits were performed during the financial year 2025/26.

Risk Management

The Committee obtained and reviewed the Key Business Risks Dashboard prepared by the Company identifying the major business risks, and mitigation action taken or contemplated for the management of these risks and a progress update every quarter. The COSO Enterprise Risk Reporting Process is presently being implemented within the Group.

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

The Committee maintains a close oversight of the information security systems of the Company and the Group to ensure that its digital infrastructure remains resilient against external threats and internal vulnerabilities.

A review of risk management, internal controls and business continuity planning are carried out and appropriate remedial actions are recommended to the Board.

External Audit

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

The Committee annually reviews the appointment of the External Auditors and makes recommendations to the Board accordingly. During the year under review, the Committee assessed the independence and effectiveness of the External Audit function and is satisfied that the independence of the External Auditors had not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the External Auditor and the level of audit and non-audit fees received by the Auditor, in order to ensure that it did not compromise their independence. The Committee provides the opportunity for External Auditor to meet the Audit Committee Members independently, if necessary.

In making this assessment, the Committee considered written representations from the External Auditors that they are and have been Independent throughout the conduct of the audit engagement in terms of all relevant professional and regulatory requirements and has made a determination of the independence of Auditor based on the same.

The current External Auditor, Messrs. Ernst & Young, Chartered Accountants was initially appointed as External Auditor in Financial Year 2011/12 and continues to hold that position at present. A partner rotation of the Auditors takes place periodically. A rotation of partner took place in Financial Year 2025/26.

Appointment of External Auditors

The Audit Committee has recommended to the Board of Directors that Messrs. Ernst & Young, Chartered Accountants, continue as External Auditors for the financial year ending 31st March 2027 after evaluating the scope, delivery of the audit, resources and the quality of the assurance initiatives taken during the financial year 2025/26.

Compliance

The Committee obtained written assurances from the respective Managing Director and Chief Financial Officer on the status of the Group's operations and finances. The Committee also received representations on the adequacy of provisions made for possible liabilities and reviewed reports tabled by Group Companies certifying their compliance with relevant statutory requirements. Further, the Committee obtained regular updates from the Head of HR and Legal regarding compliance matters.

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Ethics and Good Governance

The Committee continuously emphasized on upholding ethical values of the staff members. In this regard, the Internal Code of Business Conduct and Ethics, the policies on Whistleblowing and Anti-Bribery and Corruption were put in place. The Policies were followed by educating and encouraging all members of the staff. All appropriate procedures are in place to conduct independent investigations into incidents reported through Whistleblowing or identified through other means. The Whistleblower Policy guarantees strict confidentiality of the identity of the whistleblowers.

Sri Lanka Accounting Standards

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

The Committee would continue to monitor the compliance with relevant Accounting Standards and keep the Board of Directors informed at regular intervals. The Committee has pursued the assistance of Messrs. Ernst & Young to assess and review the existing SLFRS policies and procedures adopted by the Group and continuously monitors the progress of implementation of SLFRS as per the requirements of Sri Lanka Accounting Standards.

Support to the Committee

The Committee received information and support from the Management during the year to enable it to carry out its duties and responsibilities effectively.

Evaluation of the Committee

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

D. K. De Silva Wijeyeratne
Chairman - Audit Committee

13th May 2026

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are responsible, under Sections 150 (1), 151, 152 (1), 153 (1) & 153 (2) of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit & loss of the Company and the Group for the financial year. The Directors are also responsible, under Section 148 for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Financial Reporting Standards/Sri Lanka Accounting Standards (SLFRS/LKAS). The Financial Statements provide the information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken reasonable measures to safeguard the assets of the Group, and in that context, have instituted appropriate systems of internal control with a view to preventing and detecting frauds and other irregularities.

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

The External Auditors Messrs. Ernst & Young, Chartered Accountants who were re-appointed in terms of the Companies Act were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on pages 181 to 184 sets out their responsibilities in relation to the Financial Statements.

Compliance Report

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

By Order of the Board,

Hayleys Group Services (Private) Limited
Secretaries

15th May 2026

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

General
The Board of Directors of Hayleys Fibre PLC ('the Company') has pleasure in presenting the Annual Report of the Board of Directors on the affairs of the Company together with the Audited Financial Statements of the Company and Group for the year ended 31st March 2026.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007 ('the Companies Act'), Listing Rules of the Colombo Stock Exchange ('Listing Rules'), the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka and are guided by recommended best accounting practices.

The Financial Statements were reviewed and approved by the Board of Directors on 15th May 2026.

Principal Activities and Business Review of the Year
The Company and its subsidiary Bonterra Limited are primarily involved in the manufacture and export of coir fibre products. The subsidiary Creative Polymats (Private) Limited produces polyurethane mattresses and other related products for local markets.

There were no material changes in the nature of business of the Company and the Group during the financial year.

There has been no non-compliance with laws or regulations and the Directors to the best of their knowledge and belief, confirm that the Company and the Group have not engaged in any activity that contravenes applicable laws and regulations. There have been no material fines imposed on the Company by the Government or any regulatory authority in any jurisdiction where the Group companies operate.

The Group's businesses and their performance during the year, with comments on financial results, as well as future business developments are appraised in the Chairman and Managing Director's Message on page 24 and Review of Group Operations on page 79 of this Report. Those also provide an overall assessment of the state of affairs of the Group and the Company with details of important events that took place during the period.

These reports together with the Financial Statements reflect the state of affairs of the Company and Group.

The Company was listed on the Colombo Stock Exchange on 17th March 1992 subsequent to an Initial Public Offering.

Financial Statements
The Financial Statements of the Company and Group are given on pages 185 to 192 .

Independent Auditor's Report
The Independent Auditor's Report on the Financial Statements is given on pages 181 to 184.

Accounting Policies
The accounting policies adopted by the Company and the Group in the preparation of the Financial Statements are given on pages 193 to 205.

The Financial Statements and Notes thereto give a true and fair view of the Company's and Group's financial position as of 31st March 2026 and of their performance for the year-ended on that date.

There were no material changes in the Accounting Policies adopted with those of the last year other than disclosed in Note 3 to the Financial Statements.

Interests Register
The Company, in compliance with the Companies Act, maintains an Interests Register. As further required by the Companies Act, particulars of entries in the Interests Register of the Company and those subsidiaries, which have not dispensed with the requirement to maintain Interests Registers, as permitted under Section 192 (2) of the Companies Act are detailed in Note 37 in page 236.

Directors Interests in Shares
Directors of the Company who have relevant interests in the shares of the Company have disclosed their shareholding and any acquisitions/disposals to their Boards, in compliance with Section 200 of the Companies Act.

Particulars of entries in the Interests Register are detailed below; Mr. Dhammika Perera directly holds 51.01% of the total issued shares of Hayleys PLC which in return holds 65% of shares in the Company.

Hayleys PLC, in which Mr. Mohan Pandithage, Mr. Rajitha Kariyawasan and Mr. Sarath Ganegoda, are Directors, holds 15,600,000 shares (65%) in the Company.

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

Directors' Shareholdings

Details of Directors' shareholdings in the Company are given below.

Name of Director	No of Shares as at 31.03.2026	No of Shares as at 31.03.2025
Mr. A. M. Pandithage	960	960
Mr. H. S. R. Kariyawasan	Nil	Nil
Mr. S. C. Ganegoda	1,824	1,824
Mr. L. A. K. I. Kodytuakku	Nil	Nil
Dr. T. K. D. A. P. Samarasinghe	Nil	Nil
Mr. D. K. De Silva Wijeyeratne	Nil	Nil
Mr. L. Uralagamage	Nil	Nil
Mrs. S. Amarasekera, PC	Nil	Nil
Mr. M. J. S. Rajakariar	Nil	Nil
Dr. N. S. J. Nawaratne	Nil	Nil
Mr. K. A. Karunarathna (Appointed w.e.f. 01.10.2025)	Nil	Nil
Mr. K. R. Rajapakse (Appointed w.e.f. 01.04.2026)	Nil	Nil
Mr. M. M. A. R. P. Goonetileke (Retired w.e.f. 31.03.2026)	Nil	Nil
Total	2,784	2,784

Directors' Remuneration

Executive Directors' Remuneration is determined within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2026 was Rs. 41.42 million (2024/25 - Rs. 51.29 million), which includes the value of perquisites granted to them as part of their terms of service. The total remuneration of Non-Executive Directors for the year ended 31st March 2026 was Rs. 4.30 million (2024/25 – Rs. 4.20 million), determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this remuneration is fair to the Company.

Directors' Indemnity and Insurance

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

Donations

No donations were made for the year ended 31st March 2026. (2024/25 - Nil).

Group Revenue and International Trade

The gross revenue of the Group during the year was Rs. 6,868 million. (2024/25 – Rs. 4,734 million) of which Rs. 5,288 million (2024/25 - Rs. 3,769 million) was exported by the Group.

Results of Operations

The Group profit before taxation amounted to Rs. 391 million. After deducting Rs. 127 million for taxation, the Group profit attributed to equity holders of the Group for the year was Rs 171 million. The Group's Statement of Profit or Loss for the year is given on page 185. Details of transfer to/from reserves in respect of the Group are shown in the Statement of Changes in Equity on pages 189 to 190.

Reserves

The Group revenue reserves as at 31st March 2026 amounts to Rs. 1,288 million. (2024/25 – Rs. 1,116 million), other component of equity Rs. 105 million. (2024/25 – Rs. 119 million) and other reserves of Rs. 51 million (2024/25 – Rs. 51 million). The composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

Dividend

The Company did not pay dividends during the financial year 2025/26.

Property, Plant and Equipment

Information relating to the movement in Property, Plant and Equipment is given in Note 10 to the Financial Statements.

Investments

Details of investments held by the Company and by the Group are given in Note 13 to the Financial Statements.

Taxation

It is the policy to provide for deferred taxation on all temporary differences on the liability method. The tax liability on profits derived on business is explained under Note 8 of the financial statements.

Stated Capital and Debentures

The stated capital of the Company as at 31st March 2026 is Rs. 80 million comprising 24,000,000 ordinary shares. There was no change in the stated capital during the year. The Company did not issue any shares or debentures during the year ended 31st March 2026.

Share Information

Information relating to earnings, dividend, net assets per share and share trading are given on page 239 and 250 .

Shareholders
It is the Company's policy to endeavor to ensure equitable treatment to its shareholders.

The Company has an established Policy on Relations with Shareholders and Investors and it is published on the Company's website, https://www.hayleysfibre.com/investor-relations/

The Twenty major shareholders as at 31st March 2026 are given on page 251 in this Report.

Public holding
There were 5,383 registered shareholders as at 31st March 2026 (2024/25 – 5,233). The percentage of shares held by the public, as per the Listing Rules is 34.99% representing 5,380 (2024/25 – 34.99%). Details are given on page 250 and 251.

Directors
The names of the Directors who served during the year under review are given below and their brief profiles appear on pages 12 and 15 of this report.

Executive Directors
1. Mr. A. M. Pandithage - Chairman
2. Mr. M. M. A. R. P. Goonetileke - Managing Director (retired w.e.f. 31.03.2026)
3. Mr. L. A. K. I. Kodytuakku - Deputy Managing Director
4. Mr. L. Uralagamage
5. Mr. K. A. Karunarathna - (appointed w.e.f. 01.10.2025)

Non-Executive Directors
6. Mr. H. S. R. Kariyawasan
7. Mr. S. C. Ganegoda
8. Dr. N. S. J. Nawaratne

Independent Non-Executive Directors
9. Mr. D. K. De Silva Wijeyeratne - Senior Independent Director
10. Dr. T. K. D. A. P. Samarasinghe
11. Mr. M. J. S. Rajakariar
12. Mrs. S. Amarasekera, PC

Mr. K. R. Rajapakse was appointed as the Managing Director w.e.f. 1 April 2026.

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

None of the Directors or their close family members have any material business relationship with other Directors of the Company.

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

Notice has been given of the intention to propose an Ordinary Resolution in terms of Section 211 of the Companies Act for the re-appointment of Mr. A. M. Pandithage who is over Seventy years of age, resolving that the age limit of Seventy years stipulated in Section 210 of the Companies Act shall not apply to the aforesaid Director.

The Directors have provided declarations in terms of the Listing Rules on the fitness of Directors and CEO and the Board is satisfied that the Directors have continuously satisfied the 'fit and proper' criteria.

Directors' Meeting
The number of Directors' meetings comprises Board meetings, Sub-committee meetings and the attendance of Directors at Board meetings are given on page 139. Furthermore, the Directors contributed towards policy advocacy and direction by participating in the deliberations of the Board-appointed Sub-committees on strategic review, procurement and disposal of assets.

Board Sub Committees
The Board has established and maintains the following Sub Committees:

- Audit Committee
- Related Party Transactions Review Committee
- Nominations and Governance Committee
- Remuneration Committee

Please refer page 163, 160, 176, and 162. for the Board Sub committee reports.

Related Party Transactions
The related party transactions of the Company and Group during the year have been reviewed by the Related Party Transactions Review Committee and are in compliance with the Section 9.14 of the Listing Rules. Please refer the Related Party Transactions Review Committee Report on page 160.

The Board of Directors hereby declare that the Company and the Group have complied with the Listing Rules pertaining to related party transactions.

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

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company and Group to present a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, The Companies Act and the Listing Rules. The Statement of Directors' Responsibility for Financial Reporting is given on page 166 which forms an integral part of the Annual Report of the Board of Directors.

Auditors

The Financial Statements for the year have been audited by Messrs. Ernst & Young, Chartered Accountants.

The Auditors, Messrs. Ernst & Young will be paid Rs. 2.94 million (2024/25 – Rs. 2.92 million) and Rs. 4.37 million (2024/25 - Rs.4.33 million) as audit fees by the Company and the Group respectively. The Auditors will be paid Rs. 1.19 million (2024/25 – Rs. 0.95 million) and Rs. 2.42 million (2024/25 - Rs. 1.84 million) by the Company and the Group, for non-audit related work, which consisted mainly of tax consultancy services.

As far as the Directors are aware, the Auditors of the Company and of the subsidiaries do not have any relationships (other than that of an Auditor) with the Company or any of its subsidiaries other than those disclosed above. The Auditors also do not have any interests in the Company or any of its subsidiaries.

Messrs. Ernst & Young have expressed their willingness to continue in office and in accordance with the Companies Act, a resolution proposing the re-appointment of Messrs. Ernst & Young as Auditors for the Financial Year 2026/27 and to authorize the Directors to determine their remuneration is being proposed at the Annual General Meeting.

Future Developments

Information on future developments are contained in the Joint Statement by the Chairman and Managing Director on page 24 of this Report.

Employment

The Company has a structure and a culture that recognises the aspirations, competencies and commitment of its employees. Career growth and advancement within the Company is promoted. The number of persons employed by the Company at the year-end was 514. The Company does not operate any share option schemes. There have been no material issues pertaining to employees and industrial relation of the Company during the Financial Year. Details of the Group's human resource practices and employee and industrial relationships are given in the Social Performance section of the Sustainability Review.

Ratios and Market Price Information

Ratios relating to equity and debt and market price information are given on pages 239 and 251.

Events after the Reporting Period

No circumstances have arisen since the Reporting date that would require adjustments, other than those disclosed in Note 35 to the Financial Statements.

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due in relation to employees, the Government and other regulatory institutions have been made promptly and are up to date.

The declaration relating to statutory payments is made in the Statement of Directors Responsibilities on page 166.

Going Concern

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

ESG Risk and Opportunities

The Group's efforts to conserve scarce and non-renewable resources, as well as its environmental objectives and key initiatives, are described in the Natural Capital on pages 129 to 137 of this Report.

Exposure to Risk

The Group has a structured risk management process in place to support its operations. The Audit Committee plays a major role in this process. The Risk Management section referred in pages 39 to 45 of this Report elaborates these practices and the Group's risk factors.

Internal Controls

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

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

Policies

The Company has adopted the following policies, with effect from 1st October 2024 and has uploaded them to the Company's website;

- Policy on the Matters relating to the Board of Directors
- Policy on Board Committees
- Policy on Corporate Governance
- Policy on Rewards and Remuneration
- Business Code of Conduct
- Policy on Risk Management and Internal Control
- Policy on Shareholder and Investor Communications
- ESG - Environmental Policies
- ESG - Social Policies
- Policy on Control and Management of Company Assets and Shareholder Investments
- Policy on Corporate Disclosure
- Policy on Whistleblowing
- Policy on Good Governance and Business Ethics

The 'Hayleys Way' serves as the Internal Code of Business conduct and Ethics for all Directors, Key Management Personnel and other employees. The 'Hayleys Lifecode' includes a suite of environmental, social and governance related policies which are applicable across the Company.

The Company has adopted 'Entwine' which is its ESG Roadmap in line with the ESG framework of Hayleys PLC.

Corporate Governance

The Company has complied with the Corporate Governance rules laid down under the Listing Rules and the recommendations provided in the Code of Best Practice on Corporate Governance 2023, issued by the Institute of Chartered Accountants of Sri Lanka. The Corporate Governance Report on pages from 139 to 159 of this Report discusses this further.

Mr. D. K. D. S. Wijeyeratne was appointed as the Senior Independent Director on 1st November 2023 in accordance with the Corporate Governance requirements. The Board is of the opinion that Mr. A. M. Pandithage should remain as the Executive Chairman of the Company due to his extensive experience, deep insights and domain knowledge evidenced through the leadership provided to the Company. Please refer the Senior Independent Director's Report on page 178.

The Directors satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules. There were no non-compliances by any Director during the financial year.

The Directors have declared all material interests in contracts involving the Company and the Group and they refrain from voting on matters in which they have a material interest.

The Board has updated themselves with the applicable laws, rules and regulations and are aware of the changes to the Listing Rules and other regulatory requirements.

Annual General Meeting

The Annual General Meeting of the Company will be held on, Friday, 26th June 2026 at 1:00 P.M. at the Chas P. Hayley Lounge of Hayleys PLC, No. 400, Deans Road, Colombo 10. The Notice of the Annual General Meeting appears on page 252 of this Report.

For and on behalf of the Board,

Mohan Pandithage
Chairman

Ruwan Rajapakse
Managing Director

Hayleys Group Services (Private) Limited
Secretaries

No. 400, Deans Road
Colombo 10

15th May 2026

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

Number and Name of Directorships Held in Sri Lanka

Name of the Director	Classification	Listed Companies		Unlisted Companies	
		Executive	Non-Executive	Executive	Non-Executive
Mr. Mohan Pandithage Listed Companies; Executive - 12 and Non-Executive - 01 Unlisted Companies; Executive - 132 and Non-Executive - 11 Total Companies in Sri Lanka: 156	Executive Chairman	Hayleys Fibre PLC Hayleys PLC Haycarb PLC Singer (Sri Lanka) PLC Hayleys Fabric PLC Dipped Products PLC Alumex PLC The Kingsbury PLC Hayleys Leisure PLC Talawakelle Tea Estates PLC Kelani Valley Plantations PLC Horana Plantations PLC	Diesel & Motor Enginering PLC	Hayleys Group - 132 Companies	Beata Power (Pvt) Ltd Joule Power (Pvt) Ltd Delmege Forsyth & Co. Exports (Pvt) Ltd Delmege Coir (Pvt) Ltd Delmege Forsyth & Co. (Shipping) Ltd Delmege Freight Services (Pvt) Ltd Lewis Shipping (Pvt) Ltd Lewis Brown Air Services (Pvt) Ltd Ocean Network Express Lanka (Private) Limited Sojitz Kelanitissa (Pvt) Ltd The Beach Resorts Ltd
Mr. Rajitha Kariyawasan Listed Companies; Executive - 03 and Non-Executive - 01 Unlisted Companies; Executive - 04 and Non-Executive - 10 Total Companies in Sri Lanka: 18	Non-Executive Director	Hayleys PLC Haycarb PLC Dipped Products PLC	Hayleys Fibre PLC	Hayleys Group - 04 Companies	Hayleys Group - 10 Companies
Mr. Ruwan Rajapakse Listed Companies; Executive - 01 and Non-Executive - Nil Unlisted Companies; Executive - 09 and Non-Executive - Nil Total Companies in Sri Lanka: 10	Managing Director	Hayleys Fibre PLC	-	Hayleys Group - 9 Companies	-
Mr. Kositha Kodytuakku Listed Companies; Executive - 01 and Non-Executive - Nil Unlisted Companies; Executive - 07 and Non-Executive - Nil Total Companies in Sri Lanka: 08	Deputy Managing Director	Hayleys Fibre PLC	-	Hayleys Group - 7 Companies	-

Name of the Director	Classification	Listed Companies		Unlisted Companies	
		Executive	Non-Executive	Executive	Non-Executive
Mr. Sarath Ganegoda Listed Companies; Executive - 02 and Non-Executive - 09 Unlisted Companies; Executive - Nil and Non-Executive - 57 **Total Companies in Sri Lanka: 68**	Non-Executive Director	Hayleys PLC Alumex PLC	Hayleys Fibre PLC Haycarb PLC Hayleys Fabric PLC Singer (Sri Lanka) PLC Hayleys Leisure PLC Horana Plantations PLC Kelani Valley Plantations PLC Dipped Products PLC The Kingsbury PLC	-	Hayleys Group - 57 Companies
Mr. Lasantha Uralagamage Listed Companies; Executive - 01 and Non-Executive - Nil Unlisted Companies; Executive - 01 and Non-Executive - Nil **Total Companies in Sri Lanka: 02**	Executive Director	Hayleys Fibre PLC	-	Hayleys Group - 1 Company	-
Mr. Ajith Karunarathna Listed Companies; Executive - 01 and Non-Executive - Nil Unlisted Companies; Executive - 05 and Non-Executive - Nil **Total Companies in Sri Lanka: 06**	Executive Director	Hayleys Fibre PLC	-	Hayleys Group - 5 Companies	-
Mr. Dilip De Silva Wijeyeratne Listed Companies; Executive - Nil and Non-Executive - 04 Unlisted Companies; Executive - Nil and Non-Executive - Nil **Total Companies in Sri Lanka: 04**	Independent Non-Executive Director	-	Hayleys Fibre PLC Janashakthi Insurance PLC Singer (Sri Lanka) PLC Sampath Bank PLC	-	-

Name of the Director	Classification	Listed Companies		Unlisted Companies	
		Executive	Non-Executive	Executive	Non-Executive
Dr. Prasad Samarasinghe Listed Companies; Executive - Nil and Non-Executive - 04 Unlisted Companies; Executive - 04 and Non-Executive - 02 Total Companies in Sri Lanka: 10	Independent Non-Executive Director	-	Hayleys Fibre PLC HNB Finance PLC Chemanex PLC Hatton National Bank PLC	Lanka Bell (Pvt) Ltd Bell Active (Pvt) Ltd Bell Solutions (Pvt) Ltd Bellvantage (Pvt) Ltd	Praxis Magnus Strategies (Pvt) Ltd PranayaPulse (Pvt) Ltd
Mr. Manoha Rajakariar Listed Companies; Executive - Nil and Non-Executive - 06 Unlisted Companies; Executive - Nil and Non-Executive - 01 Total Companies in Sri Lanka: 07	Independent Non-Executive Director	-	Hayleys Fibre PLC Alumex PLC Access Engineering PLC Asset Line Finance PLC Digital Mobility Solutions Lanka PLC (PickMe) Elpitiya Plantations PLC	-	David Pieris Holdings Limited
Mrs. Saumya Amarasekera PC Listed Companies; Executive - Nil and Non-Executive - 03 Unlisted Companies; Executive - Nil and Non-Executive - 04 Total Companies in Sri Lanka: 07	Independent Non-Executive Director	-	Hayleys Fibre PLC Kelani Valley Plantations PLC Windforce PLC	-	Silver Aisle (Pvt) Ltd Manson Investments (Pvt) Ltd Leisure Holdings (Pvt) Ltd Leisure Lines Lanka (Pvt) Ltd
Dr. Sunil Nawaratne Listed Companies; Executive - Nil and Non-Executive - 01 Unlisted Companies; Executive - Nil and Non-Executive - 01 Total Companies in Sri Lanka: 02	Non-Executive Director	-	Hayleys Fibre PLC	-	Associated Newspaper Co. Ltd

RESPONSIBILITY STATEMENT OF CHAIRMAN, MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER

The Financial Statements of Hayleys Fibre PLC and the Consolidated Financial Statements of the Group, as at 31st March 2026, are prepared and presented in compliance with the requirements of the following:

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

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

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

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

The Financial Statements were audited by independent External Auditors, Messrs. Ernst & Young, Chartered Accountants. Their report is given on pages 181 to 184 of the Annual Report.

The Audit Committee approves the audit and non-audit services provided by the External Auditor, in order to ensure that the provision of such services do not impair their independence.

We confirm that,

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

Mohan Pandithage
Chairman

Ruwan Rajapakse
Managing Director

Ajith Karunarathna
Chief Financial Officer

15th May 2026

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

GRI 2-10

The Board has an established Nominations and Governance Committee ('the Committee') which complies with Section 9.11 of the Listing Rules of Colombo Stock Exchange and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka. The Committee comprises two Independent Non-Executive Directors and One Non- Executive Director.

Composition and Attendance at Committee Meetings

The Committee met twice during the Financial Year 2025/26.

Name of Directors	Date of Appointment to the Committee	No. of Meetings Attended
Mr. D. K. D. S. Wijeyeratne - Independent Non Executive Director	2nd February 2024	2/2
Dr. T. K. D. A. P. Samarasinghe - Independent Non-Executive Director	2nd February 2024	2/2
Mr. S. C. Ganegoda - Non- Executive Director	2nd February 2024	1/2

Hayleys Group Services (Private) Limited, the Secretaries of the Company, serves as the secretary to the Committee.

The Chairman of the Board, Managing Director, Executive Directors and the Chief Financial Officer of the Company attend the meetings of the Committee by invitation.

Terms of Reference of the Committee

The Committee has approved well-defined Terms of Reference outlining the Committee's purpose, composition, quorum, authority, responsibilities, and meeting related matters. The Terms of Reference of the Committee were reviewed by the Committee during the year under review.

Duties of the Committee

- To approve the formal procedure to evaluate and recommend the appointment of Directors of the Company considering the required skills, experience and qualifications necessary.
- To maintain a set of criteria for selection of Directors such as academic/professional qualifications, skills, experience and key attributes required for eligibility taking into consideration the nature of the business of the Company and industry specific requirements.
- To evaluate the appointment of Directors to the Board of Directors and to the Board Sub Committees by considering their academic/professional qualifications, skills, experience and key attributes required for eligibility, taking into consideration the nature of the business of the Company and industry specific requirements.
- To consider and recommend (or not recommend) the re-election of current Directors taking into account the combined knowledge, experience, performance and contribution made by the Director to meet the strategic demands of the Company and the discharge of the Board's overall responsibilities and the number of directorships held by the Director in other listed and unlisted companies and other principal commitments.
- To approve a suitable process for the periodic evaluation of the performance of the Board Directors and the Key Management Personnel of the Company to ensure their responsibilities are satisfactorily discharged.
- To evaluate if each Director has been adequately carrying out his or her duties as a Director, taking into consideration the knowledge and experience required to meet the strategic demands facing the company, the number of directorships of listed company Boards on which he/ she is represented and other principal commitments.
- To regularly review the structure, size, composition including gender representation and competencies (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes
- To review the succession plans for Board of Directors and Key Management Personnel.
- To review and recommend the overall corporate governance framework of the Company taking into account the Listing Rules and other applicable regulatory requirements and industry best practices.
- To review and update the corporate governance policies/ framework in line with regulatory and legal developments relating to same.
- To periodically review the insurance cover, Directors and Officers Liability Cover' for Directors and Key Management Personnel.
- To receive reports from the Management on compliance of the corporate governance framework of the Company including the Company's compliance with provisions of the Securities and Exchange Commission Act, Listing Rules of the Colombo Stock Exchange and other applicable laws and reasons for any deviations or non-compliances.
- Ensure that induction takes place for the new Directors

Activities During the Year

The Committee reviewed the structure and composition of the Board and Board Committees and recommended additions to Committees and the Board. Board performance evaluation was carried out and discussed at Board meetings. This entails the evaluation of performance of the Board, its Committees and the performance of the Managing Director.

The Policies of the Company were reviewed during the year and necessary amendments were incorporated. The Committee ensured that the Policies are uploaded on the Company website. Sub Committee Charters and Terms of Reference were reviewed and amended where necessary. The list of Policies of the Company is given on pages 193 to 205 of this Report. The policies and processes relating to the nomination of new Members to the Board are governed by the Policy on Corporate Governance.

The Committee also checked the Independence of the Directors against the criteria for independence as set out in the Listing Rules. The Committee ensured that the declaration of independence is carried out by the Independent Directors and concluded that all Independent Directors of the Company meet the criteria for determining independence. The Committee also evaluated all the Directors against the Fit and Proper assessment criteria.

Independent Directors are kept informed by the Chairman in the event any major issue arises.

The Committee ensured that Corporate Governance rules stipulated by the Colombo Stock Exchange are adhered to by the Board and the Company throughout the year. It has further established Board diversity by bringing a wide range of experience and skills, age and gender diversity to the Board to make certain that the Board effectively performs its duties.

Re-Appointments / Re- Elections

One Third (1/3) of the all the Directors, except those who have been appointed to the Board since the last Annual General Meeting, and the Managing Director retire by rotation, at least once in every three years in terms. in terms of the Articles of Association and being eligible submit themselves for re-election at the Annual General Meeting.

Accordingly, the Committee has recommended to re-elect Mr. L. Uralagamage, Mr. S. C. Ganegoda and Dr. T. K. D. A. P. Samarasinghe to the Board at the Annual General Meeting to be held on 26th June 2026, based on their performance and the contribution made to achieve the objectives of the Board.

Mr. Uralagamage, Executive Director, was appointed to the Board on 1st June 2021, and was last re-appointed as a Director in June 2024. His Directorships and other principal commitments are given in the profile on page 14. He does not serve on any Board Sub-Committees.

Mr. Ganegoda, Non Executive Director, was appointed to the Board on 1st November 2009 and was last re-appointed as a Director in June 2024. His Directorships and other principal commitments are given in the profile on page 13. He serves on the Related Party Transactions Review Committee, Remuneration Committee and the Nominations and Governance Committee of the Company.

Dr. Samarasinghe, Independent, Non Executive Director, was appointed to the Board on 1st September 2017, and was last re-appointed as a Director in June 2024. His Directorships and other principal commitments are given in the profile on page 14. He serves on the Audit Committee, Related Party Transactions Review Committee, Remuneration Committee and the Nominations and Governance Committee of the Company.

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

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

The Corporate Governance requirements stipulated under the Listing Rules of the Colombo Stock Exchange are met by the Company and details are given in page 139.

D. K. De Silva Wijeyeratne
Chairman - Nominations and Governance Committee

15th May 2026

STATEMENT BY THE SENIOR INDEPENDENT DIRECTOR

Profile of Mr. D. K. De Silva Wijeyeratne is given on page 13 of this Report.

I was appointed as Senior Independent Director (SID) of Hayleys Fibre PLC ('the Company') in November 2023.

In compliance with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka, I continue in that role since the Chairman of the Company is an Executive Director.

Role of the Senior Independent Director

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

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

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

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

Activities during the Year

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

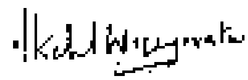
A Meeting was held with the Non-Executive Directors without the presence of the Executive Directors. At this meeting the performance of the Chairman and the Executive Directors were appraised.

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

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

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

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



D. K. De Silva Wijeyeratne
Senior Independent Director

15th May 2026

A SYMBIOSIS OF ADAPTATION

We melded and moulded ourselves to be the strongest in the industry.

FINANCIAL CALENDAR

1st Quarter Report	6th August 2025
2nd Quarter Report	6th November 2025
3rd Quarter Report	26th January 2026
4th Quarter Report	15th May 2026
Annual Report 2025/26	4th June 2026
40th Annual General Meeting	26th June 2026

Financial Information

Supplementary Information

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HAYLEYS FIBRE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hayleys Fibre PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as of 31 March 2026, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as of 31 March 2026, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Carrying value of inventories As at 31 March 2026, the carrying value of inventory amounted to Rs. 1,116 million net of provision of Rs 40 million for slow moving and obsolete inventory as disclosed in Note 16 to the financial statements. We considered the carrying value of inventories as a key audit matter due to: - the materiality of the reported inventory balance which represented 20% of the Group's total assets as of the reporting date; and - significant judgment applied by the management in measuring the quantity of inventories such as the use of estimation techniques to measure the quantity of coir fibre inventories included in raw materials and judgments applied by management in determining provision for slow moving and obsolete inventory, as disclosed in note 2.4.8, 2.3.8 and 16 to the financial statements.	Our procedures included the following key procedures: - understood the process involved in the measurement of the inventories - observed physical inventory counts and reconciled the count results to the inventory listings compiled by management to support amounts reported as at the period end. As a part of our procedures over measurement of coir fibre inventories, we assessed whether the actual moisture levels as at the count date has been appropriately considered when measuring inventories - tested the unit costs of inventory to underlying accounting records and supporting documents - tested whether inventory was stated at the lower of cost and net realizable value, by comparing cost with subsequent selling prices of such items - assessed the reasonableness of significant management judgements applied in determining provision for slow-moving and obsolete inventory. Our assessment included reviewing the inventory ageing to identify whether slow-moving and obsolete items have been appropriately provided for and testing the mathematical accuracy of provision calculations. We also assessed the adequacy of the disclosures made in Note 2.4.8, 2.3.8 and 16 to the financial statements.
Assessment of fair value of the equity investment classified as Fair Value through Other Comprehensive Income (FVOCI) Non-current financial assets of the Group consist of unquoted equity investments in Toyo Cushion Lanka (Private) Limited and Rileys (Private) Limited in accordance with the accounting policy disclosed in note 14 to the financial statements. The fair value is determined by management based on the discounted cash flow approach, which is derived based on the projected cash flows of Toyo Cushion Lanka (Private) Limited and Rileys (Private) Limited. This was a Key Audit Matter due to: - the materiality of the reported unquoted equity investment balance which amounted to Rs. 148 million and represented 3% of the Group's total assets as of the reporting date; and - the degree of assumptions, judgements and estimates associated in deriving the Discounted Cash Flows used in the unquoted equity investment valuation. Key areas of significant management assumptions, judgements and estimates used in the valuation of unquoted equity investment include cash flow projections and unobservable inputs including revenue growth rate, EBITDA margins, discount rate, etc. as further disclosed in note 2.3.7.1.2, 2.4.1 and 14 to the financial statements.	Our audit procedures focused on the valuation of the investment performed by the management, and included the following key procedures: - assessed the appropriateness of the valuation technique and reasonableness of the cash flow forecast including significant assumptions, judgements and estimates such as revenue growth rate and EBITDA margins, discount rate, etc. used by the management to ascertain the fair value of the unquoted equity investments. Our evaluation involved the use of comparable market data considering the impacts of the economic conditions prevailing in the country - evaluated the appropriateness and completeness of the information included in the cashflow forecast and checked the calculations of discounted cash flows. Further, we evaluated the adequacy of the related disclosures in note 2.3.7.1.2, 2.4.1 and 14 to the financial statements.

Other Information Included in the 2026 Annual Report

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 8913.

29 May 2026
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31 March	Notes	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Revenue	4	6,867,968	4,733,859	4,014,796	2,280,591
Cost of sales		(5,835,260)	(4,208,686)	(3,685,495)	(2,272,515)
Gross profit		1,032,708	525,173	329,301	8,076
Other income	5	9,742	14,797	15,400	21,455
Selling and distribution expenses		(168,828)	(45,433)	(21,586)	29,324
Administrative expenses		(375,157)	(381,886)	(199,630)	(201,410)
Results from operating activities		498,465	112,651	123,485	(142,555)
Finance income	6	68,306	47,089	114,654	82,801
Finance cost	6	(175,449)	(120,395)	(119,699)	(66,457)
Net finance income/(cost)		(107,143)	(73,306)	(5,045)	16,344
Profit/(loss) before tax		391,322	39,345	118,440	(126,211)
Tax expense	8	(126,966)	(4,948)	(20,246)	66,049
Profit/(loss) for the year		264,356	34,397	98,194	(60,162)
Profit/(loss) for the year attributable to:					
Owners of the Company		171,022	(42,694)	98,194	(60,162)
Non-controlling interest		93,334	77,091	-	-
		264,356	34,397	98,194	(60,162)
Basic earnings per share (Rs.)	9	7.13	(1.78)	4.09	(2.51)
Dividend per share (Rs.)		-	-	-	-

Notes from pages 193 to 238 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Notes	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Profit/(loss) for the year		264,356	34,397	98,194	(60,162)
Other comprehensive income					
Other comprehensive income that may not be reclassified to the profit or loss in subsequent periods					
Re-measurement gain/(loss) on employee benefit obligations	25	1,013	356	1,793	804
Income tax effect on re-measurement gain/(loss) on employee benefit obligations	8	(305)	(107)	(538)	(241)
		708	249	1,255	563
Revaluation of lands	10	-	11,089	-	11,089
Income tax effect on revaluation of lands	8	-	(3,327)	-	(3,327)
		-	7,762	-	7,762
Net gain/(loss) on equity instruments designated at FVOCI	14	3,316	1,367	3,316	1,367
Income tax effect on net gain/(loss) on equity instruments designated at FVOCI	8	(995)	(410)	(995)	(410)
		2,321	957	2,321	957
Other comprehensive income that may be reclassified to the profit or loss in subsequent periods					
Net gain/(loss) on cash flow hedges		(16,500)	-	(16,500)	-
		(16,500)	-	(16,500)	-
Total other comprehensive income/(expense) for the year, net of tax		(13,471)	8,968	(12,924)	9,282
Total comprehensive income/(expense) for the year, net of tax		250,885	43,365	85,270	(50,880)
Total comprehensive income/(expense) for the year attributable to:					
Owners of the Company		157,908	(33,562)	85,270	(50,880)
Non-controlling Interest		92,977	76,927	-	-
		250,885	43,365	85,270	(50,880)

Notes from pages 193 to 238 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Assets					
Non-current assets					
Property, plant and equipment	10	1,424,098	1,251,797	1,054,963	876,940
Right-of-use assets	11	1,701	1,801	-	-
Intangible assets	12	36,723	46,433	300	1,232
Investments in subsidiaries	13	-	-	233,034	233,034
Other non-current financial assets	14	147,578	144,262	147,578	144,262
Deferred tax assets	24	34,085	55,864	34,085	55,864
Total non-current assets		1,644,185	1,500,157	1,469,960	1,311,332
Current assets					
Inventories	16	1,115,755	723,981	637,006	287,314
Trade and other receivables	17	1,719,540	1,179,536	1,149,988	619,864
Other current assets	18	73,433	12,648	75,827	4,280
Income tax recoverable	30	12,799	12,799	12,799	12,799
Amounts due from other related companies	19	740,804	465,254	125,874	177,942
Cash in hand and at bank	20	146,934	146,816	50,443	19,605
Total current assets		3,809,265	2,541,034	2,051,937	1,121,804
Total assets		5,453,450	4,041,191	3,521,897	2,433,136
Equity and liabilities					
Stated capital	21	80,000	80,000	80,000	80,000
Other components of equity	22	104,551	118,730	104,551	118,730
Amalgamation reserves	22	50,625	50,625	50,625	50,625
Revenue reserves	22	1,288,098	1,116,011	963,486	864,037
Total equity attributable to equity holders of the company		1,523,274	1,365,366	1,198,662	1,113,392
Non-controlling interest		304,814	279,773	-	-
Total equity		1,828,088	1,645,139	1,198,662	1,113,392

STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Non-current liabilities					
Interest-bearing borrowings	23	396,916	-	396,916	-
Non-current lease liabilities	11	4,769	4,825	-	-
Deferred tax liabilities	24	42,510	49,116	-	-
Employee benefit obligations	25	53,229	44,728	40,688	36,096
Total non-current liabilities		497,424	98,669	437,604	36,096
Current liabilities					
Trade and other payables	27	715,791	547,397	346,272	198,843
Current lease liabilities	11	109	146	-	-
Other current liabilities	28	29,444	36,435	15,471	7,438
Amounts due to other related companies	29	474,897	92,875	474,237	89,710
Current portion of interest bearing borrowings	23	152,417	313,333	152,417	313,333
Short-term interest bearing borrowings	26	1,696,848	1,279,267	897,234	674,324
Income tax payable	30	58,432	27,930	-	-
Total current liabilities		3,127,938	2,297,383	1,885,631	1,283,648
Total liabilities		3,625,362	2,396,052	2,323,235	1,319,744
Total equity and liabilities		5,453,450	4,041,191	3,521,897	2,433,136

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

Ajith Karunarathna
Director/Chief Financial Officer
The Board of Directors are responsible for these Financial Statements. Signed for and on behalf of the Board,

Mohan Pandithage
Chairman

Ruwan Rajapakse
Managing Director

Notes from pages 193 to 238 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

15th May 2026
Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March		Attributable to equity holders of the Group								
		Stated capital	Other components of equity			Amalgamation reserves		Revenue reserves	Non-controlling interest	Total
Group			Fair value reserve of financial assets at FVOCI	Revaluation reserve	Cash flow hedge reserve	Capital reserve	Revenue reserve	Retained earnings		
	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 April 2024		80,000	87,130	22,881	-	14,000	36,625	1,156,513	266,498	1,663,647
Profit/(loss) for the year		-	-	-	-	-	-	(42,694)	77,091	34,397
Revaluation of lands			-	11,089	-	-	-	-	-	11,089
Net gain/(loss) on equity instruments designated at FVOCI	14	-	1,367	-	-	-	-	-	-	1,367
Re-measurement gain/(loss) on employee benefit obligations	25	-	-	-	-	-	-	589	(233)	356
Income tax on other comprehensive income	8	-	(410)	(3,327)	-	-	-	(177)	70	(3,844)
Total other comprehensive income/ (expense) for the year		-	957	7,762	-	-	-	(42,282)	76,928	43,365
Unclaimed dividends		-	-	-	-	-	-	1,780	-	1,780
Dividends to equity holders		-	-	-	-	-	-	-	(63,653)	(63,653)
Balance as at 01 April 2025		80,000	88,087	30,643	-	14,000	36,625	1,116,011	279,773	1,645,139
Profit/(loss) for the year		-	-	-	-	-	-	171,022	93,334	264,356
Net gain/(loss) on equity instruments designated at FVOCI	14	-	3,316	-	-	-	-	-	-	3,316
Re-measurement gain/(loss) on employee benefit obligations	25		-	-	-	-	-	1,523	(510)	1,013
Net gain/(loss) on cash flow hedges		-	-	-	(16,500)	-	-	-	-	(16,500)
Income tax on other comprehensive income	8	-	(995)	-	-	-	-	(458)	153	(1,300)
Total other comprehensive income/ (expense) for the year		-	2,321	-	(16,500)	-	-	172,087	92,977	250,885
Dividends to equity holders		-	-	-		-	-	-	(67,936)	(67,936)
Balance as at 31 March 2026		80,000	90,408	30,643	(16,500)	14,000	36,625	1,288,098	304,814	1,828,088

Notes from pages 193 to 238 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March		Attributable to equity holders of the Company							
		Stated capital	Other components of equity			Amalgamation reserves		Revenue reserves	Total
Company			Fair value reserve of financial assets at FVOCI	Revaluation reserve	Cash flow hedge reserve	Capital reserve	Revenue reserve	Retained earnings	
	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 April 2024		80,000	87,130	22,881	-	14,000	36,625	921,856	1,162,492
Profit/(loss) for the year		-	-	-	-	-	-	(60,162)	(60,162)
Revaluation of lands		-	-	11,089	-	-	-	-	11,089
Net gain/(loss) on equity instruments designated at FVOCI	14	-	1,367	-	-	-	-	-	1,367
Re-measurement gain/(loss) on employee benefit obligations	25	-	-	-	-	-	-	804	804
Income tax on other comprehensive income	8	-	(410)	(3,327)	-	-	-	(241)	(3,978)
Total other comprehensive income/ (expense) for the year		-	957	7,762	-	-	-	(59,599)	(50,880)
Unclaimed dividends		-	-	-	-	-	-	1,780	1,780
Balance as at 01 April 2025		80,000	88,087	30,643	-	14,000	36,625	864,037	1,113,392
Profit/(loss) for the year		-	-	-		-	-	98,194	98,194
Net gain/(loss) on cash flow hedges		-	-	-	(16,500)	-	-	-	(16,500)
Net gain/(loss) on equity instruments designated at FVOCI	14	-	3,316	-	-	-	-	-	3,316
Re-measurement gain/(loss) on employee benefit obligations	25	-	-	-	-	-	-	1,793	1,793
Income tax on other comprehensive income	8	-	(995)	-	-	-	-	(538)	(1,533)
Total other comprehensive income/ (expense) for the year		-	2,321	-	(16,500)	-	-	99,449	85,270
Dividends to equity holders		-	-	-		-	-	-	-
Balance as at 31 March 2026		80,000	90,408	30,643	(16,500)	14,000	36,625	963,486	1,198,662

Notes from pages 193 to 238 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

For the year ended 31 March	Notes	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Cash flows from operating activities					
Profit/(loss) before taxation		391,322	39,345	118,440	(126,211)
Adjustments for:					
Net finance cost	6	153,735	92,215	100,395	39,938
Finance income	6	(1,299)	(1,442)	(136)	(304)
Provision for employee benefit obligations	25	10,163	8,358	6,689	5,828
Depreciation of property, plant and equipment	10	83,498	66,065	47,970	31,510
Net (Gain)/loss on translation of foreign currency	6	(45,772)	(16,896)	(37,214)	(159)
Amortisation of right-of-use assets	11	100	2,322	-	2,222
Derecognition of right-of-use assets	11	-	5,394	-	5,394
Amortisation of intangible assets	12	9,710	12,143	932	3,365
(Profit)/loss on disposal of property, plant and equipment	5	-	(375)	-	(375)
Dividend income	6	-	-	(58,000)	(54,407)
Provision/(reversal) for bad and doubtful debts	17	5,241	(42,318)	(64)	(46,716)
Provision/(reversal) for slow moving inventories	16	(11,003)	12,774	(12,134)	2,457
Operating profit before working capital changes		595,695	177,585	166,878	(137,458)
(Increase)/decrease in inventories	16	(380,771)	25,879	(337,558)	94,211
(Increase)/decrease in trade and other receivables	17	(606,030)	165,042	(601,607)	195,902
(Increase)/decrease in amounts due from related companies	19	(275,550)	241,063	52,068	77,921
Increase/(decrease) in trade and other payables	27	161,367	(58,044)	155,462	(67,020)
Increase/(decrease) in amounts due to related companies	29	382,022	(53,503)	384,527	(74,801)
Cash generated from operating activities		(123,267)	498,022	(180,230)	88,755
Interest paid	6	(154,214)	(92,215)	(100,395)	(39,938)
Income tax paid		(82,591)	(54,334)	-	-
Employee benefit paid	25	(594)	(887)	(249)	(228)
Net cash used in operating activities		(360,666)	350,586	(280,874)	48,589

STATEMENT OF CASH FLOWS

For the year ended 31 March	Notes	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Cash flows from investing activities					
Purchase of property, plant and equipment	10	(255,799)	(371,036)	(225,994)	(376,557)
Acquisition of intangible assets		-	(28,658)	-	-
Proceeds from sale of property, plant and equipment		-	375	-	375
Finance income	6	1,299	1,442	136	304
Dividend income	6	-	-	58,000	54,407
Net cash flows used in investing activities		(254,500)	(397,877)	(167,858)	(321,471)
Cash flows from financing activities					
Dividend paid to non-controlling interest		(67,936)	(63,653)	-	-
Capital payment on lease		(572)	(4,792)	-	(4,792)
Proceeds from interest-bearing borrowings		2,884,223	2,782,429	963,566	994,308
Repayments of interest-bearing borrowings		(2,395,224)	(2,871,297)	(656,373)	(1,045,621)
Net cash flows from financing activities		420,491	(157,313)	307,193	(56,105)
Net increase/(decrease) in cash & cash equivalents		(194,675)	(204,604)	(141,539)	(328,987)
Cash & cash equivalents at the beginning of the year		(322,360)	(117,756)	(423,328)	(94,341)
Cash & cash equivalents at the end of the year (Note - A)		(517,035)	(322,360)	(564,867)	(423,328)
A. Analysis of cash and cash equivalents as at 31 March					
Cash in hand and at bank	20	146,934	146,816	50,443	19,605
Bank overdrafts	26	(663,969)	(469,176)	(615,310)	(442,933)
Cash and cash equivalents at the end of the year		(517,035)	(322,360)	(564,867)	(423,328)

Notes from pages 193 to 238 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting Entity

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

1.2 Consolidated Financial Statements

The Financial Statements for the year ended 31 March 2026 comprise "the Company" referring to Hayleys Fibre PLC as the holding Company and the "Group" referring to Companies that have been consolidated therein.

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

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

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

1.4 Approval of Financial Statements

The Group Financial Statements of Hayleys Fibre PLC and its subsidiaries (collectively, the Group) for the year ended 31 March 2026 were authorised for issue by the Directors on 15 May 2026.

1.5 Responsibility for Financial Statements

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

2.1.1 Statement of compliance

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

2.1.2 Basis of Measurement

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

- Lands which are recognised as property plant and equipment which are measured at cost at the time of the acquisition and subsequently carried at fair value.
- Financial instruments designated at Fair Value through Other Comprehensive Income (FVOCI) which are measured at fair value.
- Employee benefit obligations which are determined based on actuarial valuations.
- Where appropriate, the specific policies are explained in the succeeding notes.

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

2.1.3 Functional and Presentation Currency

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

2.1.4 Rounding

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

2.1.5 Offsetting

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

2.1.6 Materiality and Aggregation

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

2.1.7 Comparative Information

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

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

NOTES TO THE FINANCIAL STATEMENTS

2.2 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries as at 31 March 2026. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

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

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

2.3 Summary of Significant Accounting Policies

2.3.1 Current versus Non-Current Classification

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

- Expected to be realised or intended to sold or consumed in a normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

2.3.2 Fair Value Measurement

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

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

- In the principal market for the asset or liability, or

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

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

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

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

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

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

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

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

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

- Investment in non-listed equity shares (FVOCI) note 14
- Land under revaluation model note 10
- Financial instruments (including those carried at amortised cost) note 15
- Disclosures for valuation methods, significant estimates and assumptions notes 14 and 15
- Quantitative disclosures of fair value measurement hierarchy note 15.

2.3.3 Property, Plant and Equipment

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

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

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

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

Buildings	50 Years
Plant and machinery	10 Years
Furniture, fittings and office equipment	5-7 Years
Fixtures and fittings	7 Years
Motor vehicles	5 Years

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.3.4 Intangible assets

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

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

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

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

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

Research and development costs

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

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

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

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

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

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

2.3.5 Leases

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

2.3.5.1 Group as a Lessee

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

2.3.5.1.1 Right-of-use assets

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

- Land and buildings 10 to 30 years

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

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

2.3.5.1.2 Lease liabilities

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

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

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

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

2.3.5.2 Group as a lessor

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

2.3.6 Borrowing Costs

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

2.3.7 Financial Instruments

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

2.3.7.1 Financial Assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15. Refer to the accounting policies in note 2.3.14 for Revenue from contracts with customers.

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

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

Subsequent Measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

2.3.7.1.1 Financial Assets at Amortised Cost (Debt Instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
- Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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

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

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

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

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

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

  (a) the Group has transferred substantially all the risks and rewards of the asset, or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset when the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing

involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

2.3.7.2 Financial Liabilities

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

Subsequent Measurement

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

2.3.7.2.1 Financial liabilities at amortised cost (loans and borrowings)

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

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

This category generally applies to interest bearing loans and borrowings. For more information, refer to notes 23 and 26.

2.3.7.2.2 De-recognition

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

2.3.7.3 Offsetting of Financial Instruments

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

2.3.7.4 Derivative financial instruments and hedge accounting

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

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

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

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

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

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

Cash flow hedges

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

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

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

2.3.8 Inventories

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

- Raw materials: purchase cost on a first-in first-out basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.3.9 Impairment of non-financial assets

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

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

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

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

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

2.3.10 Cash and Short-term Deposits

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

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

2.3.11 Provisions

2.3.11.1 General

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

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

2.3.12 Employee Benefits

2.3.12.1 Defined Contribution Plans

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

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

2.3.12.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 25. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. Actuarial gains or losses are recognised in full in the Other Comprehensive Income.

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

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

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

2.3.12.3 Short-term Benefits

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

2.3.13 Investment in Subsidiaries

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

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

2.3.14 Revenue from Contracts with Customers

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

2.3.14.3 Contract Balances
2.3.14.3.1 Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note 15.1 financial instruments – initial recognition and subsequent measurement.

2.3.14.3.2 Contract Liabilities

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

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

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

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

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

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

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

When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

In respect of deductible temporary differences associated with investments in joint arrangements, deferred tax asset is recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

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

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

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

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

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

2.3.16.3 Sales Tax

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

2.3.17 Foreign Currencies

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

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

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

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

2.3.18 Cash Dividend

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

2.3.19 Earnings per Share (EPS)

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

NOTES TO THE FINANCIAL STATEMENTS

2.4 Significant Accounting Judgements, Estimates and Assumptions

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

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

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

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

The Group assesses fair value of unquoted equity shares as at 31 March 2026. The primary approach adopted was the income approach using discounted cash flow method. A degree of judgment is required in establishing fair value and changes in assumptions could affect the reported fair value. The key assumptions used to determine the fair value of unquoted equity shares and sensitivity analysis are provided in note 14.

2.4.2 Revaluation of Lands

The Group measures lands which are recognised as property, plant & equipment at revalued amount with change in value being recognised in the Statement of Other comprehensive income. The valuer has used the open market approach in determining the fair value of the land. Further details on revaluation of lands are disclosed in note 10 to the Group Financial Statements.

2.4.3 Development costs

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 March 2026, the carrying amount was Rs. 15.84 million (2025: Rs. 19.97 million) Refer note 12. This amount includes significant investment in the development of Polyurethane (PU) foam product portfolio.

2.4.4 Taxes

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

The Group has Rs. 334 million (2025: Rs. 364 million) of tax losses carried forward. Refer note 8.3. These losses relates to the Companies in the Group those have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

2.4.5 Measurement of the Employee Benefit Obligations

The present value of the employee benefit obligations is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

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

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

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates. Further details about employee benefit obligation are provided in note 25 to the Financial Statements.

2.4.6 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The assessment includes the existing and anticipated effects from the present macro-economic conditions, the circumstances of the external environment, or are inconsistent with historical trends. Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern and the management do not intend either to liquidate or to cease operations of the Group. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.4.7 Revaluation of Property, Plant and Equipment and Investment Properties

The Group measures the freehold land (classified as property, plant and equipment) at revalued amounts, with changes in fair value being recognised in OCI. The freehold lands were valued by reference to transactions involving properties of a similar nature, location and condition. In addition, the Group carries its investment properties at fair value, with changes in fair value being recognised in the profit or loss. For investment properties, valuation methodologies such as market approach, and income approach (the Discounted Cash Flow (DCF) model) for properties lacked comparable market data were used.

The Group engaged a valuation specialist to assess fair values as at 31 March 2026 for the freehold lands and investment properties. The key assumptions used to determine the fair value of the properties and sensitivity analysis are provided in notes 10 and 14 to the Financial Statements.

2.4.8 Valuation of Inventories

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

3.1 New and Amended Standards and Interpretations

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

3.2 Standards Issued but not yet Effective

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

3.2.1 SLFRS 18 Presentation and Disclosure in Financial Statements – Replaces LKAS 01

SLFRS 18, which replaces LKAS 1, introduces significant enhancements to the way financial information is organized and communicated. The standard establishes new categories and subtotals in the statement of profit or loss to improve consistency and comparability across entities. It also requires entities to disclose management-defined performance measures (as specified in the standard), together with clear explanations and reconciliations. In addition, SLFRS 18 introduces strengthened requirements regarding the location, aggregation, and disaggregation of financial information. These changes are designed to ensure that financial statements present information more transparently and in a way that enhances users' understanding of an entity's financial performance and position.

SLFRS 18, and consequential amendments to the other accounting standards, are effective for annual reporting periods beginning on or after 1 January 2027. Early application is permitted.

The potential impact of SLFRS 18 on the financial statements and the related notes is currently being identified and evaluated.

3.2.2 Classification and Measurement of Financial Instruments - Amendments to SLFRS 9 and SLFRS 7

The amendments introduce enhancements to the classification, measurement, derecognition, and disclosure requirements for financial instruments. Their objective is to strengthen transparency, promote greater consistency in financial reporting, and respond to emerging market developments particularly features such as sustainability linked terms and nature dependent electricity contracts.

These amendments are effective for annual reporting periods beginning on or after 1 January 2026. Early application is permitted. The amendments are not expected to have a material impact on the financial statements

NOTES TO THE FINANCIAL STATEMENTS

4. REVENUE

For the year ended 31 March	Group		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Export sales	5,112,999	3,648,753	3,661,185	1,994,580
Indirect export sales	175,013	120,331	141,901	103,505
Local sales	1,579,956	964,775	211,710	182,506
	6,867,968	4,733,859	4,014,796	2,280,591

5. OTHER INCOME

For the year ended 31 March	Group		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Rent income	-	-	8,916	8,491
Gain on disposal of property, plant and equipment	-	375	-	375
Sundry income	9,742	14,422	6,484	12,589
	9,742	14,797	15,400	21,455

6. NET FINANCE INCOME/(COST)

6.1 Finance Income

For the year ended 31 March	Group		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Interest income	1,299	1,442	136	304
Dividend income	-	-	58,000	54,407
Foreign exchange gain	67,007	45,647	56,518	28,090
	68,306	47,089	114,654	82,801

6.2 Finance Cost

For the year ended 31 March	Group		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Interest on debts and borrowings	(153,735)	(92,215)	(100,395)	(39,938)
Foreign exchange loss	(21,235)	(28,751)	(19,304)	(27,931)
Foreign exchange loss on forward contracts	-	(3,163)	-	(2,799)
Interest (expense)/ reversal on lease liabilities	(479)	3,734	-	4,211
	(175,449)	(120,395)	(119,699)	(66,457)
Net finance income/(cost)	(107,143)	(73,306)	(5,045)	16,344

7 PROFIT BEFORE TAX

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

For the year ended 31 March	Notes	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Ernst & Young : Audit fees		4,372	4,338	2,943	2,924
Non audit services		2,426	1,844	1,191	956
Depreciation on property, plant and equipment	10	83,498	66,065	47,970	31,510
Provision for inventories	16	(11,003)	12,774	(12,134)	2,457
Employee benefits including the following					
-Defined contribution plan cost - EPF and ETF		9,151	8,466	7,143	6,954
-Employee benefit plan cost	25	10,163	8,358	6,689	5,828
Impairment/(reversal) bad debts	17	5,241	(42,318)	(64)	(46,716)
Directors' emoluments including Non-Executive Directors' fees		45,720	55,490	33,691	45,029

8 TAXATION

8.1 Tax Expense

For the year ended 31 March	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Current income tax				
Income tax on current year profits	103,157	60,310	-	-
Tax on dividend of subsidiary	9,936	9,246	-	-
Deferred tax				
Relating to origination and reversal of temporary differences	13,873	(64,608)	20,246	(66,049)
Tax expense/ (reversal) reported in the Statement of Profit or Loss	126,966	4,948	20,246	(66,049)

A reconciliation between tax expense and the result of accounting profit multiplied by domestic tax rate for the year ended 31 March 2026 and 2025 is given on note 8.3

8.2 Deferred Tax on Other Comprehensive Income

For the year ended 31 March	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Deferred tax related to items recognised in other comprehensive income during the year				
Re-measurement gain/(loss) on employee benefit obligations	(305)	(107)	(538)	(241)
Tax on land revaluation reserve	-	(3,327)	-	(3,327)
Revaluation of financial assets designated at FVOCI	(995)	(410)	(995)	(410)
Deferred tax charged directly to other comprehensive income	(1,300)	(3,844)	(1,533)	(3,978)

NOTES TO THE FINANCIAL STATEMENTS

8.3 Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31 March	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Profit/(Loss) before tax	391,322	39,345	118,440	(126,211)
Disallowable expenses	150,722	150,050	78,153	73,850
Allowable expenses	(158,631)	(275,263)	(169,899)	(234,539)
Tax loss brought forward	(363,572)	(85,060)	(363,572)	(85,060)
Adjustment for tax loss brought forward	2,870	8,389	2,870	8,389
Tax loss carried forward	334,008	363,571	334,008	363,571
Taxable income	356,719	201,032	-	-
Income tax @ 30%	100,138	60,310	-	-
Income tax @ 15%	3,458	-	-	-
Income tax on current year profit	103,596	60,310	-	-
Tax on dividend of subsidiary	9,936	9,246	-	-
Tax on temporary difference - tax @ 30%	13,873	(64,608)	20,246	(66,049)
Tax expense/(reversal) reported in the Statement of Profit or Loss	127,405	4,948	20,246	(66,049)

8.4 As per the Inland Revenue (Amendment) Act, No. 45 of 2022 certified on 19th of December, 2022, w.e.f. 1st October 2022. Income tax has been calculated based on a tax rate of 30%.

9. BASIC EARNINGS PER SHARE

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

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

For the year ended 31 March	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Amounts used as numerator :				
Profit/ (loss) attributable to ordinary equity holders of the Company	171,022	(42,694)	98,194	(60,162)

For the year ended 31 March	Group 2026 Number	Group 2025 Number	Company 2026 Number	Company 2025 Number
Number of ordinary shares used as denominator :				
Weighted average number of ordinary shares issued	24,000,000	24,000,000	24,000,000	24,000,000
Basic earnings per share (Rs.)	7.13	(1.78)	4.09	(2.51)

10 PROPERTY, PLANT AND EQUIPMENT

10.1 Group

	Freehold land Rs. '000	Freehold buildings Rs. '000	Building on leasehold land Rs. '000	Furniture, fittings & office equipment Rs. '000	Machinery & stores equipment Rs. '000	Fixtures & fittings Rs. '000	Motor vehicles Rs. '000	Total 2026 Rs. '000	Total 2025 Rs. '000
Cost/Valuation									
As at 01 of April	218,225	659,769	15,804	44,658	478,723	16,217	31,783	1,465,179	1,197,488
Revaluation of lands	-	-	-	-	-	-	-	-	11,089
Additions	-	78,266	-	9,435	88,388	6,925	66,445	249,459	256,414
Transfer (Note 10.7)	-	114,622	-	-	-	-	-	114,622	2,379
Disposals	-	-	-	-	-	-	-	-	(2,191)
As at 31 March	218,225	852,657	15,804	54,093	567,111	23,142	98,228	1,829,260	1,465,179
Depreciation									
As at 01 of April	-	95,605	3,290	30,251	191,896	12,731	13,232	347,005	283,131
Charge for the year	-	21,043	790	5,397	42,436	2,032	11,800	83,498	66,065
Disposals	-	-	-	-	-	-	-	-	(2,191)
As at 31 March	-	116,648	4,080	35,648	234,332	14,763	25,032	430,503	347,005
Net book value as at 31 March	218,225	736,009	11,724	18,445	332,779	8,379	73,196	1,398,757	1,118,174
Capital work in progress (Note 10.7)	-	-		-	-	-	-	25,341	133,623
Carrying amount as at 31 March	218,225	736,009	11,724	18,445	332,779	8,379	73,196	1,424,098	1,251,797

10.2 Company

	Freehold land Rs. '000	Freehold buildings Rs. '000	Furniture, fittings & office equipment Rs. '000	Machinery & stores equipment Rs. '000	Fixtures & fittings Rs. '000	Motor vehicles Rs. '000	Total 2026 Rs. '000	Total 2025 Rs. '000
Cost/Valuation								
As at 01 April	218,225	411,551	20,882	199,439	16,217	31,783	898,097	635,975
Revaluation of lands	-	-	-	-	-	-	-	11,089
Additions	-	72,461	7,873	69,311	6,925	66,445	223,015	250,846
Transfer (Note 10.7)	-	114,622	-	-	-	-	114,622	2,379
Disposals	-	-	-	-	-	-	-	(2,191)
As at 31 March	218,225	598,634	28,755	268,750	23,142	98,228	1,235,734	898,098
Depreciation								
As at 01 of April	-	29,708	10,695	69,413	12,732	13,232	135,780	106,461
Charge for the year	-	10,348	4,105	19,685	2,032	11,800	47,970	31,510
Disposals	-	-	-	-	-	-	-	(2,191)
As at 31 March	-	40,056	14,800	89,098	14,764	25,032	183,750	135,780
Net book value as at 31 March	218,225	558,578	13,955	179,652	8,378	73,196	1,051,984	762,318
Capital work in progress (Note 10.7)	-	-	-	-	-	-	2,979	114,622
Carrying amount as at 31 March	218,225	558,578	13,955	179,652	8,378	73,196	1,054,963	876,940

NOTES TO THE FINANCIAL STATEMENTS

10.3 Group/Company - Revaluation of Lands

Fair value of the lands were determined using the market comparable method. The most recent valuations had been performed by the valuer and were based on prices of transactions for properties of similar nature, location and condition. As at the dates of revaluation on 31 March 2025, the land valuations was performed by KPMG Real Estate & Valuation Services (Pvt) Ltd, an accredited independent valuer who has valuation experience for similar properties.

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

As at 31 March		Revaluation surplus	
Company	Location	2026 Rs. '000	2025 Rs. '000
Hayleys Fibre PLC	Kuliyapitiya (Valuation date 31.03.2025)	37,794	37,794
	Bingiriya (Valuation date 31.03.2025)	3,810	3,810
	Nikaweratiya (Valuation date 31.03.2025)	2,439	2,439
		44,043	44,043

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

Type of Instrument	Location	Significant unobservable input	Fair value measurement sensitivity to unobservable input	Valuation technique	Extent (Perches)	Original cost Rs. '000	Fair value as at 31 March 2026 Rs. '000
Free hold land	Kuliyapitiya (Valuation date 31.03.2025)	Estimated price per perch (Rs. 85,000)	Significant increase/ (decrease) in estimated price per perch in isolation would result in a significantly higher/ (lower) fair value	Open market basis	460	1,306	39,100
	Bingiriya (Valuation date 31.03.2025)	Estimated price per perch(Rs. 32,813)			1,120	32,940	36,750
	Nikaweratiya (Valuation date 31.03.2025)	Estimated price per perch (Rs.26,562)			5,360	139,935	142,375
					6,940	174,181	218,225

10.5 Buildings Owned by the Group/Company

Company	Location	Address	Buildings Sq.ft.	No of buildings at each locations	Carrying Value at cost - 31 March 2026 Rs. '000
Hayleys Fibre PLC	Kuliyapitiya	Biginhill Estate, Hettipola Road, Karagahagedara, Kuliyapitiya	47,389	15	39,807
Hayleys Fibre PLC	Bingiriya	Siri Sumangala Mawatha, Mahagama North, Chilaw	65,200	9	139,600
Hayleys Fibre PLC	Nikaweratiya	Yaya 02, Kadigawa, Rasnayakapura, Nikaweratiya	24,000	4	374,280
Creative Polymats (Pvt) Ltd	Dankotuwa	Industrial Estate, Bujjampola, Dankotuwa	65,767	11	182,322
			202,356	39	736,009

Company	Location	Address	Buildings Sq.ft.	No of buildings at each locations	Carrying Value at cost - 31 March 2025 Rs. '000
Hayleys Fibre PLC	Kuliyapitiya	Biginhill Estate,Hettipola Road,Karagahagedara,Kuliyapitiya	47,389	15	39,807
Hayleys Fibre PLC	Bingiriya	Siri Sumangala Mawatha,Mahagama North,Chilaw	65,200	9	139,600
Hayleys Fibre PLC	Nikaweratiya	Yaya 02, Kadigawa,Rasnayakapura,Nikaweratiya	24,000	4	202,435
Creative Polymats (Pvt) Ltd	Dankotuwa	Industrial Estate, Bujjampola, Dankotuwa	65,767	11	182,322
			202,356	39	564,164

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

	Group		Company	
As at 31 March	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Freehold buildings	973	973	973	973
Machinery and stores equipment	34,541	33,479	17,941	17,011
Fixtures & fittings	9,885	7,448	9,885	6,869
Furniture, fittings and office equipment	21,172	15,139	1,934	1,660
Motor vehicles	3,108	323	3,108	323
	69,679	57,362	33,841	26,836

10.7 Capital Work In Progress

	Group		Company	
As at 31 March	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
As at 01 April	133,623	21,380	114,622	2,379
Additions during the year	6,340	114,622	2,979	114,622
Transferred to property, plant and equipment during the year	(114,622)	(2,379)	(114,622)	(2,379)
As at 31 March	25,341	133,623	2,979	114,622

NOTES TO THE FINANCIAL STATEMENTS

11 RIGHT-OF-USE ASSETS / LEASES

Amounts recognised in the Statement of Financial Position and Profit or Loss for the year ended 31 March 2026.

11.1 Right-of-Use Assets

As at 31 March	Group Land & Buildings		Company Land & Buildings	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
As at 01 April	1,801	12,345	-	10,444
Additions	-	-	-	-
De-recognition	-	(8,222)	-	(8,222)
Amortisation of right-of-use assets	(100)	(2,322)	-	(2,222)
As at 31 March	1,701	1,801	-	-

11.2 Lease Liabilities

As at 31 March	Group		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
As at 01 April	4,971	21,701	-	17,207
Interest cost	479	2,147	-	1,670
Payments	(572)	(4,792)	-	(4,792)
De-recognition	-	(14,085)	-	(14,085)
As at 31 March	4,878	4,971	-	-
Repayable within one year	109	146	-	-
Repayable after one year	4,769	4,825	-	-

11.3 Amounts recognised in the Statement of Profit or Loss relating to Right-of-Use Assets

Following are the amounts recognised in the Statement of Profit or Loss for the year ended 31 March 2026.

As at 31 March	Group		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Amounts recognised in the Statement of Profit or Loss				
Amortisation of right-of-use assets	100	2,322	-	2,222
Interest expense/(reversal) on lease liabilities	479	(3,734)	-	(4,211)
	579	(1,412)	-	(1,989)

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

Group	0 - 1 year Rs. '000	1 to 2 years Rs. '000	2 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
As at 31 March 2026	517	517	1,552	6,885	9,471
As at 31 March 2025	465	517	1,552	7,402	9,936

12 INTANGIBLE ASSETS

12.1 Group

As at 31 March Cost	Patents and Trade Marks Rs. '000	ERP System Rs. '000	Development Cost Rs. '000	Computer Software Rs. '000	Total 2026 Rs. '000	Total 2025 Rs. '000
As at 01 April	28,658	16,384	41,325	1,389	87,756	59,098
Additions	-	-	-	-	-	28,658
As at 31 March	28,658	16,384	41,325	1,389	87,756	87,756
Amortisation						
As at 01 April	4,299	15,152	21,350	522	41,323	29,180
Amortisation during the year	4,299	932	4,132	347	9,710	12,143
As at 31 March	8,598	16,084	25,482	869	51,033	41,323
Net book value						
As at 31 March	20,060	300	15,843	520	36,723	46,433

12.2 Company

As at 31 March Cost	ERP System Rs. '000	Total 2026 Rs. '000	Total 2025 Rs. '000
As at 01 April	16,384	16,384	16,384
Additions	-	-	-
As at 31 March	16,384	16,384	16,384
Amortisation			
As at 01 April	15,152	15,152	11,787
Amortisation during the year	932	932	3,365
As at 31 March	16,084	16,084	15,152
Net book value			
As at 31 March	300	300	1,232

12.3 No impairment has been recognised on intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

13 INVESTMENT IN SUBSIDIARIES

As at 31 March	Holding % 2026	Holding % 2025	No. of shares 2026	No. of shares 2025	Company 2026 Rs. '000	Company 2025 Rs. '000
Unquoted						
Bonterra Ltd	50	50	803,400	803,400	8,034	8,034
Creative Polymats (Pvt) Ltd	74	74	22,500,000	22,500,000	225,000	225,000
			23,303,400	23,303,400	233,034	233,034

13.1 Summarised Financial Information of Subsidiaries

13.1.1 Summarised Statement of Profit or Loss:

For the year ended 31 March	Creative Polymats (Pvt) Ltd 2026 Rs. '000	Creative Polymats (Pvt) Ltd 2025 Rs. '000	Bonterra Ltd 2026 Rs. '000	Bonterra Ltd 2025 Rs. '000	Total 2026 Rs. '000	Total 2025 Rs. '000
Group share of:						
Revenue from contracts with customers	1,365,875	779,272	1,506,896	1,697,469	2,872,771	2,476,741
Cost of sales	(1,015,374)	(610,462)	(1,153,990)	(1,349,182)	(2,169,364)	(1,959,644)
Other income	3,258	1,824	-	9	3,258	1,833
Selling and distribution expenses	(133,646)	(65,693)	(13,596)	(9,064)	(147,242)	(74,757)
Administrative expenses	(38,153)	(44,471)	(145,404)	(142,457)	(183,557)	(186,928)
Net financial income/(expenses)	(37,621)	(42,021)	(9,445)	6,416	(47,066)	(35,605)
Profit before tax	144,339	18,449	184,461	203,191	328,800	221,640
Income tax	(45,531)	(10,044)	(50,629)	(52,206)	(96,160)	(62,250)
Profit for the year	98,808	8,405	133,832	150,985	232,640	159,390

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

13.1.2 Summarised Statement of Financial Position:

As at 31 March	Creative Polymats (Pvt) Ltd 2026 Rs. '000	Creative Polymats (Pvt) Ltd 2025 Rs. '000	Bonterra Ltd 2026 Rs. '000	Bonterra Ltd 2025 Rs. '000	Total 2026 Rs. '000	Total 2025 Rs. '000
Group share of:						
Non-current assets	247,948	257,480	170,397	143,823	418,345	401,303
Current assets, including cash in hand and at bank	1,066,122	704,552	858,338	745,547	1,924,460	1,450,099
Total assets	1,314,070	962,032	1,028,735	889,370	2,342,805	1,851,402
Total equity	505,907	406,738	334,224	337,160	840,131	743,898
Non-current liabilities	25,820	27,350	60,522	35,455	86,342	62,805
Current liabilities, including trade and other payable	782,343	527,944	633,989	516,755	1,416,332	1,044,699
Total liabilities	808,163	555,294	694,511	552,210	1,502,674	1,107,504
Total equity and liabilities	1,314,070	962,032	1,028,735	889,370	2,342,805	1,851,402

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

13.1.3 Summarised Statement of Cash Flows

For the year ended 31 March	Creative Polymats (Pvt) Ltd		Bonterra Ltd		Total	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Cash flows from operating activities	(5,443)	240,840	(44,786)	79,558	(50,229)	320,398
Cash flows from investing activities	(19,952)	(1,586)	(10,424)	(32,639)	(30,376)	(34,225)
Cash flows from financing activities	(15,000)	916	42,468	(77,707)	27,468	(76,791)

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

14. GROUP/COMPANY - OTHER NON CURRENT FINANCIAL ASSETS

As at 31 March	2026 Rs. '000	2025 Rs. '000
Equity instruments designated at fair value through OCI		
As at 01 April	144,262	142,895
Net gain/(loss)	3,316	1,367
As at 31 March	147,578	144,262

Equity instruments designated at fair value through OCI (FVOCI) consist of Investment in Toyo Cushion Lanka (Pvt) Ltd and Rileys (Pvt) Ltd as at 31 March 2026. The Investment in Toyo Cushion Lanka (Pvt) Ltd and Rileys (Pvt) Ltd have been valued using Cash Flow Models.

14.1 Rileys (Pvt) Ltd

As at 31 March	Company	
	2026 Rs. '000	2025 Rs. '000
As at 01 April	25,048	32,324
Net gain/(loss)	1,220	(7,276)
As at 31 March	26,268	25,048

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Equity securities	FVOCI investments in equity securities are valued by using the cash flow model.	* Forecast annual revenue growth rate (2026: 10%; 2025: 15%) * Forecast EBITDA margin (2026: 8%; 2025: 3%) * Discount rate (2026: 17%; 2025: 15%)	The estimate fair value would increase/ (decrease) if: * The annual revenue growth rate were higher/(lower) * The EBITDA margin were higher/ (lower) * The discount rate were lower/(higher)

14.2 Toyo Cushion Lanka (Pvt) Ltd

As at 31 March	Company 2026 Rs. '000	Company 2025 Rs. '000
As at 01 April	119,214	110,571
Net gain/(loss)	2,096	8,643
As at 31 March	121,310	119,214

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Equity securities	FVOCI investments in equity securities are valued by using the cash flow model.	* Forecast annual revenue growth rate (2026: 10%; 2025: 14%) * Forecast EBITDA margin (2026: 12%; 2025: 11%) * Discount rate (2026: 17%; 2025: 15%)	The estimate fair value would increase/(decrease) if: * The annual revenue growth rate were higher/(lower) * The EBITDA margin were higher/(lower) * The discount rate were lower/(higher)

14.3 Sensitivity Analysis

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

Un-quoted Equity Instruments Designated at Fair Value through OCI

	2026		2025	
	Increase Rs. '000	Decrease Rs. '000	Increase Rs. '000	Decrease Rs. '000
Effect to the other comprehensive income				
Annual revenue growth rate (±0.5%)	16,529	(16,529)	21,769	(21,769)
EBITDA margin (±0.25%)	8,030	(8,030)	1,053	(1,053)
Discount rate (±0.25%)	(9,963)	9,403	(3,327)	3,451

15. FINANCIAL ASSETS & FINANCIAL LIABILITIES

15.1 Financial Assets

As at 31 March	Group		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Equity instruments designated at fair value through OCI				
Rileys (Pvt) Ltd	26,268	25,048	26,268	25,048
Toyo Cushion Lanka (Pvt) Ltd	121,310	119,214	121,310	119,214
Total non-current financial assets	147,578	144,262	147,578	144,262
Loans and receivables				
Trade & other receivables	1,562,826	1,058,403	1,101,403	543,262
Amounts due from other related companies	740,804	465,254	125,874	177,942
Cash in hand and at bank	146,934	146,816	50,443	19,605
Total current financial assets	2,450,564	1,670,473	1,277,720	740,809
Carrying value of financial assets	2,598,142	1,814,735	1,425,298	885,071
Fair value of financial assets	2,598,142	1,814,735	1,425,298	885,071

15.2 Financial Liabilities

As at 31 March	Group		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Financial liabilities measured at amortised cost				
Trade & other payables	715,791	547,397	346,272	198,843
Amounts due to other related companies	474,897	92,875	474,237	89,710
Current portion of interest bearing borrowings	152,417	313,333	152,417	313,333
Bank overdrafts and short-term borrowings	1,696,848	1,279,267	897,234	674,324
Carrying value of financial liabilities	3,039,953	2,232,872	1,870,160	1,276,210
Fair value of financial liabilities	3,039,953	2,232,872	1,870,160	1,276,210

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

15.3 Fair Value Hierarchy

The Group/Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 : Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 : Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

NOTES TO THE FINANCIAL STATEMENTS

The Group/Company held the following financial instruments carried at fair value in the Statement of Financial Position.

Assets Measured at Fair Value

As at 31 March	2026 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Freehold lands carried at fair value (Note 10)	218,225	-	-	218,225
Unquoted equity shares - financial assets designated at FVOCI (Note 14)	147,578	-	-	147,578

As at 31 March	2025 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Freehold lands carried at fair value (Note 10)	218,225	-	-	218,225
Unquoted equity shares - financial assets designated at FVOCI (Note 14)	144,262	-	-	144,262

During the reporting period ended 31st March 2026, there were no transfers between Level 1 and Level 2 fair value measurements.

16 INVENTORIES

	Group		Company	
As at 31 March	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Raw materials and consumables*	893,963	618,464	501,711	230,317
Finished goods	43,429	23,623	16,304	10,888
Spares stocks	77,416	73,769	34,810	37,957
Working-in-progress	140,837	59,018	103,547	39,652
	1,155,645	774,874	656,372	318,814
Less: Provision for write down of inventories (Note 16.1)	(39,890)	(50,893)	(19,366)	(31,500)
	1,115,755	723,981	637,006	287,314

*Coir fibre inventory amounts to Rs. 498 Mn (5,474 tons in quantity). Inherent nature of the inventories, requires use of estimation techniques and judgments in ascertaining the physical quantities of inventories.

16.1 Movement in the Provision for Write Down of Inventories

	Group		Company	
As at 31 March	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
As at 01 April	50,893	38,119	31,500	29,043
Provision made/(reversed) during the year	(11,003)	12,774	(12,134)	2,457
As at 31 March	39,890	50,893	19,366	31,500

17. TRADE AND OTHER RECEIVABLES

As at 31 March	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Trade receivables (Note 17.1)	1,546,879	1,043,417	1,087,405	529,870
Deposits and prepayments	36,576	35,293	20,654	16,521
Advance to suppliers	120,138	85,840	27,931	60,081
Other receivables	15,947	14,986	13,998	13,392
	1,719,540	1,179,536	1,149,988	619,864

17.1 Trade Receivables

As at 31 March	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Gross trade receivables	1,567,577	1,058,874	1,088,498	531,027
Less: Provision for doubtful debts (Note 17.1 (a))	(20,698)	(15,457)	(1,093)	(1,157)
Net trade receivables	1,546,879	1,043,417	1,087,405	529,870

17.1 (a) Movement in the Provision for Doubtful Debts

	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
As at 01 April	15,457	57,775	1,157	47,873
Provision made during the year	5,241	7,046	-	1,157
Provision reversed during the year	-	(49,364)	(64)	(47,873)
As at 31 March	20,698	15,457	1,093	1,157

17.2 The Aging Analysis of Trade Receivables is as follows:

Group	Neither past due nor impaired Rs. Mn	Past due but not impaired <60 Days Rs. Mn	61-120 Days Rs. Mn	121-180 Days Rs. Mn	>180 Days Rs. Mn	Total (Gross) Rs. Mn	Provisions Rs. Mn	Total (Net) Rs. Mn
As at 31 March 2026	884.54	645.53	11.89	5.68	19.92	1,567.56	(20.69)	1,546.87
As at 31 March 2025	498.75	469.16	71.52	3.98	15.45	1,058.86	(15.45)	1,043.41

Company	Neither past due nor impaired Rs. Mn	Past due but not impaired <60 Days Rs. Mn	61-120 Days Rs. Mn	121-180 Days Rs. Mn	>180 Days Rs. Mn	Total (Gross) Rs. Mn	Provisions Rs. Mn	Total (Net) Rs. Mn
As at 31 March 2026	534.68	549.62	2.55	0.55	1.09	1,088.49	(1.09)	1,087.40
As at 31 March 2025	165.74	316.85	47.28	-	1.15	531.02	(1.15)	529.87

NOTES TO THE FINANCIAL STATEMENTS

18. OTHER CURRENT ASSETS

As at 31 March	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Other tax receivables	440	-	-	-
Withholding tax refunds	1,477	886	1,437	846
VAT receivables	71,516	11,762	74,390	3,434
	73,433	12,648	75,827	4,280

19. AMOUNTS DUE FROM OTHER RELATED COMPANIES

As at 31 March	Relationship	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Quality Seed Co. (Pvt) Ltd	Affiliate	3,812	3,857	3,812	3,857
Toyo Cushion Lanka (Pvt) Ltd	Affiliate	408,718	254,846	14,972	26,145
Volanka Exports Ltd	Affiliate	66,964	65,466	66,964	65,466
Chas P Hayley & Co.(Pvt) Ltd	Affiliate	129,400	40,146	40,126	31,361
Rileys (Pvt) Ltd	Affiliate	-	15,422	-	5,582
Singer (Sri Lanka) PLC	Affiliate	131,910	85,517	-	-
Bonterra Ltd	Subsidiary	-	-	-	45,531
		740,804	465,254	125,874	177,942

20. CASH IN HAND AND AT BANK

As at 31 March	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Cash in hand	586	586	336	336
Cash at bank	146,348	146,230	50,107	19,269
Cash in hand and at bank	146,934	146,816	50,443	19,605

21. STATED CAPITAL

As at 31 March	No.of Shares 2026	No.of Shares 2025	Company 2026 Rs. '000	Company 2025 Rs. '000
Fully paid ordinary shares	24,000,000	24,000,000	80,000	80,000

22. RESERVES

As at 31 March	Notes	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Other components of equity					
Revaluation reserves	22.1	30,643	30,643	30,643	30,643
Cash flow hedge reserve		(16,500)	-	(16,500)	-
Fair value reserves of financial assets designated at FVOCI		90,408	88,087	90,408	88,087
		104,551	118,730	104,551	118,730
Amalgamation reserves					
Amalgamation revenue reserves	22.3	36,625	36,625	36,625	36,625
Amalgamation capital reserves	22.3	14,000	14,000	14,000	14,000
		50,625	50,625	50,625	50,625
Retained earnings	22.2	1,288,098	1,116,011	963,486	864,037
		1,443,274	1,285,366	1,118,662	1,033,392

22.1 Revaluation Reserves

As at 31 March	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
As at 01 April	30,643	22,881	30,643	22,881
Revaluation surplus during the year	-	11,089	-	11,089
Income tax effect on revaluation surplus	-	(3,327)	-	(3,327)
As at 31 March	30,643	30,643	30,643	30,643

22.2 Retained Earnings

As at 31 March	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
As at 01 April	1,116,011	1,156,513	864,037	921,856
Profit/(loss) for the year	171,022	(42,694)	98,194	(60,162)
Re-measurement gain/(loss) on employee benefit obligations	1,523	589	1,793	804
Income tax on other comprehensive income	(458)	(177)	(538)	(241)
Unclaimed dividends	-	1,780	-	1,780
As at 31 March	1,288,098	1,116,011	963,486	864,037

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

NOTES TO THE FINANCIAL STATEMENTS

23 LONG-TERM INTEREST BEARING BORROWINGS

As at 31 March	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
As at 01 April	313,333	320,000	313,333	320,000
New loan obtained	299,500	-	299,500	-
Repayments	(80,000)	(6,667)	(80,000)	(6,667)
Effect of movements in exchange rates	16,500	-	16,500	-
At the end of the year	549,333	313,333	549,333	313,333
Repayable within one year	152,417	313,333	152,417	313,333
Repayable after one year	396,916	-	396,916	-

23.1 Analysis of Long -Term Borrowings by Year of Repayment

Group	On demand Rs. '000	1 to 2 years Rs. '000	2 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
As at 31 March 2026	-	152,417	396,916	-	549,333
As at 31 March 2025	313,333	-	-	-	313,333

Company	On demand Rs. '000	1 to 2 years Rs. '000	2 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
As at 31 March 2026	-	152,417	396,916	-	549,333
As at 31 March 2025	313,333	-	-	-	313,333

23.2 Long Term Borrowings Repayable After One Year

Company	Lender/Rate of Interest %	Repayment Terms	2026 Rs. '000	2025 Rs. '000
Hayleys Fibre PLC	HSBC (SLF+2.25%)	48 Monthly installments commenced from March 2025	153,333	-
Hayleys Fibre PLC	HSBC (SOFR+3.5%)	48 Monthly installments commenced from May 2026	243,583	-
			396,916	-

24. DEFERRED TAXATION

As at 31 March	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Deferred tax assets (Note 24.1)	(34,085)	(55,864)	(34,085)	(55,864)
Deferred tax liabilities (Note 24.1)	42,510	49,116	-	-
	8,425	(6,748)	(34,085)	(55,864)

24.1 Net Deferred Tax Liabilities

As at 31 March	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
As at 01 April	(6,748)	54,016	(55,864)	6,207
Deferred tax recognised in profit & loss	13,873	(64,608)	20,246	(66,049)
Deferred tax recognised in other comprehensive income	1,300	3,844	1,533	3,978
As at 31 March	8,425	(6,748)	(34,085)	(55,864)

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

As at 31 March	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Deferred tax assets				
Employee benefit obligations	(15,968)	(13,659)	(12,206)	(11,070)
Amortisation of intangible assets for tax purposes	(5,324)	(3,311)	(3,405)	(3,370)
Effect of unrealised exchange gain	-	-	-	-
Effect of transition to SLFRS 16	-	(951)	-	-
Losses available for off-setting against future taxable income	(101,156)	(109,072)	(100,203)	(109,072)
	(122,448)	(126,993)	(115,814)	(123,512)
Deferred tax liabilities				
Accelerated depreciation for tax purposes	99,163	88,665	51,170	36,011
Amortisation of intangible assets for tax purposes	1,033	-	-	-
Effect of transition to SLFRS 16	-	241	-	241
Revaluation on freehold land	13,400	13,400	13,400	13,400
Revaluation of financial assets designated at FVOCI	16,358	15,364	16,359	15,364
Effect of unrealised exchange gain	919	2,575	800	2,632
	130,873	120,245	81,729	67,648
Net deferred tax liabilities	8,425	(6,748)	(34,085)	(55,864)

The Company has tax losses amounting to Rs. 334 Mn (2025 - Rs. 364 Mn) available to offset against future taxable profits and has utilised for recognition of theses losses as deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS

As per the Gazette Notification No. 2064/53 issued by the Department of Inland Revenue in relation to the transitional provisions, any unclaimed loss as at 31 March 2018 is deemed to be a loss incurred for the year of assessment commencing on or after 01 April 2018 and shall be carried forward up to 6 years.

25. EMPLOYEE BENEFIT OBLIGATIONS

	Group		Company	
As at 31 March	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
As at 01 April	44,728	37,489	36,096	31,176
Current service cost	5,278	3,891	2,735	2,080
Interest cost	4,885	4,467	3,954	3,748
Transfers	(55)	124	(55)	124
Re-measurement (gain)/ loss on employee benefit obligations	(1,013)	(356)	(1,793)	(804)
	53,823	45,615	40,937	36,324
Employee benefits paid	(594)	(887)	(249)	(228)
As at 31 March	53,229	44,728	40,688	36,096

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

	Group		Company	
As at 31 March	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Current service cost	5,278	3,891	2,735	2,080
Interest cost	4,885	4,467	3,954	3,748
	10,163	8,358	6,689	5,828
Re-measurement (gain)/loss recongnised in other comprehensive income	(1,013)	(356)	(1,793)	(804)

25.2 LKAS 19 - requires the use of actuarial techniques to make a reliable estimate of the amount of employee benefit that employees have earned in return for their service in the current and prior periods and discount the benefit using the Projected Unit Credit Method in order to determine the present value of the employee benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

The key assumptions used in determining the cost of employee benefits were:

Rate of discount	10% (2025 : 11%)
Rate of salary increase	9% (2025 : 10%)
Retirement age	55-60 years as specified by the Company (2025 : 55-60 Years)
Mortality	Based on A1967/70 mortality table.

Employee contribution plans - EPF/ETF

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

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

The employee benefit obligation actuarial valuation as of March 31, 2026, carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd.

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

The demographic assumptions underlying the valuations are with respect to retirement age, early withdrawals from service and retirement on medical grounds.

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

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

25.3 Distribution of Employee Benefit Obligation Over Future Working Lifetime

	Group		Company	
As at 31 March	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Expected future working life				
Within the next twelve months	8,877	2,051	7,382	1,218
Between one to five years	16,778	17,353	11,801	14,370
Between five to ten years	16,878	15,028	14,687	13,500
More than ten years	10,696	10,296	6,818	7,008
	53,229	44,728	40,688	36,096

The Company's weighted average duration of the defined benefit plan obligation at the end of the reporting period is 7.3 years.

25.4 Sensitivity Analysis - Salary Escalation Rate and Discount Rate

Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used. The sensitivity was carried for the rate of wage increment & salary increment and discount rate. Simulation made for Employee benefit obligation show that a rise or decrease by 1% of the rate of wage & salary and discount rate have the following changes related to Employee benefit obligation.

As at 31 March	Group		Company	
Salary escalation rate	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
1% Increase	56,957	48,350	43,285	38,788
1% Decrease	49,848	41,467	38,298	33,630

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March	Group		Company	
Rate of discount	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
1% Increase	50,107	41,688	38,492	33,806
1% Decrease	56,723	48,153	43,108	38,631

26 SHORT-TERM INTEREST-BEARING BORROWINGS

	Group		Company	
As at 31 March	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Bank overdrafts (Note 26.1)	663,969	469,176	615,310	442,933
Short term loans (Note 26.2)	1,032,879	810,091	281,924	231,391
	1,696,848	1,279,267	897,234	674,324

26.1 Bank Overdrafts

Company	Bank Name	2026 Rs. '000	2025 Rs. '000	Security
Hayleys Fibre PLC	Hatton National Bank PLC - LKR	27,689	8,978	Unsecured
	Hong Kong and Shanghai Banking Corporation Ltd - USD	138,026	96,043	Unsecured
	Hong Kong and Shanghai Banking Corporation Ltd - LKR	449,595	337,912	Unsecured
Bonterra Ltd	Hong Kong and Shanghai Banking Corporation Ltd - LKR	25,492	26,157	Unsecured
	Hong Kong and Shanghai Banking Corporation Ltd - USD	23,167	-	Unsecured
Creative Polymats (Pvt) Ltd	Hatton National Bank PLC- LKR	-	86	Unsecured
		663,969	469,176	

26.2 Short-term Loans

Company	Bank Name	2026 Rs. '000	2025 Rs. '000	Security
Hayleys Fibre PLC	Hatton National Bank PLC - USD	97,960	44,512	Export Orders
	Hatton National Bank PLC - EUR	108,964	111,879	Export Orders
	Hatton National Bank PLC - LKR	75,000	75,000	Unsecured
Bonterra Ltd	Hatton National Bank PLC - USD	30,955	118,700	Export Orders
	Hatton National Bank PLC - LKR	340,000	65,000	Unsecured
Creative Polymats (Pvt) Ltd	Commercial Bank PLC - LKR	100,000	75,000	Stock & debtors
	Sampath Bank PLC - LKR	175,000	195,000	Stock & debtors
	Hatton National Bank PLC - LKR	30,000	50,000	Stock & debtors
	Seylan Bank PLC - LKR	75,000	75,000	Stock & debtors
		1,032,879	810,091	

27. TRADE & OTHER PAYABLES

As at 31 March	Group		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Trade payables	226,949	196,957	116,404	60,093
Accruals and other payables	473,721	335,191	214,747	123,501
Dividend payables	-	-	-	-
Unclaimed dividends	15,121	15,249	15,121	15,249
	715,791	547,397	346,272	198,843

28. OTHER CURRENT LIABILITIES

As at 31 March	Group		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Advance Received (Note 28.1)	25,018	23,866	15,214	7,200
Other tax payable	4,426	12,569	254	238
	29,444	36,435	15,471	7,438

28.1 Movement in the Advance Received

As at 31 March	Group		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
As at 01 April	23,866	26,302	7,200	7,424
Advances Received during the year	351,526	302,218	140,510	148,434
Provision reversed Settlement during the year	(350,374)	(304,654)	(132,493)	(148,658)
As at 31 March	25,018	23,866	15,217	7,200

NOTES TO THE FINANCIAL STATEMENTS

29. AMOUNTS DUE TO OTHER RELATED COMPANIES

As at 31 March	Relationship	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Hayleys PLC	Parent	96,267	10,629	72,939	6,678
Charles Fibres (Pvt) Ltd	Affiliate	157,450	192	157,450	8,324
Haymat (Pvt) Ltd	Affiliate	34,275	16,356	17,243	10,336
Ravi Industries Ltd	Affiliate	3,257	3,923	3,260	4,185
Hayleys Agriculture Holdings Ltd	Affiliate	4,165	1,156	3,160	770
Hayleys Aventura (Pvt) Ltd	Affiliate	726	1,886	676	1,013
Mabroc Teas (Pvt) Ltd	Affiliate	190	-	-	-
Creative Polymats (Pvt) Ltd	Subsidiary	-	-	1,978	1,210
COSCO Shipping Lines Lanka (Pvt)Ltd	Affiliate	-	1,691	-	1,510
Hayleys Engineering (Pvt) Ltd	Affiliate	541	46,855	375	46,766
Advantis Express (Pvt) Ltd	Affiliate	-	92	-	92
Energynet (Pvt) Ltd	Affiliate	-	906	-	906
Kelani Valley Plantations PLC	Affiliate	-	15	-	15
Hayleys Travels (Pvt) Ltd	Affiliate	2,888	2,473	2,043	2,335
Hayleys Mobility Ltd	Affiliate	36,500	-	36,500	-
Hayleys Fentons Ltd	Affiliate	2,697	-	1,477	-
Haycarb USA, INC	Affiliate	4,162	1,668	1,104	-
Bonterra Ltd	Subsidiary	-	-	146,080	-
Haycarb PLC	Affiliate	1,104	-	4,162	1,588
Advantis Freight (Pvt) Ltd	Affiliate	3,519	3,717	1,031	2,217
Puritas (Pvt) Ltd	Affiliate	596	562	86	26
Hayleys Business Solutions International (Pvt) Ltd	Affiliate	3,282	633	717	166
Volanka (Pvt) Ltd	Affiliate	10,097	121	5,195	1,573
Rileys (Pvt) Ltd	Affiliate	113,181	-	18,761	-
		474,897	92,875	474,237	89,710

30. INCOME TAX

30.1 Income Tax recoverable

As at 31 March	Group 2026 Rs. '000	Group 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Income tax recoverable	12,799	12,799	12,799	12,799

30.2 Income tax Payable

As at 31 March	Group		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
As at 01 April	15,131	(91)	(12,799)	(12,799)
Taxation on current years profit	103,157	60,310	-	-
Tax on dividend	9,936	9,246	-	-
Payments made during the year	(82,591)	(54,334)	-	-
Net income tax payable/(recoverable)	45,633	15,131	(12,799)	(12,799)
Income tax recoverable	12,799	12,799	12,799	12,799
As at 31 March	58,432	27,930	-	-

31. PRINCIPAL SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTEREST

Summarized financial information in respect of Hayleys Fibre PLC's subsidiaries that have material non controlling interest, reflecting amount after inter-company eliminations, is set out below.

The significant figures extracted from the financials of subsidiaries with material-non controlling interest

As at 31 March	Creative Polymats (Pvt) Ltd		Bonterra Ltd	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Revenue	1,365,875	779,272	1,506,896	1,697,469
Profit before tax	144,339	18,449	184,461	203,191
Cash flows from operating activities	(5,443)	240,840	(44,786)	79,558
Cash flows from investing activities	(19,952)	(1,586)	(10,424)	(32,639)
Cash flows from financing activities	(15,000)	916	42,468	(77,707)
Non-current assets	268,793	278,325	138,461	143,543
current assets	1,066,122	714,352	858,338	745,547
Total assets	1,334,915	992,677	996,799	889,090
Non-current liabilities	25,820	27,350	33,998	35,471
Current liabilities	782,343	537,744	627,085	516,419
Total liabilities	808,163	565,094	661,083	551,890
Equity attributable to the owners of the company	389,803	316,410	167,858	168,600
Non-controlling interest	136,956	111,173	167,858	168,600
Non-controlling interest in %	26	26	50	50

32. CAPITAL EXPENDITURE COMMITMENTS

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

33. CONTINGENT LIABILITIES

The Group/Company does not have significant contingent liabilities as at the reporting date. (2025: Nil)

NOTES TO THE FINANCIAL STATEMENTS

34. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel compensation

Key management personnel comprise of Directors of the Company and details of Directors fees are given in note 7 to the Financial Statements.

Other transactions with key management personnel

Directors of the Company hold 0.01% of the voting Shares of the Company.

Transactions with key management personnel and their related parties have been conducted on relevant commercial terms with the respective parties.

35. EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the balance sheet date which required adjustment to or disclosure in the financial statements.

36. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from financial instruments :

1 Credit Risk
2 Liquidity Risk
3 Operational Risk
4 Market Risk

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework as described in detailed in Risk Management Report on pages 39 to 45.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Trade and Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

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

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

More than 85 percent of the Company's customers have been transacting with the Company for over five years, and no significant impairment loss has been recognised against these customers. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's whole sale customers. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the Management and future sales are made on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Company of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

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

	Group		Company	
As at 31 March	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Rupees	347,017	238,984	61,492	89,400
USD	927,797	585,720	698,472	203,047
GBP	7,156	9,147	3,500	2,816
EUR	437,570	345,685	386,524	324,601
	1,719,540	1,179,536	1,149,988	619,864

Investments

Credit risk from investments in equity market and balances with the financial institutions are managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counter-parties and within credit limits assigned to each counter-party. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counter-party's failure.

Cash in Hand and at Bank

The Group and Company held cash in Hand and at bank of Rs. 147 million and Rs. 50 million respectively as at 31 March 2026 (2024/25 - Rs. 147million and Rs. 20 million) which represents its maximum credit exposure on these assets.

NOTES TO THE FINANCIAL STATEMENTS

Respective credit ratings of banks where cash balances held are as follows;

- People's Bank- AA-(lka)
- Standard Chartered Bank- AAA(lka)
- Hong Kong and Shanghai Banking Corporation Ltd- AAA
- Hatton National Bank PLC- AA-(lka)
- Seylan Bank PLC- A+(lka)
- National Development Bank PLC- A(lka)
- Sampath Bank PLC- AA-(lka)
- Commercial Bank PLC- AA-(lka)
- Bank of Ceylon- AA- (lka)

Source -http://www.fitchratings.com

Liquidity Risk

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

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

Maturity Analysis

The table below summarises the maturity profile of the Group/Company financial liabilities as at 31 March 2026 based on contractual undiscounted payments.

As at 31 March 2026	On demand Rs. '000	Less than 3 Months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	>5 years Rs. '000	Total Rs. '000
Group						
Interest-bearing loans and borrowings	-	1,108,091	741,174	396,916	-	2,246,181
Trade and other payables	-	423,442	129,790	162,093	466	715,791
Amounts due to other related companies	-	474,897	-	-	-	474,897
	-	2,006,430	870,964	559,009	466	3,436,869
Company						
Interest-bearing loans and borrowings	-	648,477	401,174	396,916	-	1,446,567
Trade and other payables	-	327,648	10,353	7,804	467	346,272
Amounts due to other related companies	-	474,237	-	-	-	474,237
	-	1,450,362	411,527	404,720	467	2,267,076

As at 31 March 2025	On demand Rs. '000	Less than 3 Months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	>5 years Rs. '000	Total Rs. '000
Group						
Interest-bearing loans and borrowings	313,333	1,279,267	-	-	-	1,592,600
Trade and other payables	18,399	328,197	43,086	157,715	-	547,397
Amounts due to other related companies	3,369	89,506	-	-	-	92,875
	335,101	1,696,970	43,086	157,715	-	2,232,872
Company						
Interest-bearing loans and borrowings	313,333	674,324	-	-	-	987,657
Trade and other payables	-	172,108	13,114	13,621	-	198,843
Amounts due to other related companies	-	89,710	-	-	-	89,710
	313,333	936,142	13,114	13,621	-	1,276,210

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance when this is effective.

NOTES TO THE FINANCIAL STATEMENTS

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, financial assets at FVOCI/ available-for-sale investments and derivative financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest Rate Risk

Interest Rate is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in market interest rates. The Group mainly borrows in the short term to fund its working capital requirement which are linked and floating interest rates. For other funding needs the Group maintains a proper mix of fixed and floating interest rates based on the predictability of future cash flows.

	Increase / (decrease) in basis point	Effect on Profit Before Tax	
		Group Rs. '000	Company Rs. '000
2026	+150	(25,452)	(13,463)
	-150	25,452	13,463
2025	+150	(19,189)	(10,115)
	-150	19,189	10,115

Foreign Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group, primarily the Euro, US Dollars (USD) and Sterling Pound (GBP) and Chinese Renminbi (RMB). The currencies in which these transactions primarily are denominated are EUR, USD, GBP and RMB.

Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the US Dollars, Sterling Pound (GBP), Euro and Chinese Renminbi (RMB) exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to change in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency change for all other currencies is not material.

	Increase / (decrease) in Exchange Rate	Effect on Profit Before Tax	
		Group Rs. '000	Company Rs. '000
2026			
USD	+5%	1,619	(4,083)
EUR	+5%	14,865	12,472
GBP	+5%	254	176
USD	-5%	(1,619)	4,083
EUR	-5%	(14,865)	(12,472)
GBP	-5%	(254)	(176)

	Increase / (decrease) in Exchange Rate	Effect on Profit Before Tax Group Rs. '000	Company Rs. '000
2025			
USD	+5%	6,898	467
EUR	+5%	11,014	10,230
GBP	+5%	460	5
RMB	+5%	1,813	1,813
USD	-5%	(6,898)	(467)
EUR	-5%	(11,014)	(10,230)
GBP	-5%	(460)	(5)
RMB	-5%	(1,813)	(1,813)

Commodity Risk

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

Equity price Risk

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Group Management Committee.

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserve, retained earnings . The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

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

	Group		Company	
As at 31 March	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Long-term interest bearing borrowings	396,916	-	396,916	-
Current portion of interest bearing borrowings	152,417	313,333	152,417	313,333
Short-term interest bearing borrowings	1,696,848	1,279,267	897,234	674,324
	2,246,181	1,592,600	1,446,567	987,657
Equity	1,828,088	1,645,139	1,198,662	1,113,392
Equity and debts	4,074,269	3,237,739	2,645,229	2,101,049
Gearing ratio	55%	49%	55%	47%

NOTES TO THE FINANCIAL STATEMENTS

37. RELATED PARTY TRANSACTIONS

As at 31st March					2026	2025
Relationship with the Company	Settlement Rs. '000	Net funds transfer from / (to) related parties Rs. '000	Sales to related parties Rs. '000	Purchases / services from related parties Rs. '000	Amount due from / (due to) related parties Rs. '000	Amount due from / (due to) related parties Rs. '000
Parent :						
Hayleys PLC	111,593	-	-	(177,854)	(72,939)	(6,678)
Subsidiaries :						
Bonterra Ltd	87,745	(303,169)	27,139	(3,326)	(146,080)	45,531
Creative Polymats (Pvt) Ltd	41	-	134	(943)	(1,978)	(1,210)
Affiliate :						
Chas P Hayley & Co. (Pvt) Ltd	56,402	101,602	320,434	(469,673)	40,126	31,361
Volanka (Pvt) Ltd	(16,162)	12,540	-	-	(5,195)	(1,573)
Volanka Exports Ltd	1,498	-	-	-	66,964	65,466
Toyo Cushion Lanka (Pvt) Ltd	1,011	(12,000)	11,562	(11,746)	14,972	26,145
Ravi Industries Ltd	241	12,446	-	(11,762)	(3,260)	(4,185)
Rileys (Pvt) Ltd	(3,107)	-	10,168	(31,404)	(18,761)	5,582
Quality Seed Co. (Pvt) Ltd	(10,691)	-	10,646	-	3,812	3,857
Haymat (Pvt) Ltd	-	-	-	(6,907)	(17,243)	(10,336)
Haycarb USA, INC	(479,391)	-	479,391	(1,104)	(1,104)	-
Haycarb PLC	76	-	-	(2,650)	(4,162)	(1,588)
Hayleys Business Solutions International (Pvt) Ltd	129,879	-	-	(130,430)	(717)	(166)
Charles Fibres (Pvt) Ltd	313,966	-	-	(463,092)	(157,450)	(8,324)
Hayleys Agriculture Holdings Ltd	23,441	-	-	(25,831)	(3,160)	(770)
Hayleys Engineering (Pvt) Ltd	49,371	-	-	(2,980)	(375)	(46,766)
Puritas (Pvt) Ltd	26	-	-	(86)	(86)	(26)
COSCO Shipping Lines Lanka (Pvt) Ltd	1,510	-	-	-	-	(1,510)
Kelani Valley Plantations PLC	15	-	-	-	-	(15)
Hayleys Travels (Pvt) Ltd	5,638	-	-	(5,346)	(2,043)	(2,335)
Advantis Express (Pvt) Ltd	92	-	-	-	-	(92)
Hayleys Aventura (Pvt) Ltd	2,269	-	-	(1,932)	(676)	(1,013)
Energynet (Pvt) Ltd	1,236	-	-	(330)	-	(906)
Advantis Freight (Pvt) Ltd	11,554	-	-	(10,368)	(1,031)	(2,217)
Hayleys Fentons Ltd	-	-	8,181	(9,658)	(1,477)	-
Hayleys Mobility Ltd	-	-	-	(36,500)	(36,500)	-

37.1 Terms and Conditions of Transactions with Related Parties

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

37.2 Listing rules applicable to the Related Party Transactions

37.2.1 Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the company as per 31 March 2025 audited financial statements, which required additional disclosures in the 2025/2026 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

37.2.2 Recurrent related party transactions

Except for the below, No recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2025 audited financial Statements, which required additional disclosures in the 2025/2026 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

For the year ended 31st March	2026	2025
Name of the company - Haycarb PLC		
Aggregate value of transaction during the year (Rs. '000)	479,391	8,952
Aggregate value of transactions as a percentage of net revenue	10%	-
Name of the company - Haycarb PLC		
Aggregate value of transaction during the year (Rs. '000)	469,673	686,178
Aggregate value of transactions as a percentage of net revenue	10%	13%

NOTES TO THE FINANCIAL STATEMENTS

38 SEGMENT ANALYSIS

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

	Coir Fibre products		Stitched blanket		PU Mattresses and related products		Inter segment		Total	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Revenue										
Total Segmental Revenue	4,014,796	2,280,591	1,506,896	1,697,469	1,365,875	779,272	(19,599)	(23,473)	6,867,968	4,733,859
Segment Results										
Result from operating activities	123,485	(142,555)	193,907	196,775	181,961	60,470	(888)	(2,039)	498,465	112,651
Net finance income/(expense)	(5,045)	16,344	(9,445)	6,416	(37,621)	(42,021)	(55,032)	(54,045)	(107,143)	(73,306)
Profit/(loss) before tax	118,440	(126,211)	184,462	203,191	144,340	18,449	(55,920)	(56,084)	391,322	39,345
Tax expenses	(20,246)	66,049	(50,629)	(52,206)	(45,531)	(10,044)	(10,560)	(8,747)	(126,966)	(4,948)
Depreciation on property, plant and equipment	47,970	31,510	10,851	10,197	24,677	24,358	-		83,498	66,065
Amortisation of intangible assets	932	3,365	4,646	4,646	4,132	4,132	-	-	9,710	12,143
Segment financial position										
Total assets	3,521,897	2,433,136	1,028,735	889,363	1,314,073	971,827	(411,255)	(253,135)	5,453,450	4,041,191
Additions to property, plant and equipment	337,637	253,225	10,425	3,981	16,019	1,587	-	-	364,081	258,793
Additions to intangible assets	-	-	-	28,658	-	-	-	-	-	28,658
Deferred tax liabilities	-	-	27,592	31,857	14,276	17,243	642	16	42,510	49,116
Employee benefit obligations	40,688	36,096	5,763	3,350	6,778	5,282	-	-	53,229	44,728
Trade and other payable	346,272	198,843	145,276	234,887	224,115	113,667	128	-	715,791	547,397
Segment cash flows										
Segment cash flows operating activities	(280,874)	48,589	(44,786)	79,558	(5,443)	240,840	(29,563)	(18,401)	(360,666)	350,586
Segment cash flows investing activities	(167,858)	(321,471)	(10,424)	(32,639)	(19,952)	(1,586)	(56,266)	(42,181)	(254,500)	(397,877)
Segment cash flows from financing activities	307,193	(56,105)	42,468	(77,707)	(15,000)	916	85,830	(22,585)	420,491	(155,481)

TEN YEAR SUMMARY

TEN YEAR SUMMARY - GROUP

For the year ended 31 March	2026 Rs. '000	2025 Rs. '000	2024 Rs. '000	2023 Rs. '000	2022 Rs. '000	2021 Rs. '000	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000
Trading results										
Revenue	6,867,968	4,733,859	5,125,081	4,388,616	3,698,646	2,000,736	789,625	886,099	562,659	478,976
Profit/(loss) before taxation	391,322	39,345	132,575	465,635	438,933	258,785	177,322	185,475	120,342	278,765*
Tax expenses	(126,966)	(4,948)	(74,123)	(81,448)	(99,250)	(15,542)	(31,034)	(32,927)	(19,377)	(11,495)
Profit/(loss) after taxation	264,356	34,397	58,452	384,187	339,683	243,243	146,288	152,548	100,965	267,270*
Share capital & reserves										
Stated capital	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Other components of equity	104,551	118,730	110,011	94,184	85,042	87,541	84,318	75,500	73,151	74,778
Revenue reserves	1,288,098	1,116,011	1,156,513	1,183,633	1,000,285	901,142	768,501	695,507	595,914	531,945
Amalgamation reserves	50,625	50,625	50,625	50,625	50,625	50,625	50,625	50,625	50,625	50,625
Equity attributable to equity holders of the Company	1,523,274	1,365,366	1,397,149	1,408,442	1,215,952	1,119,308	983,444	901,632	799,690	737,348
Non-controlling interest	304,814	279,773	266,498	240,244	264,028	228,597	81,426	81,656	-	-
Total equity	1,828,088	1,645,139	1,663,647	1,648,686	1,479,980	1,347,905	1,064,870	983,288	799,690	737,348
Assets less liabilities										
Property , plant & equipment	1,424,098	1,251,797	935,737	796,449	754,508	630,773	484,051	233,933	72,290	64,838
Investments	147,578	144,262	142,895	129,908	120,987	109,368	232,099	176,316	161,704	142,610
Other non-current assets	72,509	104,098	42,263	51,313	73,619	89,690	84,632	16,956	-	-
Total non-current assets	1,644,185	1,500,157	1,120,895	977,670	949,114	829,831	800,782	427,205	233,994	207,448
Current assets	3,809,265	2,541,034	2,845,804	2,056,943	2,462,183	1,508,634	884,878	735,601	662,067	614,392
Current liabilities	(3,127,938)	(2,297,383)	(1,879,886)	(1,292,642)	(1,621,840)	(830,631)	(546,772)	(142,344)	(72,758)	(69,157)
Working capital	681,327	243,651	965,918	764,304	840,343	678,003	338,106	593,257	589,309	545,235
Non-current liabilities	(497,424)	(98,669)	(423,166)	(93,285)	(309,477)	(159,929)	(74,018)	(37,174)	(23,613)	(15,335)
Net assets	1,828,088	1,645,139	1,663,647	1,648,686	1,479,980	1,347,905	1,064,870	983,288	799,690	737,348
Ratios and Other Information										
Basic earnings per share (Rs.)	7.13	(1.78)	(1.05)	12.43	8.25	6.16	6.09	6.05	4.21	11.14
Net assets per share (Rs.) **	63.47	56.89	58.21	58.69	50.66	46.64	40.98	37.26	33.32	30.72
Current ratio (times)	1.22	1.11	1.51	1.59	1.52	1.82	1.62	5.17	9.09	8.88
Dividend per share - paid (Rs.)	-	-	-	3.80	4.00	0.58	2.83	2.25	1.33	0.67
Dividend payout (%)	-	-	-	30.57	48.50	9.47	46.53	35.40	31.70	5.99
Price earning ratio (times)	15.58	(25.91)	(49.62)	4.04	6.68	7.73	14.30	14.17	16.85	5.32

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

**All previous years' calculations are adjusted to the share sub division of 1:3 that took place on 10th February 2021 for the purpose of comparison.

INDEPENDENT ASSURANCE REPORT FOR THE GRI STANDARD

EY
Shape the future with confidence

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Independent practitioner's assurance report to the Board of Directors of Hayleys Fibre PLC on the Sustainability reporting criteria presented in the Integrated Annual Report FY 2025/26

Scope

We have been engaged by Hayleys Fibre PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Hayleys Fibre PLC's Economic, Environment, Social and Governance (EESG) indicators (the "Subject Matter") contained in Hayleys Fibre PLC's (the "Entity's") Integrated Annual Report for the year ended 31 March 2026 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Hayleys Fibre PLC

In preparing the Subject Matter, Hayleys Fibre PLC applied the following criteria ("Criteria"):

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at https://www.globalreporting.org

Such Criteria were specifically designed for the purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators contained in the Entity's Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

Hayleys Fibre PLC's responsibilities

Hayleys Fibre PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the Hayleys Fibre PLC on 8 May 2026. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Validated the information presented and checked the calculations performed by the organization through recalculation.
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- Conducted interviews with relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

Emphasis of matter

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Report.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of Hayleys Fibre PLC for the year ended 31 March 2026, in order for it to be in accordance with the Criteria.

1 June 2026
Colombo

GRI CONTENT INDEX

Statement of use	Hayleys Fibre PLC has reported in accordance with the GRI Standards for the period 1st Apirl 2025 to 31st March 2026
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details	Inner Back Cover	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	2-2 Entities included in the organization's sustainability reporting	Pg. 6				
	2-3 Reporting period, frequency and contact point	Pg. 5, 8				
	2-4 Restatements of information	Pg. 8				
	2-5 External assurance	Pg. 7				
	2-6 Activities, value chain and other business relationships	Pg. 106, 110				
	2-7 Employees	Pg. 118, 119				
	2-8 Workers who are not employees	Pg. 118				
	2-9 Governance structure and composition	Pg. 139, 140				
	2-10 Nomination and selection of the highest governance body	Pg. 141, 176, 177				
	2-11 Chair of the highest governance body	Pg. 12				
	2-12 Role of the highest governance body in overseeing the management of impacts	Pg. 147				
	2-13 Delegation of responsibility for managing impacts	Pg. 147				
	2-14 Role of the highest governance body in sustainability reporting	Pg. 8				
	2-15 Conflicts of interest	Pg. 158				
	2-16 Communication of critical concerns	Pg. 141				
	2-17 Collective knowledge of the highest governance body	Pg. 57				
	2-18 Evaluation of the performance of the highest governance body	Pg. 151, 152				

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
	2-19 Remuneration policies	Pg. 141, 162				
	2-20 Process to determine remuneration	Pg. 141, 162				
	2-21 Annual total compensation ratio		2-21 a,b,c	Confidentiality constraints	Confidential information of the company	
	2-22 Statement on sustainable development strategy	Pg. 24-28				
	2-23 Policy commitments	Pg. 144				
	2-24 Embedding policy commitments	Pg. 144				
	2-25 Processes to remediate negative impacts	Pg. 110, 126				
	2-26 Mechanisms for seeking advice and raising concerns	Pg.126, 165				
	2-27 Compliance with laws and regulations	Pg. 167				
	2-28 Membership associations	Pg. 100				
	2-29 Approach to stakeholder engagement	Pg. 32-35				
	2-30 Collective bargaining agreements	Pg. 121				
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Pg. 36	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	3-2 List of material topics	Pg. 36-38				
Economic performance						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 88				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Pg. 22				
	201-3 Defined benefit plan obligations and other retirement plans	Pg. 224, 225				
	201-4 Financial assistance received from government	-		Not applicable	The Group does not receive any financial benefit from the Government	

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
Market presence						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 88				
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Pg. 123, 124				
	202-2 Proportion of senior management hired from the local community	Pg. 121				
Indirect economic impacts						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 88				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Pg. 112, 113				
	203-2 Significant indirect economic impacts	Pg. 112				
Procurement practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 104				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Pg. 110				
Materials						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 130				
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Pg. 132				
	301-2 Recycled input materials used	Pg. 132				
	301-3 Reclaimed products and their packaging materials	Pg. 132				
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 130				

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Pg. 134, 135				
	302-2 Energy consumption outside of the organization		302-2 a,b,c	Incomplete information	Several outside energy consumptions are too uncertain	
	302-3 Energy intensity	Pg. 135				
	302-4 Reduction of energy consumption	Pg. 134, 135				
	302-5 Reductions in energy requirements of products and services		303-5 a,b,c	Incomplete information		
Water and effluents						
Emissions						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 130				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Pg. 135, 136				
	305-2 Energy indirect (Scope 2) GHG emissions	Pg. 135, 136				
	305-3 Other indirect (Scope 3) GHG emissions	Pg. 135, 136				
	305-4 GHG emissions intensity	Pg. 136				
	305-5 Reduction of GHG emissions	Pg. 136				
	305-6 Emissions of ozone-depleting substances (ODS)		305-6 a,b,c,d	Information unavailable	No emissions activity under this area	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		305-7 a,b,c			
Waste						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 130				

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Pg. 133, 134				
	306-2 Management of significant waste-related impacts	Pg. 133, 134				
	306-3 Waste generated	Pg. 134				
	306-4 Waste diverted from disposal	Pg. 134				
	306-5 Waste directed to disposal	Pg. 134				
Supplier environmental assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 104				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Pg. 110	308-1 a	Incomplete information	The Company maintain a weighted average for supplier screening under the environmental practices. Plans to improve the screening process	
	308-2 Negative environmental impacts in the supply chain and actions taken	Pg. 110	308-2 a,b,c,d,e			
Employment						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 116				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Pg. 121-123				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Pg. 123, 124				
	401-3 Parental leave	Pg. 124				
Labor/management relations						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 92				
Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 116				

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Pg. 127				
	403-2 Hazard identification, risk assessment, and incident investigation	Pg. 128				
	403-3 Occupational health services	Pg. 127				
	403-4 Worker participation, consultation, and communication on occupational health and safety	Pg. 127				
	403-5 Worker training on occupational health and safety	Pg. 125				
	403-6 Promotion of worker health	Pg. 127				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Pg. 127				
	403-8 Workers covered by an occupational health and safety management system	Pg. 127				
	403-9 Work-related injuries	Pg. 128				
	403-10 Work-related ill health	Pg. 128				
Training and education						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 116				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Pg. 125, 126				
	404-2 Programs for upgrading employee skills and transition assistance programs	Pg. 125				
	404-3 Percentage of employees receiving regular performance and career development reviews	Pg. 124, 125				
Diversity and equal opportunity						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 116				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Pg. 118, 119, 140				
	405-2 Ratio of basic salary and remuneration of women to men	Pg. 123				
Non-discrimination						

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 116				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Pg. 121				
Child labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 116				
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Pg. 121				
Forced or compulsory labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 116				
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Pg. 121				
Local communities						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 116				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Pg. 112-114				
	413-2 Operations with significant actual and potential negative impacts on local communities	Pg. 112				
Suppliers						
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Pg. 110				
	414-2 Negative social impacts in the supply chain and actions taken	Pg. 110				
Customer health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 104				

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Pg. 107				
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Pg. 108				
Marketing and labeling						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 104				
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Pg. 108				
	417-2 Incidents of non-compliance concerning product and service information and labeling	Pg. 108				
	417-3 Incidents of non-compliance concerning marketing communications	Pg. 109				
Customer privacy						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 104				
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Pg. 110				

SHARE INFORMATION

Ordinary Shareholders as at 31 March 2026: 5,383 (2025: 5,233)

No. of shares held	Residents			Non Residents			Total		
	No.of Shareholders	No.of Shares	%	No.of Shareholders	No.of Shares	%	No.of Shareholders	No.of Shares	%
1-1,000	4,657	1,700,003	7.08	16	6,329	0.03	4,673	1,706,332	7.11
1,001-10,000	578	1,840,948	7.67	6	27,720	0.12	584	1,868,668	7.79
10,001-100,000	111	3,080,307	12.84	4	136,248	0.56	115	3,216,555	13.40
100,001-1,000,000	10	1,608,445	6.70	-	-	0.00	10	1,608,445	6.70
OVER 1,000,000	1	15,600,000	65.00	-	-	0.00	1	15,600,000	65.00
	5,357	23,829,703	99.29	26	170,297	0.71	5,383	24,000,000	100.00
Category									
Individuals	5,216	5,758,931	24.00	24	108,008	0.45	5,240	5,866,939	24.45
Institutions	141	18,070,772	75.29	2	62,289	0.26	143	18,133,061	75.55
	5,357	23,829,703	99.29	26	170,297	0.71	5,383	24,000,000	100.00

Directors' Shareholdings

Name of Directors	As at 31.03.2026	As at 31.03.2025
Mr. A. M. Pandithage	960	960
Mr. H. S. R. Kariyawasan	NIL	NIL
Mr. S. C. Ganegoda	1,824	1,824
Dr. T. K. D. A. P. Samarasinghe	NIL	NIL
Mr. L. A. K. I. Kodytuwakku	NIL	NIL
Mr. D. K. De Silva Wijeyeratne	NIL	NIL
Mr. L. Uralagamage	NIL	NIL
Mrs. S. Amarasekera, PC	NIL	NIL
Mr. M. J. S. Rajakariar	NIL	NIL
Dr. N. S. J. Nawaratne	NIL	NIL
Mr. K. A. Karunarathna (Appointed on 01/10/2025)	NIL	NIL
Mr. K. R. Rajapakse (Appointed on 01/04/2026)	NIL	NIL
Mr. M. M. A. R. P. Goonetileke (Retired w.e.f. 31/03/2026)	NIL	NIL

Market Value

The Market value of Hayleys Fibre PLC, ordinary shares during the year.

	2025/2026		2024/2025	
	Rs.	Date	Rs.	Date
Highest price	147.75	26.02.2026	60.00	27.12.2024
Lowest price	45.00	07.04.2025	45.00	14.03.2025
Closing price	111.00	31.03.2026	46.10	28.03.2025
Number of transactions	21,764		6,027	
Number of shares traded	14,681,530		3,541,986	
Value of shares traded (Rs.)	1,396,528,339		187,116,825	
Percentage of public holding as at 31st March	34.99%		34.99%	
Total number of shareholders representing public holding	5,380		5,230	
Total number of shares held by public	8,397,216		8,397,216	
Float - adjusted market capitalization (Rs.)	932,090,976		387,111,658	

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

First Twenty Shareholders

	Name of the Shareholder	No of Shares as at 31. 03. 2026	%	No of Shares as at 31. 03. 2025	%
1	Hayleys PLC No. 3 Share Investment A/C	15,600,000	65.00	15,600,000	65.00
2	Senkadagala Finance PLC/ K. R. A. L. Kahatapitiya	334,919	1.40	-	-
3	Assetline Finance PLC/ H.A.S.P.Kumara	188,238	0.78	-	-
4	Dr. Dilesh Jayanntha	170,700	0.71	170,700	0.71
5	Seylan Bank PLC / Hotel International (Pvt) Ltd	170,000	0.71	-	-
6	Mr. P. C. Priyanjitha	142,314	0.59	-	-
7	DFCC Bank PLC / W. Jinadasa	140,016	0.58	-	-
8	Amana Bank PLC/Hi-Line Towers Pvt Limited	127,277	0.53	-	-
9	Mr. D. M. Gunarathna	119,905	0.50	46,201	0.19
10	Mrs. Sarasvathi Vasudevan & Mr. S. Vasudevan	108,000	0.45	174,000	0.73
11	New Benson Trading (Pvt) Ltd	107,076	0.45	107,076	0.45
12	Mr. P. Muralitharan	100,000	0.42	-	-
13	Seylan Bank PLC / Gladstone Capital (Private) Limited	95,903	0.40	-	-
14	Merchant Bank of Sri Lanka & Finance PLC/U.D. Premakumara	82,472	0.34	82,472	0.34
15	Assetline Finance PLC/ R. L. J. A. Rathnayake	80,000	0.33	-	-
16	Seylan Bank PLC / Hiline Towers (Pvt) Ltd	78,994	0.33	-	-
17	Miss. Prethiva Navaratrnam	78,156	0.33	78,156	0.33
18	Senkadagala Finance PLC / M. A. C. Withanage	77,900	0.32	-	-
19	Mr.S. K. Thenabadu, Mrs.L.P.Thenabadu & Miss.C.S. Thenabadu	74,496	0.31	74,496	0.31
20	Seylan Bank PLC / P. P. Maddumage	69,993	0.29	-	-
		17,946,359	74.77	16,333,101	68.05

There were no non-voting shares as at 31.03.2026

NOTICE OF MEETING

HAYLEYS FIBRE PLC
(COMPANY REGISTRATION NO. PQ 21)

NOTICE IS HEREBY GIVEN THAT THE FORTIETH ANNUAL GENERAL MEETING OF HAYLEYS FIBRE PLC, will be held on Friday, 26th June, 2026 at 1:00 p.m. at the Chas P. Hayley Lounge of Hayleys PLC, No. 400, Deans Road, Colombo 10 for the following purposes:

1) To consider and adopt the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March, 2026, with the Report of the Auditors thereon.
2) To re-elect as a Director Mr. K. A. Karunarathna, who was appointed as an Executive Director by the Board, in terms of Article 27(2) of the Articles of Association of the Company.
3) To re-elect as a Director Mr. K. R. Rajapakse, who was appointed as an Executive Director by the Board, in terms of Article 27(2) of the Articles of Association of the Company.
4) To re-elect as a Director Mr. L. Uralagamage, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
5) To re-elect as a Director Mr. S. C. Ganegoda, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
6) To re-elect as a Director Dr. T. K. D. A. P. Samarasinghe, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
7) To propose the following resolution for the re-appointment of Mr. A. M. Pandithage, in terms of Section 211 of the Companies Act No.07 of 2007.

Ordinary Resolution

"That Mr. Abeyakumar Mohan Pandithage, who is over the age of seventy years be and is hereby re-appointed as a Director until the next Annual General Meeting and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to him."

8) To authorise the Directors to determine donations and contributions to charities for the ensuing year.
9) To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2026/27 and to authorise the Directors to determine their remuneration.
10) To consider and if thought fit, to pass the following Special Resolution to amend the existing Article 50(1) in the Articles of Association of the Company;

Special Resolution (1)

IT IS HEREBY RESOLVED THAT Article 50 (1) of the Articles of Association of the Company be amended by the inclusion of the following paragraph at the end of Article 50 (1) ;

The Company may serve any notice or document by electronic mail to an electronic mail account notified by a shareholder in writing or by any other acceptable means to the Company or to the Central Depository System (Pvt) Ltd. Where electronic mail is used, the notice or document shall be deemed to have been received by the shareholder upon the dispatch of same by the Company or by the Central Depository System (Pvt) Ltd, through electronic mail.

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

By Order of the Board
HAYLEYS FIBRE PLC

Amali Munasinghe Peiris
Director
Hayleys Group Services (Private) Limited
Secretaries

Colombo
1st June 2026

Notes to shareholders:

1. A Shareholder is entitled to appoint a proxy to attend and vote instead of him/her and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the office of the Company Secretaries at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the time fixed for the Meeting.

2. The Annual Report of the Company for 2025/26 is available on the corporate website www.hayleysfibre.com and on the Colombo Stock Exchange website - www.cse.lk. If you wish to have a printed copy of the Annual Report, please forward the duly completed 'Request Form - Annexure A' to the office of the Secretaries. A printed copy of the Annual Report will be forwarded within 8 market days from the date of receiving the Request Form.

3. You may contact the undernoted person for any requests and queries.

Contact Person	:	Ranoja De Silva
Contact Number	:	+94 11 2627654
Email Address	:	Ranoja.desilva@secretarial.hayleys.com
Mailing Address	:	Hayleys Group Services (Private) Limited, Secretaries for Hayleys Fibre PLC, No. 400, Deans Road, Colombo 10.

NOTES

FORM OF PROXY

HAYLEYS FIBRE PLC
COMPANY NO. PQ 21

I/We .... (full name of shareholder)

NIC No./Reg. No. of Shareholder ....

of ....
being a shareholder/shareholders of HAYLEYS FIBRE PLC hereby appoint,

1 .... (full name of proxyholder)

NIC No. of Proxyholder .... of ....

.... or failing him/her,

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our proxy to attend and vote as indicated hereunder for me/us and on my/our behalf at the Fortieth Annual General Meeting of the Company to be held on Friday, 26th June 2026 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	For	Against
1. To adopt the Annual Report of the Board of Directors and the Statements of Account for the year ended 31st March, 2026 with the Report of the Auditors thereon.		
2. To re-elect as a Director Mr. K. A. Karunarathna, as set out in the Notice.		
3. To re-elect as a Director Mr. K. R. Rajapakse, as set out in the Notice.		
4. To re-elect as a Director Mr. L. Uralagamage, as set out in the Notice.		
5. To re-elect as a Director Mr. S. C. Ganegoda as set out in the Notice.		
6. To re-elect as a Director Dr. T. K. D. A. P. Samarasinghe, as set out in the Notice.		
7. To re-appoint Mr. A. M. Pandithage in terms of Section 211 of the Companies Act No.07 of 2007.		
8. To authorize the Directors to determine donations and contributions to charities for the ensuing year.		
9. To re-appoint Messrs. Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2026/27 and to authorise the Directors to determine their remuneration.		
10. To pass the Special Resolution to amend Article 50(1) of the Articles of Association of the Company as set out in the Notice.		

Signed on this .... day of .... 2026.

....
Signature of Shareholder
(Instructions are given overleaf)

Instructions:

1. The completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Private) Limited, at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the start of the meeting. **Delayed Proxy Forms shall not be accepted**.
2. A Shareholder entitled to attend and vote at the Annual General Meeting of the Company, is entitled to appoint a Proxy to attend and vote instead of him/her and the Proxy need not be a Shareholder of the Company.
3. Full name of Shareholder/Proxy holder and their NIC Nos. are mandatory. Your Proxy Form will be rejected if these details are not completed.
4. A Shareholder is not entitled to appoint more than one Proxy to attend on the same occasion.
5. The duly completed Proxy Form must be dated and signed by the Shareholder.
6. Please indicate with an "X" in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy can vote as he/she thinks fit.
7. In the case of a company/corporation the proxy must be executed in the manner prescribed by its Articles of Association or by a duly authorised Director.
8. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
9. In case of Marginal Trading Accounts (slash accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

CORPORATE INFORMATION

Legal Form
A Public Limited Company
Incorporated in Sri Lanka in 1987
Company Number PQ 21

Stock Exchange Listing
The ordinary shares of the company are listed with the Colombo Stock Exchange of Sri Lanka

Directors
Mr. A. M. Pandithage - Chairman
Mr. H. S. R. Kariyawasan
Mr. K. R. Rajapakse - Managing Director (Appointed on 01/04/2026)
Mr. L. A. K. I. Kodytuakku - Deputy Managing Director
Mr. S. C. Ganegoda
Dr. T. K. D. A. P. Samarasinghe
Mr. D. K. De Silva Wijeyeratne - Senior Independent Director
Mr. L. Uralagamage
Mrs. S. Amarasekera, PC
Mr. M. J. S. Rajakariar
Dr. N. S. J. Nawaratne
Mr. K. A. Karunarathna (Appointed on 01/10/2025)
Mr. M. M. A. R. P. Goonetileke (Retired w.e.f. 31/03/2026)

Registered Office
Hayleys Building
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Telephone : (94-11) 2627000
Fax : (94-11) 2627645

Office
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Telephone : (94-11)2232939
Fax : (94-11) 2232941
E-mail : info@hayleysfibre.com
Web Site : www.hayleysfibre.com

Bankers
Hatton National Bank PLC
Hongkong and Shanghai Banking Corporation Ltd
Standard Chartered Bank
Seylan Bank PLC
People's Bank
National Development Bank PLC
Sampath Bank PLC
Commercial Bank of Ceylon PLC
Bank of Ceylon

Auditors
Ernst & Young
Chartered Accountants,
Rotunda Towers,
No.109, Galle Road,
P.O. Box. 101,
Colombo 03, Sri Lanka.

Legal Advisors
Julius & Creasy, Attorneys-at-Law

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

Please direct any queries about the administration of shareholding to the Company Secretaries.

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